

**AN EVALUATION OF EMPLOYEE PERFORMANCE  
APPRAISAL AND REWARD SYSTEM IN BANK PHB  
(PLATINUMHABIB BANK PLC)**

**BY**

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**A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL  
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## DECLARATION

I declare that the work in the project report entitled “**Evaluation of Employee Performance Appraisal and Reward System in Bank PHB (PlatinumHabib Bank Plc)**” was conducted by me in the department of Business Administration under the supervision of Hajia Safiya M. Adamu.

OYIDI EBENMOSI OLUWAKEMI

Student's Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## **DEDICATION**

This project is dedicated to my dear husband

**Dr. Adeitan Cladius Oyidi**

For his support and encouragement throughout this programme, God bless and keep you.

## CERTIFICATION

This is to certify that this project entitled “AN EVALUATION OF EMPLOYEE PERFORMANCE APPRAISAL AND REWARD SYSTEM IN BANK PHB (PLATINUMHABIB BANK PLC)” By OYIDI, Ebenmosi Oluwakemi meets the partial regulation governing the award of the degree of Master in Business Administration (MBA) of Ahmadu Bello University, Zaria and it is therefore approved for its contributions to knowledge and literary presentation

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Hajia Safiya M. Adamu  
Chairman, Supervisory Committee

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## **ABSTRACT**

Performance appraisal is the process and procedures used by organizations to measure and appraise performance of employees within a certain period of time, and are basically used for reward management, position adjustment, and training for growth arrangement of employees. To an organization like Bank PHB, performance appraisal is a kind of control in the management process. It is the basis for employee to offer themselves for work and be rewarded.

Presently, in Bank PHB supervisors are equipped with the adequate tools to ensure that appraisals are done as at when due. This has impacted positively on the performance of both the employees and the Bank.

Questionnaires and interviews were used as a means of collecting data for the study. The data collected were analyzed using simple percentages. It was found that in the evaluation of the performance of Bank PHB, the appraisal and reward system of the employees play a very important role, even though very few of them see the result of appraisal as not acceptable, objective and fair. It was concluded that it is necessary to design and plan a suitable performance appraisal system to be the tool of human resources management, which will serve the purpose of promoting total business management in Bank PHB effectively.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Most organizations in the quest for excellent service delivery make performance appraisal a basis for rewarding employees. Performance appraisal, which can also be referred to as performance evaluation, is an aspect of working relationships that emphasizes for both the boss and his subordinate's specific accountability areas. It is aimed at bringing home to both the manager and his subordinates the interdependent nature of their roles and hence provides an opportunity for each to reaffirm what each need from the other to do his own job more effectively.

To appraise is to set value on something. Performance appraisal therefore implies in its general meaning the measurement and assignment of value on the performance of an employee, the aim of this most times is to increase the development of employees' skills, knowledge and attitude and modifying these elements so that the employees performance will be at its optimum. This in most cases help to boost the morale of the employees to put in their best at all times to ensure that their services are not only carried out effectively but also efficiently.

The essence of performance appraisal is not only done based on how the employer perceives an employee, but can also be seen to be tied closely to the employee's future as promotions, pay rises and continuation of employment are the most obvious outcomes. The appraisal of employees' performance and the way they are rewarded represent an employee's work. .

It is therefore necessary that organizations that desire change and improvement make the appraisal of its employees a very important and serious management function because the basic assumption is that the organization will be more effective and efficient as a result of regular appraisal which also aim at establishing controls on behaviour

## **1.2 STATEMENT OF THE PROBLEM**

The problem of performance appraisal is sometimes made difficult because most of the time appraisal is based on the judgmental decision of the employee's direct boss and not on the employee's actual performance. This type of situation does not boost the morale of the employees.

The process of performance appraisal could be difficult sometimes because the measurement of the effectiveness or ineffectiveness of some tasks is difficult.

The problem or question therefore is, can performance appraisal be effectively used as a means for reward in organizations?

### **1.3 OBJECTIVE OF THE STUDY**

The aim of the study is to examine the prospects and problems associated with employees' performance appraisal and reward system in an organization with particular reference to Bank PHB.

The objectives of this research work are as enumerated below:

1. To examine the impact of performance appraisal and reward system of Bank PHB on its employees.
2. To access the effectiveness of the reward system on employees of Bank PHB.
3. To examine the problems and prospects of performance appraisal and reward system in Bank PHB.

### **1.4 SIGNIFICANCE OF THE STUDY**

Performance appraisal and reward are important aspect of any organization. They serve as tools in making appropriate business decisions such as promotions, salary adjustments, terminations etc. Therefore, it is important that appraisals be on target and accurately written.

The study will help both employees and the organization (Bank PHB) access the effectiveness of the method of performance appraisal and reward system adopted, it will also provide information on the prospects of the appraisal and reward system used and the problems that are related to it. It will also give an insight into how employees perceive the way they are been appraised.

## **1.5 SCOPE OF THE STUDY**

This topic is directed at evaluating performance appraisal and reward system in Bank PHB . The research work shall be limited to 100 employees of Bank PHB, drawn from top, middle and low level cadre of staff and from December 2005 to November 2006.

## **1.6 HYPOTHESES**

In research hypothesis helps us to make categorical statement. A hypothesis is a conjectural statement of the relationship between two or more variables, they are always in declarative sentence form, and they relate either generally or specifically to variables.

There are two types of Hypotheses, Null and Alternate hypotheses, represented by  $H_0$  and  $H_1$ . Hypothesis is said to be null if it suggests no difference in effects of one or more independent variables on the dependent

variable and it is usually non-committal. While the alternate is the opposite of the null hypothesis. The following hypotheses shall be tested for this research work:

1. Ho: The performance appraisal and reward system does not contribute positively to the growth of the Bank.  
H1: The performance appraisal and reward system contribute positively to the growth of the Bank.
2. Ho: Employees are not satisfied with the performance appraisal and reward system.  
H1: Employees are satisfied with the performance appraisal and reward system

## **1.7 RESEARCH QUESTIONS**

A research question is a statement that identifies the phenomenon to be studied. It acts as a guiding force behind the experiment and aims at bringing clarity to some doubt on the topic. The study will address the topic by attempting to answer the following questions:

1. Does Bank PHB have any performance appraisal system?
2. Is the type of appraisal and reward system operated by the Bank transparent to all?



3. How are employees rewarded for good performance?
4. Are rewards commensurate with the performance of employees, and how often is this done?
5. Are employees allowed to participate or contribute to their appraisal system?
6. What is the effect of this type of appraisal and reward system on the performance of employees of Bank PHB, and the overall growth on the Bank?

## **1.8 SCOPE AND LIMITATIONS OF THE STUDY**

The study is limited to Bank PHB and due to time and financial implication, a sample size of 100 was selected, the questionnaire was administered but 84 responses were collected back. Collation of data and analysis were on these data. All the responses are based on how performance appraisal is done in Bank PHB, therefore the conclusions and recommendations are all limited to the operations of the Bank.

## **1.9 DEFINITION OF TERMS**

**Performance:** This is defined as how well a person does something.

**Appraisal:** This is the official or formal assessment of the strengths and weaknesses of someone or something. Appraisal often involves observation

or some kind of testing. Therefore if you make an appraisal of something, you consider it carefully and set value on it or form an opinion about it.

**Reward:** A reward is something that you are given, for example because you have behaved well, worked hard or provided a service to the community.

**Performance appraisal:** This is a review or an assessment by an immediate supervisor or others to determine how employees or subordinates have carried out their duties against the organizations agreed standards covering an identified period of time. It is an on going process of evaluating and managing outcomes of human behaviour in the work place. It is a process that supervisors and immediate boss normally employ to find out how subordinates have been doing their jobs. It is done within a specified period of time e.g. annually

**Problem:** This is referred to as a difficult situation, matter or person. I.e. something that is hard to do: requiring a lot of effort to do, understand or deal with.

**Prospect:** This can be described as the possibility of something happening soon, a chance or the likelihood that something will happen in the near future, especially something desirable.

**Examination:** This is the process of looking at and considering something carefully with the idea of learning something.

**MBO:** This is a system of management by objective whereby the superior and subordinates managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him/her, and use these measures as guides for operating the unit and assessing the contribution of each of its members.

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## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 THE MEANING OF PERFORMANCE APPRAISAL AND REWARD SYSTEM**

The most important aspect of any performance appraisal system is to define what performance appraisal means and why organizations engage in the process and how the reward is done at the end of the appraisal process.

