PERFORMANCE APPRAISAL IN THE BANKING INDUSTRY

"A CASE STUDY OF AFRIBANK NIGERIA PLC."

BY

DUBUKUMAH MAMMAN GABRIEL

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL OF AHMADU BELLO UNIVERSITY, /ARIA IN PARTIAL FULFILLMENT OF THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE

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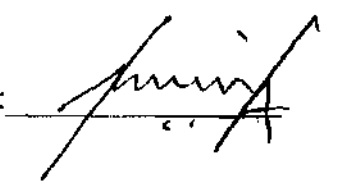
FACULTY OF ADMINISTRATION,

AHMADU BELLO UNIVERSITY, ZARIA

DECEMBER 2000

DECLARATION

I hereby declare that this work has been written by me and that it is the record of my own research work and that it has not been previously presented or accepted anywhere for the purpose of awarding any higher degree.

Name of Student: Dubukumah Mamman Gabriel Signature: 

CERTIFICATION

This project report work entitled "**Effective Performance Appraisal in the *Banking Industry: A Case Study Of Afribank Nigeria Plc.***" by Dubukumah Mamman Gabriel meets the regulations governing the award of Masters of Business Administration (MBA) Degree of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Mal. Dalhatu Bashir DATE: 3/2/2001

PROJECT SUPERVISOR

EXTERNAL EXAMINER DATE: 31/12/2003

HEAD OF DEPARTMENT DATE: 16/8/05

DEAN, POST GRADUATE SCHOOL DATE: 16/8/05

DEDICATION

TO

GOD ALMIGHTY

MY WIFE AND CHILDREN

MY PARENTS

ACKNOWLEDGEMENT

In the course of the project I received assistance in various ways and forms from people/sources too numerous to mention individually here.

First and foremost I am grateful to God Almighty who in His infinite mercy, gave me success not only in completing this project, but the course work as well.

I would like to acknowledge the immense assistance of Mallam Dalhat Imam, the MBA coordinator and my supervisor. His constructive criticisms and positive suggestions contributed immeasurably towards the success of this project.

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Finally, I would like to thank members of my family especially my wife, children and brothers and sisters for standing by me and wishing me success throughout my studies for MBA, the final process of which is this project.

I thank you all.

Abstract

Historically, performance appraisal is believed to have originated mainly in the public sector of employment - the armed forces and the Civil Service. Now, formal schemes of performance appraisal are widely used in the majority of work organizations in both public and private sectors. The banking sector in Nigeria is no exception. The banking sector in Nigeria, which is becoming more and more competitive, should find the employee appraisal system a veritable tool for retaining high performing employees with the potential of helping to attain the goals and objectives of banks. It is in line with this reason that the system of performance appraisal of Afribank Nigeria Plc is brought under focus in this study to highlight the various problems associated with it and to recommend better ways of ensuring that the best results are attained as much as possible. One way of testing the efficacy of the current system of performance appraisal of the bank was to test the linear correlation between staff strength and lurnover of the bank on one hand and the staff related cost and the profit after tax on the other hand. Both correlation coefficients were validated with the use of t-tests. Certain problems, which characterize the current appraisal system, are the prevalence of recency effect and average ratings given by appraisers. The appraisal system should be remodeled in such a way that it is a continuous evaluation exercise throughout the year and not just once or twice in a year, as is the case currently. Once an employee's standard of performance drops below a certain minimum, he should be so informed by his/her manager. The collective average of such ratings should be the foundation for arriving at such a thorough personnel decision. This will ensure that managers' have sufficient and substantial evidence to support personnel related suggestions on their subordinates to the human resources department of the bank. This will also assist managers to break away from the anger of their subordinates rather than giving them average ratings as an escape route.

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Chapter One

Introduction

1.1 General Introduction

In the more progressively competitive Nigerian banking industry coupled with the relatively higher wages earned by employees, no vision driven management would undoubtedly like to retain the services of a low or poor performing employee. Stredwick (2000:237) supports this view when he revealed that as organisations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives. Thus performance management systems set out to communicate the link between an organization's mission and its strategic direction and the required employee performance.

To meet corporate objectives, every a focused management desires that employees must possess the right blend of essential job skills; competencies, knowledge and job related behaviors so that this may be brought to bear on the overall performance of the firm in terms of achieving the objectives of the organization. In a nutshell, performance appraisal is the process of assessing the quantitative aspects of an employee's performance.

Mullins (1999:695) contends that the process of management involves a continuous judgment on the behaviour and performance of staff. He says that one way to review the performance and potential of staff is through a system of performance appraisal. He further argues that a formalized and systematic appraisal scheme will enable a regular assessment of the individual's performance, highlight potential, and identify training and development needs. In this respect, performance appraisal is therefore a crucial activity of the personnel function and the management of human resources.

A comprehensive appraisal system can provide the basis for key managerial decisions such as those relating to allocation of duties and responsibilities, pay, delegation, levels of supervision, promotions, training and development needs, and terminations.

It is pertinent to point out the fact that there are various types of performance appraisals ranging from the immediate supervisor to self – evaluation. Which ever of these performance appraisal methods is put in place cannot be perfect because of associated human intervention problems such as rater characteristics, leniency, halo effect, central tendency and so on.

This research work is an attempt to establish the performance appraisal system in use in the Nigeria banking industry with special focus on Afribank Nigeria Plc with a view to revealing the extent of the pervasiveness of these obvious problems. This study shall also suggest ways and means by which some of these problems inbuilt in the current appraisal system of the bank could be eliminated or minimized.

This study will examine the relative weights of each performance criterion directly related to the job of an employee and the proportion it constitutes in the overall evaluation of employee performance.

At the end of the study, the researcher hopes to suggest ways and means by which Afribank Nigeria Plc may bring about a better result oriented appraisal system consistent with realizing the goals and objectives of the bank.

1.2 Statement of the problem

Performance appraisal is one of the most dreaded but imperative tasks any manager has; yet it is one that most managers freely confess they have difficulty in conducting satisfactorily.

It is important to note that it is not always easy to review a subordinate's performance precisely, and it is often even more complicated to convey that judgment to the subordinate in a positive and unproblematic manner.

A major problem of this research work is the conflict in relation to perceptions of performance by the stakeholders in the exercise. Individuals usually tend to have a higher perception of their own performance and when this does not match their superior's perceptions (as it is lower), they tend to be despondent, which gives rise to numerous secondary problems at the work place.

It is noteworthy that some management experts see the conventional performance appraisal methods as a confrontational exercise as there is a divergence between the appraiser and the appraisee's perceptions. The mere fact that these ratings have a direct undertone on bonuses and salary adjustments, further aggravates the situation.

An inherent problem of performance appraisal systems is that they are often associated with human biases in assessing the performance of employees. Some managers allow their personal biases to misrepresent the ratings their subordinates actually deserve. Some of

these biases may be gross prejudices regarding sex, colour, race, or religion but also other personal characteristics such as age, style of clothing, or political viewpoint.

An associated problem highlighted here is that most managers give their subordinates average ratings. This is because they want to "play safe" by so doing. The major reason advanced for this rater behavior is that appraisers do not want to have the distasteful incident of informing sub ordinates that they have performed below expectations. By giving them more than what they merit, they are in a sense, trying to be less offensive and indirectly "appease" the non-performing subordinates.

1.3 Objectives of the study

The objectives of this research include the following:

(1) To reveal the degree of relevance of assessment criteria to employees jobs.

(2) To determine the degree of bias exhibited by raters in Afribank Nigeria Plc.

(3) To assess the linkage between performance appraisal and salary advancement in the organisation.

(4) To establish the degree of linkage between performance appraisal and staff promotions, transfers and terminations.

(5) To ascertain the degree of disagreements between appraisers and appraisees judgments on performance levels established.

(6) To establish the kind of appraisal system in place in Afribank Nigeria Pic.

(7) To make useful recommendations on ways and means of improving upon the current staff appraisal system in place in Afribank Nigeria Pic.

1.4 Scope of the study

This study shall cover the application of staff appraisal system in Afribank Nigeria Pic between 1993 and 2001.

