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ABSTRACT

The purpose of this study was to establish the effects of performance appraisal on employee motivation in commercial banks: a case of equity bank, Kenya. The study investigated the effect of objectivity of the performance appraisal and feedback on employees' motivation. The study applied case design. Census sampling was used which involved all the 12 top level management and 24 middle level management and 112 lower level management. Data was collected using a questionnaire. Data collected was analyzed using Statistical Package for Social Sciences version 22. Descriptive statistics and thematic analysis was used for analysis and data was presented using frequency tables and bar graphs. This study will help in identification of satisfiers and even dissatisfies that can be used to reduce absenteeism, turnover and laxity among employees in commercial banks. The study will be of importance to the management of commercial banks in Kenya in understanding the successes and challenges of the appraisal process and its effect on staff motivation. This will contribute to improvement in the appraisal process in the organization. The study is also of value to the academicians and future researchers as it will add knowledge to the field of staff appraisal and give an understanding on the relationship between performance appraisal and employee motivation. The findings indicated that objectivity of performance appraisal and feedback positively influenced employees' motivation. The effect of feedback was found to be positively related to employee motivation and had the most statistically significant coefficient. The objectivity of performance appraisal was positively related to the employee motivation.

***Key Words**: Performance Appraisal, Feedback, Employee Motivation, Equity Bank of Kenya*

INTRODUCTION

As an organization struggle to remain sustainable and competitive, strategic planners and human resources professionals need to collaborate more intensely in designing strategies that are productive and humane (Dechev, 2010). According to Marquardt (2004), the most successful organizations in the 21st century will be those to adopt a focused and integrated HR processes and systems. The art and science of empowering people, organizations and communities to create maximum productivity, quality, opportunity and fulfillment has never encountered so many challenges and opportunities (Marquardt, 2004).

Human Resource Management focuses on personnel related areas such as job design, resource planning, performance management, recruitment, selection, compensations and employee relations. Out of these one function plays a critical role for the global success of the organization and this is performance evaluation (Dechev, 2010). Organization tries to satisfy and motivate their employees to get better result. Performance appraisal is one of the main functions of human resource management. It is a method/ process which evaluate the individual's job performance in accordance with the objectives of the organization. Performance appraisal is effective and efficient for every organization (Saeed *et al*. 2013).

Brown (2005) notes many different reasons for introducing performance management: to provide information on organizational and/or employees' effectiveness; to improve organizational and/or employees' effectiveness; to provide information on organizational and/or employees' efficiency; to improve organizational and/or employees' efficiency; to improve employees' levels of motivation; to link employees' pay with perceptions of their performance; to raise levels of employee accountability; and to align employees' objectives with those of the organization as a whole.

Halachmi (2011) also provides a number of answers to the question of why measure performance based on the statement made by the Interagency Working Group on US Government: to demonstrate the results of program activities; to show how these results support programmatic and organizational goals; to determine what works and what doesn't; to promote accountability and justify resource allocation; to enhance the ability of managers to communicate with stakeholders; to develop and strengthen partnerships among programs and organizations with similar goals and objectives; to motivate and provide tangible feedback to employees; to meet the requirements of related laws such as the Government Performance and Results Act.

Baron et al (2005) defend the performance appraisal is "a more limited approach which involves managers making top-down assessment and rating the performance of their subordinates at an annual performance appraisal meeting" .Likewise, Chapman (2009) said that Important changes relating to age discrimination in UK employment law became effective in October 2006, with implications for all types of appraisals and job performance and suitability assessment. Ensure training and materials for appraisals reflect current employment law. It's helpful to understand these recent laws also if you (young or old) are being appraised. The UK (consistent with Europe) Employment Equality (Age) Regulations 2006, effective from 1st October 2006, make it unlawful to discriminate against anyone on the grounds of age. This has several implications for performance appraisals, documents used, and the training of people who conduct staff appraisals.

Armstrong (2006) describe the role of the performance appraisal as a tool for looking forward to what need to be done by people in the organization in order to achieve the purpose of the job to meet new challenges. Better use of technology skills and attributes (Szilagy & Wallace 1990) in addition will develop both organizational and individual capabilities and reach agreement on areas where performance needs on the effectiveness of its employee generating information which influences many of the organizations decision.

In the 2005 Annual Human Resources Survey launched, it is clear that Kenya Companies continue to place a premium on staff performance management. In line with the current global trend, organizations are seeking to retain staffs who achieve set objectives and appraisals are the commonest basis for performance management. All except one of the organization surveyed this year, for instance indicated that they carry out formal staff appraisals, with annual appraisals being the commonest method of appraising staff performance (Owuor, 2005).

A significant number of respondents in the survey said they carry out the formal staff appraisals twice a year. Turning to the approach adopted to appraise staff performance, most if the surveyed organization this year indicated that they base their staff performance appraisals on predetermined targets and objectives (Clear performance standards) that were agreed with the respective staff. Hybrid performance systems that combine set performance standards and personal qualities are also a popular appraisal system with nearly 40% of respondents reporting they applied it. Some respondents indicated they use more than one appraisal system. A survey of performance based compensation schemes in companies listed at the stock exchange found out that there was a complete absence of share ownership schemes and stock options and therefore companies faced difficulties in aligning compensation with performance. Salary does not depend on performance. Most companies considered experience, of the employees as well as education background when setting compensation scheme. The performance of a organization influenced the schemes that the companies applied to compensate their employees with only a small number combining both salaries and bonuses Kiarie (2005) conclude therefore that performance is not a major factor while settling compensation schemes for most quoted companies in Kenya.