The following are some definitions of Performance appraisal:

1. Hackett (2002) defines performance appraisal as the name given to the regular (usually sixth monthly – or annual) formalized and recorded review of the way an individual is performing in his job.
2. Performance appraisal was also defined by Beach (2000) as “an objective assessment of an officer against the background of the target set for him.
3. Performance appraisal is a review or an assessment by an immediate or others to determine how employees or subordinates have carried out their duties against the organizations agreed standards covering an identified period of time. It is an on going process of evaluating and managing both the behavior and human outcomes in the work place.

4. According to the Encarta Dictionary, Performance appraisal is defined as the measurement of the manner in which something or somebody functions, operates or behaves.

5. Olagboye, (2005) defines Performance appraisal or evaluation as a process of arriving at judgments about a worker's past or present performance against the background of his work environment and about his future potential for the organization of which he is a member. Thus, performance appraisal attempts to measure a worker's present performance in his work and from the result make a forecast about his future performance.

Winston and Creamer (p.85:1999) said "Performance appraisal can be viewed as the process of assessing and recording staff performance for the purpose of making judgments about staff that lead to decisions". Performance appraisal should also be viewed as a system of highly interactive processes which involve personnel at all levels in differing degrees in determining job expectations, writing job descriptions, selecting relevant appraisal criteria and developing assessment. In carrying out appraisal each member of the organization is expected to participate in a regular process of performance appraisal. It is recommended that individual performance evaluation plans be developed for each staff member. Much

like the individual staff development plan, each performance evaluation should be developed cooperatively between each staff member and her/his supervisor.

It should be noted that all positions within the organization undergo a periodic review each year. During this review, the duties and responsibilities of the position is analyzed to ensure that they match the mission and goals of the organization. Performance appraisal plans is changed to match any changes in job descriptions, missions, and individual goals of the staff member.

Because of the importance of performance evaluation, employees should undergo two formal evaluations per year. In addition, it is expected that supervisors meet with individual employees on a regular basis to discuss performance and expected behaviours within the department.

Staffing model can be used in performance appraisal, in this respect Winston & Creams (1999), view Performance appraisal as a process, and not simply as the creation of ubiquitous standards. The overriding purpose of performance appraisal is to help staff to improve and, thus, to improve organizational effectiveness. Performance appraisal therefore addresses

institutional needs as well as employees' needs, abilities, motivation, and expectancies.

The integrated staffing model suggests two integrated functions toward this purpose:

1. The evaluation of staff relative to job requirements and
2. The development of staff for improved performance.

Thus, performance appraisal and staff development are closely related and should operate in concert with one another.

The integrated staffing model also suggests that staffing practices occur within a larger context of institutional culture. Thus, judgments about performance appraisal, as well as the design and implementation of appraisal systems, should be considered contextually.

### **Attributes of Performance Appraisal**

The performance appraisal system must possess the following attributes:

1. Clarity
2. Openness, and
3. Fairness.

These attributes are related to the historic values of performance appraisal. The implementation of these attributes may vary; the following should be represented in any effective performance appraisal systems:

1. Ongoing Review of Position and Performance - Effective performance appraisal systems conduct ongoing evaluations of both the position and the staff member occupying it. With ongoing position analysis and performance appraisal, the few surprises, and changes in the environment are quickly incorporated into the official appraisal system.

2. Job Descriptions - Job descriptions should be reliable, valid, understandable, and specific enough to provide direction for employee behavior. Job descriptions should focus on what the employee does (e.g. advises the customers on the best way to run his/her account) and what outcomes are expected. These outcomes should be clearly linked to departmental and organizational objectives and needs.



Job descriptions should use action words such "plans" or "supervises" rather than "demonstrates initiative" or "is likable."

Job descriptions should provide guidelines for staff so they know the specific behaviours expected of them. The responsibilities of the staff member should be listed in order of importance and weighted relative to importance, if possible.

3. Participatory and Interactive Appraisal - Appraisal system processes should be designed in concert with all stakeholders and open to constant interaction with them. Plans made jointly by employees and supervisors have a better chance of working than plans made independently by either party.

4. Workable Formats that Avoid Systemic Bias - Effective performance appraisal systems must include workable formats that avoid systematic biases. Checklists of performance criteria completed at the same time every year should be avoided. This type of approach simply fails to produce any useful information for individual or organizational improvement.

Other biases include giving preferential treatment to some but not all staff, rating all staff the same, being overly lenient or overly harsh toward some or all staff, and practicing conscious or unconscious racial or gender prejudice.

### **Designing an Effective Appraisal System**

In designing a good appraisal system it is important that appraisers and supervisors design appraisal systems that are in line with individual departmental and institutional contexts. Brown (2004) offers that the following questions be addressed when designing an appraisal system:

- Is the management committed to performance appraisal?
- Are staff members involved in determining the appraisal criteria and standards?
- Are the organizational goals of each department and subunits integrated into the appraisal plan?
- Are employees involved in planning and implementation of the appraisal process?
- Is the appraisal process congruent with the organizational climate and the management style of the administrators?
- Have adequate job descriptions based on job analysis been written?

- Have weights or priorities been assigned to job expectations?
- Is available expertise being employed for consultation?
- Is the purpose of the performance appraisal system clearly articulated and congruent with the staff and management needs and expectations?
- Has a process been worked out to monitor and evaluate the system?

## **REWARD**

Employee reward is about how people are rewarded in accordance with their value to an organization. It is concerned with both financial and non-financial rewards and embraces the philosophies, strategies, policies, plans and processes used by organizations to develop and maintain reward systems. Armstrong (1998)

The reward could either be monetary or non-monetary in nature, but it also implies that something special is being given. Foot & Hook (2002) stated that payment schemes in most cases do seek to reward extra effort, but in actual sense this is only one part of the payment system in the organization.

The overall aim of employee reward is to support the attainment of the organizations strategic and short term objectives by helping to ensure that it has the skilled, competent, committed and well motivated workforce it needs. Armstrong. (1998).

When putting up any reward system it must have some set aims meant to be achieved to make it effective. These aims are best achieved if:

1. The reward strategies are aligned with organizational strategies.
2. Reward policies and processes are modified in accordance with the changing needs of the organization.
3. Employees are valued according to their contribution, skill and competence.
4. The reward system is transparent.
5. Employee relations strategies are designed to build mutual trust.
6. Maximum freedom is devolved to line managers to manage the reward system.
7. There is a constant thrust to maximize the performance leverage of any money spent or paid.
8. Reward initiatives are taken only when their interaction with other business and personnel policies has been assessed.

The above mentioned points show that no reward initiative should be undertaken unless it has been established that it will add value and non should be retained if it does not result in added value.

## **Components of a good reward system**

1. Processes for measuring the value of jobs e.g. job evaluation, market rate analyses and performance management.
2. Practices for motivating people using financial and non-financial rewards. Non-financial rewards are provided by the culture and values of the organization, especially by the quality of management and leadership. Motivation also comes from the work itself and the opportunities given to employees to develop their skills and careers.
3. Structures for relating pay and benefit levels to the value of the position. These structures need to provide scope for rewarding people according to their performance, competence, skill or experience.
4. Schemes for providing financial rewards and incentives e.g. pension scheme, voluntary health insurance.
5. Procedures for maintaining the reward system. There is need to put a procedure in place to ensure that employee reward system works i.e. it operates efficiently and flexibly and most importantly that the system provides value for money.

It can be concluded that most appraisal systems are related to institutional productivity requirements that are expected to reveal

performing and non-performing employees, and to serve as a response system to focus attention on problem areas.

Therefore, appraisal systems should function to reward performing employees and departments at all times to encourage them and to achieve the goals of the organization and at the same time improve the employee.

## **2.2 PURPOSES OF PERFORMANCE APPRAISAL AND REWARD SYSTEM**

The main reason for performance appraisal is to make sure that standards set by the organization are met at the same time help employees to work effectively and efficiently to meet these set goals. In Olagboye, (2005) formal performance appraisal is a process rendered annually or biannually and it serves six major purposes:

1. It provides information on how performance on the job of an employee is being rated by their superiors
2. It is used as a means of identifying additional training requirement of the employee to improve his performance
3. Performance appraisal could also be used to locate officers who need to be transferred to a different schedule in the same grade or to a job at a similar level in another occupational group or cadre

4. It plays a major role in identifying officers who are well fitted for promotion or those who are to be considered for special promotion on merit
5. Performance appraisals formally reported make it possible to make forecasts, based on appraisal results, of the long term potential of serving employees.
6. It helps to maintain a semblance of discipline among employees in the work place

Following from above, it can be deduced that performance appraisal allows for feedback. The main aim of feedback system is to inform employee about the quality of his or her performance, since information flow is not exclusively one way. It also helps to identify performance *gap* which are shortfalls that occurs when performance does not meet the standard set by the organization

According to Cash (1993) one of the best ways to appreciate the purposes of performance appraisal and reward is to look at it from the different viewpoints of the main stakeholders: employee and the organization.

