

**INFLUENCE OF PERFORMANCE APPRAISAL ON EMPLOYEE  
PERFORMANCE IN LAKE VICTORIA SOUTH WATER  
SERVICES BOARD, KENYA**

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**BY**

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## ABSTRACT

Performance appraisal is the process of analyzing the duties and responsibilities of each employee and evaluating the value of the job in relation to others in the organization. It is argued that performance appraisal, if conducted the right way, improves employee and overall organization performance. Despite the recent research efforts into the antecedents of organizational performance most especially in the developing economies, no documented empirical work has been conducted examining the link between the elements of performance appraisal and employee performance. This has left the information on appraisal feedback, appraisal decisions and appraisal techniques and their relationship with employee performance not known. The main objective of the study was to investigate the influence of performance appraisal on employee performance in Lake Victoria South Water Services Board. Specifically, the study sought to establish the influence of performance appraisal techniques on employee performance, to determine the relationship between performance appraisal feedback and employee performance and to assess the influence of performance appraisal decisions on employee performance. The study adopted correlational case study design. The population of the study 56 employees arrived at through saturated sampling. Primary data was collected by the use of structured questionnaire while secondary data was obtained through document review. The reliability of the instrument was achieved through the use of Cronbach's alpha coefficient,  $\alpha=0.687$ . The results showed that the correlation between appraisal techniques, appraisal feedback and performance was negative and significant at 0.05 significance level with a correlation coefficient of,  $r = -0.341$  and  $r = -.248$  respectively meaning that if rigid appraisal techniques are applied, employee performance is likely to decline. The same applies to appraisal feedback. The correlation between appraisal decisions and employee performance was positive and significant with a correlation coefficient of 0.424 meaning that when performance appraisals generate positive appraisal decisions concerning employees, employee performance is improved. The regression results showed that  $R^2$  is 0.923 and also significant. This means that appraisal techniques, appraisal feedback and appraisal decisions together explain 92.7 percent of the employee's job performance. Further the results showed that appraisal techniques, appraisal feedback and appraisal decisions had beta standardized coefficients and p values of  $\beta = -.271$ ,  $p < .05$ ;  $\beta = -1.146$ . These means all the beta coefficients,  $\beta$ , which are the degrees to which the independent variables each explain the dependent variable, are negative and significant. The study concludes that rigid performance appraisal techniques at Lake Victoria South Water Services Board negatively influences employee performance. It therefore recommends that the Board should emphasize the use of flexible performance appraisal techniques which will motivate its workers to put more effort to positively improve performance in their job areas.

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## CHAPTER ONE: INTRODUCTION

This chapter entails the background of the study, statement of the problem, objectives of the study and the research questions. It also presents at the scope of the study, justification of the study as well as conceptual framework underpinning the study.

### 1.1 Background of the Study

Performance appraisal can be defined as the process of analyzing the duties and responsibilities of each employee and evaluating the value of the job in relation to others in the organization, according to established standards (Chiaburu *et al* 2013). The origins of rating performance can be traced back to 3<sup>rd</sup> Century China and the Wei dynasty. The work of Scott (2002) can be credited with the first formal performance appraisal system (Wells, 2002). With the advent of World War One, Scott (2009) and many industrial psychologists of that time provided their services to the United States Army.

Performance appraisal techniques have gone through different stages. In recent years, Chinese have started to reform their old traditional performance appraisal techniques by adopting western style modern ones (Gamble, 2006). Foreign investors enterprises, whose HRM (Human Resource Management) practices have been reported as being transferred from their parent countries (Gamble, 2006), have comparatively more advanced performance appraisal techniques. However, there has been very little discussion on performance appraisal techniques and their reform in these Chinese organizations. This scenario may be similar to that of Kenya.

Performance management is a joint process that involves both the supervisor and the employees to identify common goals which correlate to the higher goals of the institution Murphy & Cleveland, (1995). In their study on Performance Improvement in the civil Service Boice and Kleiner (2007), noted that performance management is a formal process through which employees and their supervisors/managers world over jointly define goals, major areas of responsibilities in terms of the expected results and the use of these measures as guides for future performance and subsequent review of performance. PA may therefore be said to be a continuous process which entails setting direction and standards, monitoring and measuring of performance.

Performance management in Namibia public service was conducted using the Merit Assessment and Efficiency Rating Systems (Huselid 1995). Namoloh and Simataa (2000) stated that the Merit System was used to verify whether an employee qualified for promotion, by identifying an employee's leadership qualities and training needs (Huselid,1995). It further stated that performance was measured on the basis of "incidents" that occurred during the reporting period. Namoloh, *et al* (2000) also states that the Efficiency System approach evaluated each manager's attitudes, insights and leadership qualities (Huselid,1995). Despite its positive objective, the system forced more on attributes of employees instead of assessing the impact of those attributes on the attainment of the organization's set objectives (DeNisi & Smith, 2014).

It is argued that performance appraisal can have a profound effect on levels of employee motivation and satisfaction (Dusterhoff, Cunningham, & MacGregor, 2014). For this reason, the Ghana Judicial Service instituted an appraisal system for its staff in 2003. However, effectiveness of the system since its inception has not been assessed. Moreover, reports of staff appraisals indicate that both appraisees and the appraisers did not understand the whole process of staff performance appraisal Scott, (2009). The perception was that staff performance appraisal was only for promotional purposes targeting junior/senior officers. Reports also showed that staff appraisals were not used for its intended purpose hence benefits of staff performance appraisal has not accrued to the service Scott, 2009). This gap may also exist in Lake Victoria South Water Services Board, hence the need for initiating this study to verify whether performance appraisal has lived up to its expectation.

Kenya's Vision 2030 has outlined improved performance and prudent service delivery as one of the key goals of Kenya's transformative agenda. In tandem with the global trend, the Kenyan government, in its developmental strategy Vision 2030, has recognized human resource as central to attaining the state of industrialization (Suliman, (2007) . Major reforms have been introduced to compel the public service and the country as a whole to re-think the way human capital is managed. Central to the success of these initiatives to enhance national human resource management capability is the need for effective performance appraisal systems in public service institutions (Nyamboga *et al.*, 2014). Nyinakiiza (2005) reported that in the past, organizations focused on the employee-based evaluations from a general perspective where departments were required

to present their performance reports that highlight the progress of that department rather than the individual. Whereas departmental supervision was done, the specific focus on individual performance-rate was not as crucial as it has been the recent years.

Various researches have been conducted in the area of performance appraisal. For instance, Okwir (2006), in his study on employees' performance appraisal, reported similar sentiments that past performance appraisals hardly stressed the need for defining specific individual work habits. These studies indicate that past performance appraisals laid emphasis on departmental appraisal at the expense of individual employees' appraisal, as it should be.

Greenberg (1986) studied 217 private sector middle managers and asked them, through an open-ended questionnaire, what single factor made a recent performance evaluation fair or unfair. Factor analysis of the results indicated that soliciting employee input, two-way performance interview communication, and the ability to challenge or rebut the performance ratings accounted for a significant proportion of the variance in perceived efficacy of the performance appraisal system.

A study by Giles and Mossholder (1990); asserted that using satisfaction as a measure of employees' reactions affords a broader indicator of reactions to appraisal feedback than more specific cognitively oriented criteria. In fact, cognitively oriented measures, such as perceived utility and perceived accuracy are positively related to satisfaction with appraisal feedback.

Mausolff (2004) investigated how organizations learn from performance management (PM) systems. He identified four phases that organization members go through when trying to learn from the performance review. First, an individual makes sense of performance data and becomes aware of a performance gap or problem (Identify). Second, the individual shares and discusses his/her interpretation of data with other organization members to seek consensus on a solution (Integrate).

An empirical study conducted by Fletcher (2002) on the effect of staff appraisal on employee performance in the Ministry of Energy in Kenya established that through performance appraisal, staff get motivated and improve on their productivity (Kihara, 2013). Emojong (2004) emphasized the need for on-job training, short seminars and team building workshops as programs that increase the employees performance (Kihara, 2013).

It is clear from the above reviewed works that none of the studies investigated how performance appraisal techniques, performance appraisal feedback and performance appraisal decisions relate with employee performance. This is unknown in the context of Lake Victoria South Water Services Board.

### **1.1.1 Lake Victoria South Water Services Board**

Lake Victoria South Water Services Board (LVSWSB), the context for this study, is a state corporation under the Ministry of Environment, Water and Natural Resources, established under the Water Act 2002. The Board is one of the eight Water Service Boards (WSBs) in Kenya and it covers all administrative counties in the former Nyanza Province and the southern part of former Rift Valley (LVSWSB Draft Strategic Plan, 2013-17). The Board's mandate is to ensure efficient and economical provision of water and sanitation services in its area of jurisdiction. Investment outlays for the Board are predominantly obtained from development partners, the Government of Kenya through normal budgetary process, Water Services Trust Fund, and levies/fees from contracted Water Services Providers (WSPs) within area of jurisdiction (LVSWSB Newsletter, 2012). Currently, the Board is working on a comprehensive performance appraisal of its employees to enhance service delivery to stakeholders in provision of water and sanitation services. Moreover, the Kenya Constitution (2010), which makes access to clean water a human right, brings an array of changes in the water sector in excess of the need of realigning service-provision to County governance structures (LVSWSB Draft Strategic Plan, 2013-17).

### **1.2 Statement of the Problem**

To improve performance appraisal to be more effective in influencing employees' performance, fair performance management within the organization should be given priority. Organizations such as Lake Victoria South Water Services Board can use performance appraisal to reduce employee related challenges facing the organization and hampering its efforts towards achieving its objectives. Despite the recent research efforts into the antecedents of organizational performance, No known study has been conducted to examine the link between performance appraisal and employee performance. Specifically, there is no documented study detailing the relationship between performance appraisal techniques, performance appraisal feedback and performance appraisal

decisions on employees' performance with respect to Lake Victoria South Water Services Board still remains unknown.