This study shall also cover the 4 branches in Kaduna out of the entire network of the bank so as to improve the validity of the results of this research.

The major emphasis of this research shall be in the determination of the application of performance appraisal results in salary progression, promotions, transfers and other related personnel decisions qf the bank.

KASI;

1.5 Limitations of the study

Several limitations were encountered in the process of carrying out this study, and these include the following: -

(i) There was reluctance on the part of staff of Afribank Nigeria Pic, which constituted the research population to answer to some sensitive questions regarding their superiors or managers for fear of reprisals even after much persuasions from the researcher on the grounds that all information given shall be treated in strict confidence.

(ii) Also the researcher experienced financial constraints in the course of reproducing questionnaires to administer to the research sample and the printing of large volumes of materials obtained from the Internet.

1.6 Hypothesis.

The researcher formulated two hypotheses in this study as follows: -

Null Hypothesis I:

The staff strength is negatively related to the annual turnover of the bank.

Null Hypothesis II:

The staff related costs is negatively related to the annual profit after tax of the bank.

Alternate Hypothesis I:

The staff strength is positively related to the annual turnover of the bank.

Alternate Hypothesis II:

The staff related cost is negatively related to the annual profit after tax of the bank.

1.7 Definitions of General Terms

The following terms were defined so as to give their interpretations in the context in which they have been used in this study.

Performance Appraisal: This is the process of systematically evaluating each employee's job – related strengths; development needs, and progress toward meeting goals and determining ways to improve the employee's job performance.

Performance: This is the level of the individual's work achievement that comes only after effort has been exerted.

360-degree appraisal system: A performance review system that gathers feed back from an employee's colleague inside the organization and from people outside the organization with whom the employee does business.

Bonuses: Lump – sum payments given for achieving a particular performance goal.

Central tendency: A rating error that occurs when all employees are given an average rating, even when their performance varies.

Employee effort: The amount of physical and / or mental energy exerted to perform a task.

Development programs: Improving an employee's conceptual and human skills in preparation for future jobs.

Stereotyping: Making assumptions about individuals solely on the basis of their belonging to a particular gender, race, age, or other group.

Operational goals: What is to be achieved in quantitative terms, for whom, and within what time period.

Training Program: A process designed to maintain or improve current job performance.

Chapter Two

Literature Review

2.1 Performance Appraisal Defined

Griffin (348. 1993) defines performance appraisal as a formal assessment of how well employees are doing their jobs.

Kreitner conceives performance appraisal as the process of evaluating *individual job performance as a basis for making objective personnel* decisions. He notes that this definition intentionally excludes occasional coaching in which a supervisor simply checks an employee's work and gives immediate feed back. He further comments that although personal coaching is fundamental to good management, formally documented appraisals are needed both to ensure equitable distribution of opportunities and rewards and to avoid prejudicial treatment of protected minorities.

Donnelly, Gibson and Ivancevich (254.1992) state that performance appraisal involves the formal evaluation of an individual's job performance. This includes the feedback to the individual and determination of whether and how the performance can be improved. This means that as a control technique, effective performance appraisal requires standards, information, and corrective action. The standard in performance evaluation is prior specification of acceptable levels of job performance. Information must be available measure actual job performance in comparison to standard job

performance. Finally managers must be able to take corrective action to restore any imbalance between actual and standard job performance.

These authors assert that because performance appraisal involves individuals judging the quality and quantity of job performance of other individuals, the process is inherently emotion laden, bringing into play ideas and perceptions of fairness, equity and equal treatment. They conclude that the human element of performance appraisal must be taken into account if it is to serve individual and organizational purposes.

Cole (245. 1997) contends that performance appraisal connotes formal appraisal, which is an assessment of employee performance in some systematic and planned way. Koontz and Weihrich (339.1998) see appraisal as an integral part of a system of managing and determining how well a manager plans, organizes, staffs, leads, and controls and that this is really the only way to ensure that those occupying managerial positions are actually managing effectively.

In another dimension the International dictionary of management defines performance appraisal, as the systematic procedure of assessing an individual's performance in order to assess training needs, potential for

promotion, eligibility for a merit increment as part of pay or salary review or for management succession planning.

Leap and Crino (1993) assert that an appraisal is the judgment of an employee's performance in his job based on considerations other than productivity alone. They maintain that this is sometimes called merit rating more frequently when its sole object is to discriminate between employees in granting increases in wages or salaries. They uphold the view that managers are constantly forming judgments of their subordinates and therefore should be seen as continuously making appraisals. They however submit that performance appraisal is a term in personnel management, which seems to mean a formal and systematic assessment made in a prescribed and uniform manner at a certain time.

Boella (1988) agrees with the view that appraisal of people at work goes on continuously. He explains that each time a supervisor issues a good word or a reprimand, some form of appraisal has occurred. Thus he understands performance appraisal to mean the process whereby the supervisor examines employee's performance against expectations and at the same time considers the person's potential as well. He further stresses the point that the overriding objective of performance appraisals is to improve the performance of the organization as a whole. He laments that the problem with many appraisal schemes is that the system itself takes over and considerations

such as salary reviews on training needs analysis override the real essence of performance appraisals.

French (1978) is of the viewpoint that the term appraisal means evaluation of the performance of employees. Accordingly, he emphasizes the pervasiveness and universality of evaluating performance. He reports that in addition to systematic or formalized appraisal, informal and non- systematic appraisals tend to occur constantly within a going enterprise. He stresses the fact that people are always in the business of evaluating each other either at a conscious or sub conscious level. This can be interpreted to mean that even in unlikely situations where a supervisor pays little or no attention to a sub ordinate, evaluation is really going on since the computation of wages must assume at least some minimum level of performance.

Leap and Crino (1992) also view performance appraisal as the process of assessing the quantitative and qualitative aspects of an employee's job performance. They hold the belief that performance appraisals should provide answers to some basic yet important questions for both the employee and the employer: "How will am I doing?" "How can I do better?", "How well are our employees doing individually and collectively?"

2.2 Types Of Performance Appraisals

Griffin easily recounts two basic categories of appraisal methods commonly used in organizations as objective methods and judgmental methods. He reveals that objective measures of performance include actual output (i.e. number of units produced), scrapping rate, dollar volume of sales, and number of claims processed. He explains further that objective performance measures may be contaminated by "opportunity bias" if some persons have a better chance to perform than others.

He highlights another type of objective measure, the special performance test that is a method in which each employee is assessed under standardized conditions. This kind of appraisal also eliminates opportunity bias. For example, GTI, southwest Inc, has a series of pre-recorded calls, that operators in a test booth answer. The operators are graded on speed, accuracy, and courtesy in handling the calls. It is significant to note that performance tests measure ability but do not measure the extent to which one is motivated to use that ability on a daily basis. (A high – ability person may be a lazy performer except when being tested). Special performance tests must therefore be supplemented by other appraisal methods to provide a complete picture of performance.

Griffin asserts that judgmental methods, including ranking and rating techniques are the most common way to measure performance.

Ranking compares employees directly with each other and orders them from best to worst. Ranking has a number of drawbacks. Ranking is difficult for large groups because the persons in the middle of the distribution may be hard to distinguish from one another accurately.

Comparison of people in different work groups is also difficult. For example, an employee ranked third in a strong group may be more valuable than an employee ranked first in a weak group. Another criticism of ranking is that the manager must rank people on the basis of overall performance, although each person likely has both strengths and weaknesses. Furthermore, rankings do not provide useful information for feedback. To be told that one is ranked third is not nearly so helpful as to be told that the quality of one's work is outstanding, its quantity is satisfactory, one's punctuality could need improvement, and one's paperwork is seriously deficient.