## **Employee Viewpoint**

The purpose of performance appraisal can be assessed in four-fold from employee view point:

- (1) Tell the employee what he/she should do.
- (2) Tell how well this has been done
- (3) Help the employee improve his/her performance
- (4) Reward him/her for doing it well.

## **Organization's viewpoint**

In most organization, one of the most important reasons for having a system of performance appraisal is to establish and uphold the principle of accountability.

Therefore looking at performance appraisal from both employee and organization's viewpoint the following can be deduced as the purpose for performance appraisal and reward for employees:

1. It provides the basis for correcting, coaching, counselling and training employees.
2. It is also used to improve the skills of the worker.



3. It provides feedback to the employees on how they can perform their duties diligently and carefully.
4. It provides the basis for making future plan for improvement.
5. It is used for promotion, recommendation and other benefits.
6. It can help generally to assess the business to see if its policies are appropriate and employees are successful in producing services or products desired by customers and dependant departments.
7. It can help managers develop fair reward system based on actual level of performance and thus reward higher productivity and positive changes.
8. Performance appraisal can be used to know whether an employee should be retained beyond the probationary period.
9. The simple reason that performance can be measured provides incentive for the improvement of performance and can itself encourage efficient management.
10. It can help managers develop fair reward system based on actual level of performance and thus reward higher productivity and positive changes.
11. Reward system can be used as a measurement of employee's performance; this will in turn help to boost their morale.

Armstrong and Baron (1995) also stated the following as key purposes of performance appraisal and reward system:

- To provide a rational basis for the design and maintenance of an equitable and defensible pay structure.
- To help in the management of the relativities existing between jobs within the company.
- To enable consistent decisions to be made on grading and rates of pay.
- To establish the extent to which there is comparable worth between jobs so that equal pay can be provided for work of equal value.

In broad terms the purpose of performance appraisal and reward system can be broadly divided into three:

1. Individual Development -: This has to do with improving the expertise of the employee on the job he does and help to develop him to face future challenges.
2. Organizational planning -: Performance appraisal helps the organization to plan ahead and also to see areas where improvement is needed.
3. Individual Evaluation and Motivation -: This is the process used by the organization to evaluate employees and at the same time help to motivate

them which will ultimately lead to the growth and development of the organization.

### **2.3 METHODS OF PERFORMANCE APPRAISAL AND REWARD SYSTEM**

There are various methods of appraising performance and rewarding deserving employees: These methods include the following:

1. Comparative method - This system of appraisal use job related factors to appraise employees that perform similar tasks. The performance of one employee is compared with the other and used as a basis for evaluation and reward. There are various ways by which this type of appraisal method can be used.
  - a. Forced distribution method-: This is mainly used by managers to assist them evaluate employees under their supervision on different categories at different levels. Employees are ranked at various performance levels; this is an attempt to minimize wrong assessment.
  - b. Ranking method-: This method is used where there is the need to find employee's standing in a group. The supervisor lists all the employees under his supervision from highest to lowest. For example if there are 20 employees, they are ranked from 1-20 which represent best to poorest. The short coming of this type of rating is that the size of the

difference between individuals are not well defined, there may be a little gap between 1 and 2, but a very wide gap between 2 and 3. Sometimes the ranking may be biased. Another disadvantage of this is that an employee that comes last in one rating might be a top rating in another different group.

- c. Paired compensation method-: This makes use of certain identified factors for appraisal. Employee is compared with every other employee in the group at a time on the different identified factors.
2. Critical incidence-: Here the concern of the appraiser is not necessarily on the normal routine job of the employees but also on some non-routine or special events that occur in the work environment. There are some sub-methods that support the use of critical incidence method for example:
    - a. Essay method – The boss is expected here to write a narrative description of the workers behaviour, job attitudes in details and noting the strengths and weaknesses of the employee.
    - b. Behavioural anchored rating scale – The desired behaviour of each employee are identified and given weights.

- c. Maintaining a checklist of critical incidents. This is a list of all incidences that are critical to the employees job even though may not be within the normal routine job.

3. Management by Objective (MBO) – This is a process of managing people that encourages participant. This method of appraisal is commonly referred to as “guided self- appraisal” It usually spells out the specific results and the performance goals that an individual hopes to achieve within a specified length of time, performance objectives are measurable and define results. It is an attempt to discover the rate of participation of workers in the decision making process of the organization. Additionally, Grote (1997) defines eight steps in the MBO Process:

- a. Formulate long-range goals and strategic plans
- b. Develop overall organizational objectives
- c. Establish derivative objectives for major operating units
- d. Set realistic and challenging objectives and standards of performance  
for members of the organization
- d. Formulate action plans for achieving the stated objectives

- e. Implement the action plans and take corrective action when required to ensure the attainment of objectives
- f. Periodically review performance against established goals and objectives
- g. Appraise overall performance, reinforce behaviour, and strengthen motivation. Begin the cycle again

4. Essays – This is more of a free kind of appraisal where the appraiser is required to write an essay on the employee's performance throughout the appraisal period under review. This method is not as rigid as the others as the rater is not restricted to a certain method.

5. Field Review – The method here uses the personnel unit as an active part of the appraisal process. The employee to be appraised is interviewed and notes are taken and compiled after the interview for ranking. It is usually assumed that the personnel carrying out the interview has a good understanding of the job functions. One set back of this type of method is that it is time consuming especially where there are a lot of employees to be rated and supervisors might see this as challenging their managerial authority.

6. Checklist: A list of statement or words is given to the manager and he is asked to check statements representing the characteristics and

performance of each employee. This list can be modified in such a way that weights are assigned to each statement or words. In most cases the supervisor does not know the weight that is assigned to each word or statement except the personnel of the Human Resource unit.

A disadvantage of this method is that different words or statement may be interpreted differently by each supervisor.

## **TYPES OF REWARD**

### **Money**

Schneider and Bowen (1997) stated that money can gratify security needs. It can gratify esteem needs (if you earn more than someone else in your peer group). It can gratify justice needs (if those who work hardest and do the best work earn the most). These are big ifs and often the conditions are not met. Further, money may not be an available tool for the manager at the time it is needed

### **Jobs**

Jobs could also serve as a source of reward to an employee, to qualify for this it must possess five characteristics. Armstrong (1997)

- Skill Variety

Different activities and different talents needed in carrying out tasks.

- Task Identity

Completion of a whole identifiable piece of work with a visible outcome.

- Task Significance

Task should have a substantial impact on the lives of others in the organization or in society.

- Autonomy

Considerable freedom and discretion in scheduling work and in determining how it will be carried out.

- Job Feedback

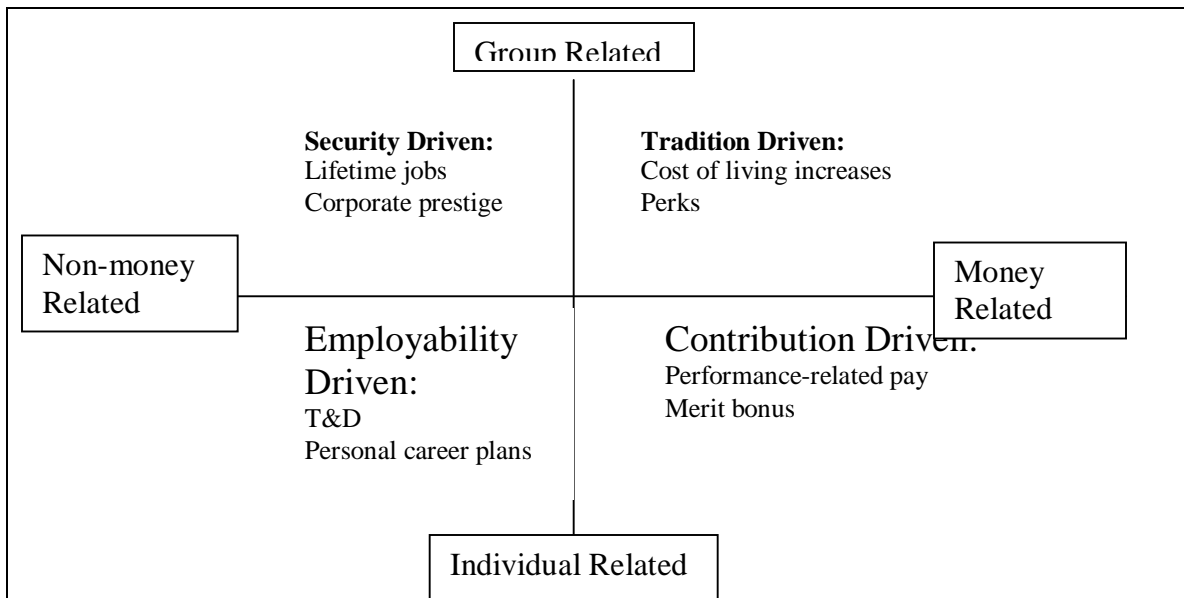
performing the job itself should be a source of direct and clear information about how well the work has been done. Recognition and Feedback as Rewards: This can also serve as a source of reward to an employee when he is recognized for a good job. Armstrong (1997).