### 1.3 Objectives of the Study

The main objective of the study was to investigate the influence of performance appraisal on employee performance in Lake Victoria South Water Services Board, Kisumu County.

The specific objectives were:

- i) To establish the influence of performance appraisal technique on employee performance in Lake Victoria South Water Services Board, Kisumu County.
- ii) To determine the relationship between performance appraisal feedback and employee performance in Lake Victoria South Water Services Board, Kisumu County.
- iii) To assess the influence of performance appraisal decisions on employee performance in Lake Victoria South Water Services Board, Kisumu County.

### 1.4 Research Hypotheses

The study was guided by the following hypothesis;

**H<sub>01</sub>** There is no influence of performance appraisal techniques on employee performance at Lake Victoria South Water Services Board, Kisumu County.

**H<sub>02</sub>** There is no relationship between performance appraisal feedback and employee performance in Lake Victoria South Water Services Board, Kisumu County

**H<sub>03</sub>** Performance appraisal decisions have no influence on employee performance in Lake Victoria South Water Services Board

### 1.5 Scope of the Study

This study was conducted in Lake Victoria South Water Services Board (LVSWSB) which covers an area of 21,720 Sq. Km, and administers to the counties of Kisumu, Siaya, Migori, Homa Bay, Bomet, Kericho, Nyamira, Kisii and parts of Nandi and Narok Counties. LVSWSB was preferred for this study because they have operationalized their

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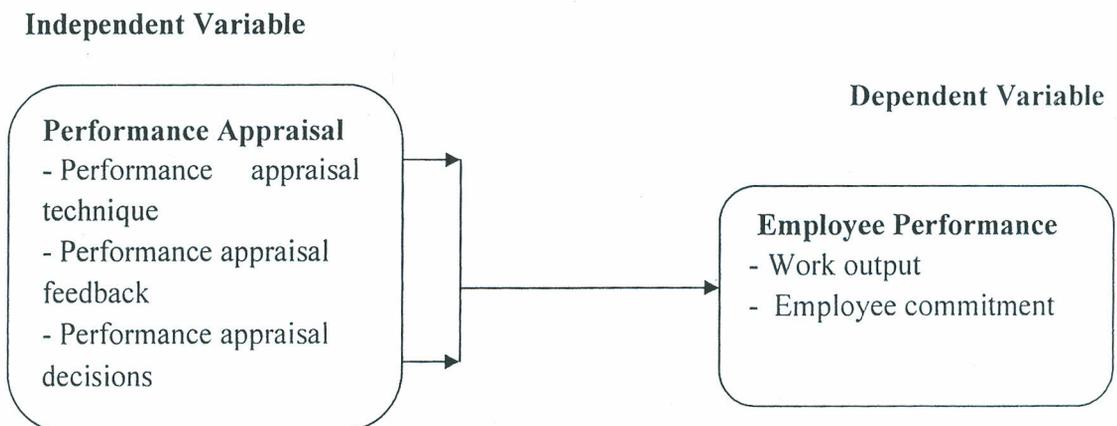
performance appraisal system. The study was concerned with cross-sectional information at a point in time. The study was limited to investigation of three performance appraisal concepts which included performance appraisal techniques, performance appraisal feedback and performance appraisal decisions and how these influence employee performance.

### 1.6 Significance of the Study

Findings of this study may be useful to the top management of Lake Victoria South Water Services Board (LVSWSB) because through the study, they will understand the successes and challenges of the appraisal process and its effect on employees' performance. Similarly, it may lead to improvements in staff appraisal process. LVSWSB may adopt and/ or adapt the staff appraisal model revealed by the study. Human Resource Specialists and managers who may be interested in knowing how staff appraisal systems can affect employee performance in organizations as a result of effective evaluation tools, may rely on findings of this study. The study may also contribute knowledge to the field of staff appraisal. Finally, other academicians and future researchers may carry out further research on aspects of the study findings.

### 1.7 Conceptual Framework

Performance appraisal involves the application of performance appraisal techniques, provision of performance appraisal feedback to employees who are involved in the process and finally making of performance appraisal decisions which are communicated back to the employees. These elements of performance appraisal are conceptualized to have influence on employee performance through work output and commitment. Below is a conceptual framework that helped to guide in the study.



## **Figure 1. 1: Relationship between Performance Appraisal and Employee Performance**

**Source:** *Self-conceptualized framework (2015)*

The framework (Figure 1.1) depicts the relationship between performance appraisal (independent variable) and employee performance (dependent variable). It is conceptualized that factors such as performance appraisal technique, performance appraisal feedback and decisions made after performance appraisal ultimately influence employee performance. A good performance appraisal system takes into account the effectiveness of appraisal technique, appropriate and timely feedback and decisions made after the appraisal. The mutual interplay of these variables guarantees employees' commitment to their assigned duties, an aspect which by extension, culminates into increased work output within the organization. Similarly, it is important to note that when employees experience a state of dissatisfaction as a result of unfair performance appraisal, they may respond to the imbalance by opting for a number of actions that may lead to low performance hence failure to achieve personal and organizational objectives and goals.

## CHAPTER TWO: LITERATURE REVIEW

This chapter presents a comprehensive review of literature related to the study. In particular, it looks at theoretical review; it further looks at the empirical review of literature on employee performance. Finally, it presents a summary of literature reviewed and the emerging knowledge gaps.

### 2.1 Theories of the Study

This study is mainly anchored three theories namely; goal-setting theory, Control theory and organizational justice theory which are briefly discussed below;

#### 2.1.1 Goal – Setting theory

This theory was postulated by Locke (1979). It proposes that human beings are more motivated to act when there is a reward at the end of the performance of a task or behaviour. Motivation theories and need theories are all theories brought forward in view of understanding what underlying goals determine which kind of behaviour. The goal theory proposes that a reward at the end of a task or behaviour acts as a motivation for the performance of that said task or behaviour. However the reward should be is clearly stated. The end state can be the reward in itself. It is proposed that an efficient goal must have three components: proximity, difficulty, specificity and feedback. An ideal goal is a goal where the time between the reaching out and the end state is close. It is moderate in difficulty, neither too easy, to present some challenge, nor too difficult, so that success seem possible. The goal should be specific. The individual must understand what is expected out of him, to start out for the goal. A specific goal gives direction of focus to that specific goal and away from distractions. Feedback is necessary for measuring progress towards the goal. Feedback makes it possible to know whether the level of efforts is adequate and in the proper direction or needs corrections.

The relevance of this theory to the research study can be credited to the works of Lathan and Locke (1979) that highlights four mechanisms that connect goals to performance outcomes. First, goals direct attention to priorities that is when specific goals are set for workers it drives their attention to priorities of achieving the goals. Second, they stimulate

effort, in other words when sets goals are attached to specific reward system it stimulates workers to work better and effectively Third, they challenge people to bring their knowledge and skills to bear to increase their chances of success and lastly; the more challenging the goal, the more people will draw on their full repertoire of skills.

### **2.1.2 Control Theory**

Control theory has shown multiple applications in the workplace. To increase employee performance, managers need to ensure that employees have specific and challenging goals which result in better performance than ambiguous goals. Ambiguous goals such as “do your best” or “try harder” provide no good comparative standard and direct feedback (Campion & Lord, 1982). Without a specific standard and clear feedback, an employee will not be able to recognize errors and then will not engage in behaviour changes that improve performance. Theoretical statements by Lord and Hanges (1987) suggest that supervision in the workplace can be analyzed as a control system made up of supervisors and subordinates.

Control theory can be used in human resource management where they use behaviour control, output controls, and input controls to affect behaviour and work performance. According to Hanges (1987), a major benefit with output control provides for lower level consideration, but it still affords encouragement and obligation which enhance the employer.

Further, it also allows lower level employee's the ability to change their behaviour and engage in the occasion, and bypass any hazards which may come up.. The relevance of this theory to the research study is that it explains the importance of feedback on worker's performance and also centres on feedback as a determinant of behaviour and this theory also relates to the role of feedback on employee's performance. When people receive feedback on their behaviour, they are aware of the difference or divergence between their actual performance and expected performance, and then take corrective action where necessary. Thus feedback mechanism is essential in performance management.

### **2.1.3 Organizational Justice Theory**

This theory was propounded by Roch and Shanock, (Roch & Shanock, 2006). Proponents of this theory postulated that justice theory advocates for acts of being just and fair to everyone (DeConinck, 2010). The employee's perception of fairness is the

ultimate check for the success of the system. According to this theory, the efficacy of the appraisal system depends upon the perception of fairness related to it (Roch & Shanock, 2006). Roch and Shanock, (2006) use four justice dimensions in their framework by considering that all are related to social relationship either with the organization or with the supervisor. These four justice dimensions include; procedural justice, distributive justice, interpersonal justice, and informational justice.

Employees may take appraisal to be fair if they perceive that the process is intended to motivate them and wants to improve their capabilities. On the contrary, employees may take appraisal to be unfair on the basis of conflicts, avoidance, favoritism and politics (Roch & Shanock, 2006). The components of fairness, procedural as well as distributive, should have a positive impact on the employee in order to make them accept the whole procedure and its results without reluctance. The acceptance of the evaluation system depends on the perceived fairness associated with it. It is important that employees perceive that they are being evaluated against what they are actually supposed to do on the job. That the evaluation instrument clearly measures their performance against their job-related activities (Sabeen & Mehboob, 2008).