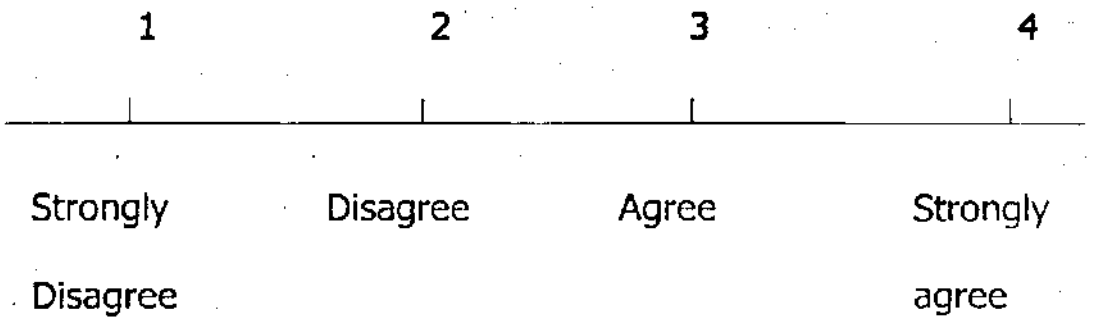
Griffins differentiate rating from ranking in that it compares each employee with a fixed standard rather than with other employees. A rating scale provides the standard. Figure I gives examples of three graphic rating scale for a bank teller.

Figure I

Graphic Rating Scales For A Bank Teller

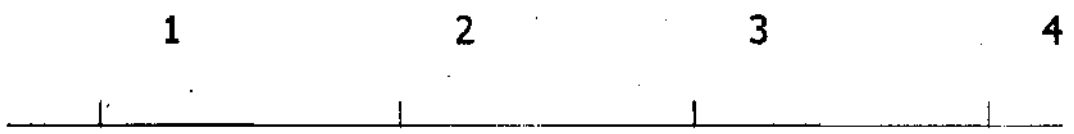
Dimension: Punctuality

This teller is always on time for work and promptly opens her or his window as scheduled.



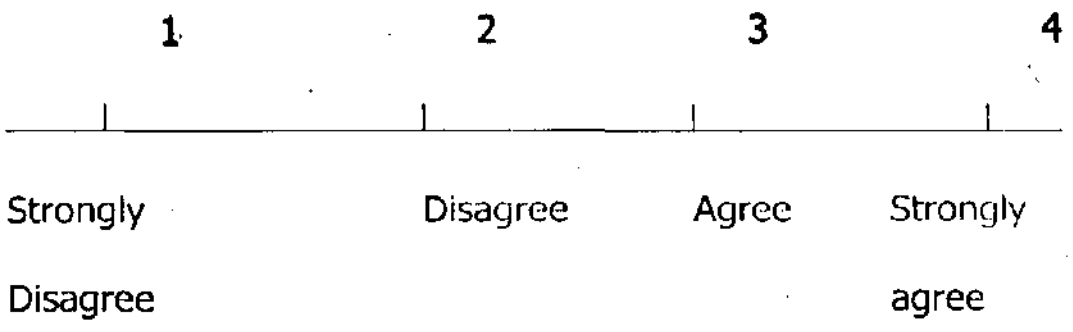
Dimension: Congeniality

This teller always greets his or her customers warmly and treats them with respect and dignity.



Dimension: Accuracy

This teller is always accurate in her or his work



Each consists of a performance dimension to be rated (punctuality, congeniality, and accuracy), followed by a scale on which to make rating. In constructing graphic rating scales, performance dimensions that are relevant to job performance must be selected. In particular, they should focus on job behaviors and results rather on personality traits or attitudes.

Cole (251. 1997) mentions behavioral scales as one option of rating scales in performance appraisals. In behavioral scales, the appraiser has a list of key job items against which are ranged a number of descriptions, or just two extreme statements of anticipated behavior. One example is shown in figure 2 below.

Personal Attributes	
Leadership	1. Always at the center of activity 2. Capable of leading smallish groups 3. Has no real leadership qualities
Initiative	1. Always acts on own initiative 2. Will act own initiative in minis ways 3. Never act unless instructed
Technical Attributes	
Technical Knowledge	1. Wide technical knowledge of company's products. 2. Limited technical knowledge but useful practical ability 3. Very little required Knowledge.
Quality of work	1. Always careful, rarely males mistakes 2. Sometime makes mistake 3. Work characterized by carelessness.

Figure 2: Appraisal from emphasizing individual qualities.

Mullins (702. 1999) highlights one method of appraising performance of employees as "achieving objectives". With this system, the manager agrees with members of staff set objectives at the beginning of the appraisal period. The appraisal is then based on the extent to which these stated objectives have been achieved. This method allows for the participation staff and also allows for at least some degree of self-appraisal.

He confirms that a major consideration with this method is the extent to which circumstances beyond the control of the individual, such as changes in environmental influences, make the achievement of objectives unrealistic.

Objectives need to be continually reviewed and revised in accordance with changing circumstances. Comparison with achieving objectives may not, by itself, provide a detailed assessment of performance. Therefore, some appraisal schemes combine this method with the use of rating scales.

Mullins mentions a variant of the "meeting objectives" method proposed by Stein. A good appraisal system could be the key by which companies get the most out of all their staff without making them feel exploited. Stein puts forward an approach based on the use of a performance 'agreement' or 'contract'. Members of staff create a

succinct document; agree with their superior, which sets out the individual's proposed contribution to the business plan of the organization. This document then provides an agenda, which can be referred to during the appraisal period and modified as necessary. This agenda serves as the basis of the appraisal judgment. Thus instead of rating performance in terms of a traditional five box - scale as A, B, C, D, and E, the question is simply: 'Has the plan been met?'. This approach turns the appraisal system into a dialogue. The extent to which staffs meet their contract also gives an indication of whether the business plan is realistic.

Singh argues that a performance appraisal in a sense is a confrontational exercise as there is a difference between the appraiser and the appraiser's perceptions. The fact that these ratings have a direct implication on bonuses and salary adjustments further aggravates the situation.

The development of a modified appraisal system called the 360-appraisal system is an attempt to find a conciliatory solution to this dilemma.

This system serves to evaluate and provide feedback on the performance of individuals in an organization from an all round perspective such as superiors, peers, subordinates and sometimes even

customers. In this context, it is a drastic change from the traditional superiors to subordinate appraisal.

Singh reports that the 360 degrees appraisal system is currently being used by many of the Fortune 500 companies is the US like Intel and Hewlett – Packard. He further asserts that from literature, it seems that the success rate and feed back received, so far has been excellent and companies in the US which are using the 360^0 system say it boosts productivity by giving workers a more accurate sense of their personnel strengths and weakness.

The 360 degrees system can be conducted either electronically or manually. The first thing to be done is to draw up the appraiser list for all individuals who are involved in the process. This is a difficult process, as appraisers would use some criteria that have to be defined. One obvious method would be for individuals to draw up their contact pools such as a document stating individuals; they interact with on a working basis. This must tally with the agreed number of superiors, peers, and subordinates required.

As a control measure, the superior could check this list before it is endorsed. The aim is to prevent individuals from putting all their close friends into the list, which would upset the evaluation process.

Once this is done, phase two of the process begins – everyone will be given a list of individuals whom they have to evaluate. It must be stressed here that this needs to be done anonymously; otherwise the whole process will breakdown. Confidentiality is the key to the success of this system. If there is any perception that the system is not confidential, appraisers will not evaluate objectively; and will serve to obliterate the purpose of the whole exercise.

Singh suggests that one of the ways to do this is to appoint one or two people who will be the systems' administrators. They are the only ones allowed access to the process and system. No one else should be given access, not even senior managers.

Once the whole process is completed, all forms are collected and collated. If the system is electronic, then this will be easy, as the collation will be done electronically (which is so much more effective and efficient).

The collation of the data is to ensure that all scores are added and then averaged. The averaged data are put into an appraisal document and then sent to the individual's superior. The superior will then conduct the appraisal interview as in conventional systems. Only this time, he or she will not be wholly responsible for the ratings given.

2.3 Performance Criteria

Koontz. (341. 1988) argues that the appraisal should measure both performance in accomplishing goals and plans and performance as a manager. He stresses the point that no one wants a person in a managerial role who appears to do everything right as a manager but who cannot turn in a good record of profit making, marketing, controllership, or whatever the area of responsibility may be. Nor should we be satisfied to have a 'performer' in a managerial position that cannot operate effectively as a manager. There have been incidents where some star performers may have succeeded through no fault of their own.

