

Effect of Staff Performance Appraisal Outcomes on Employee Job Performance a Case of Invesco Assurance Company Kenya Limited

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Abstract: The performance of employees is important in all organisations whether for profit or nonprofit; however the importance becomes even more critical for profit making organisations since they must get returns for the money spent and other resources invested. When employee performance is low the organisation finds it impossible to even survive let alone meet their targets. Hence they must use all available tools to achieve high levels of employee performance. Performance appraisal is one of the tools that can ensure that the employees give their best at work. Thus this research project investigates the effect of staff performance appraisal outcomes on employee performance. The main issues investigated are those that impact directly on an employee's performance like remuneration, training, human resource planning and employee relations. The study was confined to the employees of INVESCO Assurance Company Kenya limited. Stratified random sampling technique was adopted and a proportionate sample size selected. Data was collected using questionnaires and the collected data was analyzed and presented in tables using percentages, frequencies and means. The study revealed that an increase in salaries after performance appraisal, motivated workers to perform better. As well, the study concludes that allowance, fringe benefits, salary scale and bonuses led to improved job performance at Invesco Assurance Company to a great extent. The study established that an increase in wages / salaries after performance appraisal, motivated workers in the organization to perform better. It was found that retention, promotion and transfer led to improved job performance at Invesco Assurance Company to a great extent. The study also concluded that employees' job mobility had the greatest effect on the employee job performance at INVESCO Assurance Company Limited, followed by staff training, then pay/remuneration while human resource planning had the least effect to the employee job performance at INVESCO Assurance Company Limited. This study recommends that the management at INVESCO Assurance Company comes up with a better appraisal system that is tailored to improve the performance of the employees rather than judge them. This study also recommends that the choosing of managers and top level executives be done through a strict and fair process to ensure that the person chosen have the required skills and knowledge.

Key words: human resource planning, job mobility, Pay, performance appraisal, Training

I. Introduction

Globalization, changing technology and deteriorating national economies in today's world has forced most organizations to change their strategies by focusing on the best ways to make use of the available resources in order to provide quality products and services. Employees are a critical resource that needs to be well managed for an organisation to succeed. As noted by Ivancevich (2006) organizations must align their strategies with employee's competencies and performance for them to be effective, grow and make profit. Also organizations have realized that in order to survive in a competitive business environment, employees efforts must be focused in helping the organization achieve its strategic goals. This can best be done through performance appraisal

Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified (Simmons, 2008). If the employees performance was better than expected, a pay rise was in order and little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well. This approach would work at times and other times it would fail and as a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time (Simmons, 2008).

According to Caruth and Humphreys (2008), Performance appraisal takes varying dimensions in organizations which need to be effectively addressed for the expected performance to be achieved. These include: remuneration, training, job mobility and human resource planning decisions. All these have to be

addressed to enhance maximum utilization of human resources, and thus triggered the researcher to carry out the study on effect of performance appraisal outcomes on employee job performance

This study therefore was stirred by the current urge by organizations to improve their overall performance of employees by using the performance appraisal methods that are geared towards producing the required output and more specifically the performance of the employees. Employee performance appraisal has been emphasized in this research paper due to the fact that human resource is the ultimate resource that determines the way other organizations resources are utilized. Most firms in Kenya now employ some performance appraisal system (GOK, 2009). The Performance Appraisal System (PAS) was introduced by the GOK to refocus the mind of the public from a culture of inward looking to a culture of businesslike environment, focused on the customer and results in addition to improving service delivery (Obong'o, 2009).

The study aimed at the following objectives:

- i. To determine the effect of remuneration on employee performance of Invesco Assurance company Kenya limited.
- ii. To examine how staff training affects employee performance at Invesco Assurance Company Kenya limited.
- iii. To investigate the effect of human resource planning decisions on employee performance at Invesco Assurance company Kenya Limited.
- iv. To examine the extent to which job mobility affects employee performance at Invesco Assurance Company Kenya limited.