**Goals as Reward:** Another way of rewarding employee is by setting goals to be met. When a set goal is met, another higher one is given as higher responsibility. This is done in most organizations where superiors are given targets to be attained within a specified period of time.



**Promotions:** Olagboye, (2005) stated that promotion is an advance in salary grade level, status or position of an officer which is usually accompanied by a change in duties and responsibilities. In practice, promotions are competitive and non-automatic, being based, under normal circumstances on relative merit, interview, security and availability of vacancies. He went furthermore and said that promotion based on merit and fair play constitutes one of the significant ways of acknowledging and rewarding superior performance in the workplace. It is therefore a function to which management should devote much attention.

Below is a diagrammatic representation of some different kinds of reward:



Source: Rajan (1997) in HRM, Beardwell & Holden (2001)

As shown in the above diagram, reward comes in different ways depending on the organization and in some instances serve as incentive that will aid employees in helping the organization achieve the set goal. The figure above depicts that rewards are in different forms which could either be in monetary or non-monetary.

The non-monetary forms can be in the form of lifetime jobs, corporate prestige, training and development and personal career plans. The monetary reward could come in the area of pay rise which will lead to an increase in standard of living, performance related pay (which applies in Bank PHB and referred to as PIP- Performance Induced Pay) where employees are paid according to their performance in a particular month, Merit bonuses and other fringe benefits.

### **Developing employee reward system**

Tower Perrin (1999) said that in taking a decision on the types of benefits to be included in the reward system the following issues should be considered before completing the reward package.

1. Decide objectives.
2. Obtain the views of the employees.

3. Analyze the competitive position: Benefit provisions in other organizations should be surveyed to establish the organizations competitive position in each benefit area and decide where it wants to position itself.
4. Design the benefit package
5. Consult employees
6. Plan introduction

Employees rate rewards in different ways depending on the importance attached to such reward. In a survey carried out by Henley Management College, (1994) it showed the percentage rating of each reward as rated by employees of the organization:

Benefit	%
Sick Pay	89
Good Salary	81
Training and Development	80
Transferable Pension	74
Company Car	73
Profit-sharing Scheme	68
Bonus Scheme	68
Non-contributory Pension	66

## **2.4 STEPS FOR CREATING AN EFFECTIVE PERFORMANCE APPRAISAL AND REWARD SYSTEM**

There are laid down rules to be followed in the process of appraising an employee's performance and reward, these are enumerated below: Winston and Creamer (1997).

1. Review organizational goals to associate preferred organizational results in terms of units of performance, that is, quantity, quality, cost or timeliness (note that the result itself is therefore a measure)
2. Specify desired results for the employee as guidance, focus on results need
3. Ensure that the employee's desired results directly contribute to the organization's results
4. Weigh, or prioritize, the employee's desired results
5. Identify first-level measures to evaluate if and how well the employee's desired results were achieved
6. Identify more specific measures for each first-level measure if necessary

7. Identify standards for evaluating how well the desired results were achieved (e.g., "below expectations", "meets expectations" and "exceeds expectations")
8. Document a performance plan -- including desired results, measures and standards
9. Conduct ongoing observations and measurements to track performance
10. Exchange ongoing feedback about performance with the employee
11. Conduct a performance appraisal (sometimes called performance review)
12. If performance meets the desired performance standard, then reward for Performance (the nature of the reward depends on the targeted result)
13. If performance does not meet the desired performance standards, then develop or update a performance development plan to address the performance gap.

14. Ensure that employee's weakness and strengths is communicated and Ensure that employee is monitored until performance is acceptable; standards are changed and set goals of the organization met.

## **2.5 EFFECTS OF PERFORMANCE APPRAISAL AND REWARD SYSTEM ON THE PERFORMANCE OF THE ORGANIZATION**

Performance appraisal is a very important process in the development of any organization. Performance appraisal is not a single event. It is a continuous, year-round program of exchanging information with employees that begins and ends with the annual performance review. The most significant benefit of appraisal is that, in the rush and bustle of daily working life, it offers a rare chance for a supervisor and subordinate to have "time out" for a one-on-one discussion of important work issues that might not otherwise be addressed.

Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus the performance of the whole organization is enhanced.

For many employees, an "official" appraisal interview may be the only time they get to have exclusive, uninterrupted access to their supervisor. An employee of a large organization said after his first formal performance appraisal, the value of this intense and purposeful interaction between supervisors and subordinate should not be underestimated. This helps to improve the productivity of the employee and therefore enhances the growth and profitability of the organization.

## **2.6 PROBLEMS AND PROSPECTS OF PERFORMANCE APPRAISAL AND REWARD SYSTEM ON THE ORGANIZATION.**

When an organization has an effective and efficient appraisal system, it grows both in size and profit. This is because employees will always be encouraged to put in their best because they are happy about the way they are being appraised and at the same time the reward for such performance is encouraging.

According to Olagboye (2005) Performance appraisal system suffer from a lot of weaknesses. In the first place, from experience many reporting officers are often brazenly subjective in their assessments. In a number of cases reporting officers want to play to the gallery by grading all and sundry

as “outstanding” in performance. They want to be seen as the good “guy” by all those working under them.

However, in cases where the performance and reward system chosen by the organization is not acceptable by employees, it could lead to a lot of problems, these will include:

1. Standards set by the organization may be unclear thereby making it difficult for employees to actually know and ascertain what is actually required of them.
2. It may cause disagreement among employees as some of them may feel cheated or not happy about the outcome of the result.
3. There may also be sometimes when it might be difficult to rank employees using the appraisal method adopted by the organization.
4. It could be difficult to develop and time consuming and sometimes the wrong appraisal method could be chosen.
5. There are also sometimes when appraisal result is dependent on the adequacy of the original choice of cut off points
6. Performance appraisal and reward system could be biased



There are also some instances where performance appraisal and reward system fail, the reasons adduced for this are as follow:

- Managers resistance (passively or actively)
- limited contact with subordinate; may be poor at giving feedback
- subordinates poor at receiving feedback
- managers often view it as wasted paperwork, especially if nothing comes of their efforts
- managers fear the emotions that can be unleashed; may fear not being able to defend ratings

Despite all the problems associated with the system and process of performance appraisal and reward procedures in organizations Grote (1997) suggested the following ways of improving the Design of the Appraisal System:

- **Uncouple Evaluation and Development:** Many appraisal systems inadvertently force the mixing of the roles of judge and helper. The open problem-solving dialogue required for building a relationship and developing subordinates should be scheduled at a different time than the meeting in which the supervisor informs the subordinate

about his/her overall evaluation and its implications for important rewards.

- **Choose Appropriate Performance Data:** The behaviour rating scale, the critical-incident methods, and various MBO techniques usefully guide the appraisal discussion toward reviewing specific task behavior or accomplishments -- feedback which is both less threatening and more helpful to the person who wants to improve performance. A comprehensive performance management system might include MBO and behavioural ratings--which are, respectively, a means of managing the what and how of employee task-related behaviour.
- **Separate Evaluations of Performance and Potential:** Current performance, as measured by the attainment of results, is not necessarily correlated with potential for promotion. Separation of assessments of performance and potential militates against the superior's averaging his/her unconscious assessment of these qualities and increases the likelihood of a constructive, non-defensive dialogue.
- **Recognize Individual Differences in System Design:** Persons differ in their needs for performance evaluation and development, e.g., some persons may require more frequent performance feedback than others.