Donnelly, Gibson and Ivancevich agree that the most crucial aspect of performance appraisal is in identifying the standard of effective performance. They elaborate further that in performance evaluation systems, it is customary to refer to standards as "criteria" – ways of

identifying success in an activity. A criterion for a major league pitcher is earned – run average, a criterion for a student is the grade earned in a course or the grade point average after one year at college. They state that an important and necessary step in developing a performance appraisal system is development of criteria that indicate successful performance.

Primary sources of individual job performance are the organization's overall objectives and strategies. It is an important principle that individual performance should contribute to organizational performance. Although this principle seems self evident, it remains difficult to implement, particularly when organization objectives change.

Koontz again stresses the point of assessing performance in accomplishing goals. In assessing performance, systems of appraising against verifiable pre selected goals have extra ordinary value. Given consistent, integrated and understood planning designed to reach specific objectives, probably the best criteria of managerial performance relate to the ability to set goals intelligently, to plan programmes that will accomplish these goals, and to succeed in achieving them. Those who have operated under some variation of this system often claim that these criteria are adequate and those elements of luck or other factors beyond the manager's control are taken into

account when arriving at any appraisal. He accepts that in too many cases, managers who achieve results owing to sheer luck are promoted and others, who do not achieve expected results because of factors beyond their control are blamed for failures. He suggests that we need a supplement to appraisal against verifiable objectives.

Koontz reveals that the system of measuring performance against pre-established objectives should be supplemented by an appraisal of a manager as a manager.

Managers at any level also undertake non-managerial duties, and these cannot be overlooked. He emphasizes the point that the primary purpose for which managers are hired and against which they should be measured, is their performance as managers - that is, they should be appraised on the basis of how well they understand and undertake the managerial functions of planning, organizing, staffing, leading, and controlling. For standards in this area we must return to the fundamentals of management.

Koontz gives sample questions for appraising managers as managers. In the area of planning, a manager would be rated by such check questions as the following:

- Set for the departmental units both short term and long term goals in verifiable terms that are related in a positive way to those of superiors and of the company?
- Check plans periodically to see whether they are consistent with current expectations.
- In choosing from among alternatives, recognize and give primary attention to those factors, which are limiting or critical to the solution of a problem?

In the area of organizing, questions such as the following are asked. Does the manager:

- Delegate authority to subordinates on the basis of results expected of them?
- Refrain from making decisions in that area once authority has been delegated to subordinates?
- Regularly teach subordinates, or otherwise make sure that they understand the nature of line and staff relationships?

Koontz concludes that in the three other areas of managing – in staffing, in leading, and in controlling – similar questions are asked.

2.4 Difficulties In Administering Performance Appraisals

Singh (1.2001) discusses the weaknesses of conventional performance appraisal systems and says these have encouraged management consultants to come up with new systems in order to accurately measure individual performance. Some of the weaknesses enumerated by him are as follows: -

2.4.1The Superior plays "God".

In a convention system, the superior is usually the one and only person who will appraise an individual. Hence if he/she likes you, you tend to get high marks and if he/she dislikes you, then you tend to get low marks. This "god" concept has been the subject of unhappiness for many individuals as it has replaced objectiveness with emotions and hence is opened to unnecessary abuse.

2.4.2 Halo effect

Singh again makes the point that halo effect occurs when an individual is rated based on one desirable trait. For example, an employee in a bank is rated highly only because he or she is an honest person, although the work produced may not be up to standards. This is because honesty is a much-valued trait in the banking industry and this

trait serves to obliterate the strengths and weaknesses of the person's other trait. The reverse may also be true when a person is given low ratings only because of one undesirable trait. This is called the horns effect.

2.4.3 Different value judgments

Singh contends that very individual has different value judgments due to conditioning, different beliefs, views and management styles. Some are strict with their ratings while others may be lenient. This factor can cause the same individual to be given different ratings by different superiors. Those who have generous superiors will benefit, while those with strict superiors will face negative consequences.

2.4.4 Recency effect

Singh argues that in performance appraisal exercises, individuals are many times judged on their most recent performance. Therefore, if a person who has been a mediocre performer does something very creditable just prior to the appraisal, then it is most certain that he will be given good ratings. On the other hand, if a person has performed well throughout the year and then just prior to the appraisal exercise,

creates a blunder, then it is most certain that he will be given low ratings.

2.4.5 Middle ratings

Research has shown that there is a tendency among appraisers to "play safe" by giving middle ratings. For example, if the ratings are from one to 10, then the most popular ratings will be five, six, and seven. On the other hand, if it is from one to five, then it will be from 2.5 to 3.5. The reason is that appraisers do not want to have the unpleasant experience of informing a subordinate that they have not performed up to expectations. By giving them more than what they deserve, they are sense, trying to be less confrontational and want to indirectly "pacify" the non-performing subordinate.

Singh further contends that it must, however, be accepted that there are also many good points and benefits that can be derived from conventional systems. The problem is that the weaknesses discussed above tend to eliminate or override the good points. Due to this, there have been many attempts to improve and modify the conventional

appraisal systems. One of these attempts has resulted in the 360 degrees appraisal system.

2.5 Steps To Successful Performance Appraisals

Katz (1. 2001) makes the point that performance appraisals are one of the least liked and most dreaded responsibilities that any manager has to endure.

They're worse than terminations. After you fire someone, they're gone; but after a performance review, they're still around. Staring at you. Resenting you. Challenging you and sometimes even subverting your ability to manage the group. Some managers will go to great lengths to avoid doing reviews.

Katz is of a different opinion. He believes that performance management can be an enjoyable and rewarding process. Yes, he means it and goes far as saying that he thinks performance management can be as enjoyable as the Thanksgiving Day parade. Keeping in mind he proffers a six-step approach (use the acronym PARADE to remember it) that can alleviate much of the worry and dread associated with performance management.

Step one: Preparation

The key to success in any endeavor is preparation. In this case, preparation means sitting down and creating objectives for the

performance period. We've got to ensure that people know what's expected of them if we ever expect them to achieve it.

We think of setting objectives as a road map with a set of directions. The road map is your organization, or your industry, and the directions lead employees to their goal. If people don't know where they're going, how can we ever expect them to get there? How will they know when they've arrived? It's also critical to get employees' input on their own objectives if we want to increase their commitment to achieving those goals. If people feel that they have a voice in their assignments, they will frequently work harder towards the success of those assignments.

Step two: Assessment.

A critical manager responsibility is assessing and giving timely feedback to staff on their performance. There are many benefits to doing this. Feedback on performance that is given as soon as possible has proven to be most effective. It's not fair or effective to tell someone how she messed up, or (more rarely) how well she did, weeks after the job is done. Let people know quickly so they can either address the error or replicate the success.

This also addresses two of the most common fears that managers have about performance appraisals: confrontations and surprises. Many managers avoid delivering performance reviews because they fear

confrontation. They see it as an "us versus them" event. This is usually a result of a lack of communication between the manager and staff.

If the performance review is the only time that managers talk with staff about how they're doing, and especially if employees feel that this one meeting has tremendous impact on their salary increases, the meeting takes on enormous proportions. With all the tension in the room, how can it be a successful interchange? Most employees, when questioned as to what the once-a-year review reminded them of, responded, "A trip to the principal's office." Ongoing communication throughout the year is the key to reducing the fear and anxiety associated with this meeting for both participants.

When asked what they want out of the performance review meeting, both managers and staff most often respond, "No surprises." This is what I hear even more often then a hope for the highest rating. Not everyone expects to be a superstar, but people want to know how they are doing. They don't want to have it sprung on them at the last minute, when they no longer have the opportunity to do anything about it. They want to be treated with and as partners throughout the performance cycle. Continuous assessment and feedback is the key to ensuring that there are no surprises, which of course also lessens the likelihood of a confrontation. Surprises beget confrontations. Communication prevents them.