## **2.2 Concept of Performance Appraisal**

Performance appraisal is a concept theoretically anchored in work of psychology and an element of performance management in human resource practices(Griffin & Moorhead, 2010), that is increasingly being integrated into strategic business policy. Employee performance appraisal schemes are seen as having two main purposes: They are a source of information for management to make decisions regarding promotions, personnel succession planning, salaries, training needs and training support as well as a feedback tool for employees, facilitating personal improvement and development (Grund & Sliwka, 2007). Researchers have termed the two as the developmental versus the managerialist orientations in the use of performance appraisals (Morris & Venkatesh, 2010)

A developmental orientation performance appraisal seeks to bolster organizational efficiency by assisting staff to make decisions regarding their productivity and career aspirations, whereas a managerialist approach is founded on control and uses performance appraisal for measuring efficiency, linking this to rewards and sanctions (Gruman & Saks, 2011). Most scholars assert that both performance appraisal research and practice have shifted from the restrictive focus of psychometrics and evaluation to a

more developmental and motivational orientation (Kuvaas, 2006). Among the most critical outcomes that flow from performance appraisal systems are training and promotion decisions. Nevertheless, the delinking of training and development activities from promotion and remuneration issues during performance appraisal sessions has been proposed by some researchers (Orr *et al.*, 2006).

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity (Mwema & Gachunga, 2014). Kane and Lawler, (2009), indicated that, the three main functional areas of performance appraisal systems are administrative, informative, and motivational (Warokka & Gallato, 2012). Appraisal affects the administrative function in that it serves the role of facilitating an orderly means of determining salary increases and other rewards, as well as that of delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When used effectively, performance appraisal helps employees and managers establish goals for the period before the next appraisal (Warokka & Gallato, 2012). Appraisees, appraisers (managers), and companies all reap benefits from effective performance appraisals. Appraisees benefit in a number of ways; for example, they discover what is expected of them and are able to set goals (DeNisi & Smith, 2014). They also gain a better understanding of their faults and strengths and can adjust behavior accordingly. In addition, appraisals create a constructive forum for providing feedback to workers about individual behavior, and for allowing workers to provide input to their managers. Finally, appraisees are (ideally) given assistance in creating plans to improve behavior, and are able to get a better grasp on the goals and priorities of the company (DeNisi & Smith, 2014).

According to Robbins and Judge (2007), perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (Robbins & Judge, 2013). In reality, the objectives often vary and differ from one's perception due to the fact that every person has different behavior and thought (Robbins & Judge, 2013). Therefore, it is common that there is more disagreement among people's views. Factors that influence someone's perceptions are from their natural characteristics, which include their attitudes, personality, motives,

interest, past experiences and expectations. Prior studies reveal that employee perception of fairness of performance appraisal is a significant factor in employee acceptance and satisfaction of performance appraisal (Ahmed, Ramzan, Mohammad, & Islam, 2011). A good perception will create a positive working environment in the organization, while a negative perception will create many problems to the organization that finally, it will affect the company performance (Warokka & Gallato, 2012). These perceptions depend on the manager or supervisor's actions and behavior toward the employee. If the immediate superiors employ fair and transparent performance appraisal benefiting to the employee, then, hypothetically, the latter has a good perception on manager (Warokka & Gallato, 2012).

In relation to the current business practices, many organizations are using the performance appraisal system for formality purposes only, whereas potentially it can be used for providing feedback to the employee. Those practices are in line with the research of Shen (2004) which reports a lack of transparency and feedback in the performance appraisal process (Warokka & Gallato, 2012). This scenario has created many problems especially with the employee's perception towards the performance appraisal system in the organization. Bretz, Milkovich and Read (1992) document that, the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system (Armstrong, Ittner, & Larcker, 2014). Bretz et al revealed that most employees perceived their performance appraisal system as neither accurate nor fair (Bretz, Milkovich, & Read, 1992). the appraisal process can become a source of extreme dissatisfaction when employees believe that the system is biased, political or irrelevant (Skarlicki, Folger, & Tesluk, 1999; Wagner lii & Hollenbeck, 2014). Therefore, intuitively, people will only be satisfied with a performance appraisal process if it fulfills the criteria of "fairness," which is expressed by many researchers as organizational justice (Abekah-Nkrumah & Ayimbillah Atinga, 2013). In other words, the employees need a good and fair performance appraisal system to provide them with feedback regarding their job (Suliman & Al-Hosani, 2014). This leads to their job satisfaction, and generating an increased work performance (Suliman & Al-Hosani, 2014).

Jawroski & Kohli (1991) identified other benefits that can be obtained from performance appraisal (Jaworski & Kohli, 1991). Among these benefits are increase in role clarity, performance, and job satisfaction. Given the positive returns obtained from performance

appraisal, one could reasonably expect that organizations would devote considerable resource to the appraisal process (Jaworski & Kohli, 1991). Correspondingly, it may be anticipated that managers try to ensure that the dimensions of the appraisal process are known, understood, and are supported by the participants (Gruman & Saks, 2011). There is probably no management process that has been the subject of more research than the employee appraisal (Gordon, 2012). At the best managed companies, the employee appraisal is no joke – it is a serious business that powers the success of the organization (Montague, 2007). It has been suggested that, to enhance satisfaction, managers should consider expanding the evaluation criteria to include those criteria which are important to the employee, perhaps by creating a participatory employee appraisal system (Roberts, 2002)(Thomas & Bertz, 1994). In fact, employee input into the process has been described as having an impact on the perceived fairness of the evaluation (Latham, 2011).

The opinions of employees, as they pertain to the appraisal system, may be a greater determinant of the system's effectiveness than the validity or reliability of the system itself (Gordon, 2012). Without a sense of ownership, both managers and employees may view the process with fear and loathing (Latham, 2011). Consequently, a major concern in the evaluation process is an acceptance of the system by those employees being evaluated. To this end, if employees believe they are evaluated based on inappropriate criteria, it would follow that their loyalty, to and satisfaction with the organization supporting this particular evaluation system, would be correspondingly reduced.

### **2.2.1 Performance Appraisal Techniques and Employee Performance**

Performance appraisal techniques are methods used for conducting performance appraisal within a particular organization. (Gordon, 2012). According to Henderson (1984) there are several techniques of carrying out performance appraisal (PA) (Bernardin & Wiatrowski, 2013). They include: global essays and ratings, graphic rating scale, critical incident, behaviorally anchored rating scales (BARS), forced distribution, paired comparison, alternation ranking and management by objective (MBO). According to Gary (2003), graphic rating scales method usually comprises a list of personality traits (Bernardin & Wiatrowski, 2013). A rater will be required to indicate, on a numerical scale, the degree to which the individual being appraised possesses these traits. This is the simplest and most commonly used method of performance appraisal. However, since they lack specific job-related definitions, trait rating scales are extremely vulnerable to errors

such as halo, strictness, leniency and central tendency that severely affect the validity and reliability of the ratings (Thornton Iii & Byham, 2013).

Critical incident method requires the supervisor to regularly write down desirable or undesirable incidents of each employee's work-related behaviour. The supervisor and the employee then meet at regular intervals to discuss the incidents (Ngeno, Shadrack, & Cheruiyot, 2013). On the other hand, MBO (Management by Objective) is a philosophy which emphasizes on goal setting and planning for individual managers and their work groups. MBO recognizes and encourages participatory approach to goal setting, in which both the manager and staff are involved. The purpose of MBO is to give subordinates a voice in the goal setting and planning process and to clarify for them exactly what they are expected to accomplish within a given time span. In performance management system through MBO, the manager is required to set measurable goals with each employee. The manager is to discuss periodically with the employee about progress of the latter toward the goals and provide feedback on the (regular) review of the progress. MBO consists of six steps: it sets the organizational goals, sets departmental goals, discusses departmental goals, defines expected results, undertakes performance reviews and provides feedback (Ngeno et al., 2013).

Paired comparison is a modified version of ranking method. It involves comparing two employees at a time on each trait. For each trait, an employee has a plus (+) or a minus (-) depending on whether he or she ranks better than the others on the trait. The number of times an employee is ranked better is counted and added up. Paired comparison method helps to make the ranking method more precise. For every trait, for example quantity of work, an employee is paired and compared, with every other subordinate (Henderson, 1984; Ngeno *et al.*, 2013).

According to Gary (2003), a behaviorally Anchored Rating Scale (BARS) combines the benefits of narratives, critical incidents and quantifies (graphic rating type) scales by anchoring a rating scale with specific behavioural examples of good or poor performance. Its proponents argue that it provides better, more equitable appraisals. Henderson (1984) says that Behaviourally Anchored Rating Scales (BARS) are descriptions of various degrees of behaviour with regard to a specific performance dimension (Bernardin, 2015;

Henderson, 1984). The behaviours, specifically defined, provide the anchors for rating scales. Although these scales represent job-relevant dimensions of performance, they still pose problems in determining which behaviours are actually absent that match with specifically anchored performance scales (Henderson, 1984). Despite this difficulty, BARS are a significant improvement, since they require less inference on the part of a rater than traditional trait-rating approaches (Bernardin, 2015).

Gary (2003) describes Alternative ranking method as the method of ranking employees from best to worst on a trait. Since it is easier to distinguish between the worst and best employees, an alternation ranking method is most popular (Bernardin, 2015). First, the rater lists all subordinates to be rated then crosses out the names of any not known well enough to rank. Then, on a specifically designed form, the rater indicates the employee who is the highest on the characteristic being measured, at the same time shows the lowest employee, then chooses the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked (Bernardin, 2015). Sushila (2004) proposes that it is necessary for an organization to have a structure for evaluation. This structure is derived from a discussion at a large meeting. It can be modified with time and as long as the evaluation strategy is in use (Bernardin, 2015).

