PERFORMANCE APPRAISAL AS EMPLOYEE MOTIVATION MECHANISM IN SELECTED FINANCIAL INSTITUTIONS IN KUMASI, ASHANTI REGION OF GHANA

DR. KOFI OSEI AKUOKO*

*Vincent de Paul Kanwetuu,
Department of Sociology and Social Work,
Faculty of Social Sciences, College of Art and Social Work,
Kwame Nkrumah University of Science and Technology,
Kumasi, Ghana.

ABSTRACT

Performance appraisal system (PAS) has been viewed by academics and human resource practitioners as an effective tool for human resource management (HRM). Yet effective PAS remains a practical challenge to managers and employees because of cognitive, motivational and behavioural factors. A review of recent studies also showed that employees in some financial institutions viewed PAS as discriminatory, punitive and judgemental where bias and cronyism replaced objectivity. A social survey was conducted among employees of six financial institutions in the Kumasi Metropolis. A survey questionnaire was administered among both managerial and subordinate staff. Data gathered were analyzed quantitatively using both descriptive and inferential statistical tools. It was revealed that employee participation in the appraisal process was generally high and this increased satisfaction and fairness which consequently enhanced employee motivation to perform. It was also revealed that manager-subordinate interaction was very cordial and this boosted employee motivation and majority of employees preferred appraisal to be used for satisfying training and development needs of employees. Some recommendations were made.

KEYWORDS: Performance appraisal, Human resource management, Motivation, Employee involvement, Financial institutions.

INTRODUCTION

Research reports indicate that there is widespread use of performance appraisal in work organizations all over the world. This widespread use of PAS can be attributed to human resource specialists, academics and consultants who proclaim that performance appraisal is a critically needed tool for effective human resource management (Locker and Teel, 1997). Performance appraisal dates from the time of World War II. In a broader sense, however, it is one of the oldest professions with origins in Frederick Winslow Taylor's 1911 Time and Motion work, which used the scientific method to assess and improve worker productivity. In Ghana, not until the mid-1990s, the performance management currently being practised in many government organizations across the globe did not exist (Ohemeng, 2009). Before this period, however, organizational performance was assessed through annual reports and financial statements audited.
by the Auditor-General whilst individual or staff performance was assessed through the Annual Confidential Reports (ACR) (Ohemeng, 2009).

**PROBLEM STATEMENT:** In many organizations, performance appraisal systems (PAS) remain one of the great paradoxes of effective human resource management (Cleveland, Murphy, and Williams, 1989). According to Coens and Jenkins (2000), inaccuracies in appraisal can demotivate employees forcing them to go reading ‘want ads’. Ayee (2001) and Nkrumah (1991) in Ohemeng (2009) said that the appraisal system in Ghana was fraught with problems and abuses that made its credibility questionable. A recent study in Barclays Bank Ghana, also reported that employees viewed performance appraisal as discriminatory, punitive and judgemental processes, where cronyism and biased considerations dominated objectivity (Horsoo, 2010). This makes one question the level of employee involvement in the appraisal planning in Ghanaian financial institutions. And would employee involvement in the appraisal planning lead to employee motivation to perform? It is in the light of the above questions that the study was set on the role of employee participation in appraisal planning on employee motivation.

**OBJECTIVES OF THE STUDY:** The study sought to find out the relationship between performance appraisal and employee motivation in financial institutions in Ghana. Specifically, the study found out the methods of appraisal used by the financial institutions and the level of employee involvement in the appraisal process. The study also examined the effect of employee involvement and the manager-subordinate relationship in the appraisal process.

**HYPOTHESIS TESTING**

H0: Employee participation in setting job objectives is not a function of motivation to perform.

H1: Employee participation in setting job objectives is a function of motivation to perform.

H0: Self-evaluation and employee perception of fair appraisal are not related.

H1: Self-evaluation is a function of employee perception of fair appraisal.

H0: There is no relationship between employee participation in performance appraisal review interview and employee satisfaction with appraisal feedback.

H1: There is positive relationship between employee participation in performance appraisal review interview and employee satisfaction with appraisal feedback.

**SIGNIFICANCE OF THE STUDY**

Literature on the link between performance appraisal and employee motivation in Ghana is rare. As such literature review on appraisal and its effects on motivation in Ghanaian organisations was difficult and sometimes impossible to obtain. This compels many researchers to rely mainly on foreign literature even if they are conducting studies into local organisations. The findings of the study would, therefore, serve as additional source of reference for future studies.
PAS are known to have a dual capacity of motivating and de-motivating employees based on how they are designed and implemented. The findings of the study would be useful to managers and supervisors of institutions and organisations where appraisals form part of organisational life. This was because the findings could help them avoid errors in the process which had the capacity to de-motivate their employees.