- Within permissible bounds, appraisal policies should permit managers to use different methods depending on the particular employee being appraised.
- Upward Appraisal: One way to mitigate the inhibitions of the superior-subordinate power imbalance is to ask subordinates to appraise their supervisors this allows influencing their environment, and may increase motivation to enter the appraisal process openly; provides the supervisor an opportunity to "model" the non-defensive behaviour essential to a real dialogue.
- Self-Appraisal: Experiences with self-appraisal suggests that it often results in lower ratings than the supervisor would have given. Hence, the inclusion of self-appraisal or evaluation interview is likely to result in a more realistic rating and a greater acceptance of the final rating by both the supervisor and the person that is being supervised.

Performance appraisals are used by organizations in assessing the productivity and how well an employee understands his/her duties, and how well the job is done. In doing this, organizations should also put in place reward systems that are commensurate with the work done. Organizations should always ensure that the best system of appraisal is designed. When an organization is designing a system to improve the

performance appraisal for effective reward system, it is important to note that appraisals should not be used merely for evaluation purposes only. They should also be used for development purposes helping employees learn how they can improve. When appraisals focuses more on development than evaluation, much of the criticisms aimed at the process will subside, and managers will no longer have to play god.

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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter deal with methods used in collecting data and it also talks about the research population as well as techniques used in the analysis and presentation of data collected. It gives insight into the logical sequence of carrying out the research and the layout of what is going to be discussed.

#### **3.2 SOURCES OF DATA COLLECTION**

This refers to the manner data for the research is collected.

There are two major sources of data:

- i. Primary sources
- ii. Secondary sources

Primary sources of data are said to be the first hand sources of information. They make up the original source of information on any organization. One major advantage of such data collected is that the exact information is gathered.

Secondary sources are data that are collected from other sources such as magazines, newspapers, journals, periodicals, annual reports, handbook, and published and unpublished works, textbooks etc. These are recorded form of events that took place at some time ago in the organization. They can be used to verify information obtained from primary sources

### **3.2 METHODS OF DATA COLLECTION.**

These are methods used for gathering all relevant information needed for the research. The methods used include:

1. Questionnaires: These questionnaires were designed in a way that it consists of both opened and closed question.

Opened question possesses greater flexibility which may or may not be desirable

It allows the respondent more leeway in stating his position, which may be the equivalent of saying that it allows for greater validity.

The closed questions, on the other hand, help keep the questionnaire to a reasonable length and thus encourage response and validity in terms of the rate of returns, it minimizes the risk of misinterpretation and it permits easier tabulation and interpretation.

2. Interview: This is personal contact with the person. This is conducted by asking questions directly from respondents. Responses from such interviews can be collected by either writing down as the person speaks or by the use of tape recorder. The latter is a more accurate method of gathering the information since the interviewer can always go back and replay the tapes to be able to gather all the information needed from it. Interview is usually performed on selected sample of the population that is used.

3. Historical documents: This is the use of historical document which can also be referred to as the use of historical research method, such as the policy on appraisal, promotions and reward of Bank PHB and other related articles on the topic.

### **3.3 RESEARCH POPULATION.**

The research population consisted of all professional employees of Bank PHB made up of the top, middle and low level managers.

### **3.4. SAMPLE SIZE**

The sample size of a number of 100 employees of Bank PHB drawn from different Branches and Regional offices of the Bank was used as a representation of the population.



### **3.5. RESEARCH TECHNIQUE**

The research technique is a plan specifying how data will be drawn from the population. For this study, the simple random sampling method was adopted where a specified number of employees were selected and treated as a representative of the larger population under study. This technique gives every member of the same population equal chances of being chosen in this study

### **3.6. RESEARCH METHODOLOGY**

The data collected from the use of the questionnaires and interviews are explained theoretically and presented in a tabular form with the use of tables and percentages. These percentage scores are used to test the relationship between the variables.

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## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 INTRODUCTION**

The chapter is a presentation and discussion of the results of data collected from the research work. Data were collected from both Primary and Secondary sources. Primary data was collected from interviews and questionnaires administered on employees of the organization, while secondary data were collected from journals, publications, historical and some other documents of the organization.

#### **4.2 HISTORICAL BACKGROUND OF BANK PHB**

Bank PHB was formed from the merger of Habib Nigeria Bank Plc and Platinum Bank Plc. This came following the announcement of the governor of Central Bank of Nigeria Professor Charles Soludo's directives at his maiden address to Bank's Chief Executives on 6<sup>th</sup> of July 2004 to recapitalize by increasing their minimum paid up capital from N2 Billion to N25 Billion effective 1<sup>st</sup> January 2006. This produced Bank PHB after signing a Memorandum of Understanding (MOU) in December 2005. The operations of the two Banks were merged on 1<sup>st</sup> of February 2006 with the harmonization of its Banking application software as well as their payroll.

## **Objective**

The strategic intent of the Bank is to build a national and diversified franchise by creating superior value for stakeholders through an unmatched superior customer service experience.

Bank PHB has its business fundamentals founded on the prerequisites for out-performing competitors in the following target market segments:

- Corporate and institutional banking
- International/offshore banking
- Commercial banking and small businesses
- Personal financial services
- Government Ministries/Agencies/parastatals

The vision of the Bank is to be a leading financial institution committed to providing superior Customer service by redefining standards and at the same time provide innovative solutions to their customers with passion, while creating optimal value for stakeholders.

## **Branch Network**

The Bank has a total Branch network of 115 Branches spread across the 36 state capitals and all the major cities and some rural areas of the country and the Federal Capital Territory (FCT) Abuja. All the Branches of the Bank are online Real-time

## **Products and Services**

The wide range of services being delivered with passion by the Bank is designed to help individuals and businesses achieve their financial goals throughout the stages of their lives. Some of the products and services on offer at each of the 115 branches include

**Current account:** This is an account into which deposits are made and withdrawals are done with the use of cheque books. This could also be used as salary account where various employers pay salaries of their employees at the end of every month.

**Savings Account:** An account specifically meant to serve as savings for such account holders just as the name implies, but withdrawals can be made from such but it is not expected to be on a frequent basis.

**Platinum World Account:**-This is a hybrid account that is not only COT free but also pays interest to the account holder.

**Presto** – This is the Bank brand of Local Money Transfer Service whereby customers can transfer money throughout all the Branches of the Bank

**Money gram:** This is another product of the Bank that deals with international money transfer service.

**Partner Account:** A product that allows account holders not only to earn bonus interests for introducing customers to Bank PHB but also get paid high interest on their deposit.

**Phuture Account:** This is a savings account for kids and teenagers to support parents and guardian plan the education of their children or ward;

**Easy Life Scheme,** This product offers credit facilities to individuals with stable and sustainable source of income to enable them part-finance the acquisition of assets for personal use;

**Real Estate Acquisition Scheme,** designed to support individuals to purchase real estate through a special term-loan;

**Paytime,** The product offers credit facilities to salary earners in form of a bridging finance to meet personal soft needs;

**Share Acquisition Scheme,** This product is designed to help people acquire shares in reputable companies.

**e-banking Products,** namely Bank PHB Debit Card, Internet Banking, SMS Banking and eStatements.

**Nigerians in Diaspora Account:** This is an account that is maintained by Nigerians living abroad to encourage them to repatriate back to the country monies that they have made legitimately abroad. This account is specifically meant for the following group of people:

1. Nigerians in Diaspora with dependents in Nigeria
2. Nigerians in Diaspora who have projects in Nigeria
3. Nigerians in Diaspora who intend to take advantage of high interest rate in Nigeria (portfolio diversification)
4. Nigerians in Diaspora with specific plans to return to Nigeria.

It is estimated that more than 10 million Nigerians live outside the shores of this country and are willing to repatriate these funds back if only Nigerian banks could create the required avenues/ infrastructure via products to entice them.

### 4.3 PRESENTATION OF DATA

A total of 100 questionnaires were distributed, out of these 84 were responded to and returned. The analysis was based on the result collected from these respondents:

Table 4.1 Status of respondents

Status	No of Respondents	% of Respondents
Senior Staff	15	17.85
Middle Managers	46	54.76
Lower level managers	23	27.39
TOTAL	84	100

Source: Questionnaire administered by the researcher

This table shows the percentage distribution of employees that formed the sample size for this research work. 17.85% represented employees that are senior staff, 54.76% were middle level managers while 27.39% represented employees drawn from the lower level cadre. All the employees were drawn from various Branches and control offices of the bank located in different regions across the country.