Concept of Performance Appraisal and Employee Motivation

Alvi, Surani and Hirani (2013) defines performance appraisal as a structured and formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semiannual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

Scott (2009) asserts that performance appraisal is the measurement or evaluation of the desired quantity and quality of the performance of the employee at work. According to Meyer and Smith (2000) the aim of appraisal is identifying development, training needs and potential for future developments of an individual, while Arbaiy and Suradi (2007) said that it is a source of competitive advantage among employees of any organization and that is used in SWOT analysis of any organization, measure the strengths, weaknesses, opportunities and threats.

The word motivate is used in the context of management as a transitive verb: motivation is by implication something done by one person or group to another. A further implication of this usage is that the motivated parties need to be induced to perform some action or expend a degree of effort which they would not otherwise wish to do. That this is an issue of vital importance to the prosperity of commercial organizations is emphasized by (Armstrong, 2006).

As Kalimullah (2010) suggested, a motivated employee has his/her goals aligned with those of the organization and directs his/her efforts in that direction. In addition, these organizations are more successful, as their employees continuously look for ways to improve their work. Getting the employees to reach their full potential at work under stressful conditions is a tough challenge, but this can be achieved by motivating them.

Employees can also be motivated through proper leadership, as leadership is all about getting thing done the right way. In order to achieve these goals, the leader should gain the employees' trust and make them follow him. Nevertheless, in order to make them trust him and complete their tasks properly for the organization, the employees should be motivated (Baldoni, 2005). The leaders and the employees help one another to attain high levels of morality and motivation.

Commercial Banks in Kenya and Equity Bank

In Kenya, the Banking Sector is composed of the Central Bank of Kenya, as the regulatory authority and the regulated Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As at December 2014, Kenya had 43 licensed commercial banks and 1 mortgage company (CBK, 2014) Out of the 44 institutions, 31 are locally owned and 13 are foreign owned.

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly attributed to the industry's wide branch network expansion strategy both in Kenya and in the East African community region, the automation of a large number of services, and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (CBK, 2012).

Equity Bank was founded as Equity Building Society (EBS) in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into the low income population. The purpose of equity bank is to exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximize their opportunities (Equity website, 2015).

The vision of equity bank is to be the champion of social-economic prosperity of the people of Africa. It has evolved from a Building Society, a Microfinance Institution, to now the all-inclusive Nairobi Stock Exchange and Uganda Securities Exchange public listed Commercial Bank. With 8.5 million accounts, accounting for over 57% of all bank accounts in Kenya, Equity Bank is the largest bank in the region in terms of customer base and operates in Uganda, Tanzania, South Sudan and Rwanda. By 2012, Equity Bank had more than 7.8 million customers. The organization's vision is "to be the champion of the socio-economic prosperity of the people of Africa". While resounding for-profit, Equity retains a passionate commitment to empowering Africa's poor to improve their livelihoods and prospects for self-sufficiency (Central Bank of Kenya, 2014).

Statement of the Problem

Performance appraisals are designed to serve the organization's and employee's interests (Walsh, 2006). However, Allen and Mayfield (2003) revealed that performance appraisal is one of the most problematic components of human resource management as some employees are dissatisfied with their organization's performance appraisal (Smith et al., 2006). Caruth and Humphreys (2006) suggest that a successful performance appraisal is one that has resulted from hard work, careful thinking, planning and integrated with the strategy and needs of the organisation. If the expectations are not clear, they may ultimately affect the employee outcome i.e. motivation and satisfaction of the performance appraisal (Brown et al. 2010).

There is increased competition among commercial banks in Kenya and each banks goal is to motivate its employees and maintain its best talents. Managers of these organizations are charged with the responsibility to motivate their employees to achieve organizational goals. In these regard commercial banks in Kenya have adopted varying performance appraisals. According to Coens and Jenkins (2002), inaccuracies in appraisal can demotivate employees forcing them to leave the organizations. Anjum, Yasmeen and Khan (2011) assert that an effective appraisal should have clear objectives and standards to evaluate employee performance and these standards should be considered while making any judgment about the employee. Roberts (2003) emphasizes on employee participation, feedback, accuracy and employee objectivity of performance appraisal as these are key elements of intrinsic motivational strategies that facilitate workers' development and growth. This study was meant to establish whether the various employee appraisal used in commercial banks in Kenya possess these characteristics and how it affects employees' motivation.

The Equity Bank has faced a high turnover in the last five years. The bank has lost 73 employees to other banks (Beck, 2014). This indicates that the employees are not motivated. An important side of an organization is people management. The bank is said not to give back feedback to her employees after conducting a performance appraisal exercise. There is no study done to address the problem of high turnover of this bank. This therefore called for a study on the effect of performance appraisal on employee's motivation.