Thus, the findings of the study would fill the gap created by the unavailability of literature on PA in Ghana and provide organisations with knowledge on appropriate approaches of appraisal which yield effective employee motivation.

**LITERATURE REVIEW:** Performance appraisal is “the evaluation of an individual’s work performance in order to arrive at objective personnel decisions” (Robbins et al, 2000). It is also the process of obtaining, analyzing and recording information about the relative worth of an employee (Dowling, Welch and Schuler, 1999; Moorhead and Griffin, 1992). Thus, performance appraisal is a planned interaction between employees and their supervisors during which the former examine the performance of the latter to identify strengths and weaknesses with the view to improving future performance.

The theoretical bases of PAS are equity and expectancy theories (Kellough and Nigro, 2002; Perry, 2003; Risher, 2002; Vroom, 1964) and path-goal theory (Armstrong, 2006). Adams (1965) formulated the equity approach as an appropriate way to effective supervision. Equity simply means fairness. Workers are motivated when they discover that they are treated fairly in compensation, promotion and that there is transparency in their evaluations. Workers reduce their efforts if they feel that they are treated inequitably (Fulk, Brief and Barr, 1985; Hyde, 2005).

Expectancy theory (Vroom, 1964) indicates that employees will be motivated to exert high level of effort when they believe that their efforts will lead to higher performance (expectancy), higher performance will lead to rewards (instrumentality) and rewards are valuable to them (valence). This effort will lead to good performance appraisal and followed by organization rewards such as bonus, salary increment or promotion which later satisfy personal goals (Vroom, 1964). Goal-setting theory (Locke and Latham, 1979) states that motivation and performance are higher when individuals are giving specific goals, when goals are difficult but accepted and when there is feedback on performance. Motivation and performance will improve if people have challenging but agreed goals and receive feedback (Armstrong, 2006).

There are numerous methods for measuring employees’ performance but some of these methods are not suitable in some cases. Effective appraisal system should address clarity, openness and fairness, recognize productivity through rewards and be cognizant of appraiser leadership qualities (Winston and Creamer, 1997). Decenzo and Robbins (1998) denominate three approaches to performance appraisal: absolute standards, relative standards and management by objectives. The absolute standards are appraisal methods through which employees’ performances are compared to a standard and their evaluation is independent of any other employee in a work group (Dessler, 2000). Relative standards are appraisal methods where performances of individuals are compared against other individuals. Management by objectives are where employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job.
Research on PAS has done little to improve its usefulness as a managerial decision-making tool (Thorndike, 1949; Banks and Murphy, 1985; Napier and Latham, 1986). Corroborating this argument, Folger, Konovsky, and Cropanzano (1992), conclude that many appraisal systems have failed to realize their full potential contribution to organizational effectiveness.

A due-process appraisal system has three main characteristics (Folger et al, 1992). Adequate notice requires organizations and their agents to publish, distribute, and explain performance standards to employees, discuss how and why such standards must be met, and provide for regular and timely feedback on performance. Fair hearing requires a formal review meeting in which an employee is informed of a tentative assessment of his or her performance and how it was derived by his or her manager, who should be familiar with the employee's performance. Employees are also permitted to challenge this assessment by conducting and presenting a self-appraisal. Finally, judgment based on evidence requires the organization and its agents to apply performance standards consistently across employees, without yielding to external pressure, corruption, or personal prejudice. The features described above by Folger et al (1992) call for employee involvement in the appraisal process from planning through implementation to review if the process is to serve as motivation mechanism to employees.

Human resource managers have recognized the important relationship between organizational justice and organizational effectiveness (Cropanzano and Folger, 1991). Distributive justice deals with the ends achieved or the content of fairness, whereas procedural justice is related to the means used to achieve those ends or the process of fairness (Cropanzano and Folger, 1991).

Employees' reactions to the fairness and accuracy of the appraisal system may affect their motivation to correct weak performance or develop unused potential. Similarly, managers' reactions to performance appraisals are a necessary, if not sufficient condition to collect the relatively unbiased performance information needed for reward allocation or legal documentation. Although often ignored, employees' and managers' reactions to appraisal systems are essential to successfully attaining at least three purposes of appraisals - employee development, reward allocation, and legal documentation (Murphy and Cleveland, 1991).