Table 4.2 Length of service

Length of service	No of Respondents	% of respondents
Less than 4 years	16	19.04
4-6 years	25	29.76
6-8 years	13	15.47
8-10 years	18	21.42
Above 10 years	12	14.28
TOTAL	84	100

The table above shows a distribution of the number of years that each of the employee on whom the questionnaire was administered have spent working with Bank PHB (which is a combination of their stay both in old Platinum and old Habib Banks respectively).

Table 4.3 Educational Qualification

Educational Qualification	No of Respondents	% of Respondents
GCE "O" Level	NONE	NONE
NCE/OND	13	15.48
HND/B.Sc	60	71.43
MSC/MBA	11	13.09
TOTAL	84	100

Source: Questionnaire administered by the Researcher



The table shows the educational distribution of the respondents, 15.48% represented the sample size with GCE “o” Level, all of them belonging to the low level manager cadre. 71.43% holds HND/B.Sc while 13.09% are holders of either the M.SC or MBA certificates.

Table 4.4 Type of Employee Appraisal System

Type of appraisal system	No of Respondents	% of Respondents
Opened	22	26.19
Closed	16	19.05
Combination of Both	46	54.76
TOTAL	84	100

Source: Questionnaire administered by the researcher

From the response on the table above, it shows how employees of Bank PHB perceive the appraisal system in place.

Table 4.5 Do employees participate in their appraisal process?

	No of Respondents	% of Respondents
Yes	84	100
No	Nil	Nil
TOTAL	84	100

Source: Questionnaire administered by the researcher

This table shows that all the employees are given an opportunity to take part in their appraisal system.

Table 4.6 Are employees advised on their areas of weakness?

	No of Respondents	% of Respondents
Yes	65	77.38
No	19	22.62
TOTAL	84	100

Source: questionnaire administered by the researcher

Table 4.6 shows a breakdown of the response of employees on whether they are been advised on their areas of weakness or not. This is the role that is performed by the supervisor after the whole process of appraisal is completed to let the appraisee know the areas that he needs to improve on.

Table 4.7 is appraisal used as a function of Reward system in the Bank?

	No of Respondents	% of Respondents
Yes	58	69.05
No	9	10.71
Not always	17	20.24
<b>TOTAL</b>	<b>84</b>	<b>100</b>

Source: Questionnaire administered by the researcher

The table represents how useful the organization takes the result that is collected from the appraisal process. It is the information that is used for decision purposes.

Table 4.8 Types of Reward system used in Bank PHB

Types of Reward	No of Respondents	% of Respondents
Salary/fringe benefit	23	27.38
Letters of Recommendation	7	8.33
Promotion/ salary	44	52,38
Non- Monetary Benefit	10	11.91
<b>TOTAL</b>	<b>84</b>	<b>100</b>

Source: Questionnaire administered by the researcher

The above table shows the distribution of the types of rewards that are commonly used in Bank PHB as a way of rewarding performance appraisal of employees' in the Bank.

Table 4.9 Are employees satisfied with this type of Reward system?

	No of Respondent	% of Respondents
Yes	71	84.52
No	13	15.48
TOTAL	84	100

Source: Questionnaire administered by the researcher

The table above shows employees perception on how satisfied they are with the appraisal and reward system of the Bank.

Table 4.10 Does the appraisal performance and reward system contribute to the growth of Bank PHB?

	No of Respondents	% of Respondents
YES	76	90.47
NO	8	9.53
TOTAL	84	100

Source: questionnaire administered by the researcher

The table above shows the response of employees on the effect of the system of performance appraisal and reward system on the Bank.

#### **4.4 ANALYSIS OF DATA**

In analyzing the data collected from respondents on this work, it is important to state here that all the respondents agreed that Bank PHB has a performance appraisal process in place and it is carried out biannually. They all also responded that depending on your job function different appraisal forms are used in gathering data as each job function has its criteria and rating for appraisal purposes. Stated below are the analyses of data collected

##### **Status of Employee**

Table 4.1 shows the status of respondents, 17.85% represented employees that were drawn from the senior management level, 54.76% middle level and 27.39% of the employees represent the low level cadre of staff members. This shows that the highest number of respondents was drawn from the middle level cadre. This is the most populated cadre in the Bank.

##### **Length of Service**

Table 4.2 shows the length of service of the respondents, 19.04% are employees that have spent less than 4years in Banking, 29.79% represented those that have spent between 4-6years. This formed the largest group of

people in the sample size of the population.15.47% have spent between 6-8years , 21.4% represent those that have spent between 8-10 years, while only 14.28% are those that have spent above 10 years.

### **Educational Qualification**

This is shown in table 4.3, from the table none of the respondent has the GCE “O”Level, 15.48% of them are NCE/OND holders, and 60% of the respondents are either HND or B.Sc holders while 13.09% of them are either holders of MBA or M.Sc. This shows that educational qualification is highly valued in the Bank and therefore plays an important role for employees to be employed in the Bank.

### **Type of Appraisal System**

The result gathered shows the way employees perceive the type of appraisal system that is in place in the Bank. From the responses, 26.19% considered it as opened since the employee has an input either to agree or disagree with the way he/she was been appraised by the supervisor. 19.05% considered it as been closed because they are only allowed to see the rating of the supervisor and not the final comment which usually indicates whether the employee should be promoted or not and there is no compelling system in place that makes it compulsory for supervisors to send the appraisals back

to subordinates before it is finally sent to the Human Resource Department where all results are collated and individual employee advised on the outcome of the appraisal. 54.76% of the respondents rated the system as a combination of both opened and closed. This is because employees have the opportunity of commenting on the way that he/she was graded after the completion of the first part.

**Do employees participate in their appraisal process?**

All the respondents here agreed that they are allowed to participate in their appraisal process. This gives a 100% result.

**Are employees advised on their areas of weakness?**

This is shown in table 4.6; out of the respondents 65 employees who represented 77.38% of the sample size agree that they are advised on their areas of weaknesses. This most of the time is done verbally except where there have been negligent on the part of the employee that resulted in a material loss to the Bank. However, 22.62% of the population size feels that they are not advised on their area of weakness and supervisors just grades subordinates based on how he/she feels.

### **Is appraisal used as a function of Reward system in Bank PHB?**

In most organizations, how an employee is appraised is a function of the reward that he gets. Table 4.7 shows that 69.05% of the total number of respondents agreed that appraisals are not biased; they are used as a function of reward in the Bank. This is done and made more transparent by a process where performance is measured every month and employees are paid a performance based payment called Performance Induced Payment(PIP). This process it already gives the employee a trend in his/her performance rating even before the end of the year. 10.71% however believe that appraisal is not a function of reward system in the Bank. Some of the employees are of the opinion that even though appraisals are used as a function of reward, they feel that this does not happen always. This group represents 20.24% of the total number of respondents.

### **Types of Reward system used in Bank PHB**

From table 4.8 show how employees are rewarded by the Bank. 27.38% are rewarded in the form of salaries/fringe benefits. 8.33% represent those that are given letters of recommendation. It should be noted that letters of recommendation are usually given when an employee has put up an outstanding performance and maybe because he had been promoted not too



long before the appraisal or there is no opening for promotion. It is given as a way of showing management's recognition of work done.

However there are some instances when the employee is promoted and at the same time given a letter of recommendation. 52.38% of the respondents say that promotion/salary increment is the way employees are rewarded in the Bank. This scored the highest in this group, which shows that in most cases this is the way that employees are rewarded by the Bank. 11.91% says that reward used could be non-monetary in nature; this could include addition to domestic staff or the allocation of official vehicle. It should be noted however that reward could be one or a combination of two or more type of reward system to employees.

### **Are employees satisfied with this type of Reward system?**

Satisfaction is a very important aspect of performance appraisal process, any reward system that does not meet the purpose of the organization should be discarded because employees will not be satisfied and will not be encouraged to put in their best. From table 4.9, it shows that 71 employees who represented 84.52% of the total number of respondents stated that they are satisfied with the reward, while 15.48% stated that they were not satisfied with the reward system that is in place in the Bank.