Although there has been studies done, for example Mwema and Gachunga (2014) investigated the influence of performance appraisal on employee productivity in organizations. Gichuhi, Abaja and Ochieng (2013) also conducted a study on the effect of performance appraisal on employee productivity; a case of supermarkets in Nakuru town, Kenya. None has studied the commercial banks. It is against this background therefore that the study sought to fill this gap by investigating the effects of performance appraisal on employee motivation, with a specific focus on the banking industry in Kenya.

Objectives of the Study

The main objective was to assess the effects of performance appraisal on employee motivation in commercial banks in Kenya, a case of Equity Bank. The specific objectives were:

- To determine the objectivity of performance appraisal on employee motivation in Equity Bank.
- To explore the effect of performance appraisal feedback on employee motivation in Equity Bank.

LITERATURE REVIEW

Theoretical Review

This section discussed the theories that were critical in guiding the study.

Two-Factor Theory

Herzberg published the two-factor theory of work motivation in 1959. In his Two-Factor Theory Frederick Herzberg (1959) addresses the issue of workplace motivation. The theory introduces two elements or factors to account for overall job satisfaction: motivators and hygiene factors. While the presence of motivators in a job can contribute to the increase in the level of satisfaction, the absence of hygiene factors in the workplace which can be related to the working environment can be the cause of dissatisfaction. Hygiene factors allude to the environment and the context of the work. This can include salary, safe working conditions. Motivators are related to the characteristics of the job itself.

According to the theory motivators and hygiene factors are non-exclusive. Satisfaction and dissatisfaction cannot be considered as the opposite ends of one continuum. Therefore an increase in the level of job satisfaction does not necessarily imply a decrease in job dissatisfaction, since the elements affecting satisfaction and dissatisfaction are different. The Two- Factor is also often referred to as the Motivation-Hygiene Theory (Davies, 2008). Herzberg's theory offers an explanation to why employees still lack motivation when confronted with high salaries and great working conditions.

According to Herzberg, motivation comes from the job itself. Therefore, it is important for managers to look into the nature of the jobs they ask their employees to do. Herzberg's idea is that if you want an employee to perform well and do a good job, he should have a good job to begin with. So, in order to improve job attitudes and productivity, employers must attend to both factors and not assume that an increase in satisfaction leads to a consequential decrease in dissatisfaction (Tosi *et al.,* 2000).

In consequence, Herzberg's work implies that almost anyone will respond positively to a job with highly motivating factors. This theory applies in this since the two elements in this theory account for overall job satisfaction. These are motivators and hygiene factors which can be compared to the working environment and the rewards employees get (Nelson, 2006).

Equity Theory

This theory was first developed in 1963 by Stacy Adams. Equity theory attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships. This can be related to satisfaction of employees in terms of equity or fairness of the performance appraisal in the firm. Adams (1965) asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. Griffin and Moorhead (2012), also state that employees seek to be fairly treated. Employee perception on fairness and equity is based on a comparison between themselves (Griffin & Moorhead, 2012). In addition, employees compare the remuneration and rewards they receive with those offered in other institutions. Based on the results from comparisons, employees can either be motivated or de-motivated when performing tasks (Pride et al., 2012; Griffin & Moorhead, 2012). This can be attributed to the fact that employees will compare their input and their compensation.

On the other hand, Dubrin (2008) states that employees will put in the greatest effort in their tasks if they expect the effort to lead to performance that in turn will lead to a reward.

These employees are motivated by what they expect will be the positive consequences of their efforts. The consequences of employees efforts are realized through assessments of their tasks through performance appraisals. Griffin and Moorhead (2012) highlight the following as managerial lessons from equity theory: it is necessary for all employees to understand the reward system; employees perceive rewards differently, and employees will always conduct equity analysis.

Leete (2000) highlights the utilization of equity theory through a study conducted on motivation measures utilized by both profit and non-profit making institutions. Wage and reward equity is positively related with employee motivation and satisfaction (Leete, 2000; Tortia, 2008). The lack of employee equity and fairness leads to absenteeism and high turnover rate (Geurts, Schaufeli & Rutte, 1999). Ryan (2012) describes one limitation of equity theory as it does not highlight how institutions should handle equity inconsistencies. The equity theory will aid the study in determining whether the employee performance appraisal techniques have equity/fairness in terms of evaluation and whether the rewards and punishments are similar to all of the employees within an institution.

Employees who feel they are being treated inequitably may exhibit the following behaviors: Put less effort into their jobs; ask for better treatment and/or rewards; find ways to make their work seem better by comparison; transfer or quit their jobs. The equity theory makes a good point that people behave according to their perceptions. If employees perceive the performance appraisal to be unfair to them, they will not be satisfied with their job and therefore under perform.

Goal-Setting Theory

The Goal Setting Theory was developed by Edwin Locke in 1968, in order to explain human actions in specific work situations. This can be related to employee involvement in coming up with performance appraisal. This theory states that goal setting is essentially linked to job satisfaction. It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance (Locke & Latham, 1979; Locke & Latham, 2006). According to this theory, motivation and performance are higher when individuals are involved in giving specific goals, when goals are difficult but accepted and when there is feedback on performance. Goals have a pervasive influence on employee behavior and performance in organizations and management practice (Locke & Latham, 2002).