Step three: Reviewing documents

Before you actually do sit down with the employee, review all your documentation from year. Take a look again at the objectives that you and the employee agreed to and documented at the beginning of the year. Look for any commendations or letters you may have received about the employee during the year.

Review your notes from the meetings that you've had with the employee. Then sit down and write the first draft of the performance review. Some organizations offer the employee the opportunity to create a first draft as well. Then the manager and the employee sit down to review the employee's progress before the actual review. This keeps the employee involved in the process and makes him feel that he's getting a fair evaluation. It's another great technique for reducing or eliminating surprises.

Step four: Appropriate setting.

Make sure that you have an appropriate setting in which to deliver the appraisal. The most commonly used location used location, a manager's office, is often the worst place. It's not neutral territory (remember that principal's office analogy), and no matter how much rapport-building you do or how long you've worked with the employee, it's still your turf."

A conference room is often best, but if that's not available, find some other place. Be creative. The cafeteria may not seem like a very private place, but in between mealtimes, it's often possible to find a secluded table in a corner. You want the setting to relax employees, not add to their anxiety. This is one reason to avoid restaurants. Some managers choose to do appraisals over lunch. It's a way to reward the employee, but restaurants at lunch are far from private. Even employees who expect positive reviews seldom feel particularly hungry when they go into this meeting.

Consider meeting in the employee's office if it has a door, or borrowing a colleague's office. Meeting somewhere other than your office also makes it easier to end the meeting. Getting someone out of your office when the review is completed, particularly if the person thinks there is more to discuss, can be particularly onerous. It tends to reek of dismissal. This can undercut even the most positive of appraisals.

Step five: Deliver it clearly

Katz advises that appraisals should be delivered in simple language. Managers should not use code or jargon, and mince words. They should not also dance around the issue at hand even if the appraisal is not as positive as the employee might have hoped. Shell pick up on the manager's discomfort like a shark sensing blood in the water. If she

feels that the manager is not confident in his appraisal, she may think that there is a last-minute chance to improve it. This isn't a meeting to renegotiate the objectives or the standards for performance that were set at the beginning of the year.

This advice on clarity goes for both good news and bad! Katz again stresses the point that when it comes to good news, some managers avoid it because they're afraid to tell an employee she has done a good job. "What if the manager have to fire her someday?" they ask. Katz suggests that if the employee has done a good job, the manager must say so. If the manager has to fire that employee someday, he will have a good reason why. He will be able to explain it to the employee because he will have developed the necessary communication skills.

More often, managers feel a need to hide the bad news. They're afraid to hurt the employee's feelings, they fear an argument, or they just don't like to talk about someone's shortcomings. Many managers feel that if the employee hasn't done as well as expected or hoped, this is a poor reflection on the manager. If someone's performance has been sub par, managers owe it to the employee, the organization, and them selves to inform the employee.

By glossing over employees' performance deficits or inflating their ratings to spare their feelings, managers are actually exposing the company and themselves to great liability. If managers have been doing the assessment and feedback throughout the year, there is little likelihood that there will be any confrontation or conflagration at the review meeting. Katz again opines that managers should tell people straight out what they've done well and where they need to improve. Subordinates will respect their managers for it, and their credibility and standing, as a manager will rise because of it.

Step six: Encouragement

Katz recommends that at the conclusion of the performance appraisal meeting, which also marks the end of one performance appraisal cycle and the beginning of the next, the manager's job is to encourage. The manager should motivate the employee to continue doing that which he does well and to improve in the area where there is room for growth. This is the best way to make these meetings productive and positive. Even if the person's appraisal has not been as high as he might have hoped, the manager should remind the employee that he is still valued and that he will support him in his development.

The manager should then offer to set up a separate meeting at which he will discuss his development plan. This is a terrific way to let the employee know that the manager supports him and is willing to invest

time and the organization's training dollars in his growth in the company. Katz makes the point that performance management process is actually the organization's best retention tool. Too often, when employees get a less-than-stellar appraisal, they take it as an indication that this is the beginning of the end. This is the first step on that dreaded

" Documentation Trail" that can only lead to the door. The manager should let them know that he believes in them and their ability to improve. The manager's willingness to work with and invest in them is a wonderful turnaround tool to effect an attitude adjustment. These six steps to successful performance appraisal are summed up in what Katz calls **PARADE** which is decoded below as follows:-

Prepare to manage performance by carefully setting objectives.

Assess and give feedback on performance throughout the year.

Review all pertinent documentation before meeting with the employee.

Appropriate place deliver the appraisal away from interruptions or distractions.

Deliver the appraisal clearly, allowing for the employee to respond in a dialogue. Don't mince words or use code.

Encourage employees to do more of what they do well and improve where they can. Make them feel valued.

2.6 Uses of performance Appraisal information

Leap and Crino (1992), suggest that decisions regarding the design and implementation of the performance system must be consistent with the intended use(s) of the information. It is at this stage that an organization may realize that multiple evolution systems are necessary. It is entirely possible that information intended for different uses (e.g., promotion decisions or identification of training needs) should be gathered using different methods. Some of the uses suggested by both authors include the following: -

2.6.1 Performance Feedback

They mention the fact that most employees are very interested in how well they are doing at present, as well as how they can do better in the future. They wish to have this information not only for the personal satisfaction that positive feedback provides, but also to help them improve their performance in order to qualify for organizational rewards such as promotions and merit pay. They of the view that performance feedback is very important to employees, and in the absence of meaningful feedback from the supervisor, employees may become very sensitive to whether supervisors speak to them, spend time with them, or take them into their confidence regarding departmental affairs. These informal methods can approach superstition, and are the unfortunate consequences of a failure to provide adequate, regular performance feedback.

Nelton (1985) makes the point that performance feedback that is specific, timely, accurate, understandable, and presented in an atmosphere of cooperation and support can improve the quality of subsequent employee performance. It may serve as a source of satisfaction and motivation and, when necessary, as a guide to the adjustments necessary for performance improvement.

2.6.2 Training and Development Decisions

Smith and Brouwer (1977), mention that performance appraisal results may be used to determine whether an employee or group of employees will require additional training and development. Deficiencies in performance may be attributable to inadequate knowledge or skills. For example, a word processor operator may improve his or her efficiency by attending seminars designed to show a newly installed machine's full capabilities. A pilot for an air charter service may require training in a new aircraft in order to use its systems safely and efficiently. The performance appraisal system must be sufficiently detained to isolate specific, trainable performance deficiencies.

For managerial personnel, the performance appraisal process may point to the need for additional development as a means of improving current job performance in areas such as supervisory techniques, interpersonal conflict management, planning and budgeting, and so on. In addition, a manager may be groomed for a higher-level position if the performance appraisal

results indicate that he or she has the potential to perform well in an advanced position.

Regardless of the organizational level being evaluated, performance appraisal systems are the primary means of delineating employee weaknesses that can be alleviated through training and development programs. Appropriate appraisal information can be used as basis for tailoring a specific training and development program to aid employees in reaching their potential.

2.6.3 Validation Of Selection Programs

Arvey and Faley (1988) reveal that performance appraisal provides a means of validating both internal (promotions and transfers) and external (hiring new employees from outside sources) selection programs. They also state that organizations spend a great deal of time and money recruiting and selecting employees. Application blanks, interviews, psychological test, and other measures are used to predict probable applicant performance on the job. Many organizations hire industrial psychologists to construct elaborate selection devices to predict performance as measured by the organization. The definition and measurement of performance are not as difficult with regard to the quantitative aspects of a job (level of sales by a salesperson, error rates, days absent from work, and so on), but the qualitative aspects (ability to analyze complex problems, interpersonal effectiveness, effective

delegation of work, and the like) pose much more difficult measurement problems. Nevertheless, measures or scores from the various selection devices given to job applicants must be correlated with job performance measures as a means of analyzing the validity or usefulness *of* selection devices. When inadequate attention is given to the proper measurement of employee performance, the effort and expense devoted to developing sophisticated selection devices are wasted. An inadequate performance evaluation system used in a criterion-related validation study creates what is called the criterion problem. When this happens, the selection device is validated against performance information that does not represent true levels of performance (not a valid measure of performance). Under these circumstances, the validity coefficient is not accurate, useful, or defensible because the company will be predicting something other than future applicant performance.