## **Does the system of performance appraisal and reward system lead to the growth of the Bank?**

In any organization, reward is very important, when employees are satisfied with the appraisal and adequately rewarded; they put in their very best. From the results in table 4.10, it shows that 90.47% % of the respondents agree that the system of appraisal and reward contribute to the growth of the Bank, while 9.53 % are of the opinion that the appraisal and reward system does not contribute to the growth of the Bank. From the result on the table it can be concluded that a high percentage of the employees agree that the system of appraisal and reward system is responsible for the growth of the Bank.

### **4.5 TEST OF HYPOTHESES**

In testing hypotheses the One-sample chi-squared test was used and was calculated at 5% level of significance, the formula is stated below;

$$x^2 = \frac{\sum (O - E)^2}{E}$$

Where:

O = observed number of outcome (observed no/respondents of employees)

E= expected number of outcomes (expected no/ respondents of employees)

Applying the formula to test the first hypothesis

Ho: The performance appraisal and reward system does not contribute positively to the growth of the Bank.

H1: The performance appraisal and reward system contribute positively to the growth of the Bank.

We have

	YES	NO	TOTAL	O	E	(O-E)	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Ho	8	-	8	8	84	-76	5776	68.76
H1	-	76	76	76	84	-8	64	0.76
Total	8	76	84	84		-84	5840	69.52

The calculated value  $\chi^2$  is 69.52 which is far higher than the 5% level of significance of 5.991; therefore we reject Ho and accept H1 that performance appraisal and reward system contribute positively to the growth of the Bank.

Using the formula to test the second hypothesis,

Ho: Employees are not satisfied with the performance appraisal and reward system.

H1: Employees are satisfied with the performance appraisal and reward system

The result is tabulated below

	YES	NO	TOTAL	O	E	(O-E)	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Ho	13	-	13	13	84	-71	5041	60.01
H1	-	71	71	71	84	-13	169	2.01
Total	13	71	84	84		-84	5210	62.02

The calculated value of  $\chi^2$  is 62.02 which is greater than 5.991 at 5% level of significance, then we reject Ho and accept H1 that employees are satisfied with the performance appraisal and reward system.

#### 4.6 CONCLUSION

From the data collected and analyzed, it can be concluded that performance appraisal plays a very important role in the growth and development of the Bank. The appraisal system is usually used as a means of rewarding employees and it contributes to the growth of the Bank.

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## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 SUMMARY**

This work is divided into five chapters or parts and is summarized as follows:

Chapter one was a brief background of the subject matter. It discussed briefly the concept of the topic, its significance, scope and hypothesis of the work. The chapter ended with the definition of key terms used in the work.

Chapter two is the main body of the work. It discussed in full the meaning of performance appraisal and reward system. It also deals with various other literatures of other authors with emphasis on performance appraisal and reward system. It also dealt with the components and attributes of a good performance appraisal and reward system. Various methods of performance appraisal and reward system was also discussed. A detailed description of the steps an organisation uses in creating an effective appraisal system and its effect were discussed. The various problems and prospects associated with the use of appraisal as a form of reward for employees were also discussed extensively.

Chapter three basically discussed the sources and methods used in the collection and collation of data for the research work. The make up of the population from which the sample size was selected was discussed. The chapter also gave a brief description of the research technique used in the work.

Chapter four discussed briefly the historical background of Bank PHB and a presentation and analysis of all the data collected. The data were presented with the use of tables; simple percentages were used to present the response from questionnaires administered. The chi-squared one sample method was used to test the hypotheses of the study at 5% level of significance.

Chapter five gave a brief summary of all the previous chapters. The chapter also discussed the conclusion and recommendation drawn from the study which was arrived at from the data collected from sample population. The conclusion was that performance appraisal and reward system helps to motivate employees and it was recommended that the system be made more transparent so that it will be more effective.

## **5.2 CONCLUSION**

In conclusion, organizations should see appraisal of performance as an important aspect of management and should be taken as such. This will help to strengthen the relationship between employees in the organization; it will also assist the organization to know and keep the best hands they have.

It is used as a tool for organization effectiveness; it can be used to detect areas of weaknesses of employees. This will enable the organization to know the training and development need of the employees.

Performance appraisal can also be used to motivate employees, for promotion and salary increment, it should be noted however that reward for employees should not be totally based on performance appraisal report.

## **5.3 RECOMMENDATIONS**

The findings of this work show that the review of appraisal in the Bank is an important aspect of the Human resource function. Employees take this process very serious because it helps to expose both their areas of strength and weaknesses. It is also seen as time of reward for a job well done. This might not be correct in totality since some few employees feel that they are not adequately rewarded.

It is recommended that the process of appraisal be made more transparent, by ensuring that an effective system is in place that ensures that



employees are the last and if possible the persons to forward their appraisal to the Human Resource Department. This will require that some control measures are in place that will ensure that all the fields on the form cannot be tampered with once it is filled. Furthermore it is also recommended that management should embark on enlightenment campaign in order to create greater awareness that the purpose of an organization carrying out the appraisal exercise is not only to determine employee promotion and salary increment, but also used to take other personnel decisions that is used for the overall interest of all employees.

Performance appraisal can also be made to be in upward direction that is subordinates can also appraise their superiors. This process is known as “multiple appraisal”. It is used to encourage openness in the system and to improve Superior- Subordinate relationships.

Also to help employees that are aggrieved with the system of appraisal, management should set up a panel that will assess the feelings and behavior of members of staff towards the appraisal scheme. This will assist management to be able to clear their doubts on the appraisal, and those with serious cases of disagreement can also be treated and finalized.

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## QUESTIONNAIRE

This questionnaire is for a research work on “Employee Performance Appraisal and Reward System in Bank PHB, It would be appreciated if you could spare some few minutes to fill it. This is strictly an academic exercise in partial fulfillment for the award of Masters Degree in Business Administration from Ahmadu Bello University, Zaria it shall be used strictly for academic purpose only and will be treated confidentially.

*Instruction: Please tick (✓) in the appropriate box provided for each*

1. How long have you been an employee of Bank PHB?

a. less than 4 years ( )

b. 4-6 years ( )

c. 6-8 years ( )

d. 8 – 10 years ( )

e. above 10 years ( )

2. Please indicate if you are from old Habib Bank Plc or old Platinum Bank Plc

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3. Sex

a. Male ( )

b. Female ( )

4. Age

a. 18-25years ( )

b. 26 – 35years ( )

c. 35 – 49 years ( )

d. 50years and above ( )

5. Marital Status

- a. Married ( )
- b. Single ( )
- c. Divorced ( )
- d. Other

6. Educational Qualification

- a. GCE O'Level ( )
- b. NCE/OND ( )
- c. HND/B.Sc ( )
- d. MSc, MBA ( )

Please specify any other qualification:

.....

7. What is your level in the Bank?

- a. Top level ( )
- b. Middle level ( )
- c. Low Level ( )

8. Does Bank PHB have an employee appraisal system?

- (a) Yes
- (b) No

9. If your answer to the above is yes, which type of employee appraisal system is being operated?

- a. Opened ( )
- b. Closed ( )
- c. Combination of both ( )

10. How often is employee appraisal carried out in Bank PHB?

- a. Biannually ( )
- b. Annually ( )
- c. Please specify others ( )

11. Does Bank PHB use the same employee appraisal system for staff at all levels?

- a. Yes
- b. No

12. Are you allowed to participate in or contribute to your appraisal process?

- a. Yes ( )
- b. No ( )

13. Are you advised on your areas of weaknesses and strengths?

- a. Yes ( )
- b. No ( )

14. Is the appraisal used as a function of reward system in Bank PHB?

- a. Yes ( )
- b. No ( )
- c. Not always ( )

15. If your answer to the above is yes, how often are you rewarded? Please specify

-----  
-----

16. What types of reward system does Bank PHB use?

- a. Salary/fringe benefits ( )
- b. Promotion ( )
- c. Letters of commendation ( )
- d. Non-monetary bonuses ( )
- e. others (please specify)

-----  
-----

17. Are you satisfied with this type of reward system?

- a. Yes ( )
- b. No ( )

18. What are the problems associated with this type of employee appraisal and reward system?

.....  
.....  
.....  
.....

19. Please briefly explain how this system of employee appraisal and reward system has contributed to the growth of the organization.

.....  
.....  
.....  
.....