The study contains five parts starting with the introduction, literature review concerning performance appraisal and its outcomes, the research methodology, then research findings and finally conclusion and the recommendations of the study.

II. Literature Review

The researcher employed the affect Theory by Edwin Locke and job characteristic theory by Hackman and Oldman. The affect theory premise is that job satisfaction is determined by the difference that exists between what one wants in a job and what one has in the job. Also the theory states that the extent to which a person values a given facet of work determines how satisfied/dissatisfied one becomes when expectations are met or not met. Thus when an employee values a particular facet of a job his satisfaction is more greatly impacted either positively or negatively depending on the achievement of his/her expectation. Also the theory states that too much of a particular job facet produce stronger feelings of dissatisfaction. The theory is applicable to the study since employees with better pay, better training, increased job mobility and better human resource planning decisions; are more likely to produce more work, however if the employees are over flooded with any of the above aspects they may tend to lose value of the same and think of it as a bother, thus produce negative results and not the expected results. Thus in as much as there is a positive relationship between job appraisal aspects and employee performance, it should not be exceeded beyond the maximum limit since beyond that point the relationship becomes negative.

The job characteristics theory came up with five job characteristics that impact on job outcomes including job satisfaction. These five job characteristics are skill variety, task identity, task significance, autonomy and feedback and impact on three critical psychological states: - Experienced meaningfulness, experienced responsibility for outcomes and knowledge off actual results. These in turn influence work outcomes (job satisfaction, absenteeism, work motivation). At an organizational level, flexibility, increased willingness to change, and less reliance on an uncertain external job market are some of the benefits of an effective internal mobility policy (Marchington & Wilkinson, 2005). Some evidence suggests that workforce mobility programs are best contemplated not in isolation but coupled with other employee development mechanisms such as training courses, committee assignments and other professional development, in order to maximize 'developmental punch' (Quinones, Ford & Teachout, 2010).

Performance appraisal

Performance appraisal is increasingly considered as one of the most important human resource aspect (Boswell & Boudreau, 2002). Caruth and Humphreys (2008) suggests that performance appraisal is the assessment of what one produces and how it is produced. Klein (2006) suggests that the overall purpose of performance appraisal is to let an employee know how his/her performance compared with the organizations expectations. Weightman (2012) argues that performance appraisal can be used for many reasons, including reward, discipline, coaching, counseling, raising morale, measuring achievement of targets and outputs, identifying development opportunities, improving upward and downward communication, reinforcing management control and selecting people for promotion or redundancy.

Simmons and Petrescu, (2008) stipulates that a robust performance enhancing equitable performance appraisal system gains the commitment of professionals and enables the organization to grow and make profit. Murphy and Cleveland (2006) among other scholars suggest that the key purpose of performance appraisal is to determine pay and other financial compensation. Adeniyi (2005), argues that there should be a definitive written and communicated procedure for performance appraisal. Caruth and Humphreys (2008) suggests that a successful performance appraisal system is one that has resulted from hard work, careful thinking, planning and integrated with the strategy and the needs of the organization. Tyson (2006) purports that the nature of organizations appraisal scheme is often a reflection on its resources and expertise. Thus performance appraisal plays many roles which are critical to the success of the organisation; ranging from determining employees pay so as to motivate them, ensuring that the right expertise is available in the organisation, ensuring that the organisation has set the right targets and has the right people who can ensure that they are achieved and these people are provided with the right support.

Pay and employee job performance

Employee pay or compensation has been used by organizations to motivate employees to perform at high levels and attain their work goals (Gennard & Judge, 2010). Namara (2003) defines pay/compensation as a systematic approach adopted by an organization to provide monetary value to employees in exchange for the work performed. As noted by Luthans (2005), and George and Jones (2003), pay acts as a means by which organizations motivate employees by positively reinforcing their behavior which impacts on people, team and organizations performance. As a motivating factor and as a reward for exceptional job performance, pay is administered in form of salaries, bonuses, shared profits, differed compensation, stock grants and life liability.