According to Locke and Latham (2002, 2006) there are five goal setting principles that can improve our chances of success, these are: Clarity, challenge, commitment, feedback and task complexity. In setting clear goals, Locke and Latham (2002) argue that when one goals are clear, they know what they're trying to achieve. They can also measure results accurately, and know which behaviors to reward.

Motivation and performance will improve if people have challenging but agreed goals and receive feedback (Armstrong, 2006). The performance benefits of challenging, specific goals have been demonstrated in hundreds of laboratory and field studies (Locke & Latham, 1990, 2002). Such goals positively affect the performance of individuals (Baum & Locke, 2004), groups (O'LearyKelly, Martocchio, & Frink, 1994), organizational units (Rogers & Hunter, 1991), as well as entire organizations (Baum, Locke, & Smith, 2001); and over periods as long as 25 years (Locke & Latham, 2002).

Locke and Latham (2002) further argues that by providing direction and a standard against which progress can be monitored, challenging goals can enable people to guide and refine their performance. Latham (2004) asserts that specific goals can boost motivation and performance by leading people to focus their attention on specific objectives, increase their effort to achieve these objectives (Bandura & Cervone, 1983), persist in the face of setbacks (Latham & Locke, 1975), and develop new strategies to better deal with complex challenges to goal attainment (Wood & Locke, 1990). Through such motivational processes, challenging goals often lead to valuable rewards such as recognition, promotions, and/or increases in income from one's work (Latham & Locke, 2006). This provides self-satisfaction, achieving goals often also increases organizational commitment (Tziner & Latham, 1989), which in turn positively affects organizational citizenship behavior (Organ, Podsakoff, & Mackenzie, 2006), negatively affects turnover (Wagner, 2007), and increases the strength of the relationship between difficult goals and performance (Locke & Latham, 1990, 2002).

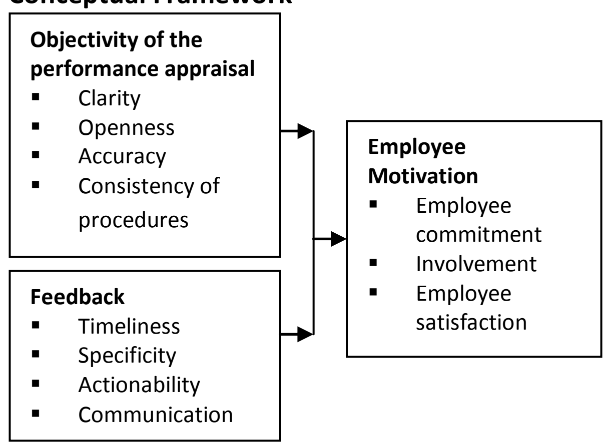
Goal setting theory is critical in informing this study since it supports the use of performance appraisals as technique to raise incentives for employees to complete work quickly and effectively. Goal setting leads to better performance by increasing motivation and efforts, but also through increasing and improving the feedback quality. The goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in.

Control Theory

In control theory (Thibaut & Walker, 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 (2001) 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' motivation. 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.

Conceptual Framework



Independent variables **Dependent variable**

Figure 1: Conceptual Framework

Performance appraisal, as one of the core HR practices, is usually conducted within a formal setting in order to provide a basis for decisions about employees (e.g., pay and promotion decisions); improve employees' performance, and ultimately enhance the effectiveness of the organization (DeNisi & Sonesh, 2010). Outside of an official setting, supervisors may also provide ongoing informal feedback to employees. However, the success of performance appraisal in achieving these aims depends on how feedback is delivered (Hattie & Timperley, 2007).

In Kluger and DeNisi's (2006) seminal meta-analytic review of the extensive performance literature, they found that performance was likely to be enhanced by feedback that provides correct information about current and desired levels of performance, observes changes in performance level from a previous appraisal, is focused on task details, encourages goal setting, and is not threatening to self-esteem. In a review, Nicol and Macfarlane-Dick (2006) also recommended that feedback should encourage open dialogue between the giver and receiver of feedback and provide opportunities for performance to be improved. Employees also tend to receive feedback more favorably when procedures for determining performance ratings are explained (Feys, Anseel, & Wille, 2011).

Islama and Rasad (2006) conducted a study on employee performance evaluation by using the analytic hierarchy process. Employee performance appraisal is generally considered to be essential in organizations and it is used for several different purposes such as pay increases, improvement and training, transfers, compensations, counseling, promotion, employee recognition and motivation. They revealed that to have an effective appraisal, it should be closely monitored and feedback should be obtained on the continuous basis. The process should also show accuracy and fairness.

