



EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE: A CASE STUDY OF NATIONAL HEALTH INSURANCE FUND

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ABSTRACT

The study targeted National Hospital Insurance Fund employees as the respondents. The study specifically sought to establish the effect of goal setting, performance planning, performance review and feedback on employee performance. The study was anchored on goal setting theory, control theory and social cognitive. The target population of the study comprised of 306 employees working in NHIF Head office in Nairobi County. For this study, data was collected using structured questionnaires based on the research hypotheses. Data analysis was done with the help of Statistical Package for Social Science (SPSS) version 23. Descriptive statistics included frequencies distribution, and percentages and mean, while inferential statistical analysis used included correlations, and regression. The study established that there is a positive relationship between performance review and employee performance. The goal setting had a significant influence on employee performance. The coefficients also showed a positive relationship between all the variables and employee performance. The study concludes that the organization develops goals which are realistic and attainable. The study further concluded that the organization involved all employees in every rank when setting up goals and that the organization aligns organizational goals with individual goals to avoid cognitive dissonance. The study recommends that the organization should develop goals which are realistic and attainable. Also the organization managers should involve all employees in every rank when setting up goals as this made the employees own the process and minimize resistance. The study recommended that the employee performance should be reviewed in annual intervals based on performance indicators and the organization should set performance standards which were fair and achievable.

Key terms: Goal setting, Performance appraisal, Employee performance, Performance planning

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INTRODUCTION

Performance appraisal has been adopted all over the world. It is regarded as the critical role in employee management (Salvarajan & Cloninger, 2012). Performance Appraisal has been widely adopted in organizations to measure and evaluate performance of employees across all levels. Both public and private sector have been known to employ formal employee appraisal systems increasingly. Performance Appraisal has been the focus of a flurry of research activity in the past several decades. Different scholars have discovered and stated that effective performance appraisal is an important element of effectiveness of employee management in an organisation. There has also been a continued use of performance appraisal systems by business and industry, with recent surveys indicating that between 74 per cent to 89 per cent of firms have a formal performance appraisal system (Murphy & Cleveland, 2010).

Performance appraisal grew its popularity for a number of different purposes, including human resource decisions, feedback and program evaluation (Cleveland, Murphy and Williams, 2010). Performance appraisal is annual exercise conducted by organizations in order to determine an employee's overall contribution to the organization's performance. This appraisal of performance is done using aspects such as time management at work, quality of work done, quantity produced and cost incurred to produce results or any other credible and mutually agreed standard or measure (Invancevich, 2009). Performance appraisal answers many questions concerning job; and by coming up with solutions and a path to be followed; poor performances can sometimes be improved.

According to Nasud (2013) performance appraisal establishes reward system that will combine the effort of leaders and the worker of organization to the common goals of their organizations (Cleveland, Murphy, and William, 20010). For achieving high performance goal of organization performance

appraisal is very important component of human resource management. The information gathered and performance appraisal provide basis for recruitment and selection, training and development of existing staff, and motivating and maintaining a quality human resource through correct and proper rewarding of their performance (Lillian, Mathooko, and Sitati, 2011).

Performance appraisal is influenced by various intervening factors for it to be effective. They are viewed as change and substitute factors which can also be seen as go-between variables. These factors influence employee's ability to increase skill, stimulate to increase or both. The process starts by employee's acceptance of the feedback and the outcome of the alteration performance level. Whether the employee is meeting the goals assigned but there could be an indication of improvement. Those goals should however reflect largely corporate goals or highest level of the organisation. When this is done repeatedly it reduces inconsistency between the anticipated and perceived performance (Mooney, 2010).

Performance appraisal is the process that strongly involves assurance and participation of employees within the organization and that determine the organizational results. The evaluation system identifies the gap of performance (if any). This gap is the problem that occurs when performance does not meet the standards that are set by the organization. The feedback system tells the employee about the quality of his or her work performance (NCN report HR Department' 2010). Performance appraisal can enhance the benefits for the organization, but apparently it is not delivering the benefits in many cases (Mooney, 2010). Most of the organizations usually include performance appraisal they cannot take the benefits from that because there lay a huge difference between the anticipations and experiences in the present system. The different techniques are used for performance appraisal that is can be divided

as Traditional and non-traditional form. The traditional form of appraisal is also known as “Free Form Method” it is just involved the overseeing and description of employee performance by his boss or superior. From the last few years the non-traditional form of appraisal is common in practices (Coens & Jenkins, 2011). Performance appraisal attempts to serve both administrative purposes and the developmental and learning needs of employees (Kondrasuk, 2012). But, driven by administrative imperatives and agency assumptions that immediate self-interest and tangible rewards are what most motivate people, organizations also use appraisal systems to determine pay increases.