Performance appraisal policy has to be reviewed from time to time. For instance the TSC (2005) gives the sample of the appraisal form which has the ratings under the subheadings: overall assessment of performance within the year, overall job satisfaction during the period of assessment (Ngeno *et al.*, 2013). The choices of the ratings given are: excellent, good, satisfactory, and unsatisfactory. It states that the use of confidential reports in assessing a teacher's performance and potential has been replaced by a more modern and open assessment system where teachers participate in their performance assessment. This made the appraisal tool be more participatory since the teacher could participate in their own appraisal unlike before when their principal confidentially appraised them and submitted the appraisal form to the TSC (Ngeno *et al.*, 2013). This appraisal approach, which brings employees on board may be lacking in other organizations, hence the need to locate this study in Lake Victoria South Water Services Board.

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According to Medley (1975), the PA instrument specifies the number and duration of the observations to be made and defines the aspects of the performance to be observed and judged. It also provides a numerical or graphic scale on which the evaluator's judgement or rating of each factor or item is recorded (Ngeno et al., 2013). The validity of an employee's ratings is further enhanced if the items to be rated reflect aspects of performance known or believed to be related to employee effectiveness. Just as the content validity of a test depends on the items it contained, so does the content validity of a rating scale. The rating scale must always measure what it purports to measure (Ngeno et al., 2013). Gary (2003) reports that employers still depend on graphic type rating scales to appraise performance. These performances are susceptible to several problems, namely unclear standards, halo effect, central tendency, leniency or strictness and bias. The graphic rating scale seems objective, but would probably result in unfair appraisals because the traits and degrees of merit were ambiguous. For example, different supervisors would probably define "good" performance, "unfair" performance, and so on differently (Bernardin, 2015; Bernardin & Wiatrowski, 2013; Ngeno et al., 2013). The same is true of traits such as quality of work or "creativity". It is on the basis of these backgrounds that the researcher seeks to determine the extent to which performance appraisal techniques influence the performance of employees in Lake Victoria South Water Services Board.

Landy, Barnes, and Murphy (1978) studied employee perceptions of the fairness and accuracy of a performance appraisal system. The researchers found that frequency of evaluation, identification of goals to eliminate weaknesses, and supervisory knowledge of a subordinate's level of performance and job duties were significantly related to perceptions of fairness and accuracy of performance appraisal. The results confirmed traditionally held perceptions that performance appraisal should be done as frequently as possible, that the supervisor should work with the subordinate to agree on responsibilities; and, that the supervisor should devote sufficient time to observe and evaluate an employee's performance.

Cleveland *et al.* (1989) presented a classification of the reasons for conducting appraisals in organizations: (1) Between-person uses including salary administration, promotion, retention/termination, recognition of individual performance, layoffs and identification of poor performers; (2) Within-person uses including identification of individual training

needs, performance feedback, determining transfers and assignments and identifying individual strengths and weaknesses and (3) Systems maintenance uses including use of appraisal for workforce planning, determining organizational training needs, evaluating goal achievement ,assisting in goal identification, evaluating personnel system, reinforcing authority structure and identifying organizational development needs. However, it was pointed out that the systems maintenance usage was infrequent as compared to the other two categories.

Greenberg (1986) studied 217 private sector middle managers and asked them, through an open-ended questionnaire, what single factor made a recent performance evaluation fair or unfair. Factor analysis of the results indicated that soliciting employee input, two-way performance interview communication, and the ability to challenge or rebut the performance ratings accounted for a significant proportion of the variance in perceived efficacy of the performance appraisal system.

Cobb and Frey (1996) studied the effects of procedurally fair leadership and payment outcomes on subordinate reactions to the supervisor. Subordinates' reactions were measured for perceptions of supervisory fairness (both procedural and distributive) and the subordinates' relationships with the supervisor. The results indicated that procedurally fair leadership was linked to subordinate perceptions of leader fairness and on their relationships with the leaders. Subordinates discerned differences in leadership behaviors that enact procedural fairness. These behaviors affected subordinate assessment of supervisor fairness and relationships with the supervisor. The researchers found some evidence that unfair behavior can have negative effects on favorable outcomes. When leaders act unfairly, their decisions are seen as unfair even when subordinates benefit from them. Fletcher (1994) commended the development management system program for providing feedback to the employees in areas that needed improvement and further provided training for Staff as a way of handling the improvement and development criteria systematically.

Other studies identified specific performance indicators used in appraisal. For example, Mallaiah (2009) conducted a survey on management of employee expectations, performance and satisfaction in University Library and found that majority of the respondents felt that the performance appraisal system followed in the library is based on

work performance and ability to take responsibility. Singh et al (2010) who conducted an empirical study on the efficiency of performance appraisal system in Oil and natural Gas Commission (ONGC) found that all organizations relied on the impression of supervisors and management for giving rewards and punishments for employees. Oluoch P. (2007) conducted A Survey of the Relationship between Performance Appraisal Practices, Motivation and Job Satisfaction of Commercial Banks in Nairobi; Fletcher, (2002) conducted a study on the effect of staff appraisal on employee performance in the Ministry Of Energy.

In summary, whereas Cleveland *et al.* (1989 ) presented a classification of the reasons for conducting appraisals in organizations ,Greenberg (1986) studied 217 private sector middle managers and asked them, through an open-ended questionnaire, what single factor made a recent performance evaluation fair or unfair. Cobb and Frey (1996) on the other hand studied the effects of procedurally fair leadership and payment outcomes on subordinate reactions to the supervisor. Mallaiah (2009) merely conducted a survey on management of employee expectations, performance and satisfaction in University Library. Oluoch P. (2007) conducted A Survey of the Relationship between Performance Appraisal Practices, Motivation and Job Satisfaction of Commercial Banks in Nairobi; Fletcher, (2002) conducted a study on the effect of staff appraisal on employee performance in the Ministry Of Energy. It is however clear from the works above that no study has been done to establish the influence of appraisal techniques on employee performance. This is unknown in the context of Lake Victoria South Water Services Board.

### **2.2.2 Performance Appraisal Feedback and Employee Performance**

Feedback relates to relaying of results/findings of performance appraisal to individual employees (Bernardin, 2015; Bernardin & Wiatrowski, 2013). Feedback is not only important to individuals but also to organizations because of its potential influence on employee performance (Gordon, 2012) (Aguinis, Gottfredson, & Joo, 2012). The central role of feedback to the appraisal process and the importance of examining raters' satisfaction with appraisal feedback are widely acknowledged (Keeping & Levy, 2000). Some of the relevant characteristics that may influence the effectiveness of the appraisal process include the frequency of the appraisals, the nature of the appraisal (i.e., written vs. unwritten), the perceived fairness of the evaluation and the degree to which the

evaluation results are discussed with the employees being evaluated process (Eisalou, 2014). Experts believe that 50 per cent of performance problems in business occur because of lack of feedback. An employee will therefore see no reason to change performance if it appears acceptable to the supervisor and the organization. Thompson (1990) further suggests that for the feedback to be effective, this one-to-one performance discussion must have: mutual trust (confidentiality, fairness, objectivity); recognition that the performance discussion is a mutual exploration to arrive at a solution; two way listening and a supportive behavior on the part of the manager to make it easier for the employees to talk (Eisalou, 2014).

Research on performance appraisal feedback dates back at least as far as the early 1920's, and has continued to the present day (Gordon, 2012). Emojong (2004) emphasized the need for on-job training, short seminars and team building workshops as programs that increase the employee performance (Massingham, Nguyet Que Nguyen, & Massingham, 2011). Pulakos (2004), indicated that only one in ten employees believes that their firm's appraisal system helps them to improve performance. This is indeed a void which needs to be filled by conducting this study (Massingham *et al.*, 2011). The gap between research and practice in the area of performance appraisal has been documented by many writers. The possible explanations for the gap is that academic research has provided answers but practitioners are simply not aware of the relevant findings and thus little implementation, if any, has been done (Massingham *et al.*, 2011).

Borman & Motowildo (2003) assert that accurate and reliable performance appraisals feedback help organizations to support and reward their most capable employees. When used in conjunction with performance improvement systems, a structured performance appraisal system conveys meaningful feedback in a useful format; helps refocus employees who are performing below expectation and facilitate career development plans for all employees (Kell, Motowidlo, Martin, Stotts, & Moreno, 2014). The performance appraisal systems increase the fairness and transparency of the evaluation process and guides individuals and supervisors towards targeted improvement strategies. They also protect both the employee and the institution from potential bias and ensure that employees receive fair and accurate feedback (Kell *et al.*, 2014). However, these should be tailored to suit the necessary employee aspirations as noted by the department or

organization at large, an aspect that, at present may be missing in Lake Victoria South Water Services Board, hence the need to conduct this study.

One of the most important conditions is to provide clear, performance-based feedback to employees (Larson, 2004). Levy and Williams (2004) report that if participants do not perceive the system to be fair, the feedback to be accurate, or the sources to be credible then they are more likely to ignore and not use the feedback they receive. Indeed, the significance of feedback to the appraisal process as well as to the broader management process has been widely acknowledged (Massingham et al., 2011). First, from the organization's point of view, feedback keeps both its members' behavior directed towards desired goals and stimulates and maintains high levels of effort (Lawler, 1994). From the individual's point of view, feedback satisfies a need for information about the extent to which personal goals are met (Gordon, 2012) It also fulfills the need for social comparison information about one's relative performance. Second, feedback potentially can influence future performance (DeNisi & Smith, 2014). Third, it is believed to play a significant role in the development of job and organizational attitudes (Massingham et al., 2011). Performance feedback should include information on how to improve performance.

In essence, best performance appraisals involve; integrating performance appraisal into a formal goal setting system; basing appraisals on accurate and current job descriptions; offering adequate support and assistance to staff or workers to improve performance (for example, professional development opportunities); Ensuring that appraisers have adequate knowledge and direct experience of the staff performance; and conducting appraisals on a regular basis (Fletcher & Perry, 2002; Kuvaas, 2006). There is need for appraisal to be taken to a higher level where both the appraisers and appraisees take them more seriously and accord them the necessary attention all in the hope of improving the quality of work done in the organization. In addition, coherent approaches into changeable evaluation criteria needs more research (Fletcher & Perry, 2002; Kuvaas, 2007). These lacking parameters have informed the researcher to initiate this study.