Research has shown that managers frequently distort appraisal results to further their own self-interests (Longenecker, Gioia, and Sims, 1987). If the above observation is true, then due-process systems may well provoke negative reactions from managers by constraining their ability to distort the results of the appraisal. But Bernardin and Villanova (1986) and Murphy and Cleveland (1991), have indicated that it is also true that managers' own performance is highly dependent on the efforts of those who work for them. Consequently, it might be argued that they will react favourably toward a due-process appraisal system. They continued that due-process appraisal systems inform employees of managers' performance expectations from the very beginning, provide opportunities for open exchanges about factors that may impede employees' ability to meet expectations, and provide ongoing performance feedback.

Boswell and Boudreau (2000) identified two uses of performance appraisals as evaluative and developmental purposes. The evaluative function includes the use of PA for salary administration, promotion decisions, retention-termination decisions, and recognition of individual performance, layoffs and the identification of poor performance. Ostroff (1993)
conceptualizes the above usage of PA as administrative purpose. Cleveland, Murphy, and Williams (1989) contend that evaluative functions involve between-person decisions. Developmental functions, on the other hand, include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses. These are proposed to encompass within-person decisions.

Intrinsically motivated employees work for the inherent satisfaction of the labour (Cameron and Pierce, 2002; Ryan and Deci, 2000), whereas extrinsically motivated employees engage in the work in order to obtain some goal apart from the work itself (Amabile, 1993). Hackman and Oldham (1980) argued that strong intrinsic motivation occurs when three psychological states are created: experienced meaningfulness of the work, experienced responsibility for outcomes of the work, and knowledge of the actual results of the work activities. Organizations should, therefore, restructure work to induce intrinsic motivation. Greater skill variety, task identity, and task significance increase the experienced meaningfulness of the work, autonomy raises experienced responsibility, and feedback provides knowledge of results (Hackman and Oldham, 1980). PAS is one means to facilitate that feedback.

Herzberg (1968) considered that extrinsic rewards are more likely to provide employee movement in the manner of a positive KITA (kick in the ass) for fear of punishment or failure to get an extrinsic reward rather than true motivation. Motivation is an important issue in any organization because it is involved in energizing or initiating human behaviour, directing and channeling that behaviour and sustaining and maintaining it (Steers and Porter 1987). Herzberg (1987) argues that in order to motivate employees through performance appraisal, the system should be used for reward and recognition. There is no doubt, however, that extrinsic incentives can boost performance (Herzberg, 1987).

Hamner (1987) cautions that these systems can fail for a number of reasons including if pay is not related to performance, if ratings are seen to be biased, if rewards are not viewed as rewarding, if there is more emphasis on satisfaction with pay than performance and if there is a low level of trust and openness about the merit raises. Again, some merit pay schemes may encourage poor work practices as individual employees attempt to maximize their personal gains to the detriment of the entire organization (Hickey and Ichter, 1997).

Popp and Fox (1985), Kovach (1987) and Hede (1990) conducted surveys and found that employees sought achievement, responsibility and growth as the highest priority for incentives in their work. A reward and recognition system that addresses these areas should produce the desired outcome. Joint goal setting can provide a number of these employee rewards as individual employees can negotiate desired outcomes with management (Dunford, 1992). Management involvement will ensure that the goals are consistent with corporate objectives and that they provide challenging opportunities for the employee to use their current skills and abilities and encourage the development of new ones. Public acknowledgment of the agreed goals and their achievement is important to reinforce the desired behaviour (Robbins et al, 1998).
The employer chooses an appraisal approach or a mix of approaches to appraise the performance of employees. The employee is either motivated or de-motivated to perform depending on how the appraisal was administered. Whether employees are motivated or de-motivated, it affects their level of performance which in turn affects output (productivity). The employer receives output as feedback on the effectiveness or otherwise of the appraisal process.

CONCEPTUAL FRAMEWORK: The employer chooses an appraisal approach or a mix of approaches to appraise the performance of employees. The employee is either motivated or de-motivated to perform depending on how the appraisal was administered. Whether employees are motivated or de-motivated, it affects their level of performance which in turn affects output (productivity). The employer receives this output as feedback on the effectiveness or otherwise of the appraisal process.

RESEARCH METHODS

RESEARCH DESIGN: The study was exploratory research designed to investigate the use of performance appraisal in employee motivation in Ghana. The strategy employed was the social survey. Questionnaires were used as the main tool for primary data collection. Data collected were analyzed quantitatively using both descriptive and inferential statistics.