Globally for instance in the UK, the proportion of organizations linking pay to appraisal outcomes in this way rose from 15% in 2004 to 24% in 2011 (Van Wanrooy *et al.*, 2013). The practice has also become more prevalent in the public sector (Ballantine *et al.*, 2008). However, appraisals are simultaneously expected to address developmental goals associated with helping employees to improve their individual and collective job performance.

In Kenya, performance appraisal was first introduced in 2006 to improve employees’ performance. Despite the picking of the programme, it is being implemented in most organisations with the aim of improving employees productivity, delegation of duties, reduced supervisor and lining employees performance to organisations goals, this calls for continuous assessment of performance, proper communication and giving feedback and setting and revising (Obongo, 2010). Performance comprises of employees results and what the organisations intends to achieve as goals and objectives. These can be referred to as strategic, operations, finance and organizational development (Richard *et al.*, 2009). In recent years organization have tried to use balance score card in measuring their performance such as customer service, operations of the organization.

National Hospital Insurance Fund was established in 1966 by an Act of Parliament. By then, it existed as a department which was under the ministry of health. However, due to the dynamically changing human needs in the healthcare services, employment and restructuring in the health sector, the Act of Parliament that formed the fund has been reviewed and amended periodically. All these positive transitions from being a mere Ministry of health department to be a State Parastatal are founded on the Fund’s desire to achieve efficiency and effectiveness. Currently, the Fund is fully governed by the NHIF Act No 9 of 1998. In addition to that, the Fund's core mandate is to provide medical insurance cover to all its members and their declared dependents (spouse and children). The Fund also increased its service accessibility through the current networked 63 fully-fledged branches, 35 satellite offices, Huduma Centres and service points at most district hospitals countrywide.

In 2015 NHIF introduced and expended its operations to a social health insurance to cover more members and their dependants by increasing the deductions thus increased the benefits offered by the fund. The fund introduced out-patient services and signed contracts with hospital facilities. Since there has been many changes in the fund in terms of operations, opening of branches, satellite and window offices in order to out its members. The Government of Kenya (2014) joined with the fund in order to help the old. Due to the increase of people seeking health services other stakeholder have also come on board to bargain for their employees in order to be covered the fund at the hospitals. Due to the sensitivity of the work being handled by the employees at the fund the management introduce performance appraisal in order to assess their employees against the tasks. Employees are given Job descriptions which spells out targets in which they sign against and are appraised after a period of six months. First employees appraise themselves through the systems and then

they sit with the supervisor for appraisal. Though sometimes a manager/supervisor can do the appraisal in the absence of the employee and submit results online though this should not be the case.

The main challenge that faces managers in all types of organizations is how to get maximum performance from their employees. Performance appraisal, therefore, seems to be inevitable. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. Despite Performance Appraisal been among the most important HR practices and one of the most heavily researched topics (Fletcher, 2008), there is still lack of consensus among the past researchers on the relationship between performance appraisal and employee performance.

The previous extant review of literature revealed that much of the research that has been developed on performance appraisal within a public sector context has tended to concentrate on performance appraisal systems and implementations. For instance Chaponda (2014) conducted a case study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation. Njeru (2013) conducted a study on the role of performance appraisal on performance of job in the public sector at Kirinyaga Central District. The study established that majority of civil servants set goals and attains them while a few received feedback on their performance. Kamiti (2014) did a study on the effect of performance appraisal on civil servants at Directorate of Tourism. The study revealed that performance appraisal acts as important factor that contributes to the employees' motivation. Awori

(2013) carried out the study on performance appraisal practices in state corporations in Kenya; the findings show that State Corporations use performance appraisal to improve work performance. Muhindi (2010), in his study on the impact of performance appraisal on Moi University employees, found out that there is little impact of performance appraisal on the employees of Moi University. Magutu (2009), in his study on the effectiveness of performance appraisal system in Kenya a case of Kabarak University, established that performance appraisal system is the only tangible metric way by which an organization can know the level of performance of its diverse employees. However despite of extant empirical literature on performance appraisal, the results have been controversial. Some studies have indicated a positive relationship between performance appraisal and employee performance (Chaponda, 2014; Magutu, 2009; Awori, 2013; Kamiti, 2014; while others have indicated a negative relationship (Muhindi, 2010; Njeru, 2013). There is no known study that has focused on effects of performance appraisal on employee's performance in the National Hospital Insurance Fund.