According to Luthans (2005), poor pay hurts employee morale and job satisfaction as employee tend to balance between the monetary value they are receiving from the employer and the extent of worth of their efforts expended in work and thus employee performance. This is because employee morale and trust are fragile and if employees feel that they are not compensated fairly their performance and the organization performance will be affected negatively. Also most employers wishing to reduce employee turnover, recruit and retain qualified employees seek to increase salary and salary levels.

Training and job performance

The major task of Human resource Management is to assist employees to be effective in their work which depends on efficient and effective training. According to Robbins (2005) and Olaniyan(1998) employee training and development is a continuous process which is vital in all spheres of human life as employees do not remain competent always and skills deteriorate and become obsolete. It is a learning experience that seeks a relatively permanent change in an individual that improves his/her ability to perform in a job. Obisi (1996) views training and development as a process that enables an individual develop competencies such as technical, human, conceptual and managerial for furtherance of individual and organization performance. Training is viewed as an avenue for acquiring more and new knowledge; develop further skills and techniques to function effectively.

According to Armstrong (2007), training is a systematic modification of behavior through learning which occurs as a result of education, instruction development and planned experience. Training therefore seeks to maintain and improve current job performance while development programs seek to impart skills needed in future job. Both training and development can either be on the job off-the job training.

Human Resource Planning

Different scholars have come up with varying definitions of Human resource planning where some view human resource planning as a process, while others envisage it as a strategy that assists an organization maintain its status quo. According to Bohlander and Scott (2004) Human resource Planning is the process of anticipating and making provision for the movement of people into, within and out of the organization. The core aim of this process is to deploy these resources effectively as possible where and when they are needed in order to achieve organizations goals.

Decenzo and Robbins (2003) envisage Human Resource Planning as a process by which organizations ensure that it has the right number and kind of people at the right places, at the right time, capable of effectively and efficiently completing the tasks that will help the organizations achieve its overall objectives. Human resource planning is also a strategy for the acquisition, utilization, improvement and retention of an organization Human Resources. Human resource planning has experienced a chequered history with the traditional approach to human resource planning restricting itself to employee numbers and staffing levels to achieve rapid organization growth. It has been argued by Marchington and Wilkinson (2005) that for human resource planning to have a crucial impact in an organization; it should be integrated into the organizations business strategy. Also for the business strategy to be implemented successfully the organization should be staffed with the right human

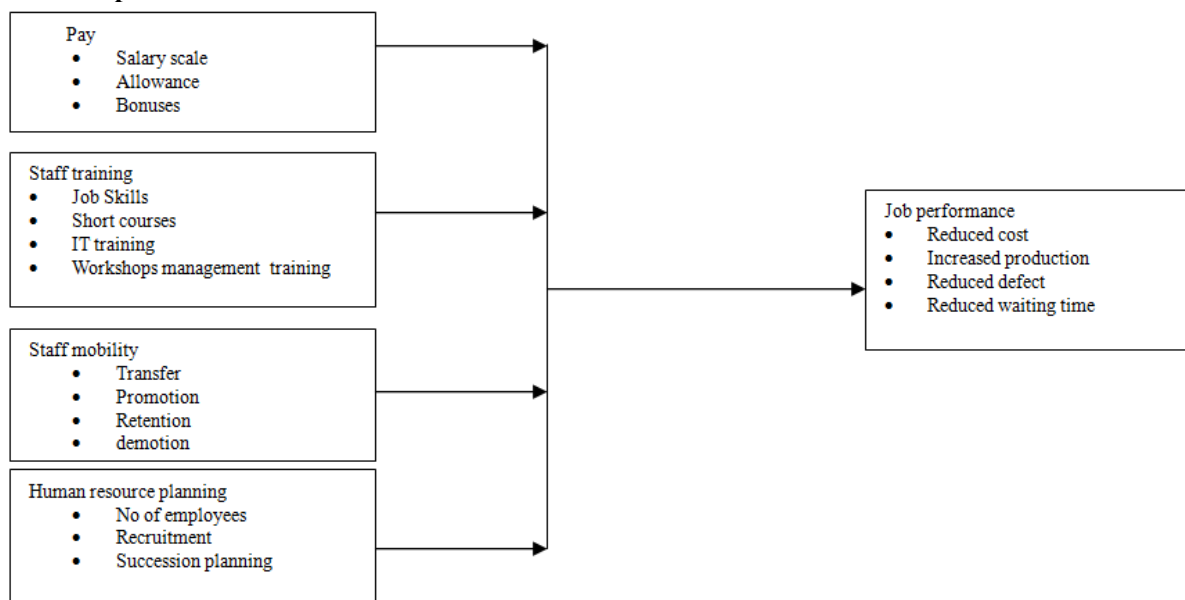
resources in terms of skills, knowledge and abilities (Lee, 2004). Good human resource planning system enables an organization to have a sustained growth and make profit though linking the organization to its operating environment or by linking its employees with the customers.