An empirical study conducted by Fletcher (2002) on the effect of staff appraisal on employee performance in the Ministry of Energy in Kenya established that through performance appraisal, staff get motivated and improve on their productivity. Employees

are also able to get feedback of their duties and seek ways to improve on them. In order to validate Fletchers' findings, there is need to replicate his study in other organizations, for this reason, the researcher seeks to investigate the influence of performance appraisal feedback on employees' performance in Lake Victoria South Water Services Board.

A study by Giles and Mossholder, (1990); Organ, (1988) asserted that using satisfaction as a measure of employees' reactions affords a broader indicator of reactions to appraisal feedback than more specific cognitively oriented criteria. In fact, cognitively oriented measures, such as perceived utility and perceived accuracy are positively related to satisfaction with appraisal feedback (Keeping and Levy, 2000). In addition, because appraisals form the basis of several important decisions, satisfaction with feedback signifies recognition, status and future prospects within the organization.

Brockner (2002) reviewed studies on the effects of outcome favorability and procedural fairness on people's support for decisions, decision makers and the organizations. The interactions found indicated that high procedural fairness reduces the effect of an outcome's favorability on people's support, relative to when procedural fairness is low. He suggested that it is not the procedural fairness that interacts with the outcome favorability but rather, it is the degree of trust resulting from procedural fairness of others that interacts with outcome favorability to influence employee support. Roberts and Reed (1996) found evidence of a positive relationship between satisfaction and acceptance of performance appraisal outcomes with employee perceptions that their supervisors encouraged participation, assisted in goal setting and provided frequent feedback.

Najeeb (2011) studied Performance Appraisal in Habib Bank Limited and concluded that transparent appraisal system is vital to an organization and the results of the appraisal affect the performance of any employee heavily. Saeed and Nosheen (2011) investigated employees' perception about the outcomes of Performance appraisal and identified factors that can harm the successful implementation of performance appraisal. The sample of 120 employees at management level was selected on the basis of simple random sampling from the plastic furniture manufacturing organization located in the province of Punjab in Pakistan. The findings suggest that the employees are aware of the usefulness of the performance appraisal but they lack knowledge in implementing an effective performance appraisal. It is worth nothing that a significant difference in

perceptions regarding the outcomes of the performance appraisal was found among the respondents.

From the above works of various scholars, it is clear however that no study attempted to link the performance appraisal feedback with employee performance. Borman & Motowildo (2003) just argued that accurate and reliable performance appraisals feedback help organizations to support and reward their most capable employees but they did not cite how this reward system improve employee performance. Najeeb (2011) studied Performance Appraisal in Habib bank but they did not focus on feedback and relate it to employee performance. Saeed and Nosheen (2011) investigated employees' perception about the outcomes of Performance appraisal and identified factors that can harm the successful implementation of performance appraisal. This study was also deficient in relating performance appraisal feedback with employee performance. It is therefore clear that no previous study has ventured to investigate the relationship between appraisal feedback and employee performance. This remains unclear in the context of Lake Victoria South Water Services Board.

### **2.2.3 Performance Appraisal Decisions and Employee Performance**

Performance appraisal decision is an action taken by the management of the organization on employees' as a result of appraisal feedback. In the arena of human resource management (HRM), performance appraisal and reward decisions have been shown to be critical to performance management systems as they to influence a variety of employee attitudes such as job performance, loyalty to the organization and tenure intent (Holbrook Jr, 1999). In a broad sense, in both of these functions, the role of organizational justice principles or fairness has been emphasized by several authors (DeConinck, 2010). While distributive justice principles are closely associated with reward distributions, the procedural justice principles of due process are closely associated with performance appraisal practices (DeConinck, 2010).

Further, effective performance appraisal practices are instrumental to administrative decisions that organizations make such as merit pay allocations or promotions (Fletcher & Perry, 2002). Thus, one can conceptualize performance appraisal and reward distribution decisions as two critical aspects of performance management systems. Past research on reward distribution practices across cultures seem to indicate that

individualistic cultures adhere to the equity norms more than collectivist cultures (Ahmed et al., 2011). Similarly, prior studies have shown that employee attitudes towards performance appraisals (e.g., formal versus informal appraisals; level of control in the appraisal process) vary as a function of individualistic versus collectivistic orientations of employees (Ngeno et al., 2013). However, cross-cultural research seems to indicate that significant cultural differences seem to exist across cultures in terms of managers' view of subordinates and their performance (DeVoe & Iyengar, 2004), perceptions of performance management, level of differentiation between low and high performers, and preferences for formal versus informal appraisal (Wood, 2010). Since justice perceptions appear to be norm-based, an understanding of people's perceptions of fairness in organizations across cultures requires considering the prevailing cultural standards and norms (Warokka & Gallato, 2012).

An effective performance management system presupposes an effective performance appraisal system (PAS) that measures individual performance accurately and rewards employees based on their performance (Ahmed et al., 2011; Bernardin & Wiatrowski, 2013). PAS should therefore be instrumental to effective reward system thus resulting in an effective performance management system (Chouhan, Verma, Sanghvi, & Gupta, 2013). Taylor, *et al.*, (1995) tested the due process metaphor with the incorporation of procedural justice principles in the PAS and found that due process principles resulted in more positive attitudes such as perceived fairness, intent to remain with the organization, accuracy of performance appraisal and positive attitudes about the managers (raters) (Chouhan et al., 2013). Similarly, (Holbrook Jr, 1999) further reported that procedural justice principles in PAS resulted in positive employee attitudes such as satisfaction with the system among the employees. Hofstede (1992) introduced the individualism-collectivism (IC) variable as a cultural level variable to the international management literature and suggested that management practices differ across cultures. In individualistic societies, an individual's identity and individual interests are paramount whereas in collectivist societies an individual's identity is submerged in the group (Moorman & Blakely, 1995; Ramamoorthy, Gupta, Sardesai, & Flood, 2005). In addition, in these societies group interests and goals are paramount to individual goals and interests. Further, in individualistic societies competitiveness is the norm whereas in collectivist societies cooperation is the norm.

In terms of distributive justice norms, individualistic societies endorse equity norms in reward allocation and collectivist societies endorse equality norms in reward allocations (Ahmed et al., 2011). One aspect of equity theory suggests that rewards should be proportional to the individuals' effort and/or performance, commonly called as pay-for-performance although this has been interchangeably used with equity or distributive justice (DeConinck, 2010). Individualists' preference for equity in the distribution of rewards is generally attributed to a concern with promoting productivity and task achievement, while collectivists' preference for equality is attributed to a concern with maintaining group harmony (Ramamoorthy et al., 2005). Collectivist cultures are less concerned with individual standing or the amount that each individual receives than members of individualistic cultures (Ramamoorthy et al., 2005).

The due process metaphor in PAS encompasses three essential principles (Bernardin & Wiatrowski, 2013). The first principle of adequate notice suggests that how, when, and against what standards individuals are to be evaluated be published and communicated well in advance. The second principle of fair hearing suggests that employees be given the opportunity to participate in the formal review meeting in which an employee is informed of a tentative evaluation and how it was derived with an opportunity to provide rebuttal evidence. The third principle of judgment based on evidence requires that managers apply the performance standards consistently across employees without any bias or prejudice. The fourth principle stipulates that one should provide employees control over the performance appraisal (PA) process and opportunity for input into the process (Bernardin & Wiatrowski, 2013). Since several employment decisions such as termination or promotion or pay decisions are made on the basis of such formal appraisal systems, adherence to due process principles of procedural justice may be quite critical to performance management, especially in individualistic cultures that emphasize individual rights and achievements (DeNisi & Smith, 2014).

Available evidence seems to indicate that formal appraisal systems consisting of due process may be more characteristic of individualistic societies than collectivist societies. Performance appraisal practices in collectivist societies tend to be informal and may include peer group members providing feedback and adherence to group norms (Bernardin & Wiatrowski, 2013). In general terms, organizational justice refers to perceived fairness in the workplace and comprises of distributive, procedural, and

interactional justice (Greenberg, 1990). Distributive justice perception is concerned with the perceived fairness of the outcome grounded in Adam's (1965) equity theory (Roch & Shanock, 2006; Warokka & Gallato, 2012). Although Adam's equity theory is concerned with an evaluation of one's own inputs with outcomes with that of a comparison others, distributive justice may also involve an evaluation of one's own performance or effort and the associated rewards without any specific reference to comparison others. Procedural justice is based on dispute resolution models (Roch & Shanock, 2006; Warokka & Gallato, 2012) and is concerned with the fairness of the procedures used in the distribution of the outcome. This dimension of justice is concerned with the processes used by organizations to allocate rewards, it may consist of adequate notice about performance for expectations, clear communications of these standards, involvement of the supervisors and subordinates in the setting of performance standards, periodic review of task accomplishment, accurate performance feedback, and an opportunity to resolve grievances with the supervisors (Warokka & Gallato, 2012).

Empirically a study by England and Pearle (1987) of non-managerial performance appraisal systems in the municipal public sectors found that 86 percent of 142 municipal governments appraised their employee's performance on an annual basis. A 1987 survey of more than 300 organizations belonging to the Personnel and Industrial Relations Association of Southern California examined appraisal trends in private industry and compared the results with those of a similar survey conducted in 1977. Results showed that 94 percent of organizations had formal appraisal systems, as compared with 89 percent in 1977. In both years appraisals were most often used to make salary decisions, to improve individual performance, and to provide feedback to employees (Locker & Teel, 1988).