Furthermore, the National Hospital Insurance Fund is faced with the challenge of poor and deteriorating performance, which acts as a stumbling block to realization of sustainable growth in the fund. The fund has consistently performed below expectations due to: poor management and leadership; funds and human resource mismanagement; excess staff; work duplication; poor staff performance; government bureaucracy and excess political interference (GoK, 2016). This poor performance has been associated with ineffective performance appraisal systems. The current study sought to bridge the literature gap by holistically examining the effect of performance appraisal on employee performance with specific focus on National Hospital Insurance Fund.

Research Objectives

- To determine the effect of goal setting on performance of employees at National Hospital Insurance Fund
- To establish the effect of performance planning on performance of employees at National Hospital Insurance Fund
- To determine the effect of performance review on performance of employees at National Hospital Insurance Fund
- To evaluate the effect of feedback on performance of employees at National Hospital Insurance Fund

Research Hypotheses

H₀₁: Goal setting has a significant effect on performance of employees at National Hospital Insurance Fund

H₀₂: Performance planning has a significant effect on performance of employees at National Hospital Insurance Fund

H₀₃: Performance review has a significant effect on performance of employees at National Hospital Insurance Fund

H₀₄: Feedback has a significant effect on performance of employees at National Hospital Insurance Fund

LITERATURE REVIEW

Theoretical Framework

A theoretical framework is a collection of interrelated concepts, like a theory but not necessarily so well worked-out. According to Trochim (2008), a theoretical framework guides research, determining what variables to measure, and what statistical relationships to look for in the context of the problems under study. Theoretical frameworks are obviously critical in deductive, theory-testing sorts of studies. The study anchored its variables on three

theories namely: goal setting theory, control theory and social cognitive theory.

Goal Setting Theory

Goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Salaman, 2009).

The theory further highlights methods that join goals to performance results, direct thought to priorities, arouse effort; methods challenge individuals to get knowledge and skills to increase their output of achievements, difficult objectives. The theory stress support in PM on setting and accepting objectives aligned with performance that can be calculated and managed. Goal setting has be recognized way of tracking of achievement performance in different situations and principles. Managers are required to set clear targets, challenging objectives and explain what is expected that leads to high level of performance. Managers should be in agreement with the junior in line with the required qualifications (Cascio, 2013).

Locke and Latham provide a well-developed goal-setting theory of motivation. The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. Goals have a pervasive influence on employee behavior and performance in organizations and management practice (Locke & Latham, 2008). Nearly

every modern organization has some form of goal setting in operation. Programs such as management by objectives (MBO), high-performance work practices, management information systems, benchmarking, stretch targets, as well as systems thinking and strategic planning, include the development of specific goals.

Control Theory

In control theory as expounded by Thibaut and Walker in 1975 it is assumed that individuals prefer to be in control of decision-making processes through feedback rather than be passive recipients. For example, in a recent study of computer-based performance monitoring, Douthitt and Aiello (2010) reported that employee participation (providing input related to the expression of work process preferences) had a positive impact on perceptions of procedural justice. However, they showed that the ability to control the computer monitoring (if it was on or off) did not significantly influence perceptions of justice. Their findings suggest that various forms of control (decision and process) may partially determine the perceived fairness of performance appraisal.

This therefore can be related to the effect of feedback in performance appraisal on employees' performance. It shows that if the employees are involved through feedback being given to them in terms of their performance, they will feel valued and therefore motivated to perform better. The control theory is linked to feedback variable of the study.

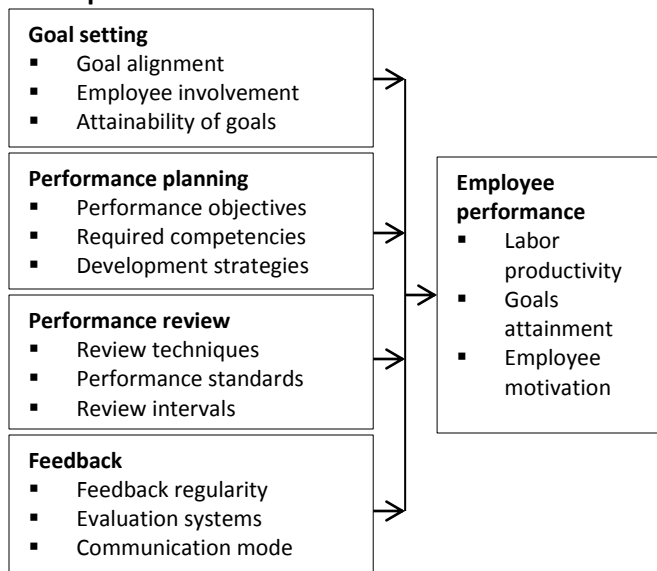
Social Cognitive Theory

Social Cognitive Theory is a learning theory based on the ideas that people learn by observing others. These learned behaviours can be central to one's personality. While social psychologists agree that environment in which one grows up contributes to behaviour, the individual person (and therefore cognition) is just as important. People learn by observing others, with the environment, behavior,