Career Mobility and employee job performance

Career mobility refers to the movement of employees across grades/ positions (both upward and downward) or a complete change in occupation. Career mobility can be a result of both the choice of the employee or the choice of the employer. An employee may himself opt for career mobility because of a potential of higher pay or better job role in a new job or occupation. As such, job mobility opportunities have been used as a vehicle for talent management and development since identified in the 1980s as an innovative approach to retaining and developing staff (Drew & Rosemary, 2011). Such intra-organizational movement concretizes the notion of ‘careers as lifelong learning’ and validates the idea that an individual’s career aspirations may not be associated only with vertical moves and promotions (De Vos, Dewettinck & Buyens, 2006) but with gaining new and different experience and knowledge. Laterally Intra-organizational mobility has also been proposed as an alternative to the traditional linear employment structures which are based on stability, hierarchy and clearly defined conditions for job progression (Pfeffer & Baron, 2010; Raelin, 2001).

However, while evidence suggests that today’s employee changes his/her job at least seven times in the course of a career, according to Price (2004), surprisingly little is reported about organizational internal mobility and frequency of job rotations. It is important to put into consideration the needs of both the organisation and the individual employees. Thus, as Luthans (2005) claim, careful consideration as to the type of mobility offered and careful ongoing monitoring of the effects of job mobility initiatives are essential.

The Conceptual Frame Work



III. Research Methodology

Descriptive research design was used in collection and analysis of data as it provides an opportunity to gather detailed information that give explanation to research questions and logically structure the inquiry into the problem of study (Marsh, 2002). The target populations of the study was 147 employees of Invesco Assurance Kenya limited. A sample size of 76 employees was selected which represents 51.7 percent of the target population arrived at by the use of Yamane’s formula at 95% confidence level. Questionnaires were used to collect data. The instruments reliability was tested using test retest method and then a correlation coefficient was computed using Pearson’s product moment which was found to be 0.82 and thus the instruments were regarded as reliable. Quantitative data was analyzed using descriptive statistics by applying the statistical Package for Social Science (SPSS V.21.0) and presented through percentages, means, and frequencies

Content analysis was used for data that was qualitative in nature and findings displayed by use of tables and in prose-form. In addition, a multiple regression analysis was done with the regression equation: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$. The researcher held the moral obligation to treat the information collected from the respondents with utmost propriety.

IV. Analysis Of Findings

Regression Analysis

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.858	0.735	0.715	0.891

The adjusted R², also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 71.5% of the changes in the employee job performance at INVESCO Assurance Company Limited could be attributed to the combined effect of pay/remuneration, staff training, human resource planning and employees' job mobility.

Table 2: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.223	4	29.806	35.453	0.0012
	Residual	42.876	51	0.841		
Total		162.099	55			

The probability value of 0.0012 indicates that the regression relationship was highly significant in predicting how pay/remuneration, staff training, human resource planning and employees' job mobility influenced employee job performance at INVESCO Assurance Company Limited. The F calculated at 5% level of significance was 35.453 since F calculated is greater than the F critical (value = 2.55), this shows that the overall model was significant.