Objectivity of the Performance Appraisal

Employee perception of fairness of performance appraisal has been studied as a significant factor in employee acceptance and satisfaction of performance appraisal. According to Winston and Creamer (1997), effective appraisal should address clarity, openness and fairness, recognize productivity through rewards and be cognizant of appraiser leadership qualities. In this regard, researchers have developed and practitioners have implemented various changes to the evaluation criteria, rating instruments, and appraisal procedures in an effort to improve the accuracy and perceived fairness of the process (Banks & Murphy, 2005). However, in spite of the attention and resources applied to the practice, dissatisfaction with the process still abounds and systems are often viewed by employees as inaccurate and unfair (Church, 2005).

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.

Kane and Lawler (2009) indicated that, the three main functional areas of performance appraisal are administrative, informative, and motivational. Appraisals affects the administrative in that it serves the role of facilitating an orderly means of determining salary increases and other rewards, and of delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals help employees and managers establish goals for the period before the next appraisal.

Feedback

One of the most important conditions in appraisal is to provide clear, performance based feedback to employees (Caroll and Schneier, 2002). There should be a workflow for tracking of feedback sessions. When a mistake is detected, immediately remedial steps are taken, with minimum loss to the company. Providing an employee with feedback is widely recognized as a crucial activity that may encourage and enable self-development which is instrumental for the success of the whole organization (Baruch, 2006). Therefore the frequency of feedback is important and can influence future performance of the employee (Denisi, 2006).

An effective appraisal process requires employees' feedback. Appraisal that provide formal feedback once a year are more likely to be feedback deficient (Bernardin & Beatty, 2004). For an appraisal system to be maximally effective there must be ongoing formal and informal performance feedback (Latham & Wexley, 2001). In essence, feedback is the raw material of employee participation. Feedback is essential in gaining the maximum benefits from goal setting (Locke & Latham, 2000). Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior (Latham et al., 2008). Effective performance feedback is timely, specific, behavioral in nature and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance (Roberts, 2003).

Dattner (2010) revealed that a well-designed performance appraisal should develop criteria for successful performance, give performance feedback and enable a more equitable reward system. Performance criteria form the basis of evaluating the employees' performance and their contribution towards the organization goal. It consists of the desired outputs expected of employees. Performance criteria should be aligned with goals, relevant to given roles, specific and measurable, under employees control and understood and accepted by participants. Moreover, attractive appraisals are established by some business organizations to help motivate their employees to strive hard to be recognized and rewarded. Once employees are motivated, their performance reflects on productivity. Employees strive hard by pooling together skills, knowledge and efforts to achieve maximum output (Dattner, 2010).

Employee Motivation

A study done by Helepota (2005) found that to engage in the practice of motivating employees, employers must understand the unsatisfied needs of each of the employee groups. He defined motivation as a person participation in achieving the desired results of an organization. Motivation was found to be 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.

Motivated employees are highly involved and engaged in their job and try to make their performance best (Vansteenkiste, 2007). Motivated employees are those who work according to the clearly define goals and take their actions to achieve that goals (McShane & Von Glinow, 2003). Motivation is the perception of an individual that describe the intensity of his or her behavior (Petri & Go-vern, 2004). Performance Appraisal helps employees to motivate by clearly define their objectives and by setting future direction with providing training to fulfill the objective performance (Bach, 2005).

Herzberg (1987) indicated 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). Goal-setting theory (Locke & 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).

Empirical Review

A study by Bretz, Milkovich and Read (2002) found out that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal. Their findings suggested that most employees perceive their performance appraisal as neither accurate nor fair. Skarlicki and Folger (2007) suggest that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political, or irrelevant. In general, research indicates that perceptions of fairness arise from consideration of the outcomes received (outcome fairness); the procedures used to determine those outcomes (procedural fairness); and the way in which the decision-making procedures were implemented and explained (interpersonal fairness) (Smither, 2008).

Chen and Eldridge (2010) conducted a study to examine standardized performance appraisal practices, aiming to clarify the contextual and cultural boundary of standardized appraisal practices in China. It was found out that the implementation of a Western standardized appraisal was far from attaining an optimistic effect in a Chinese business setting: employees were nowhere near being able to be involved in setting objectives and developmental plans; the appraisal was not perceived be fair enough due to the influence of a seniority-based rewards system; and managers hesitated to take ownership of performance reviews. They recommended that when designing and delivering standardized appraisal to subsidiaries, foreign investors and global human resource practitioners are expected to be more context focused. Distinct cultural values and norms in local contexts should be carefully taken into consideration.

Anjum et al. (2011) conducted a study to investigate the different aspects of performance appraisal, and how performance appraisal can play its role in improving the performance of teachers in higher education institutions of Pakistan. The results show that although employees were aware of the useful outcomes of performance appraisal but there are some hindering factors e.g. untrained raters, exclusion of multiple raters, absence of feedback in the way of successful implementation of performance appraisal.