SAMPLING PROCEDURE: The target population for the study comprised all employees of registered financial institutions in Ghana. However, employees of six financial institutions were chosen in the Kumasi Metropolis for reasons of proximity and convenience to represent the larger population of employees in all registered financial institutions in the country for the study. They included individual Ghana Commercial Bank Limited (GCB) Tek Branch, State Insurance Company Limited (SIC) Kumasi Office, Metropolitan Insurance Company Limited (MICL) Adum, United Bank for Africa (UBA) Adum, Ecobank Limited Harper Road and Kumawuman Rural Bank Limited (KRBL) Bomso.

SAMPLE SELECTION: The total employees in the selected institutions were 147. 17 were supervisory staff and 130 were subordinates. For the managerial staff, 12 respondents were purposively selected because of their peculiar role in appraising the performance of their subordinates. In the case of the subordinates, however, the proportional allocation method of stratified random sampling technique was used to select 66 respondents because the institutions did not permit total enumeration for reasons of time constraint. Moreover, the institutions were of unequal populations and, therefore, the samples should be proportional to the population in order to permit possible comparison of findings. Thus, 50% of the subordinate population in each institution was sampled. Fifty percent (50%) of 130 was 65 which was statistically large enough to do a test of significance and draw inferences. The simple random sampling was then used to select the required fraction from each of the populations since respondents were homogenous.

TOOLS FOR COLLECTING PRIMARY DATA: The questionnaire was used as the main tool for data collection. Two different sets of questionnaires were administered - one for managers/heads of departments who appraise the performance of subordinates and one for the subordinates. The questions were close-ended questions in order to permit vivid comparison of responses. This was further necessitated by the fact that the open-ended questions were not
answered by most respondents during the pre-test of the questionnaires indicating that they would be treated likewise if repeated in the final questionnaire.

**FIELDWORK:** In Ghana, organizations have rules and regulations governing the conduct of research into their operations. These corporate rules determine what information should be released to researchers. For these reasons it is ethically binding on researchers to seek approval from top management before studies are conducted in organizations. Thus, letters of introduction were sent to the selected institutions for approval. This gave the author the opportunity to establish good rapport with officials of the organizations and also to explain the import and extent of the study. Besides, it offered the author the opportunity to collect information on the organizations’ workforce for the selection of an appropriate sampling technique for the study.

**PRE-TEST AND POST-TEST OF THE QUESTIONNAIRE:** A pre-test of the research tool was necessary to ensure that the questions asked were understood by respondents and to ascertain logical sequence of questions asked. A mailed questionnaire was thus, sent to employees of Ghana Commercial Bank Limited, Kasoa Main Branch for pretesting. The results of the initial piloting helped in restructuring the questionnaire and making the necessary corrections. It was seen that most respondents failed to answer open-ended questions indicating that similar or same thing would happen in the final data collection. After the questionnaire was restructured for only multiple choice questions, it was post-tested to workers of Gemini Life Insurance Company (GLICO) Kumasi Branch. All questions were answered indicating that the closed-ended questions were preferred.

**QUESTIONNAIRE ADMINISTRATION AND RESPONSE RATE:** The questionnaires were self-administered because the respondents could read and write. Field editing of completed questionnaires and follow-up visits were conducted by the author to ensure that all questions were answered and that responses were consistent before the questionnaires were collected finally. Generally, the response rate was very encouraging. 78 questionnaires were distributed and 70 were answered and returned indicating 89.74% response rate. After editing the questionnaires from subordinates, three (3) questionnaires were dropped because they did not comply with instructions which demanded ticking only one correct answer to a given item. Another one (1) was dropped in order to get the sample size of 66 indicating a 100% response rate. In the case of supervisory staff, 12 respondents completed and submitted their questionnaires. Finally, a total sample size of 78 respondents was obtained for the study.

**FIELD PROBLEMS:** Some respondents felt reluctant to participate in the study because they could not perceive any immediate benefits to them. Some also complained of being fed up with answering questionnaires all the time. The author took time to explain to them the purpose of the study which was an academic pursuit although findings could inform policy through publication. Some respondents, especially bank workers, also complained of time constraints in answering the questionnaires. This was due to constant pressure from customers for services. To help solve this problem the questionnaires were given to them to answer them at their convenience. The subordinates also feared that their participation would lead to victimization if they gave unfavourable answers about their supervisors. But they were assured of anonymity and confidentiality of all the information they would provide. A few questionnaires were misplaced
by the supervisors but they were easily replaced. This, however, delayed the process since more
time was needed to complete the questionnaires especially among bank workers. Some
respondents refused to answer any questionnaire because it was waste of time. Others who
finally collected them complained that the number of questions to be answered were too many.