and cognition all as the chief factors in influencing development in a reciprocal triadic relationship. For example, each behavior witnessed can change a person's way of thinking (cognition). Similarly, the environment one is raised in may influence later behaviors, just as a father's mindset (also cognition) will determine the environment in which his children are raised. There are five core concepts associated with the social cognitive theory framework. These core concepts are observational learning/modeling, outcome expectations, self-efficacy, goal setting and self-regulation. It is important to note that learning can occur without a change in behavior. According to J.E. Ormrod's general principles of social learning, while a visible change in behavior is the most common proof of learning, it is not absolutely necessary. Social learning theorists say that because people can learn through observation alone, their learning may not necessarily be shown in their performance.

Strong performance requires positive self-beliefs of efficacy in addition to appropriate skills and abilities. Self-efficacy influenced computing performance through positive influences about ability and learning by observation (Compeau & Higgins, 2008). Model affect, anxiety, and usage measured personal outcome expectations and behavior toward the use of technology. Performance outcomes influenced affect and use (Compeau & Higgins, 2008). Emphasize the means by which individuals exercise personal agency and extra-personal factors in career development. Learning experiences about career interests are mediated by self-efficacy (Lent, 2007). Individual's success or failure in past experiences can be indexed in social cognitive theory by the psychological construct self-efficacy. Thus this theory supports the study variable of performance feedback which is essential for employee to learn from the past shortcomings.

Conceptual Framework



Independent variables

Dependent variable

Figure 1: Conceptual framework

Source: Author (2019)

Goal setting

The positive effect of goal-setting is among the top five established findings in the scholarly literature of human resource management (Rynes, 2010). Allowing employees to engage in goal and performance standard setting implies that supervisors and employees agree on the importance of collaborative efforts to share knowledge about developing better measures, understanding the contexts, and solving emergent problems (Julnes, 2008). Employee participation has been considered to be an important aspect in successful management. In a participative system, because employees engage in the decision-making process, they can easily understand what is actually expected of them. In this setting, employees are more likely to seek feedback and ask questions when facing unrealistic expectations (Daley, 2008).

Locke and Latham (2006) highlighted that more than 90% of empirical studies have shown positive effects of goal-setting on an employee's or team's

performance. The reason why goal-setting typically has a positive effect on performance is that a specific high goal affects choice, effort and persistence. In other words, a specific goal or target increases a person's focus on what is to be accomplished as opposed to putting it off to a later date. Subsequent studies on goal-setting led to the development of the high performance cycle (Locke & Latham, 2010). Meta-analyses in the field of goal-setting have shown that goal commitment has a strong positive effect on performance, and that goal difficulty moderates this relationship (Klein *et al.*, 2010). In addition to examining how a person's performance can be increased by goals, the high performance cycle also includes the consequences of action. High performance leads to external and internal rewards, which in turn promotes job satisfaction.

Performance planning

This forms the first step of successful performance appraisal and it involves coming up with standards of performance in line with organization strategic objectives and noting competencies required and development strategies to perform successfully (Kohli & Deb, 2010). Kandula (2010) states that performance planning is a managerial process that ensures that the employee delivers output persistently over a period of time as per the requirements of the organization. It is essential to involve employees in the planning process for them to understand the objectives and strategy of the organization. It is used in managing performance where it entails the manager and the employee agreeing on the targets in order to meet the laid objectives, raise performance, competence and performance standards and capacities for their work (Armstrong, 2014).

Weiss, (2009) indicated that to be productive, the performance appraisal process must contain general three steps: evaluation and job analysis, appraisal

interview, and post-appraisal interview. During the first step, both the appraiser and the appraisee should prepare for the interview by considering job performance, job responsibilities, and employee career goals, goals for improving performance, and problems and concerns about the job. Sometimes both the appraiser and the appraisee will fill out forms with questions addressing the previously mentioned topics. Next, managers and employees meet to discuss what they have prepared and to establish goals for the period before the next performance appraisal. It is important that the appraisal interview be an exchange, not a speech. Both parties must be able to share their perceptions of the appraisee's performance. The third step, the post-appraisal interview, gives managers the opportunity to discuss salaries and promotions with employees. By not addressing this issue during the appraisal interview, both managers and employees can focus on performance and goal setting, instead of money. The post-appraisal meeting also can serve as a time for reiterating employee goals. After appraising the performance of employees, an organization must evaluate the system itself to determine if it is helping to achieve designated organizational objectives (Ryan & Deci, 2008).