20. Briefly comment on how this method of the appraisal and reward system can be improved.

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## APPENDIX III

### PERFORMANCE APPRAISAL FORM

Surname: \_\_\_\_\_ First name: \_\_\_\_\_  
 Date Joined: \_\_\_\_\_ Date of Last Promotion: \_\_\_\_\_  
 Group/Dept/Branch: \_\_\_\_\_ Appraisal Period From : \_\_\_\_\_ To: \_\_\_\_\_

#### SECTION A: SCORECARD ASSESSMENT

This section evaluates the appraisee's achievement of agreed targets as outlined in the attached individual scorecard. It makes up **75%** of the total score. Consequently, the maximum score of 100% will be divided by the maximum score achieved and multiplied by 75%.

PERFORMANCE MEASURES FOR BRANCH OPERATIONS STAFF			
No	PERFORMANCE AREAS	MAXIMUM SCORE	SCORES ACHIEVED
<b>FINANCIAL (20 MARKS)</b>			
1	Liability generation	10	
2	Zero statutory penalty/income loss	5	
3	Accounts Opened	5	
<b>SUB TOTAL</b>		<b>20</b>	
<b>CUSTOMER (40 MARKS)</b>			
1	Customer service orientation/focus	10	
2	Customer Satisfaction	10	
3	Customer retention	10	
4	Customer feedback	10	
<b>SUB TOTAL</b>		<b>40</b>	
<b>PROCESS (30 MARKS)</b>			
1	Respect for due process & operational guidelines	5	
2	Accuracy	5	
3	Service Level Agreement Compliance	10	
4	Adherence to Fraud and Control Policies	10	
<b>SUB TOTAL</b>		<b>30</b>	
<b>PEOPLE (10 MARKS)</b>			



1	Knowledge/Skill	2.5	
2	Attitude	2.5	
3	Culture (shared mindset & loyalty)	2.5	
4	Attendance & punctuality	2.5	
	<b>SUB TOTAL</b>	<b>10</b>	
	<b>GRAND TOTAL</b>	<b>100</b>	

**SECTION B: FIT WITH THE BANK'S VALUES**

This section evaluates behaviors, attitudes and competencies as they affect the performance of the appraisee. It makes up **25%** of the total score. Please evaluate the appraisee by ticking the appropriate box for each of the performance areas outlined below.

Scoring Guideline

[1] = Hardly does or has this. Sometimes requires assistance or reminding [2] = Satisfactorily does this with minimal intervention

[3] = Consistently and completely achieves this sometimes setting the pace or standard

**Teamwork**

How often does the appraisee come up with solutions by working with other people? Does she/he share ideas and opportunities with others? Does the appraisee assist others even though he/she has nothing to gain from it? Does he/she think of "we" as opposed to "me"?

—  —

—  —

**Professionalism**

Is the appraisee committed to the bank's goals and the way it has agreed to conduct its business? Does he/she have in-depth knowledge of his/her role? Does he/she carry out his/her daily activities in an organized/efficient manner and within the boundaries of how the bank has said it will do business?

—  —

—  —

**Cost consciousness**

Does the appraisee often look for ways to reduce cost without compromising on quality? Does he/she often use fewer resources than what was assigned to him/her? In handling the bank's resources, does he/she put the interest of the bank before personal interest?

—  —

—  —

*Communication*

**Does the appraisee seek to understand other people's point of view? Does he/she share relevant information in a timely manner? How often do people that report to him/her get to hear relevant information concerning their work from someone else?**

—  —

—  —

**Respect for due process & Personal Discipline**

Does the appraisee often comply with standard procedure? Does he/she set the example for others in adhering to the policies and processes of the bank? Does he/she make considerable efforts to be not only in full attendance but punctual as well?

—  —

—  —

**Customer Service Orientation**

Does the appraisee feel he/she always has a customer (internal/external) to serve? Does he/she make an extra effort to meet the customers' needs? How well does he/she serve the customer (internal/external)?

○ — ○ — ○

○ — ○ — ○

*Innovation*

Does the appraisee come up with new ideas/suggestions concerning his/her job? Does he/she constantly

look for faster, more efficient and more effective ways to do his/her work?

○ — ○ — ○

○ — ○ — ○

**Management & Leadership Skills**

**How confident are people with the appraisee? Does he/she display the initiative and tact of leading? How good is he/she at managing and/or motivating subordinates and peers? Does he/she effectively develop people under his/her charge? Does he/she fully understand & buy-into the goals of the bank?**

○ — ○ — ○

○ — ○ — ○

*Continuous Improvement Mind-set/ Striving for excellence*

**Is the appraisee's work or the delivery of his/her work well thought out and organized? Does he/she always look for a better way of doing his/her job? Does his/her work require extensive reviews before it is acceptable?**

○ — ○ — ○

○ — ○ — ○

**Deliver on Promises/Meeting Deadlines**

Does the appraisee consistently deliver on agreed deadlines no matter the circumstance? Does he/she fulfill his/her promise/obligations no matter the circumstance? Does he/she never apologize for breaking a promise/agreement?

○ — ○ — ○

○ — ○ — ○

**TOTAL SCORE**

There are 2 total scores, employee and appraisers total scores. Each can be calculated by adding the scores allocated to each of the performance areas outlined above. The sum of all the scores for "Self" goes into the "Employee's total score", while that for the Appraiser goes into the "Appraiser total score".

○

○

**Employee's Total Score**

29

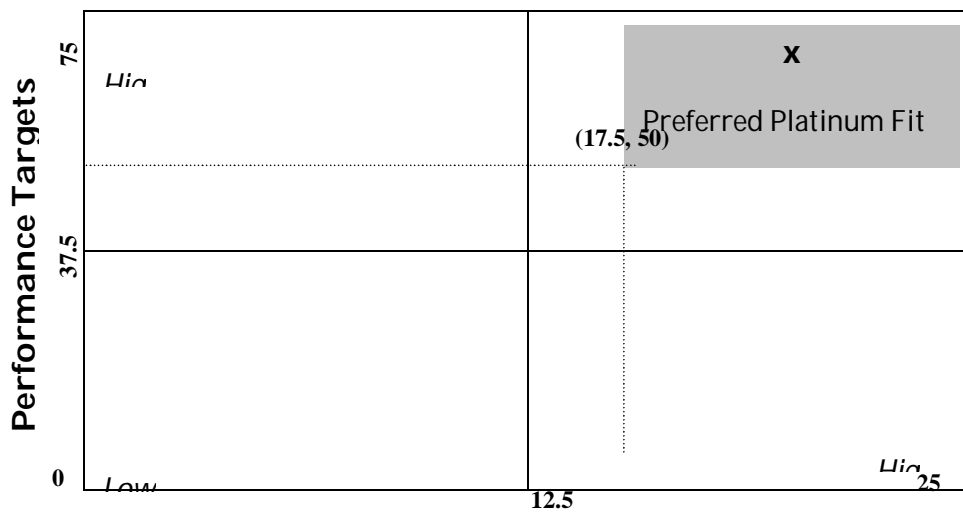
**Appraiser's Total Score**

**Exceptional Achievement** (Please outline the appraisees' achievements that made a positive & significant impact on the bank)

**SUMMARY OF SCORES**

**B\_SCORE** = Appraiser's Total Score from Section B multiplied by 25, divided by 30

**A\_SCORE** = Total Score from Section A



Please mark with an **X**, within the diagram on the left, the intersection of the appraiser's performance target and fit with values score

Values of the Rank

$$\text{FINAL\_SCORE} = \frac{(\text{B\_SCORE} \times 4) + (\text{A\_SCORE} \times 1.33)}{2}$$

2

Please tick below, which corresponds with the final score.

**Unacceptable**  
< / =50

Fair  
51 - 60

**Good**

**Excellent**  
85 - 100/

**D**

**C**

**B**

**A**

*SECTION C: COMPETENCE & CAREER DEVELOPMENT*

What are the appraisee's major areas of strengths as well as those needing improvement?

<b>STRENGTHS</b>	<b>AREAS FOR IMPROVEMENT</b>

What would motivate the appraisee and what are suggestions for developing his/her competence levels?

<b>MOTIVATIONAL FACTORS</b>	<b>SUGGESTIONS FOR COMPETENCE DEVELOPMENT</b>

I agree/

I disagree

I have reservations

**Appraisee's Rating of the Appraisal -**

Please rate this appraisal by ticking one of the boxes.

**Comments by the APPRAISEE:**

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**Comments by the APPRAISER:**

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**Comments by the GROUP HEAD:**

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**Comments by the DIVISION HEAD:**

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Appraiser's Name:

Signature:

Date:

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Appraisee's Name:

Signature:

Date:

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Divisional Head's Name:

Signature:

Date:

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