**DATA HANDLING AND ANALYSIS:** This consisted of field editing and data entry. It was to
eliminate errors such as double answers. Data was cleaned and coded for entry into the SPSS for
Windows software. Computer editing was done after keying in the data. The data were analysed
and presented statistically using frequency tables, pie charts, bar charts and inferential tools vis-
à-vis scatter plots, cross-tabulation and correlation for the interpretation of the data and
hypothesis testing.

**ETHICAL CONSIDERATIONS:** Permission was sought from the participants before the
conduct of the study. That is, introductory letters were sent to the management of the selected
institutions and their approval received before the commencement of the research. The author
made telephone calls and prior visits to management so that data gathering periods were
scheduled at convenient hours in order not to unduly interrupt their work schedules. No names or
any identifiable information from respondents were taken as a way of ensuring the ethical
principle of anonymity in social research to prevent possible victimisation. The respondents were
informed that their participation was voluntary and as such they could opt out at any stage of the
research process.

**ANALYSIS AND DISCUSSION OF RESULTS**

**SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

**SEX OF RESPONDENTS:** Majority of the respondents (54.5%) were females. The male
respondents were 44.5%. In the case of managerial/supervisory staff, however, the males
assumed a very significant dominance over the females as 83.3% of the respondents were males
whilst the female respondents were only 16.7%. The majority (54.5%) of the respondents being
females indicated that the work in financial institutions was not the preserve of men as it was in
other occupations where physical strength was needed for job execution. One other socio-
cultural reason could be that in Ghana women were generally regarded as better in handling
money and customer services than men. Even though the female population among the
employees was greater than their male counterparts, the males were more (83.3%) than females
in managerial positions. This was a demonstration of the fact that women in Ghana found it
much more difficult than their male counterparts to climb the promotion ladder to top managerial
positions. This may be due to their triple roles in the society consisting of reproduction,
production (employment) and community managing roles which usually made it difficult for
most women to acquire the necessary qualification and experience needed to attain management
positions.

**AGE OF RESPONDENTS:** 62.1% of the respondents were below 30 years, 25.7% were in the
30 - 39 years age group while the remaining 12.1 percent were in the 40 - 49 years age group. In
the case of managerial staff 33.3% fell within the 40 - 49 years age group and another 33.3%
were aged between 50 - 59 years. Only 16.7% of managerial staff was below 30 years and 17.6%
were in the 30 - 39 years group. The nature of the work in financial institutions demanded speed and accuracy and this could be a reason why majority of employees were young people engaged to meet these requirements in order to keep customers from moving to competitors. Most managers (66.7%) were, however, found to be between 40 and 59 years. Age sometimes corresponds with experience and dexterity especially in situations where people started working at an early age. By 40 to 50 years they would have acquired enough experience for promotion to managerial positions and as such it was not surprising to find that the managerial staff was generally older than their subordinates.

**MARITAL STATUS:** 54.5% of the subordinates were found to be single and the remaining 45.5 percent were married. With regards to the supervisory staff, 75% of them were married and 25% were single. The respondents who were not married were 54.5% which confirmed that majority of the employees were young people. In Ghana, most young people who are single are very desirous of making money in order to settle down to marry, buy cars and built houses. This might, therefore, be a reason why single and relatively young people were in the majority in financial institutions. Also, unmarried people generally had relatively less family responsibility at home compared to married people and since working in most financial institutions demanded leaving home early and coming back late, it could be a reason why most of the respondents were not married. Most managers were, however, married (75%) also confirming their maturity in age (40 to 59 years) at which most people would have been married in Ghana.

**EDUCATIONAL BACKGROUND:** Educational attainment among respondents was generally high as 66.7% of respondents had had tertiary education, 30.3% had completed post-tertiary education and 3% had secondary school certificates. 58.3% of the managerial staff had post-tertiary education and the remaining 41.7% had tertiary education. Educational attainment is a major factor in most job descriptions all over the world. In Ghana, the nature of the work of staff of financial institutions required a sense of professionalism and to enroll in the profession required certain level of academic qualification. Consequently, 66.7% and 30.3% of respondents had had tertiary and post-tertiary education respectively. This was probably to meet the high level of educational requirements most jobs in financial institutions demanded in order to remain productive and competitive in the industry. Majority (58.3%) of managerial staff also had post-tertiary education which seemingly justified their positions as specialists who must have higher level of both theoretical and technical knowledge in their areas of operation which enabled them to provide appropriate advice and guidance to subordinates.