Performance review

Performance managing and review is an essential work that managers do on a given performance period and that it forms a cycle that shows good and normal management practices of directing, checking and performance measurement and taking necessary action (Armstrong, 2014). Performance managing provides the skills to transform performance appraisal into an on-going dialogue and development with benefits for the individual employee, teams, managers and organizations. Managing of performance is the procedure of working in the direction of achieving the performance expectations made during performance planning (Kandula, 2010).

Real performance is re-evaluated after a specific period to assess whether the objectives are being achieved. In case of underperformance, managers need to guide the employee on ways to correct the inadequacy and continuously monitor the improvement efforts and improvements achieved (Kohli & Deb, 2010).

Performance review is the process of making accurate and objective performance observations on the basis of outcomes and expectations which are in an employee's performance plan and are duly reflected in the performance appraisal with the aim of developing the performance of employee (Kandula, 2010). Many performance appraisal schemes include monitoring, which is done after reviewing performance to indicate its quality. A scale which represents the manager's opinion is used to show how well the employee performs. Both manager and employee monitor performance and give feedback which is analysed and additional corrective measures are given (Armstrong, 2014).

Feedback

Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals (Solmon & Podgursky, 2010). It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, there are some organizations that fail to provide feedback (Jackson & Schuller, 2012). Although a few managers may intentionally hold back employee feedback, many are overwhelmed with other management tasks that take up their valuable time. In addition, many organizations lack formal evaluation systems or the managers do not apply the systems that are in place (Banket, 2011). PA ratings can boomerang when

communicated to employees. Negative feedback not only fails to motivate the typical employee, but also can cause him to perform worse (Myers, *et al.*, 2008). Only those employees who have a high degree of self-esteem appear to be stimulated by criticism to improve their performance.

One of the most critical parts of the appraisal process is the direct communication between supervisor and individual. The information reflecting past performance and results and given by the manager to the employee is called feedback (Solmon & Podgursky, 2010). Performance feedback requires a rater who has specialized knowledge to gauge performance, the ability to observe and note any performance gaps among the employees (Berry, 2009). There are a number of appraisal sources and the first one is the ability of the supervisor to know what is expected from the employee and how to carry out the performance appraisal process (Berry, 2009).

Without any type of formal system and with many other demands, otherwise good managers often let feedback fall to the wayside. The lack of feedback also leaves good employees unrecognized. Even poor performance may not be given adequate feedback (Solmon & Podgursky, 2010). Many managers often are uncomfortable giving negative feedback to employees. This leads to significant problems where the organization finds itself at a crisis point. Further exacerbating the feedback dilemma is the lack of an organized feedback system in many organizations (Salau, Oludayo and Omoniy, 2014). Becoming frustrated with traditional performance appraisal systems, many companies have abandoned them altogether and feedback has become a hit or miss proposition. In doing so, feedback has become sporadic and unpredictable (Jackson & Schuller, 2012).

Employee Performance

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans & Stajkovic, 2008). The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe (Coens & Jenkins, 2008). Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities (Platts & Sobotka, 2010). Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behavior and work performance and not the personality of the employee (O' Donnell & O' Brien, 2008).

METHODOLOGY

In this research study the researcher used descriptive research design in order to determine the effect of performance appraisal on employee performance. According to Burns and Grove (2009), descriptive

research is designated to provide a picture of a situation as it naturally happens, justify current practice and make judgment and also develop theories. Quantitative data was analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS) version 23. The study used multiple regression analysis to generate the coefficients. The analysis was done at 5% level of significance. The regression model was of the form:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y = Employee performance

α = Regression intercept

β = regression coefficients

X₁ = Goal setting

X₂ = Performance planning

X₃ = Performance review

X₄ = Feedback

Table 1: Goal setting

	Mean	Std. Deviation
The organization develops goals which are realistic and attainable	4.23	.997
The organization involves all employees in every rank when setting up goals	4.11	.840
The organization aligns organizational goals with individual goals to avoid cognitive dissonance	4.20	.847
Organization goal setting criteria attracts and retains employees	4.27	.968
Valid N (listwise)		