METHODOLOGY

The study was a case study. A case study method is that "it investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009). Variables were investigated without any manipulation or alteration and case study methodologies were used in exploring the effects of performance appraisal on employee motivation in Equity Bank, Kenya. The population of this study was from Equity bank headquarters. Equity bank was chosen for the study since it has been in existence for over 10 years and has experienced staff that would understand the effects of performance appraisal on employee motivation. The target population were the 12 top level management, 24 middle level management and 112 lower level management at the Equity Bank headquarter offices. This resulted to 148 targeted respondents. The study involved the top level management because they understand the effects of performance appraisal on employee motivation. This study sample frame involved employees at the Equity Bank of Kenya. In this study, the sampling frame consisted of top level management, middle level management and lower level management at the Equity Bank of Kenya as a source list from which the sample is drawn (Kothari, 2004). The study used census sampling to sample all the top level management at the head office since they were core to the study. Stratified sampling was used to create three strata's: 12 top level management, 24 middle level management and 112 lower level management. The total target population were 148 respondents from Equity Bank of Kenya head office. The study collected primary data. The data was collected using a questionnaire. An introductory letter for data collection was first obtained from JKUAT. The researcher further made appointments with the respective respondents in respective respondents. The researcher personally administered the questionnaire to the respondents. Pilot test was conducted to detect weakness in design and instrumentation and to provide alternative data for selection of a probability sample (Mugenda & Mugenda, 2008). A pre-test of the questionnaire was out prior to the actual data collection. The developed questionnaire was checked for its validity and reliability through pilot testing. According to Jwan (2010) a successful pilot study would use 1% to 10% of the actual sample size. Therefore the study subjected the questionnaire to 10 respondents from the targeted bank to participate in the pilot study. The pre-test was done on 10 respondents at Equity Bank helped the researcher identify the most likely source of errors and hence modify the questionnaire before the actual study. Reliability test also helped establish the internal consistency of the instrument. Validity of the questionnaire was established by the research and supervisor reviewing the objectives items. Before the actual study, the instruments were discussed with supervisors.

The data collected by the questionnaire was edited, coded, entered into Statistical Package for Social Sciences (SPSS) which also aided in the data analysis. This study was expected to generate qualitative and quantitative data. The quantitative data was analyzed using descriptive statistics. The qualitative data was generated from the open ended questions and were categorized in themes in accordance with research objectives and reported in narrative form along with quantitative presentation. A regression model was used to establish the relationship between the variables. Multiple regression was used to determine the relationship between the independent variables and dependent variable.

RESEARCH FINDINGS AND DISCUSSION

From the data obtained, out of 148 questionnaires administered, 120 were filled and returned, this return represented responses from the three level of management in Equity Bank headquarters. This represented an 81.08% response rate, which was considered satisfactory to make conclusions for the study. Before carrying out the actual study, the researcher did a reliability test for the questions asked under each objective. The questionnaire had variables that had Cronbach Alpha coefficients that were more than 0.7.

Demographic information of the respondents was analyzed in order to investigate the effects of performance appraisal on employee motivation in Equity bank. The information sought included gender, age, level of education, number of years respondents had worked at the bank and the appraisal methods used by the bank.

Majority 63 (52%) of the respondents were male while 57 (48%) were female. It implies that the study sampled both gender and the findings are a reflection of both genders. On age issue, majority 53 (44%) of the respondents aged between 20-29 Years, followed closely by 49 (41%) who were aged between 30-39 years, while 12 (10%) aged between 40-49 years and only 6 (5%) who aged above between 50-59 years. It implied that most of the respondents were youth but old enough to respond to the questions. It also might indicate that the commercial banks prefer employing youths who are more productive.

The researcher also probed on the highest level of education of the respondents. This was important to indicate the qualification of the respondents. This helped to get the right information on the effects of performance appraisal on employee motivation in commercial banks. The findings indicates majority 70 (58%) of the respondents had degree as their highest level of education, 44 (36%) had masters degree while 5 (5%) had diploma as their highest level of education. It implies that most of the respondents were well educated to understand the study and hence gave relevant responses regarding the effects of performance appraisal on employee motivation. The study probed the years the respondents had worked at the banks. The findings depicted that majority 65 (54%) of the respondents had worked for 6 – 10 years, followed by 35 (30%) who indicated they had worked at the banks for between 3 –5 years, while 14 (11%) had worked for less than 2 years. This indicated that the respondents were experienced enough to understand the effects of performance appraisal on employee motivation.

The findings showed that majority 60 (50%) of the respondents indicated that their bank used objective measures as an appraisal method, a significant number 20 (17%) of the respondents indicated that their banks used narratives and 13 (11%) of the respondents indicated that their bank used rating scales. This implied the respondents understood the effects of performance appraisal on employee motivation.

Effect of Objectivity of the Performance Appraisal on Employee Motivation

The study investigated if the performance appraisal used in the banks is fair and objective, if components in the performance appraisal are clear, if performance appraisal in the organization enhances openness, performance parameters are applied consistently across employees. The study probed if performance appraisal yielded to personal prejudice and if the organization explained the performance standards and purpose of the performance appraisal. The study examined if performance appraisal recognized productivity through rewards and the extent to which objectivity of the performance appraisal affected employees' motivation.

Majority 72 (60%) of the respondents indicated that performance appraisal used in their banks were fair and objective, a significant number 48 (40%) of the respondents indicated disagreed that the performance appraisal used in the banks were fair and objective. They indicated that the management did not involve them before and during the appraisal exercise. According to eemployees perception of fairness of performance appraisal had been studied as a significant factor in employee acceptance and satisfaction of performance appraisal. According to Winston and Creamer (1997), effective appraisal should address clarity, openness and fairness, recognize productivity through rewards and be cognizant of appraiser leadership qualities.