2.6.4 Documentation And Support Of Personnel Decisions

Latham and Wexley (1980) comment that compensation decisions, to varying degrees, are based on the results of an employee's performance appraisal. Although pay raises are a function of increases in the cost of living, productivity, seniority, and the financial condition of the organization, employee merit (as measured by performance appraisal) is also an important factor. Merit pay is allocated across many different jobs and departments in

an organization. Information provided by the appraisal system should be such that employee performance levels across different jobs can be compared. Employees also expect consistency in merit increases across similar jobs when they are being performed equally well.

Pay raises, when based on merit, are often a sensitive issue because they represent a message to the employee regarding his or her value to the organization, as well as a standard of comparison with his or her peers. For this reason, pay raises that are geared to the quality of performance should depend heavily on an objective, unbiased assessment. If subjectivity or favoritism affects the measurement of an employee's job performance and such evaluations are subsequently used to make pay-related decisions, the employee's morale and motivation may be damaged.

2.6.5 Promotion Transfer, and Layoff Decisions

Leap and Crino that in an ideal situation, the selection of one employee for promotion over others who are also eligible is based, in part, on the result of an evaluation of past employee performance. Presumably, an organization wants to promote the best-qualified individual. A rejection for promotion may be based upon the following performance-related reasons: performance shortcomings on the current job, poor performance when given

responsibilities directly related to the new job, or superior performance by the employee who did receive promotion.

Performance appraisal is also useful in making transfer and layoff decisions, especially in a nonunionized environment. Like promotions, transfers often involve changes in job responsibilities and it is important that employees capable of assuming such responsibilities be clearly identified. Employees may also be rank ordered for layoff, with the weakest performers being the first let go. Like the other personnel actions discussed, the effectiveness of promotion, transfer, and layoff decisions will depend directly upon the quality of the performance information generated by the system.

2.6.6 Grievance and Discipline Programs

Leap and Crino recommend that performance appraisal results can be used as an important source of documentation for formal grievances that are filed in connection with employee disciplinary actions. This is especially true in unionized organizations that have highly structured grievance procedures where the final step is binding arbitration (a quasi-legal forum used for resolving many employee-employer disputes).

An organization may attempt to terminate an employee for general incompetence, only to discover that the performance appraisal process is so poor that there is no acceptable documentation of substandard performance.

In fact, known marginal employees have received positive performance evaluations simply because supervisors failed to take the process of performance appraisal seriously.

Chapter Three

Research Methodology

3.1 Research Data

In the course of carrying out this study, the researcher made use of both primary and secondary data that were relevant to achieving the research objectives.

Primary Data

The researcher obtained primary data from responses to administered questionnaires to the delineated research sample.

Secondary Data

Secondary research data were obtained from Journals; publications of the bank; textbooks and samples of performance appraisal forms of the bank. Also the annual reports and accounts of the bank provided data for the tests of hypotheses formulated in this study.

3.2 Research Population

The research population for this study comprised of the entire members of the four branches of the bank and the regional office situated in Kaduna metropolis. The total number of these employees at the time of carrying out this research was 96.

3.3 Research Sample

The entire research population was certainly too large to be drawn as the research sample for this study. In a bid to reduce the complexity of dealing with too large a research sample, the researcher opted to restrict this size to just about 50 percent of the research population bringing the number to 48 in absolute terms.

3.4 Sampling Technique

Two sampling techniques cluster and simple random samplings were adopted. First of all 5 equal clusters of 10 respondents were selected from each of the four branches and the Regional office. Thereafter the simple random sampling method was adopted to select respondents I each of the five clusters to achieve a fairly homogenous research sample and reduce the incidence of bias in the results of this research as much as possible. Thus any member of the research population drawn into the research sample in each cluster effectively served the purpose of this research.

3.5 Research Instruments

Two major research instruments were engaged in the course of carrying out this study: -

(i) Questionnaire Method: -

This method was applied in this study because it provided the researcher the means of obtaining primary data from the research sample by posing standard questions to all of them at the same time. This enabled the researcher to receive and compare their responses relatively earlier. Thus responses to questions posed the researcher to the respondents about their assessments of the current appraisal system of the bank were easily compared and analyzed.

In essence this method ensured uniformity and consistency as each respondent was asked exactly the same questions so that as the researcher compared their responses, she actually compared responses to the same question.

Some of the questions posed to the respondents addressed issues such as the relevance of the performance appraisal system as it covers the actual performance of their jobs and the corrective ability and room for improvement when they are really assessed as poor performers. Also

respondents were asked to identify noticeable rater errors in the current system.

(ii) Interview Method

This research technique was mainly applied to the management staffs that are appraisers of their subordinates. This was necessary so as to reveal common problems that they have been faced with while applying the current appraisal system on their subordinates. The researcher adopted this technique so as to clear any issues of doubt arising from the responses of administered questionnaires. This is akin to turning the other side of the coin in order to ascertain the real picture on ground.

3.6 Methods of data Analysis.

The following methods of data analysis were applied in this study.

(i) **Simple percentage point analysis**

This method entailed collating the responses of respondents and expressing their reactions in terms of sample percentage points of the total research sample.

(ii) **Simple linear correlation Analysis**

This method was adopted in testing the only hypothesis of this study to determine whether there exist any linear correlation between the overall

performance of the bank in terms of its annual turnover and staff related costs. The result of this test was validated by use of a t– test of significance.

3.7 Brief Historical Background

Afribank received banking license on October 20 1959 and established its first branch in the city of Kano on January 4, 1960. At inception, the bank was known as Banque Internationale Pour L'Afrique Occidentale (BAIO).

The documentation of BIAO dates back to about 1853 when the Bank was originally established in Senegal, it was then known as Banque du Senegal. Later this was altered to Banque Pour L'Afrique Occidentale (BAO). The word "Internationale" was added later when the Bank's ownership included the First National City Bank.

It is important to note that BIAO was one of the first banks to set up shop in West Africa. At this time, the activities of the bank were so pervading in the area so much so that she was given the power to issue currency notes (a Central Bank function) in the French speaking West African countries.

IBWA / AFRIBANK was later established as a subsidiary of BIAO.

In 1960, the bank complied with the Federal Government's guidelines by citing its headquarters at 94 Broad Street, Lagos.

A promising fact was that the establishment of IBWA/AFRIBANK coincided with the surfacing of the oil industry in Nigeria. As a result of this fact, the bank soon developed relations with some of the oil companies and in order to serve their needs more promptly, set up two additional branches in Port Harcourt and Aba just before the outbreak of the Nigerian Civil War in 1967. Following the promulgation of the Nigerian Companies Decree in 1968, it became necessary for all firms operating in Nigeria to be incorporated as Nigerian companies. On May 30, 1969, BIAO was incorporated in Nigeria as a limited liability company under the name International Bank for West Africa (IBWA) – the English equivalent of BIAO.

Following the indigenization policy in 1976, the Federal Military Government acquired sixty percent of the equity structure and those of all banks for that matter. This left BIAO with 40 percent of the IBWA/AFRIBANK equity capital. In December 1976, the Bank increased its share capital base from N3.6 Million and the bank had its first Nigerian Chairman in person of Alhaji T. Galadima. Equally in that same year, BIAO herself experienced changes in her own equity structure. The Union Bank of Switzerland bought over 20 percent of the 49 percent of BIAO equity capital and at the same time Citibank N.A. Banco da Brazil took up a further 20 percent of this portion, while the "Compaignie International Africa de Banque Holding S.A.

Luxembourg" bought the outstanding nine percent. In 1979, the paid up capital of IBWA/AFRIBANK was augmented to N15 million. Also in that same year, a Nigerian was chosen as the managing Director for the first time in person of Mr. O. O. Olashore. In 1980, the Federal Government gave up ten percent of her equity holding in the Bank to staff. Two years later, the Bank adopted AFRIBANK as her sub name. The bank altered its name finally to Afribank Nigeria Limited with effect from January 1 1990.