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Baruch (1996) justified the uses of performance appraisal systems for two main purposes: Firstly, they serve a variety of management functions such as decision-making about promotions, training needs, salaries, etc. and then to enhance developmental processes of employees or as an evaluation instrument while Grubb (2007) feels that performance appraisals are important: (1) to promote organizational efficiency and effectiveness; (2) to enhance individual employee performance and satisfaction; (3) to simplify administrative processing; and (4) to ensure management retains control of employee behaviors and attitudes. Greenberg (1986) carried out a study on 217 private sector middle managers to

establish the factors that made performance evaluation fair or unfair. Blocker (2002) reviewed studies on the effects of outcome favorability and procedural fairness on peoples support for decisions.

Mausolff (2004) investigated how organizations learn from performance management (PM) systems. He identified four phases that organization members go through when trying to learn from the performance review. First, an individual makes sense of performance data and becomes aware of a performance gap or problem (Identify). Second, the individual shares and discusses his/her interpretation of data with other organization members to seek consensus on a solution (Integrate). If a solution cannot be found, organizational members try to collect additional data to find the best solution for the problem (Search). Finally, organizational members put the chosen solution into practice.

Henri (2006) measured the use of PM systems by adapting Vandenbosch (1999)'s instrument which was originally developed to assess the use of executive support systems. Henri (2006) confirmatory factor analysis yielded four dimensions of PM use: monitoring, attention-focusing, strategic decision-making, and legitimization. In terms of monitoring, the PM system is used for tracking results, providing feedback against expectations, and communicating with various stakeholders.

The above reviewed studies point to the fact that no study ventured to investigate the influence of performance appraisal decisions on employee performance. Whereas England and Pearle (1987) did a study of non-managerial performance appraisal systems in the municipal public sectors Baruch (1996) justified the uses of performance appraisal systems Blocker (2002) reviewed studies on the effects of outcome favorability and procedural fairness on peoples support for decisions. Mausolff (2004) investigated how organizations learn from performance management (PM) systems. Henri (2006) measured the use of PM systems by adapting Vandenbosch (1999)'s instrument which was originally developed to assess the use of executive support systems.

The above works therefore point to the fact that no known study has been done to document the influence of performance appraisal decisions on employee performance. This is still unknown in Lake Basin South Water Services Board.

## CHAPTER THREE: RESEARCH METHODOLOGY

This chapter includes research design, study area, target population, sampling frame and data collection. Under data collection it presents source of data, data collection procedure, instruments of data collection, reliability of instruments and validity of instruments. It finally details data analysis, data presentation and research ethics.

### 3.1 Research Design

The study employed descriptive correlational case study design. According to (Mugenda & Mugenda, 2003), descriptive studies determine and report things the way they are. Cohen *et al.* (2000) advocate for this design because of its ability to ascertain detailed description of existing situation. According to Yin (2003), correlational case study research design is structured to examine a number of logical sub-units or units of analysis within organizations. The design was appropriate for the study given the anticipated mass of data to be collected and interpreted.

### 3.2 Study Area

The study was done in Lake Victoria South Water Services Board. It has its operations in administrative counties within Nyanza Province and the Southern part of Rift Valley Province. It is among the 8 Water Service Boards established all over the country. Geographically, its zone is an area of 21,720 Sq. Km, and administers to the Counties of Kisumu, Siaya, Migori, Homa Bay, Bomet, Kericho, Nyamira, Kisii and parts of Nandi and Narok Counties. LVSWSB was preferred for this study because it has operationalized its performance appraisal system.

### 3.3 Target Population

The target population of this study comprised of all employees of LVSWSB. Lake Victoria South Water Services Board with a total of 61 employees; 9 in senior management, 15 in middle management, 37 in operations and other cadres (LVSWSB, 2014).

### **3.4 Sample Size and Sampling Procedure**

The study adopted saturated sampling technique since the population under study was small in number. This implied that all the 61 employees were included in the study. Gay (1996) recommends a complete enumeration (census) for studies targeting smaller populations of less than 100.

### **3.5 Data Collection Instrument**

Self-administered questionnaire will be used to collect data. The questionnaire was divided into three sections. Section one captured demographic characteristics of respondents; section two contained questions related to performance appraisal while section three dealt with employee performance (Refer to Appendix II).

#### **3.5.1 Reliability and validity Test for Data Collection Instrument**

An instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed (Patten, 2004; Wallen & Fraenkel, 2001). According to Patten (2004) validity is a matter of degree and no test instrument is perfectly valid. The instrument used should result in accurate conclusions (Wallen & Fraenkel, 2001). Validity involves the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected (Wallen & Fraenkel, 2001).

A pilot study was carried out on five respondents to pretest and validate the questionnaire. To establish the construct validity of the research instrument, the researcher sought the opinions of the supervisor on the constructs of the independent variables and how they influence employee performance. This helped in the revision and modification of the research instrument prior to the study thereby enhancing validity. To check the reliability of the instrument in this study, Cronbach's Alpha was used (Cronbach, 1951). According to suggestions by Hair *et al* (1998), the study is deemed acceptable if a reliability coefficient above 0.6 is attained. A test of the constructs of this study was done in three stages; the first with two independent variable constructs which yielded an alpha coefficient score of 0.662 The second test contained all the independent variables and scores of 0.645 were realized. Addition of employee performance in the test, yielded alpha coefficient of 0.754. This confirmed that the instruments used for the study were reliable. Mugenda and Mugenda (2003), also confirms that a high alpha coefficient above 0.6 implies consistency. The results of the reliability test are shown in the table below:

**Table 3.5. 1: Reliability Statistics**

Cronbach's Alpha	N of Items
0.662	2
0.645	3
0.754	4

Source: Survey data, 2014

### 3.5.2 Data Collection Procedure

The researcher first obtained a letter of introduction endorsed by the university. The researcher then contacted the leadership of LVSWSB to make prior arrangements before the actual data collection. Questionnaires were administered through drop and pick method. The researcher then collected filled questionnaires from respondents after one week.

### 3.5.3 Data Analysis Technique

Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. The descriptive statistical tools helped in describing the data and determining the respondents' degree of agreement with the various statements under each variable. Descriptive statistics involved the use of absolute and relative (percentages) frequencies, measures of central tendency and dispersion (mean and standard deviation respectively). The study also employed inferential statistics to establish the relationship between performance appraisal and employee performance in LVSWSB. Specifically, the study used correlation analysis to establish this association. The following regression equation was also be used to test the influence of performance appraisal on employee performance;

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + e_i \dots \dots \dots 3.1$$

Where  $Y_i$  = employee performance

$X_{1i}$  = appraisal techniques

$X_{2i}$  = appraisal feedback

$X_{3i}$  = appraisal decision

$e_i$  = Error term

$\beta_0, \beta_1, \beta_2, \beta_3$  = Standardized coefficients of X in the additive model.

The error term (e) in the regression equation above represents the effect of the variables that are omitted from the equation but are believed to contribute to the performance of LVSWSB.

## CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter presents the data obtained from the participants as well its analysis. The presentation of data and its analysis is in form of descriptive statistics and the analysis of the results from the perspective of the research themes. This chapter also provides a deeper understanding of the results and findings regarding performance appraisal and employee performance in Kenya.

### 4.1 Response rate

The total number of respondents that answered and returned the questionnaire were 56, 24 males and 32 females representing 100% response after five respondents were used to carry out a pilot study. The first demographic variable evaluated was gender. The study sought to identify the composition of participants with respect to gender.

**Table 4. 1 Gender of the Participants**

Gender		
	Frequency	Percentage
Male	24	42.9
Female	32	57.1
Total	56	100.0

Source: Survey data, 2015

Based on the responses obtained, the participants were composed of 57.1% females and 42.9% males. With a higher number of women in the composition of the participants, it is clear that the responses obtained were more feminine than masculine.

The study also sought to identify the composition of employees in terms of the ages. Three main age brackets were identified. In the following chart, it is evident that majority of the participants (42.9%) belonged to the age brackets of 31 to 40 and 41 to 50. Only 14.3% of the participants belonged to the age bracket of above 50 years. The fact that majority of the participants belonged to the age bracket of between 31 and 50 years clearly indicates that the study obtained data from mature people.

**Table 4. 2: Age of the Participants**

	Frequency	Percent
31-40	24	42.9
41-50	24	42.9
Above 50 Years	8	14.3
Total	56	100.0

Source: Survey data, 2015

The study also identified the composition of the participants in terms of their levels of education. The responses obtained from the participants are as follows:

**Table 4. 3: Level of Education for the Participants**

	Frequency	Percent
College	16	28.6
Under graduate	24	42.9
Post Graduate	16	28.6
Total	56	100.0

Source: Survey data, 2015

Courtesy of **Table 4.3** it is clear that majority of the participants (42.9%) had attained under graduate degrees followed by those with college (28.6%) and post graduate (28.6%) degrees. With a higher number of participants having under graduate degrees, it is clear that they had adequate understanding and information on the subject under investigation.

Another demographic variable investigated in the study was the number of years worked in the L. Victoria South Water Services Board. The responses obtained are as follows:

**Table 4. 4: Number of years worked in the Lake Victoria South Water Services Board**

	Frequency	Percent
1-5 Years	16	28.6
6-10 Years	32	57.1
Above 10 Years	8	14.3
Total	56	100.0

Source: Survey data, 2015

From **Table 4.4** the study established that majority of the respondents (57.1%) had worked in the board for between 6 and 10 years followed by those who had worked for between 1 and 5 years (28.6%) and lastly by those who had worked for above 10 years (14.3%). The fact that majority had worked for between 6 and 10 years is a clear indication that the respondents were in the best position to offer data and information concerning the performance appraisal in the board. The number of years clearly indicated that the respondents had worked long enough to allow them understand the operations of the board.

#### **4.2 Performance Appraisal and Employee Performance**

There were four main variables under study, namely, appraisal techniques, decisions, feedback, and performance of the employees. This section sections illustrate, analyse, and discuss the responses obtained from the participants with respect to the various variables that were under investigation.