Majority 66 (55%) of the respondents indicated that the components in the performance appraisal were clear, a significant number 54 (45%) of the respondents indicated that their banks' components in the performance appraisal were not clear. Decenzo and Robbins (1998) denominate three approaches to performance appraisal: absolute standards, relative standards and management by objectives. The absolute standards were appraisal methods through which employees‟ performances are compared to a standard and their evaluation is independent of any other employee in a work group. Majority 75 (63%) disagreed that performance appraisal in the organization enhanced openness while 36 (30%) agreed that the performance appraisal enhanced openness. This implied that the bank did not disclose some information touching on performance appraisal to the employees. This might be influencing their morale at work and therefore their motivation. Relative standards are appraisal methods where performances of individuals are compared against other individuals. Management by objectives are where employees were 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 (Dessler, 2000).

Majority 73 (61%) disagreed that performance appraisal applied consistently across employees, they indicated that the appraisal favoured some employees while 45 (38%) agreed that the performance appraisal was applied consistently across employees. This implies that employees are not appraised regularly in a repetitive manner. The bank should therefore improve the number of appraisals done to raise the motivation level of the employees. Nicol and Macfarlane-Dick (2006) recommended that feedback should encourage open dialogue between the giver and receiver of feedback and provide opportunities for performance to be improved.

Majority 78 (64%) agreed that performance appraisal yields to personal prejudice while 41 (34%) disagreed that the performance appraisal yielded to personal prejudice. The respondents indicated that some employees performed better in appraisal even when they were viewed by others not to be performing well. This implied that banks management should revise their performance appraisal to get rid of personal prejudice. According to Winston and Creamer (1997), effective appraisal should address consistency through rewards and be cognizant of appraiser leadership qualities

Majority 78 (65%) disagreed that the bank had explained the performance standards and purpose of the performance appraisal while 42 (35%) agreed. This implied that the bank had to initiate a communication strategy to enlighten the employees of the performance standards and purpose of the appraisal. This would improve the employees' motivation.

Majority 75 (62%) disagreed that performance appraisal recognized productivity through rewards while 33 (28%) agreed that the performance appraisal recognizes productivity through rewards. This showed that the bank ought to revise the appraisal to recognize productivity through rewards. This should be done though involving the employees so as to raise their motivation. Kane and Lawler (2009) indicated that the informative function of an appraisal system is fulfilled when the appraisal supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entailed creating a learning experience that motivates workers to improve their performance.

Majority 81 (67%) indicated that the effect of objectivity of the performance appraisal on employees' motivation is to a very great extent while 12 (11%) indicated not at all. This implied that objectivity in the appraisal had a high effect on employees' motivation. Kane and Lawler (2009) indicated that, the three main functional areas of performance appraisal were administrative, informative, and motivational. Appraisals affects the administrative in that it serves the role of facilitating an orderly means of determining salary increases and other rewards, and of delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal supplies data to managers and appraises about individual strengths and weaknesses. The motivational role entails creating a learning experience that motivates workers to improve their performance.

Effect of Feedback from Performance Appraisal on Employee Motivation

The researcher probed effect feedback from performance appraisal on employee motivation by investigating if there was feedback from performance appraisal exercise, if performance appraisal provide for regular and timely feedback on performance. The study probed if feedback was promptly given or communicated to employees and if feedback was based on more than one person's view. It examined if the feedback was based on more than one incident and if the feedback highlighted the strengths and developmental needs of the appraisal.

Majority 84 (70%) revealed that there was feedback from performance appraisal exercise while 36 (30%) disagreed. This suggested that the bank should have ensured that there was feedback from performance appraisal exercise. The respondents indicated that their contribution in performance appraisal was usually ignored. One of the most important conditions in appraisal was to provide clear, performance based feedback to employees (Caroll and Schneier, 2002).

The results indicated that majority 92 (77%) disagreed that performance appraisal provided for regular and timely feedback on performance while 24 (20%) agreed. This implied that the bank should have ensured regular and timely feedback on performance in order to strengthen the employees' motivation. Providing an employee with feedback is widely recognized as a crucial activity that may encourage and enable self-development which is instrumental for the success of the whole organization (Baruch, 2006).

Majority 82 (69%) disagreed that feedback was promptly given or communicated to employees while 38 (31%) agreed. This implied that the bank should endevour to ensure feedback is communicated to the employees promptly. The frequency of feedback is important and can influence future performance of the employee (Denisi, 2006).

Majority 96 (80%) disagreed the feedback was specific and actionable while 24 (20%) agreed. This implied that the bank should make sure the performance appraisal is specific and actionable in order to realize a motivated employees.

On whether feedback was based on more than one person's view the study indicated that majority 107 (89%) disagreed that feedback was based on more than one person's view while 9 (8%) agreed. This implied that the bank should add the number of people that the feedback was based on. Performance criteria should be aligned with goals, relevant to given roles, specific and measurable, under employees control and understood and accepted by participants. Moreover, attractive appraisals were established by some business organizations to help motivate their employees to strive hard to be recognized and rewarded. Once employees are motivated, their performance reflects on productivity. Employees strive hard by pooling together skills, knowledge and efforts to achieve maximum output (Dattner, 2010).