3.8 Corporate Organizational Structure

The corporate organizational structure of the bank shows that at the apex is the Board of Directors headed by the chairman. The management of the bank is led by the managing Director who reports to the Board.

Immediately below the managing Director, the structure bifurcates into three broad areas: Banking operations, finance and corporate clients; and corporate Development and services each of which is headed by an executive Director.

The branches of the bank, area offices, legal department, Mortgage / agricultural, finance and small and medium Enterprises and Resources & securities are under the purview of the Executive Director operations.

The departments of Accounts and finance, corporate clients, corporate branch, Information technology and systems, Afribank Estate company ltd, AIL (MERCHANT BANKERS) and projects report to the Executive director finance and corporate clients.

The Executive Director corporate oversees the following departments: corporate planning and Development; Human Resources Management; administration and services, Group co-ordination Secretariat, Afribank Insurance Brokers Co. The corporate organizational structure of the Banks is presented in appendix 1.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Degree of Bias in the Appraisal System of Afribank Nigeria Pic

The researcher investigated the degree of observable bias by the respondents by asking their opinions about the variance between their superior's appraisal and their own personal ratings of their performances. The degree of bias is important in that once the level gets too high and uncontrollable, whatever results are achieved at end of the day would not make any meaning as any personnel decisions taken with respect to staff would negate the real purpose of the exercise. The respondents' opinions were collated and analyzed as in table 1 below.

Table 1: Degree Of Bias in the Appraisal System of Afribank Nigeria Pic

Options	No. of Respondents	Percentage
Low	31	64.58%
Moderate	17	35.42%
High	0	0.00%
Total	48	100.00%

Source: Fieldwork

The analysis above showed that 64.58 percent of the respondents suggested that the gap between appraiser assessments and appraisee assessments was low. However, about 35.42 percent of the respondents believed that a

moderate variance existed between their own assessments and that of their managers. None of the respondents held the belief that a wide variance existed between their own assessments and performance assessors.

.2 Assessing the Degree of Relevance of Performance Factors

Some authors had already exposed notable problems with certain appraisal systems such as the irrelevancy of assessment factors that are immaterial to the jobs performed by employees. In such cases, whatever the outcome, it would definitely not expose how well an employee is carrying out his or her job. The findings in this respect are summarized in table 2.

Table 2: Assessing the degree of relevance of performance factors

Options	No. of respondents	Percentage
Relevant	37	77.08%
Not Relevant	11	22.92%
Total	48	100.00%

Source: Fieldwork

The analysis above showed that 77.08 percent of the respondents opined that all the performance criteria used to evaluate their performance on their jobs are quite relevant. However, about 22.92 percent of the respondents argued that some of the assessment factors were either ambiguous or irrelevant as far as their jobs were concerned.

4.3 Analysis of Observed Uses of Performance Appraisal Results in Afribank Nigeria Plc

In certain organizations where the performance appraisals are treated with levity, the outcome of the employee appraisal performances may not matter in reaching personnel decisions. the exercise cannot be taken seriously when nothing is at stake. This prompted the researcher to investigate respondents' opinions about the most important use of performance appraisal results in the organization. Their views were collated and analyzed in table 3.

Table 3: Analysis of Observed Uses of Performance Appraisal Results

Options	No. of respondents	Percentage
Promotion	23	47.92%
Pay rise on the same level	5	10.42%
Transfer	3	6.25%
Demotion	0	0.00%
Training and Development	15	31.25%
Commendation Letters	2	4.17%
Best Staff Award	0	0.00%
Total	48	100.00%

Source: Fieldwork

The results of the analysis above showed that about 47.92 percent of the respondents argued that the most important use of the appraisal results

was in respect of staff promotions. Another 31.25 percent of the respondents supposed that the most important single use was in the identifying staff for training and development. Another 10.42 percent of the sample was of the opinion that it has mostly been used in pay rise decisions on the same pay level. None of the respondents felt that performance results were used in arriving at demotions or best staff award. But some 6.25 and 4.17 percent of the respondents strongly held the belief that it was used for transfer and commendations letters respectively.

4.4 Analysis of the Prevalence of Average Ratings

One of the major problems highlighted in related literature on performance appraisal systems is prevalence of average ratings. The degree of the incidence of average ratings was therefore investigated. The general findings in this respect were summarized in table 4.

Table 4: Analysis of the prevalence of Average Ratings

Options	No. of respondents	Percentage
Always have average ratings	33	68.75%
Do not always have average ratings	15	31.25%
Total	48	100.00%

Source: Fieldwork

The analysis in table showed that majority of the respondents, about 68.75 percent said they were always given average ratings by their appraisers. However, some 31.25 percent of them had observed that they were not always given average scores in their assessments.

4.5 Analysis of the Prevalence of Recency Effect

Another bothersome problem with most performance appraisal systems is the occurrence of recency effect. This is an occurrence where the most recent attitude exhibited by a subordinate is used to evaluate his or her performance. This could either be on the positive or negative side. The incidence of this factor in the performance appraisal system of Afribank Nigeria Plc was examined in the research sample. The results of the inquiry are summarized in table 5.

Table 5: Table showing the prevalence of Recency Effect.

Options	No. of Respondents	Percentage
Have noticed it	27	56.25%
Have not noticed it	21	43.75%
Total	48	100.00%

Source: Fieldwork

The analysis above showed that about 56.25 percent of the respondents have noticed that their performance appraisals have been affected by their most latest behaviour and approach to work while the remaining 43.75 percent said their superiors have not permitted this factor to determine their overall assessments on their jobs.

4.6 Analysis of the Extent of Performance Feedback

Once the employee performance appraisal is administered, it is important that the employee gets a feedback of his or her performance ratings on all criteria or factors. This is important because if there are areas where he or she thinks there are disagreements, it could be resolved at this meeting. An important element of ensuring a performance feedback is that at least the employee will now know the identified areas of weaknesses, and in normal circumstances, will now strive to improve in those areas. The investigation of the prevalence of performance feedback is summarized in table 6.

Table 6: Analysis of the Extent of Performance Feedback

Options	No. of Respondents	Percentage
Have had appraisal interviews	48	100.00%
Have not had appraisal interviews	0	0.00%
Total	48	100.00%

Source: Fieldwork

The results of the analysis above showed that all the respondents have had performance appraisal interviews with their superior reviewing officers.

4.7 Results of Tests of Hypotheses

Two hypotheses were statistically tested by the use of the Spearman Correlation coefficient. The first hypothesis is that there was a strong positive relationship between staff strength and turnover of Afribank Nigeria Plc. The second is that there was positive relationship between staff related costs and the profit after tax of Afribank Nigeria Plc. In order to test both hypotheses the relevant data were extracted from the audited accounts of the bank between 1993 and 2001. This data was then subjected to a Pearson correlation test using the MS Excel statistical package and validated by the application t-tests in both cases. The data and the output are presented in tables 7 and 8.

Table 7: Data Output From Tests of Hypotheses

Year	Turnover	Staff Strength	
	N'000		
1993	2,613,087	3,951	
1994	3,037,868	4,780	

1995	4,555,896	4,931	
1996	5,128,065	4,880	
1997	5,469,743	4,754	
1999	9,412,652	4,749	
2000	10,506,158	3,974	
2001	10,954,868	3,795	
Source: Annual Reports and Accounts			
Of Afribank Nigeria Plc			
Pearson Correlation Coefficient			-0.44503
t-distribution			#NUM!

Table 8: Data Output From Tests of Hypotheses

Year	Profit After Tax	Staff Related Costs	
	N'000	N'000	
1993	304,667	210,069	
1994	262,029	214,113	
1995	638,839	302,848	
1996	63,587	345,086	
1997	376,587	403,671	
1999	169,161	540,988	
2000	-596,773	569,395	
2001	1,118,117	607,194	
Source: Annual Reports and Accounts			
Of Afribank Nigeria Plc			
Pearson Correlation Coefficient			0.02665
T –distribution			#NUM!