##### **4.2.1 Employee Performance**

Employee performance was the dependent variable under investigation. Five main areas defining and determining the employee performance in the board were identified. Participants were asked to state the extent to which employee performance was realized in the identified areas within the board. The following table provides the results of responses obtained from the participants.

**Table 4. 5: Employee Performance**

	Minimum	Maximum	Mean
The extent to which employee performance is realized in increase in work output	2	5	3.00
The extent to which employee performance is realized in consistent performance	2	5	3.14
The extent to which employee performance is realized in improved service delivery	2	5	3.29
The extent to which employee performance is realized in employees meeting organizational objectives	2	5	3.14
The extent to which employees performance is realized in employees working hard for the organization	2	4	2.71

Source: Survey data, 2015

Based on the responses from participants, the study established that on average the extent of employee performance was moderate in work output increase ( $M = 3.00$ ), consistence performance ( $M = 3.14$ ), improved service delivery ( $M = 3.29$ ), employees meeting organisational objectives ( $M = 3.14$ ), and employees working hard for the organization towards meeting the set objectives and targets ( $M = 2.71$ ).

While measuring the employee performance, the findings of Aguinis *et al.* (2012) are congruent with the findings of the present study by stating that employee performance can be measured on the basis of work output. An increase in work output is a good measure for employee performance as identified in the study by Massingham *et al.* (2011). In other words, an organisation is likely to experience improved performance when the output per worker has increased. In the study performed by Warokka and Gallato (2012), it was established that output is one of the metrics for evaluating the performances and productivities of the employees in an organization. Therefore, when there is an increased output in the Lake Victoria Water Services Board it is apparent that the board is experiencing improved performance and productivity amongst the employees. While supporting the assertions and arguments of DeNisi and Smith (2014), the findings of Kell *et al.* (2014) also state that employee performance can also be measured on the basis of consistence performance and improved service delivery to the

customers. Such findings are consistent with the findings of the present study, which established that within the Lake Victoria Water Services Board, employee performance is measured on the basis of consistency and the improvement in the services delivered to the customers. It is also important to state that the present findings are consistent with those of Thornton and Byham (2013), which established that attainment of organisational objectives and improved productivity are also aspects that define and determine the performance of employees. Therefore, it is clear from the present and previous findings that there are various measures of employee performance.

### 4.3 Performance Appraisal Techniques

The other independent variable, was performance appraisal techniques. Different performance appraisal techniques were identified in the study and the respondents were asked to indicate the extent to which the identified techniques are used in Lake Victoria South Water Services Board.

With respect to the responses obtained from the participants, it was established that on average the extent of performance appraisal techniques usage in the Lake Victoria South Water Services Board was neutral for Graphic Rating Scale ( $M = 3.14$ ) and 360-degree performance appraisal ( $M = 2.86$ ) whereas the extent was high in behavioural anchored rating scale ( $M = 4.14$ ) and management by objective ( $M = 4.14$ ).

**Table 4. 6: Performance appraisal Techniques**

	Minimum	Maximum	Mean
The extent to which Graphic Rating Scale(GRS) is used in Appraisal	3	4	3.14
The extent to which behavioral anchored rating scale (BARS) is used in appraisal	3	5	4.14
The extent to which management by objective (MBO) is used in appraisal	3	5	4.14
The extent to which 360-Degree performance appraisal is used	2	4	2.86

Source: Survey data, 2015

The results obtained in the present study especially with respect to performance appraisal techniques are in line with the findings by Bernardin and Wiatrowski (2013), which established that amongst the many methods that organizations may use towards conducting performance appraisal, management by objective is one of the best. The study confirmed from the participants that management by objective (MBO) is largely adopted in the board. In another study, Gary (2003) confirmed that behavioural anchored rating scale is also another commonly used technique in conducting performance appraisal. Thornton and Byham (2013) also had findings that are consistent with the present findings by arguing out that management by objective (MBO) is one of the most common methods or techniques that entities use in performance appraisal. Management by objective is a common method or technique in performance appraisal owing to the fact that it is not only simple but also economical in terms of costs, effective, and efficient irrespective of the type of organization (Ngeno et al., 2013). The same findings were echoed in the present study, which established that on average the respondents rated the use of BARS as high. With respect to the use of Graphic Rating Scale and 330-degree performance appraisal, the findings of Bernardin (2015) established that such methods are not very common owing to their unpopularity on one hand and the ineffectiveness and inefficiency that come with lack of know-how on their usage. Same findings were reiterated in the present study where the respondents rated the extent of such techniques as neutral, indicating that they (respondents) did not have outright information regarding their application towards performance appraisal.

#### **4.4 Performance Appraisal Decisions**

The study also identified some of the performance appraisal decisions within Lake Victoria South Water Services Board. Participants were asked to rate the extent to which the identified performance decision aspects are incorporated into the board. The results of the responses obtained from the participants are illustrated in the table that follows.

On the basis of the results, the study established that on average the extent of performance appraisal decisions as made within the Lake Victoria South Water Services Board was low for performance appraisal results being used to reward hardworking staff ( $M = 2.43$ ), promotion based on performance appraisal ( $M = 2.14$ ), selection of staff for training that is based on performance appraisal ( $M = 1.86$ ), identification of the training needs from performance appraisal ( $M = 2.43$ ), and the fair hearing decisions that are usually made on the basis of the performance appraisal results.

**Table 4. 7: Appraisal Decision**

	Minimum	Maximum	Mean
The extent to which performance appraisal results are used to reward hardworking staff	1	4	2.43
The extent to which promotion depends on results of performance appraisal	1	4	2.14
The extent to which selection of staff for training is based on performance appraisal results	1	3	1.86
The extent to which training needs identification is based on performance appraisal results	1	5	2.43
The extent to which employees are given fair hearing before decisions are made based on appraisal results	1	5	2.29

Source: Survey data, 2015

The findings of the present results were consistent with various other previous studies. With respect to the idea of using performance decisions in reward hardworking employees, the present findings confirmed those of DeNisi and Smith (2014), which stated that performance appraisal usually form the basis of developing employee reward system. However, the only difference between the two findings is that whereas in the present study the use of performance appraisal in rewarding employees is low within the board, Warokka and Gallato (2012) discovered that the case firm highly used the aspects. In addition, the idea that performance appraisal forms the basis of promoting, selecting, and identifying training needs are also consistent with the findings of Ahmed *et al.* (2011). While Wood (2010). stated that through performance appraisal it becomes easier for a firm to select employees and perform promotions, the study by DeConinck (2010) confirmed that through performance appraisal an entity is in a better position of identify the areas and skills amongst the employees that need improvement. Lastly, the findings that performance appraisal within Lake Victoria South Water Services Board is a basis of engaging in fair hearing and making decisions especially in times when employees are involved in unethical business practices were consistent with those of Warokka and Gallato (2012), who established that upon the performance appraisal results, it becomes easier to provide fair hearings.

#### 4.5 Performance Appraisal Feedback

The other aspect investigated in the study was the performance appraisal feedback that is used within Lake Victoria South Water Services Board. On the basis of review of literature, the study identified some aspects relating to performance appraisal feedback and respondents were asked to rate the extent of their undertaking. The results of the responses from the participants are illustrated below:

**Table 4. 8: Appraisal Feedback**

	Minimum	Maximum	Mean
The extent to which appraisal feedback is delivered in time	3	5	3.86
The extent to which appraisal feedback is delivered openly	3	5	3.43
The extent to which there is written and unwritten feedback	3	5	3.71
The extent to which appraisers provide avenues for appraisees to air their views during appraisal feedback	2	5	3.71
The extent to which appraisal feedback is given by group members and not managers alone.	1	4	2.14

Source: Survey data, 2015

According to the results obtained, the study established that in Lake Victoria South Water Services Board, there is a high extent to which appraisal feedback is delivered in time ( $M = 3.86$ ), high extent to which there is written and unwritten feedback ( $M = 3.71$ ), and high extent to which appraisers provide avenues for appraisees to air their views during appraisal feedback. On the other hand, the study established from the responses of participants that there is a moderate extent to which appraisal feedback is delivered openly ( $M = 3.43$ ). The study also established that there is a low extent to which appraisal feedback is given by group members and not managers alone ( $M = 2.14$ ).

The results of the present findings relating to the performance appraisal feedback were consistent with many other previous studies. The finding that Lake Victoria South Water Services Board ensures that the appraisal feedback is delivered in time and on one hand and providing both written and unwritten feedback on the other hand is consistent with

the analyses and findings of Kuvaas (2007). According to the analysis performed by Kell *et al.* (2014), it was established that when the feedback of appraisal is given promptly then it fulfils its purpose of influencing the productivity and performance of the employees in the organisation. Massingham *et al.* (2011) argue that it really does not matter whether the feedback is in written or unwritten form as long as the appraisal shows the performance of the employee and helps in improving the said performance and productivity. On a different perspective, Aguinis *et al.* (2012) also argue that it is through feedback that once an appraisal has been done, it is important that the results or feedbacks be given to the employees in order to ensure that they understand how to improve on the same. Such findings are consistent with Lake Victoria South Water Services Board. In addition, the findings that it is always good for appraisees to give their feedbacks were also echoed by Gordon (2012) who argued that through the feedback provided by the appraisees, an organisation will understand better not only the results but also specific ways of improving on the future performance appraisal methods.

#### **4.6 Relationship between Appraisal and Performance**

Apart from examining the many aspects of the identified performance appraisal concepts, the study also aimed at establishing the relationship between appraisal techniques, appraisal feedback and appraisal feedback in respect to the employee performance. In other words, the study sought to establish the influence of performance appraisal on the performance of the employees within Lake Victoria South Water Services Board. In achieving this aim, the study performed correlation and regression analyses. The following sections provide an illustration of the results obtained from the correlation and regression analysis in determining the influence of performance appraisal on performance.