Table 3: Regression coefficients of the relationship between Employee job performance at INVESCO Assurance Company Limited and the four predictive variables

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.641	0.328		5.003	0.000
	Pay/remuneration	0.679	0.196	0.426	3.464	0.0017
	Staff training	0.772	0.188	0.621	4.106	0.0056
	Human resource planning	0.656	0.119	0.523	5.513	0.0034
	Employees' job mobility	0.861	0.08	0.684	7.763	0.0010

As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:
 $Y = 1.641 + 0.679X_1 + 0.772X_2 + 0.656X_3 + 0.861X_4$

The regression equation above has established that taking all factors into account (pay/remuneration, staff training, human resource planning and employees' job mobility) constant at zero employee job performance at INVESCO Assurance Company Limited will be 1.641. The findings presented also show that taking all other independent variables at zero, a unit increase in the pay/remuneration would lead to a 0.679 increase in the scores of employee job performance at INVESCO Assurance Company Limited and a unit increase in the scores of staff training would lead to a 0.772 increase in the scores of employee job performance at INVESCO Assurance Company Limited. Further, the findings shows that a unit increases in the scores of human resource planning would lead to a 0.656 increase in the scores of co Employee job performance at INVESCO Assurance Company Limited. The study also found that a unit increase in the scores of employees' job mobility would lead to a 0.861 increase in the scores of employee job performance at INVESCO Assurance Company Limited.

At 5% level of significance and 95% level of confidence, pay/remuneration had a 0.0017 level of significance; Staff training showed 0.0056 level of significance, human resource planning had a 0.0034 level of significance while employees' job mobility showed 0.0010 level of significance hence the most significant factor is employees' job mobility.

Overall, employees' job mobility had the greatest effect on the employee job performance at INVESCO Assurance Company Limited, followed by staff training, then pay/remuneration while human resource planning had the least effect to the employee job performance at INVESCO Assurance Company Limited. All the variables were significant ($p < 0.05$).

V. Conclusion

The study had the following conclusions to make with regard to pay/remuneration. An increase in wages / salaries after performance appraisal, motivated workers in the organization to perform better. Concerning staff training, the study concludes that employees at Invesco Assurance Company were not trained with the aim of improving their performance but rather employees at Invesco Assurance Company had been trained in the area of commitment to the organization. Further, the study concludes that employees who undergo training after performance appraisal did not usually show improved performance in their job. In addition, the study found that IT or use of new technologies and being taken for conferences affect job performance to a very great extent and skill training on the job, job improvement training at workshops and short courses led to improved job performance to a great extent

Regarding job mobility, the study comes to a conclusion that when employees in their organization are moved to other stations/ department or promoted after performance appraisal, they do not perform better. Also, it was concluded that demotion, Retention, Promotion and transfer affected job performance at Invesco Assurance Company to a great extent.

With regard to human resource planning, the study concludes that Human resource planning led to improved job performance at Invesco Assurance Company to a great extent. Further, it was concluded that performance management affected job performance at Invesco Assurance Company to a very great extent. Lastly, it was concluded that work design/classification, succession planning and recruitment influenced job performance at Invesco Assurance Company to a great extent. The study finally concluded that employees' job mobility had the greatest effect on the employee job performance at INVESCO Assurance Company Limited, followed by staff training, then pay/remuneration while human resource planning had the least effect to the employee job performance at INVESCO Assurance Company Limited.

VI. Recommendation

The study recommends that the management at INVESCO Assurance Company comes up with a better appraisal system that is tailored to improve the performance of the employees rather than judge them. It was further recommended that employee be given the chance to apply what they have learnt in the company. This will help to connect their theoretical knowledge with the practical world experiences. This way, most people will benefit and improve their productivity after training.

The study also recommends that each and every employee be given an equal chance of being promoted. Also, the selected employees should be taken to mandatory training especially when they have just been promoted.

Also choosing of managers and top level executives should be done through a strict and fair process to ensure that the person chosen have the required skills and knowledge.

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