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The Pearson Correlation coefficient between staff strength and turnover of the bank was determined as –0.4450. However, this coefficient tested insignificant at 5 percent and 10 percent levels of significance.

The Pearson Correlation coefficient between staff related costs and profit after tax of the bank was determined as –0.02665. in a similar manner, the coefficient also tested insignificant at 5 percent and 10 percent levels of significance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Research Findings

The researcher established the following research findings.

1. The degree of observable bias in the appraisal system of Afribank ranks more of low than of a moderate level in the assessments of the respondents. The result tends to suggest that the performance appraisal result could be of serious application when taking personnel decisions about employees leading to sought-after results that are directed at achieving the goals and objectives of the bank.
2. The degree of relevance of the evaluative factors of the performance appraisal system of Afribank was determined by an overwhelming majority of the respondents in this to study to be highly relevant to the current jobs performed. This is also indicative of the fact that the current appraisal system is drawn up to address the way and manner a job is performed by a staff and not just on some unsubstantiated unrelated factors, which have no bearing on the jobs performed.
3. Most of the respondents opined that the most important use of employee performance reviews was in determining employee promotions in the organization. The next important use was given as selecting staff for training and development programmes. The fact that most respondents viewed the

current use of the appraisal results in identifying who gets promoted is an indication that staff generally will try to do their best at all times so that they could be considered for promotion when the need arises. The secondary use of the appraisal system was given as training and development which is indicative that the system is drawn up with some emphasis on improvement in attitude, skills and knowledge of staff so that they could improve upon their technical competencies on their jobs.

4. One obvious problem with the current employee performance appraise system of Afribank Nigeria Plc is that most of the staff believed that they have always been given average ratings by their appraisers. This is indicative that their superiors just not to incur their wrath, and face reprisals from their subordinates may give some poor performers average ratings.

5. Another challenging problem identified in this study with the employee appraisal system of the bank was that most of the staff held that their appraisals were affected by recency effect. This meant that their managers used the most recent behavior or attitude of staff to evaluate the performances of their subordinates.

6. The degree of performance feed back noticed was very high in the organization, as all the respondents have had performance appraisal interviews with their appraisers.

7. The Pearson correlation coefficient between staff strength and turnover of the bank was estimated at -0.44503 or -44.50 percent. This is an indication of a moderate negative correlation between both variables.

Upon further validation of the Pearson Correlation Coefficient with a t statistic distribution, the null hypothesis was accepted while the alternate hypothesis was rejected.

8. The Pearson correlation coefficient between staff related costs and profit after tax of the bank was estimated at -0.02665 or –2.67 percent. This is an indication of a very low negative correlation between both variables. The correlation coefficient tested not statistically significant at 5 and 10 percent levels of significance. The null hypothesis in this case was accepted while the alternate hypothesis was rejected.

5.2 CONCLUSION

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one of the chief responsibilities of managers is to assess the performances of their subordinates. To some extent, this evaluations influence who is promoted, demoted, transferred, and dismissed and even the size of the raise each employee receives. In many cases, managers have to explain ratings to their subordinates who in fact, probably disagree with them at least some respects. In normal situations, performance appraisals could be used as a veritable tool for revealing areas of weaknesses of staff. But not all

employee performance appraisals have this objective, as some are mainly routine ritualistic exercises.

Afribank Nigeria Plc has a very well articulated and implemented policy on performance appraisals of its employees but seem not to be effectively applying it to realize its goals and objectives. This may be mainly due to the human interventionist tendencies arising from varying degrees of bias exhibited by managers.

Certain problems which characterize the current appraisal system are the prevalence of recency effect and average ratings given by appraisers.

Given this scenario it is not surprising that the correlation analysis carried out between staff strength and turnover proved to be moderately negatively correlated but tested statistically not significant. Same results were achieved between the correlation analysis between staff related costs and profit after tax of the bank.

This study no doubt has opened many fronts on the performance appraisal system of Afribank Nigeria Plc and provides a helpful basis of making positive recommendations that could assist in making it more goals oriented.

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5.3 RECOMMENDATION

The researcher has suggested the following recommendations.

1. A purposeful training programme should be drawn up to help the managers/superior officers who appraise staff on periodic basis to reduce the degree of bias in their assessments as much as it is humanly possible. The crucial problems of recency effect, average ratings, and general bias should be addressed with a view to suggesting how these could be minimized in the system.

2. One way of plummeting the incidence of bias is to increase the number of appraisers for each employee. In line with this view an application similar to the 360 degrees appraisals system will require in addition to the supervising manager of a staff, other major officers and customers who interact with the staff doing his or her job, as appraisers. At the end of the day, the final score is an average of all the appraisers scores. This system too might be too cumbersome to administer.

3. The management of the bank should ensure that all evaluative factors of employees are directly related to jobs. This way the exercise will be better reflective of performances of employees on their jobs will help promote higher levels of productivity of employees and the bank in general.

4. The appraisal system should be remodeled in such a way that it is a continuous evaluation exercise throughout the year and not just once or

twice in a year, as is the case currently. Once an employee's standard of performance drops below a certain minimum, he should be so informed by his/her manager. The collective average of such ratings should be the foundation for arriving at such a thorough personnel decision. This will ensure that managers' have sufficient and substantial evidence to support personnel related suggestions on their subordinates to the human resources department of the bank. This will also assist managers to break away from the anger of their subordinates rather than giving them average ratings as an escape route.

5. For any serious performance appraisal system to be associated with organizational goals and objectives, it must form the foundation of taking grave personnel related decisions on staff such as staff promotions, pay rise on the same salary grade level, and even partaking in staff development programs. Once this is obvious to all and sundry, every employee will begin to work harder knowing that their future in the organization is dependent solely on how they perform today and not on the recommendation of a 'god father' in the organization.

6. It should be noted that once these recommendations are implemented, every staff would be given a level field to operate and will then respond by giving out his or her best for the attainment of the goals and objectives of Afribank Nigeria Plc. Given this scenario, all stakeholders of the bank will be

better positioned to benefit from improved performances of the employees and by extension the organization.

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Dept. of Business Administration
Institute of Administration
Ahmadu Bello University,
Kongo campus
Zaria
13th October, 2002.

Dear Respondent,

I am a student of business administration, Ahmadu Bello University, Zaira, currently writing a project titled: "Effective Performance Appraisal in the Banking Industry: A Case Study of Afribank Nigeria Plc." in partial fulfillment of the requirement for the award of Master's degree in business Administration (MBA).

I would be extremely gratefully if you would respond to the attached questionnaire. I wish to assure you that all information obtained from you will be used only for the academic purpose of this research work and shall also be treated in strict confidence.

Thank you for your co-operation.

Yours faithfully,

Dubukumah Mamman Gabriel

QUESTIONNAIRE FOR STAFF OF AFRIBANK NIGERIA PLC.

SECTION A

1. Name of Respondent (optional)
2. Branch (optional) .....
3. Department (optional) .....

SECTION A (Instruction: Please tick the appropriate box)

4. How long have been in the services of the Bank?
   - 1 –2 years ☐
   - 3 – 5 years ☐
   - 5 – 10 years ☐
   - Over 10 years ☐

5. Please indicate the degree of bias in the staff appraisal system.
   - Low ☐
   - Moderate ☐
   - High ☐

6. How would you rate the degree of relevance of performance factors of the bank?
   - Relevant ☐
   - Not-relevant ☐

7. Please indicate the most observed uses of the perrformance appraisal results of staff.
   - Promotion ☐
   - Pay rise on the same level ☐
   - Transfer ☐

Demotion ☐

Trading and Development ☐

Commendation Letters ☐

Best Staff Award ☐

8. How often have you been given average ratings by your manager?

Always have average ratings ☐

Do not always have average ratings ☐

9. Have you noticed the prevalence of recency effects in the appraisal system of Afribank Bank?

Have noticed it. ☐

Have not noticed it. ☐

10. Have you had performance appraisal interviews in the past?

Have had appraisal interviews ☐

Have not have appraisal interviews ☐

CORPORATE ORGANIZATIONAL STRUCTURE OF AFRIBANK NIGERIA PLC.



Figure 1