From table 1, the respondents agreed (mean = 4.23; std. dev. = 0.997) indicating that the organization develops goals which are realistic and attainable. The respondents strongly agreed that the organization involves all employees in every rank when setting up goals as shown by a mean of 4.11 with a standard deviation of 0.840. Findings also show that, the respondents agreed (mean = 4.20; std. dev. = 0.847) indicating that the organization aligns organizational goals with individual goals to avoid cognitive dissonance. Organization goal setting criteria attracts and retains employees as reported by the respondents who agreed to this fact which obtained a

ε = Stochastic error term

RESEARCH FINDINGS

Effect of goal setting on employee performance

To establish the effect of goal setting on employee performance, a likert scale data was collected rating the extent of agreement in a scale of 1 to 5 where 1 is the strongly disagree whereas 5 is the strongly agree indicator. The results from the collected responses were analyzed based on means and their standard deviations to show the variability of the individual responses from the overall mean of the responses per each aspect. The mean results are therefore given on a scale interval where a mean value of up to 1 is an indication of a strong extent of disagreement; 1.1 – 2.0 is disagree; 2.1 – 3.0 is a moderate extent of agreement, 3.1 – 4.0 agree and a mean value of 4.1 and above is an indication of a strong extent of agreement. Findings on goal setting are as presented in table 1;

mean of 4.27 and a standard deviation of 0.968. From the study findings it can be deduced that goal setting affects employee performance and that the organization goals are realistic and feasible. Further it can be deduced from the findings that the organization involves all the employees when designing performance goals. This is done so as to instil employee ownership to the goals thus stimulate employees' attainment of those goals. The findings agreed with study by Terpstra and Rozell (2008) who found that organisations that "used goal setting were more profitable than those who did not" resulting in a "positive relationship between goal setting and

profitability” and that “Goal setting constitutes a simple, but potentially powerful means of increasing organisational effectiveness”.

Effect of performance planning on employee performance

Table 2: Performance planning

	Mean	Std. Deviation
The organization spells out performance objectives before planning	4.25	.768
The organization identifies required competencies before performance planning	4.34	.855
The organization incorporates development strategies in performance planning	4.18	.971
My performance expectations is usually defined in my individual work plan and job description	4.30	.740
Valid N (listwise)		

As shown in the table 2, the respondents strongly agreed that the organization spells out performance objectives before planning. This is according to the mean obtained of 4.25 with a standard deviation of 0.768 showing that the respondents had a strong extent of agreement and there was no much deviation of the responses from the mean value. The respondents also agreed that the organization identifies required competencies before planning for the performance as shown by a mean of 4.34 and a standard deviation of 0.855. Further, the respondents agreed to a strong extent that the organization incorporates development strategies in performance planning. This is shown by a mean of 4.18 with a standard deviation of 0.971 for a strong extent of agreement. Also the respondents agreed to a strong extent that employee performance expectations are usually defined in my individual work plan and job

Table 3: Performance review

	Mean	Std. Deviation
My performance is reviewed in annual intervals based on performance indicators	4.21	.678
The organization sets performance standards which are fair and achievable	4.25	.669
The organization performance review technique is effective and objective	4.27	.790
Progress reviews are conducted to compare the predetermined standards of employees	3.89	.841
I am provided with feedback based on factual evidence on my performance	4.24	.872
Valid N (listwise)		

The findings under this section are also based on the means and standard deviation for the data that was collected through the likert scale measuring the level of agreement of the respondents with respect to the given aspects of performance planning. The results on performance planning are as presented in Table 2;

description. This is shown by a mean of 4.30 with a standard deviation of 0.740 for a strong extent of agreement. It can be deduced from the study findings that the organization communicates performance objectives to the employees before planning. Further it can be deduced that the organization identifies required competencies before performance planning. The findings above resonate with the conclusions drawn by Karimi (2013) who concluded that performance review is very essential in ensuring the success of performance appraisal in public sector.

Effect of performance review on employee performance

Table 3 presented the study results on the effect of performance review on employee performance. The results are as well based on the means and standard deviation for the likert scale data collected.

As shown in the table 3, the respondents strongly agreed that employee performance is reviewed in annual intervals based on performance indicators. This had a mean of 4.21 with a standard deviation of 0.678. The organization sets performance standards which are fair and achievable. This is as indicated by a mean of 4.25 with a standard deviation of 0.669. The organization performance review technique is effective and objective as indicated by a mean of 4.27 with a standard deviation of 0.790. The respondents agreed that progress reviews are conducted to compare the predetermined standards of employees as indicated by a mean of 3.89 with a standard deviation of 0.841. From the study findings it can be deduced that the organization reviews employee

performance annually based on performance indicators. Also the organization sets performance standards which are attainable and realistic. The above findings are in line with Kamiti (2014) did a study on the effect of performance appraisal on motivation of civil servants. The study concluded that performance review was indicated as a pivotal factor in the success of performance appraisal.