**YEARS OF SERVICE:** Majority of respondents (51.6%) had no work experience before they were employed. 37.9% of respondents had had one to five years working experience whilst 6.1% percent had six to ten years working experience before they were engaged. It was revealed that 10.6% of the respondents were newly employed who had worked for less than one year whilst majority of the respondents (74.5%) had worked for one to five years in their current organisations. Only 6% of respondents had worked for more than ten years in their current jobs.
APPRAISAL APPROACHES IDENTIFIED

PROCEDURAL APPROACHES: When they were asked how their performance was measured, 97 percent of respondents reported that their performance was measured against standards set to achieve the objectives (absolute standards) and 3 percent of them said that their performance was measured by a comparison with the performance of their colleagues (relative standards). Dessler (2000) refers to the above forms of measurement as absolute standards and relative standards respectively. From the analysis, one could say that majority of the respondents had their performances measured using absolute standards.

Again, when the respondents were asked to indicate who took part in measuring their performance apart from self-evaluation, majority (81.8%) of them said that their performance was measured by their managers while 3% said that their performance was measured by their colleagues (indicating peer evaluation) and 15.2% indicated that their performance was measured by multiple sources.

The study revealed that 77.2% of respondents took part in setting their job objectives, 92.4% took part in evaluating their performance and 93.9% had opportunity to review interviews after they had received performance feedback. These figures served as evidence that financial institutions in Ghana also used management by objectives to evaluate the performance of their workers. This was a situation where objectives were jointly set and jointly monitored periodically by both managers and employees and rewards were administered based on performance (Decenzo and Robins, 2002; Ingham, 1995).

DISTRIBUTIVE APPROACHES: Two more approaches to performance appraisal were further identified based on the purpose of feedback. Majority of the managers (67%) used feedback for rewards administration to employees. Boswell and Boudreau (2000) term this as evaluative approach (traditional approach) and Ostroff (1993) refers to it as administrative purpose. Twenty five percent (25%) of managers also indicated that they used feedback to identify strengths and weaknesses of employees in order to train and develop them for improved future performance. Besides, 8% of the managers used ratings for documentation and providing feedback to employees. The use of ratings for training and development and provision of feedback to employees is referred to as developmental approach (modern approach) by Boswell and Boudreau (2000).

Whereas majority of the managers (67%) indicated that they used appraisal ratings for reward administration, the majority of employees (66.7%) would have preferred that appraisal ratings should be used for training and development purposes. Only 22.7% of the employees agreed with the managers on the use of appraisal results for reward administration. The analysis indicated that majority of the employees in financial institutions preferred that managers use performance appraisal to identify their training and development needs. However, majority of managers in financial institutions used performance appraisal for evaluative purposes.

The analysis of the study revealed that there was diversity of interests between employees and management on the purpose of performance appraisal. This was because whereas majority (66.7%) of respondents preferred that their appraisal should be used for training and
development purposes, majority (66.7%) of the managers used appraisal results for rewards administration. The preference for training and development to rewards administration by most employees may, however, be explained by the fact that 51.6% of respondents had no working experience prior to their engagement by their organizations. Therefore, respondents probably needed more training and development to improve their knowledge and performance since that was the main road to earning rewards such as promotion, salary adjustment and bonuses.

The use of performance appraisal for rewards administration by majority (66.2%) of the managers in financial institutions in Ghana, however, validates Herzberg’s (1987) argument that in order to motivate employees through performance appraisal, the system should be used for rewards and recognition. Boswell and Boudreau (2000) refer to this as an evaluative function of performance appraisal. The evaluative approach is often regarded as negative (Blau, 1964) especially by low performing employees whereas developmental approach is more likely to be viewed positively because of its futuristic and helpful focus. Managers should, therefore, be cautious and tactful when using performance appraisal for rewards administration since this could lead to unhealthy competition among employees who may use dubious means to obtain rewards to the detriment of the organization.

Developmental functions according to Boswell and Boudreau (2000) include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses. Good as this may sound in fostering intrinsic motivation among employees, the findings showed that only 33.3% of managers in financial institutions used appraisal for developmental purposes. Compared to the 66.2% of managers who used it for evaluative purposes, the developmental function of performance appraisal was low. This may be due to the fact that training and development programmes were usually costly and time consuming and as such organizations had to approach it with tact and care in order not to negate profits and increased productivity.