On whether feed-back was based on more than one incident, the study indicated that majority 98 (82%) disagreed that feedback was based on more than one incident while 22 (18%) agreed. This means that the bank should add more incidences that the feedback was based on. An effective appraisal process requires employees' feedback. Appraisal that provide formal feedback once a year are more likely to be feedback deficient (Bernardin & Beatty, 2004).

On whether feedback highlighted the strengths and developmental needs of the appraisal, majority 85 (71%) disagreed that the feedback highlighted the strengths and developmental needs of the appraisal while 32 (27%) agreed. This implied that the bank should add strengths and developmental needs of the appraisal. Effective performance feedback should be timely, specific, behavioral in nature and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance (Roberts, 2003).

On the eextent to which feedback received from the performance appraisal affected employee motivation, majority 51 (43%) indicated that feedback received from the performance appraisal affected employee motivation to a great extent while 25 (21%) indicated the influence to be to a small extent. This implied that the bank should ensure they give feedback to employees regarding the performance appraisal to improve employees' motivation. In essence, feedback was the raw material of employee participation. Feedback is essential in gaining the maximum benefits from goal setting (Locke & Latham, 2000). Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior (Latham et al., 2008).

Employee Motivation

The study examined employees' motivation at Equity bank by investigating if employees were committed to the organization's goals and objectives and if employees were involved in the planning process in the organization. The study probed if employees were satisfied at the work place.

Majority 57 (47%) disagreed that employees were committed to the organization's goals and objectives while 41 (35%) agreed. Since there were a few who indicated that employees were committed in organizational goals, the bank should improve its ways of ensuring the employees are committed in the goals and objectives.

Majority 74 (62%) disagreed that employees were involved in the planning process in the organization while 37 (31%) agreed. This implied that the bank should work closely with the employees in the planning process in order to ensure they are motivated. This will help in raising the performance of the employees in their duties at work.

Majority 84 (69%) disagreed employees were satisfied at the work place while 29 (25%) agreed. This implies that the bank should devise ways that would help ensure that the employees were motivated.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

Based on each objective of the study, it was possible to draw a summary of the findings from the data obtained accordingly.

Effect of Objectivity of the Performance appraisal on Employee Motivation

The findings indicated that performance appraisal used in their banks were fair and objective, a significant number of the respondents indicated disagreed that the performance appraisal used in the banks were fair and objective. Majority of the respondents indicated that the components in the performance appraisal were clear, a significant number of the respondents indicated that their banks' components in the performance appraisal were not clear. Respondents indicated that performance appraisal in the organization enhanced openness. Many disagreed that performance appraisal applied consistently across employees. Respondents agreed that performance appraisal yielded to personal prejudice while some disagreed that the performance appraisal yielded to personal prejudice. The findings indicated that the bank had not explained the performance standards and purpose of the performance appraisal. Majority disagreed that performance appraisal recognized productivity through rewards while some agreed that the performance appraisal recognized productivity through rewards. The effect of objectivity of the performance appraisal on employees' motivation was to a very great extent.

Effect of Feedback from Performance Appraisal on Employee Motivation

The findings indicated that majority revealed that there was feedback from performance appraisal exercise. Respondents disagreed that performance appraisal provided for regular and timely feedback on performance. Majority disagreed that feedback was promptly given or communicated to employees. The feedback was not specific and actionable and the feedback was not based on more than one person's view. The findings indicated that they disagreed that feedback was based on more than one incident. The feedback highlighted the strengths and developmental needs of the appraisal. Majority indicated that feedback received from the performance appraisal affected employee motivation to a great extent.

Conclusions

It could be concluded that objectivity of the performance appraisal positively influenced employee motivation**.** The performance appraisal used in the banks was not fair and objective. The components in the performance appraisal are not clear. The performance appraisal in the organization did not enhance openness and was not applied consistently across employees. It yielded to personal prejudice. The bank had not explained the performance standards and purpose of the performance appraisal. It does not recognize productivity through rewards.

It could be concluded that feedback from performance appraisal influenced employee Motivation positively. The bank provided feedback from performance appraisal exercise. Performance appraisal did not provide for regular and timely feedback on performance. Feedback was not promptly given or communicated to employees and feedback was not specific and actionable. The feedback was also not based on more than one person's view. Feedback highlighted the strengths and developmental needs of the appraisal.

Recommendations

The study recommends the following:

The bank should ensure objectivity in the performance appraisal process by treating the employees equally. This can be done by having an appraisal that is fair to all employees by involving they in formulating it.

The bank should ensure they give feedback from performance appraisal. This should be done promptly to realize employees motivation. This will help the employees know where to improve and what to change in terms of performing their roles.

Suggestion for Further Research

There were other factors highlighted by the respondents that influenced employee motivation. Since this study only focused on two factors: objectivity of performance appraisal and feedback, there should be a study on other performance appraisal factors that influence employees' motivation.

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