Effect of feedback on employee performance

The section presented the study results on feedback and how it affects employee performance. The results were on means and standard deviation presenting the level of agreement of the respondents on the given aspects of feedback. These are as presented in table 4;

Table 4: Feedback

	Mean	Std. Deviation
The organization provides performance appraisal feedback annually	4.18	.879
The performance evaluation systems provides effective feedback	4.06	.752
The organization performance feedback is communicated through written communication mode	4.26	.881
There is discussion between my supervisor and myself during performance assessment	4.02	.795
Valid N (listwise)		

Findings, as presented in table 4, showed that the organization provides performance appraisal feedback annually. This is as indicated by the level of agreement of the respondents where this obtained a mean of 4.18 and a standard deviation of 0.879 indicating that the respondents agreed to this fact. Findings also show that the performance evaluation systems provides effective feedback (mean = 4.06; std. dev. = .752). There is discussion between my supervisor and myself during performance assessment (mean = 4.26; std. dev. = .881). Finally the organization performance feedback is communicated through written communication mode (mean = 4.26; std. dev. = .795).the study findings deduced that the organization provides performance appraisal

feedback in annual basis. Also the performance feedback is given effectively by performance evaluation systems in place. The findings above resonate with the work of Njeru (2013) who conducted a study on the role of performance appraisal system on job performance in the public sector. The study found out that training and feedback on performance are critical in performance appraisal.

Employee performance

The study results on employee performance are as presented in Table 5. The findings are on means and standard deviation showing the extent of the respondents' agreement on the performance appraisal aspects given.

Table 5: Employee performance

	Mean	Std. Deviation
Performance appraisal has enhanced organization's labor productivity	4.38	.906
The organizational goals has been attained as a result of performance appraisal	4.34	.841
The performance appraisal introduction has led to increased employee motivation	4.38	.857
Valid N (listwise)		

According to the findings in table 5, performance appraisal has enhanced organization's labor productivity. The respondents agreed to this with a mean of 4.38 and a standard deviation of 0.906. The organizational goals have been attained as a result of performance appraisal. The respondents had a strong extent of agreement to this aspect (mean = 4.34; std. dev. = .841). Further, findings show that the performance appraisal introduction has led to increased employee motivations as indicated by a mean of 4.38 and a standard deviation of 0.857. It was deduced from the findings that the organization's productivity had improved as a result of performance

appraisal. Further it can be deduced that the organization's goals have been successfully achieved due to performance appraisal and employee motivation has been improved. The findings are in agreement with the proposition by Nyaoga (2010) who did a study on the impact of performance appraisal on employee performance. The study found out that performance appraisal has a positive and significant relationship with employee performance.

Correlation Analysis

The study analysis conducted correlation analysis. Table 6 showed the correlation relationship between the study variables.

Table 6: Correlation Coefficient

		Goal setting	Perf plan	Perf review	Feedback	Empl perf
Goal setting	Pearson Correlation Sig. (2-tailed)	1				
Perf plan	Pearson Correlation Sig. (2-tailed)	.554** .000	1			
Perf review	Pearson Correlation Sig. (2-tailed)	.576** .000	.599** .000	1		
Feedback	Pearson Correlation Sig. (2-tailed)	.613** .000	.476** .000	.489** .000	1	
Employee performance	Pearson Correlation Sig. (2-tailed)	.254** .000	.186 .001	.062 .000	.103 .003	1

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

The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. Table 6 showed there is a high positive correlation between goal setting and feedback at 0.613. The weakest relationship is between performance review and employee performance at 0.062. According to Field (2005),

correlation coefficient should not go beyond 0.8 to avoid multicollinearity. There was no multicollinearity problem in this research since the highest correlation coefficient was 0.613.

Regression Analysis and Hypothesis Testing

In this study, regression analysis was carried to show the relationship between the dependent and the

independent variables. The dependent variable was the employee performance whereas the independent variables were goal setting, performance planning, performance review, feedback.

Findings under this section presented the results on the relationship test between the dependent and independent variables. Regression test was carried

out to show the extent of effect of performance appraisal on employee performance. The significance of the regression model was tested at the 5% level of significance through F-statistics which shows the level of reliability of the so developed models in presenting the relationship between performance appraisal and employee performance.