**EMPLOYEE PARTICIPATION IN THE APPRAISAL PROCESS:** One of the specific objectives of the study was to find out the level of employee involvement in the appraisal process. To this effect, respondents were asked to rate their participation/involvement in the three major stages of the appraisal process namely; setting of job objectives, performance evaluation and review interview. Their responses were analysed and presented as follows:

**EMPLOYEE PARTICIPATION IN SETTING OBJECTIVES:** 77.2% of respondents indicated that they took part in setting job objectives while 22.8% did not participate in setting objectives which they worked to achieve. Some 92.4% of respondents also said that they evaluated their own performance. These figures provided enough evidence to show that the concept of management by objectives was practised by financial institutions in Ghana and that could serve as source of intrinsic motivation to employees (Armstrong, 2006). This high level of employee involvement in the appraisal process in financial institutions also satisfied the conditions of a due-process appraisal system proposed by Folger et al (1992) and consistent with procedural justice. The argument is that employees feel fairly treated and motivated if their appraisal results are based on adequate notice, fair hearing and judgement based on evidence.
A moderate correlation (Pearson r = 0.505) was found to exist between employee participation in setting job objectives and employee motivation to perform. Following this, a test of hypothesis was conducted to validate this relationship. The computed t of 4.68 was greater than the critical value of 2.000 at alpha = 0.05 and as such the null hypothesis which stated that employee participation in setting job objectives and employee motivation to perform were independent was rejected. This gave credibility to the research hypothesis and as such a conclusion was drawn at 95% confidence level that employee participation in setting job objectives yielded employee motivation. It was, however, revealed that 6.1% of respondents did not participate at all in setting their job objectives. This meant that their job objectives were imposed on them.

EMPLOYEE INVOLVEMENT IN PERFORMANCE EVALUATION: The results of the study indicated that an overwhelming majority (92.4%) of respondents took part in evaluating their performance. Only 7.6% reported that they did not take part in evaluating their work. This meant that 7.6% of respondents had their performance measured and rated entirely by someone else. Only three percent (3%) of respondents indicated that their performance was evaluated by their colleagues (peer evaluation) and a few others (15.2%) had their performance appraised from multiple sources.

The 92.4% of respondents who indicated that they took part in evaluating their performance suggested that there was some amount of objectivity in the evaluation of the performance of some workers since more than one person participated in the performance evaluation process. Thus, it was not surprising to have majority of the respondents rating the appraisal process as fair. And as Nathan, Mohrman and Milliman (1991) and Lind and Tyler (1988) said that procedural justice leads to distributive justice. What this meant was that a fair process would lead to fair rewards, all things being equal. A calculation of Pearson correlation (r =0.385) indicated that there was again a moderate correlation between self-evaluation and employee perception of fairness in the appraisal. Thus, the null hypothesis which stated that “self-evaluation and employee perception of fair appraisal are not related” was tested. The computed t (8.67) was greater than the critical value (2.000). Consequently, the null hypothesis was rejected at alpha 0.05 giving credibility to the alternate hypothesis which stated that there was correlation between self-evaluation and employee perception of fairness in the appraisal process.

EMPLOYEE PARTICIPATION IN PERFORMANCE REVIEW INTERVIEW: The results of the study indicated that 93.9% of the respondents had opportunity to review interview after receiving feedback. This meant that they had the opportunity to challenge their ratings for possible adjustment of results or at least they discussed with management the reasons for their successes and failures in the appraisal process. It was revealed that only 3% of respondents were not satisfied with their feedback while 81.8% reported that they were satisfied. These figures showed that the level of satisfaction with feedback among employees was generally high probably due to their involvement in the appraisal process which included setting objectives, self-evaluation and review interview.

A hypothesis was tested to find out the relationship between employee participation in performance review and employee satisfaction with appraisal feedback. The null hypothesis (H₀) was rejected since t obtained (9.32) was greater than t critical (2.000) at α = 0.05. Thus, we were
95% confident that there was a positive relationship between employee participation in performance review and employee satisfaction with appraisal feedback among employees in financial institutions in Ghana. This corroborated earlier studies by Nathan, Mohrman and Milliman (1991), Lind and Tyler (1988), Dipboye and de Pondbriand (1981), Burke and Wilcox (1969) who concluded that in most situations, procedural justice judgements led to enhanced satisfaction with both the appraisal process and outcome. This showed that a participatory performance appraisal increased employee understanding of the process and thus, fostered employee ownership of both the process and outcome. This may also bring about a “bottom-up” approach as against the traditional “top-down” approach in appraisal which was abhorred by many subordinates because it gave managers undue chance to manipulate ratings in the interest of their favourites (Ayee, 2001 and Nkrumah, 1991 in Ohemeng, 2009).