**Table 4. 9: Correlation between Appraisal techniques, feedback, decisions and Performance**

	Appraisal techniques	Appraisal feedback	Appraisal decisions	Performance
Appraisal techniques	1			
Appraisal feedback	.022	1		
Appraisal decisions	.130	.017	1	
Performance	-.341*	-.248*	.424*	1

\*. Correlation is significant at the 0.05 level (1-tailed)

**Source: Survey data, 2015**

The results indicated that the correlation between appraisal techniques and performance was negative and significant at 0.05 significance level with a correlation coefficient of -0.341. This means that if appraisal techniques which are very rigid are applied and enhanced by Lake Victoria south Water Services Board, employee performance is likely to decline.

The results above are consistent with the findings of Bernardin and Wiatrowski (2013), which argued that when the performance appraisal techniques are very rigid, there is likelihood that employees will rebel and such rebellions may result into poor performance. However, Ahmed *et al.* (2011) had contrary findings when they stated in their studies that when an organization puts in place effective and efficient performance appraisal techniques, then it becomes easier to monitor and enhance their productivity and performances.

The correlation between appraisal feedback and performance was also negative and significant with a correlation coefficient of -.248 at 0.05 significance level. This implied that there is a weak but negative relationship between appraisal feedback and employee performance. It means that if negative feedback is persistently given to the employees by the Board, then this will automatically lead to a decline in their performance. The results of the study are consistent with those of Warokka and Gallato (2012) who established that

there are some appraisal feedbacks that discourage the employees from putting their best. When an employee is discouraged on the basis of the performance appraisal, there is likelihood that the employee will lose the morale and zeal towards engaging in various activities of the entity. However, Aguinis *et al.* (2012) had a different opinion in their findings. According to Massingham *et al.* (2011), appraisal feedbacks are aimed at helping an employee to recognise areas that should be improved. While supporting the arguments of Kuvaas (2007), Kell *et al.* (2014) stated that through appraisal feedbacks it becomes easier to help in improving the productivity and performance of an employee.

The correlation between appraisal decisions and employee performance was positive and significant with a correlation coefficient of 0.424. This means that when performance appraisals generate positive appraisal decisions concerning employees, then employee performance is improved. These finding are consistent with those of Massingham *et al.* (2011), which confirmed that performance appraisal decisions are usually the basis of enhancing the performance of the employees. While supporting the analyses and assertions of Ahmed *et al.* (2011), Kell *et al.* (2014) stated in their studies that decisions made by management of organisations and entities in respect to performance appraisal provide an important foundation that would enhance the performance of the employees in question. Hence, there is a positive correlation between performance appraisal decisions and the performances of the employees in an organisation.

#### 4.6.1 Regression Analysis Results

Other than conducting a correlation analysis between the dependent variable and each of the independent variables, the study also conducted a regression analysis. The results of the regression analysis are illustrated in the following tables:

**Table 4. 10 : Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963 <sup>a</sup>	.927	.923	.26170

a. Predictors: (Constant), Appraisal decision, Appraisal techniques, Appraisal feedback

**Source:** Survey data,2015

The model above indicates that there is a very strong correlation between the predicted values and the observed values as seen in the  $R = .963$  (96.3%). The results also established that from the developed model 92.7% (R-square) of the variations in the employee performance are explained by the performance appraisal techniques, performance appraisal feedback, and performance appraisal decisions.

The following table illustrates the results of the Analysis of Variance (ANOVA).

**Table 4. 11: ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	45.536	3	15.179	221.630	.000 <sup>a</sup>
Residual	3.561	52	.068		
Total	49.097	55			

a. Predictors: (Constant), Appraisal decision, Appraisal techniques, Appraisal feedback

b. Dependent Variable: Employee performance

Source: Survey data, 2015

The ANOVA results is a clear show that the model was good fit in relating the employee performance and appraisal aspects, which included decision, techniques, and feedback  $p$  value  $< 0.05$  (5% significance level), which made the model significant in relating employee performance as a dependent variable with appraisal decision, appraisal techniques, and appraisal feedback as the independent variables.

**Table 4. 12: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	9.086	.379			23.965	.000
Appraisal techniques	-.683	.097	-.271		-7.075	.000
Appraisal feedback	-1.916	.093	-1.146		20.501	.000
Appraisal decision	1.288	.054	1.302		23.642	.000
a. Dependent Variable: Employee performance						

**Source:** Survey data, 2015

The results show that appraisal techniques, appraisal feedback and appraisal decisions had beta standardized coefficients and p values of  $\beta = -.271$ ,  $p < .05$ ;  $\beta = -1.146$ ,  $p < .05$  and  $\beta = 1.302$ ,  $p < .01$  respectively. These means all the beta coefficients,  $\beta$ , which are the degrees to which the independent variables each explain the dependent variable, are positive and significant. The standardized  $\beta$  coefficient of performance appraisal technique shows that a unit standard deviation performance appraisal techniques causes  $-.271$  standard deviations in performance of the firms while a unit standard deviation of appraisal feedback and causes  $-1.146$  and  $1.302$  standard deviations in employee performance. Similarly for the un-standardized coefficients, a unit % age change in appraisal techniques is likely to result in a change in employee performance by  $-0.683\%$  in the negative direction while a unit % age change in appraisal feedback is likely to lead to change in employee job performance by  $1.916\%$  in the same direction. Lastly, a unit % age change in appraisal feedback is likely to lead to change in employee performance by  $1.288\%$  in the opposite direction.  $R^2$  is  $0.927$  and is significant. Similarly, the adjusted  $R^2$  is  $0.923$  and also significant. The shrinkage in this case is  $0.012$  ( $0.927 - 0.923$ ) which is below the level of  $0.5$  suggested by Field (2005) and means that the model is valid, has

stability for prediction and predicts variance of employee performance at 92.7%. This means that appraisal techniques, appraisal feedback and appraisal decisions together explain 92.7 percent of the employee's job performance. The study therefore developed the analytic model shown below for predicting employee performance at Lake Victoria South Water Services Board.

$$Y = 9.086 - 0.683X_1 - 1.916X_2 + 1.288X_3$$

Where  $X_1$  – appraisal techniques,  $X_2$  – appraisal feedback and  $X_3$  – appraisal decision

The finding that that appraisal techniques and appraisal feedback were a negative significant predictor of employee performance is inconsistent with those of Kell *et al.* (2014), which indicated that there is a positive relationship between employee performance, appraisal, techniques, and appraisal feedback. Kuvaas (2007) established that when there are adequate and effective appraisal techniques and feedbacks, employees tend to be motivated, which result into enhanced performance. On a different perspective, the results of the study were consistent with those of Ahmed *et al.* (2011), which confirmed that there is a positive relationship between employee performance and appraisal decision.

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

This chapter summarizes the results of the study and reports the conclusions drawn. In addition, practical contributions of the study are discussed together with observed limitations. The chapter concludes by providing potential avenues for future research.

### **5.1 Summary of Findings**

Research objective one sought to establish the influence of performance appraisal technique on employee performance in Lake Victoria South Water Services Board, Kenya. The results showed that the correlation between appraisal techniques and performance was negative and significant implying that there is a negative influence between appraisal techniques and employee performance. This means that if appraisal techniques which are very rigid are applied and enhanced by Lake Victoria south Water Services Board, employee performance is likely to decline.

Research objective two sought to determine the relationship between performance appraisal feedback and employee performance at the Lake Victoria South Water Services Board. The results showed that there was a negative relationship between appraisal feedback and employee performance meaning that if negative feedback is persistently given to the employees by the Board, then this will automatically lead to a decline in their performance.

The third objective sought to assess the influence of performance appraisal decisions on employee performance at the Lake Victoria South Water Services Board. Results showed significant positive coefficient for appraisal decisions implying that it is a significant positive predictors of employee performance at Lake Victoria South Water Services Board. Consequently appraisal decisions have a significant positive effect on performance of the public bus transport firms.

### **5.2 Conclusions**

From the findings it can be concluded that rigid performance appraisal techniques at Lake Victoria South Water Services Board negatively influences employee performance. It can also be concluded that negative feedback de-motivates employees and this results to their decline in work performance. Finally, it can also be concluded that appraisal techniques, appraisal feedback and appraisal decisions are significant predictors of employee performance.

### **5.3 Recommendations**

Based on the conclusions it is recommended that the Lake Victoria South Water Services Board should emphasize the use of flexible performance appraisal techniques which will motivate its workers to put more effort to positively improve performance in their job areas. The feedback system after the performance appraisal should also be timely and prompt so that employees get to know their areas of weakness and which they need to improve in. Negative feedback from performance appraisal should be accompanied by suggestions on how to improve performance rather than punitive measures which tend to discourage employees and lower their work morale. Finally it is recommended that the decisions which are arrived at after performance appraisal exercise should be a product of a consultative process so that the Board is seen to be fair in dealing with its employees on job related issues.

### **5.4 Limitations of the Study**

The term limitation as used in the context of this study implies limiting conditions or restrictive weaknesses encountered in the conduct of the research. A number of limitations were identified in the conduct of this research. First, the study used a descriptive correlational case study design. This design is limited in accuracy due to the fact that it is a snap shot at a point in time. The study also relied purely on primary data obtained from employees of Victoria South Water Services Board and this may have led to biased opinions since some of them may not be happy with the appraisal system being used by the organization hence failing to give objective responses.

### **5.5 Suggestions for Further Research**

From the limitations above, this study establishes the foundations for future conceptual and empirical research efforts. Future studies in this area should introduce moderator variables in the performance appraisal and employee performance relationship to establish the nature and strengths of their interrelationships with current study variables. It also is suggested to academicians to conduct similar studies using a different design from descriptive correlational case study design such as longitudinal or panel designs. Other industries should also be investigated.

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