Model summary

Table 7: Coefficient of determination results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605 ^a	.366	.323	1.884

a. Predictors: (Constant), Feedback, Performance planning, Performance review, Goal setting

Table 8: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	215.397	4	53.849	16.912	.000 ^b
	Residual	372.557	117	3.184		
	Total	587.954	121			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Feedback, Performance planning, Performance review, Goal setting

Table 9: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.540	1.312		8.796	.000
	Goal setting	.365	.096	.476	3.781	.000
	Perf plan	.124	.076	.192	2.632	.006
	Perf review	.062	.068	.107	2.903	.049
	Feedback	.327	.086	.439	3.796	.000

a. Dependent Variable: Employee performance

Table 10: Hypothesis Summary

Hypothesis Statement	Test Model	Results
Goal setting	$Y = \beta_1 X_1 + \epsilon$	$P < 0.05$ Rejected
Performance planning	$Y = \beta_2 X_2 + \epsilon$	$P < 0.05$ Rejected
Performance review	$Y = \beta_3 X_3 + \epsilon$	$P < 0.05$ Rejected
Feedback	$Y = \beta_4 X_4 + \epsilon$	$P < 0.05$ Rejected

DISCUSSION OF KEY FINDINGS

The study aimed at establishing the effect of performance appraisal on employee performance at the National Hospital Insurance Fund. Findings and results were found to be in line with the literature review. The results has indicated that performance appraisal provides greater objectivity and fairness in making judgements and decisions about the employees in the organization as stated by Williams

(2008) who feels that appraisal of performance concerns creating conditions where employees share organization goals and help to people to understand their input to those goals.

The results further indicated that goal setting affects employee performance and that the organization goals are realistic and feasible. Also it was established that the organization involves all the employees when designing performance goals. This is done so as to

instil employee ownership to the goals thus stimulate employees' attainment of those goals as corroborated by Terpstra and Rozell (2008) who found that organisations that "used goal setting were more profitable than those who did not" resulting in a "positive relationship between goal setting and profitability" and that "Goal setting constitutes a simple, but potentially powerful means of increasing organisational effectiveness".

The study also established that organization's productivity has improved as a result of performance appraisal and that the organization's goals have been successfully achieved due to performance appraisal and employee motivation has been improved as stated by Nyaoga (2010) who did a study on the impact of performance appraisal on employee performance. The study found out that performance appraisal has a positive and insignificant relationship with employee performance.

CONCLUSION

The study concluded that the organization develops goals which are realistic and attainable. The study further concludes that the organization involves all employees in every rank when setting up goals and that the organization aligns organizational goals with individual goals to avoid cognitive dissonance. The study finally concludes that the organization goal setting criteria attracts and retains employees.

The researcher concluded that the organization spells out performance objectives before planning. The study further concludes that the organization identifies required competencies before planning for the performance. Further, the organization incorporates development strategies in performance planning. Also employee performance expectations are usually defined in my individual work plan and job description.

The study further concluded that employee performance is reviewed in annual intervals based on performance indicators and the organization sets

performance standards which are fair and achievable. The organization performance review technique is effective and objective. The study finally concludes that progress reviews are conducted to compare the predetermined standards of employees.

The study further concluded that organization provides performance appraisal feedback annually. The study concludes that the performance evaluation systems provide effective feedback. Further the study concludes that there is discussion between my supervisor and myself during performance assessment. Finally the study concludes that the organization performance feedback is communicated through written communication mode.

RECOMMENDATIONS

- The study recommended that the organization should develop goals which are realistic and attainable. Also the organization managers should involve all employees in every rank when setting up goals as this will make the employees own the process and minimize resistance. Further the study recommends that the organization should align organizational goals with individual goals to avoid cognitive dissonance and the organization should seek to retain and attract employees while setting goals.
- Secondly, the study recommended that the organization should spell out performance objectives before planning and that the organization should further identify required competencies before planning for the performance. Further, study recommends that the organization should incorporate development strategies in performance planning.
- The study recommended that the employee performance should be reviewed in annual intervals based on performance indicators and the organization should set performance standards which are fair and achievable. The organization performance review technique

should be continuously reviewed to enhance effectiveness and objectivity. Further, the study recommends that progress reviews should be conducted to compare the predetermined standards of employees.

- The study recommended that the organization should provide performance appraisal feedback on annual basis and the performance evaluation systems should be able to provide effective feedback. Further the study recommends that the organization performance feedback should be

communicated through written communication mode.

Suggestions for Further Research

The future research study should target other government institutions and a different research design should be used to establish the effect and relationship of performance appraisal with other variables such as employee engagement, employee commitment and morale. Future studies should have a larger sample size compared with this research study.

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