**NATURE OF MANAGER-SUBORDINATE RELATIONSHIP**

Majority (99%) of the respondents said there was effective communication with their managers. 78.8% of the respondents also described their managers as tolerant even when targets were not met and 21.2% said that managers were intolerant when they made mistakes. On how much recognition employees received from their supervisors for achieving their objectives, only 1.5% of respondents reported that managers did not show any appreciation for jobs well done. 98.5% said that their managers were appreciative of their success. This meant that they either received verbal praises, letters of appreciation or some form of recognition from their managers for achieving organizational objectives. This meant that a few respondents were criticized when they did not meet the standards.

**EFFECT OF MANAGER-SUBORDINATE RELATIONSHIP ON EMPLOYEE MOTIVATION:** All the respondents pointed out that they were motivated by the level of quality of interaction between them and their managers. It was pertinent to note, however, that some respondents were more motivated than others by their interaction with the managers which was supported by the varied responses they provided. In other words, 15% of respondents said their interaction with managers was excellently motivating in their job performance, 38% of them rated it as very motivating, 36% of saw it as good source of motivation and 11% described it as averagely motivating. The responses testified that the behaviour of managers was a vital component of employee motivation in work organisations.

**PERFORMANCE APPRAISAL AND EMPLOYEE PRODUCTIVITY:** According to supervisors the conduct of employee performance appraisal was necessary in increasing employee productivity. Thus, 58.3% of the managers’ performance appraisal always helped to improve worker productivity while 41.7% said that it did not always help to increase employee productivity.

**RECOMMENDATIONS**

Many appraisal approaches were identified and discussed but the ones which were mostly used by managers were absolute standards combined with management by objectives (MBO). Most employees showed preferred absolute standards. It is recommended that absolute standards combined with MBO be used more frequently in employee performance evaluation. Since this
was the approach most employees preferred it would motivate them to perform better in the institutions.

Results of the study further indicated that most employees preferred appraisal ratings to be used for training and development purposes. It is recommended that managers should improve on the training and development needs analysis component of appraisal in order to meet the desires and aspirations of employees. A well trained and developed workforce is required for increased productivity and organisational growth. It would lead to efficiency and effectiveness of organizational activities.

Employee participation in the appraisal process was very high and this positively affected employee motivation and perception of fairness. Consequently, organisations are advised to adopt participatory performance appraisal systems in order to motivate employees and reduce biased considerations in both the process and outcome. This is because a participatory appraisal was found to engender fairness, satisfaction and ownership of the appraisal process thus, reducing or eliminating discrimination and suspicion of the process and rewards. Hence, a participatory performance appraisal would ensure both procedural and distributive justice thereby motivating employees both intrinsically and extrinsically.

The study found out that relational and interactional justice was necessary in maximising employee motivation. That is, the behaviour of supervisors towards their subordinates in the appraisal process could be a source of motivation or de-motivation to employees. Thus, the culture of belongingness, tolerance and acceptance on the part of supervisors was necessary in maximising the benefits of the appraisal process. Managers should, therefore, adopt a friendly approach in diagnosing the weaknesses of employees who fail to meet standards and then encourage them through training and coaching rather than blame and condemnation.

The recognition of employee achievement was also found to be very motivating to employees. Therefore, in addition to encouraging low performing employees, high performers should be appreciated for their efforts through verbal praise, letters of recognition, plaques of honour and certificates. Thus, annual awards ceremonies organised by some financial institutions in the country to honour hardworking employees is a step in the right direction.

**CONCLUSION:** The study demonstrated that the performance appraisal system can be an effective tool in employee motivation if both the process and outcome are fair. The study also revealed that employee participation in the appraisal process was high and this led to employee motivation and perception of the process and outcome as fair. This finding also confirmed the assumptions of equity theory which states that workers are motivated when they discover that there is transparency in their evaluations and that they are treated fairly in compensation and promotion.

Also, motivation and performance were enhanced when individuals participated in goal setting. This corroborated Armstrong’s (2006) assertion that motivation and performance will improve if people have challenging but agreed upon goals and receive feedback. Employees feel motivated when they know how well they are doing on their jobs. This also informs employees of their value and future to the organization.
Most employees wanted appraisal ratings to be used for training and career development. This was probably because of the high potential of training and development in developing competence and expertise leading to rewards such as promotions, salary adjustment and bonuses.

The study indicated that employee participation in the appraisal was very high and consequently, the process was perceived by most employees to be fair. Subjectivity in appraisal can, therefore, be minimized through the implementation of due-process metaphor.

The process of performance appraisal was not the only factor responsible for employee motivation in organizations. The outcome of the appraisal process and manager-subordinate interaction was important in sustaining employee motivation and performance. Thus, salaries, rewards and congenial organizational culture were also significant factors in employee motivation. Participatory performance appraisal increased employee motivation which consequently increased productivity in the institutions.

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