

Effect of Appraisal Standards on Employees' Performance Appraisal in SACCOs of Laikipia County

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Abstract

Savings and Credit Cooperative Organizations (SACCOs) are significant providers of savings, credit and insurance services to a large portion of the Kenyan population. As they grow in number and size a demand to improve management of SACCOs' staff productivity increases. Consequently, performance appraisal has been adopted as a measure to achieve this goal. However, the 83 active SACCOs in Laikipia County have had performance appraisal hurdles based on the report of the County Cooperative Director's office. The same report indicates that these hurdles have been brought about by lack of appraisal standards. When a SACCO fails to carry out proper and accurate staff appraisals, it consequently fails in meeting its obligations to its members. The purpose of this study was to analyze the effects of appraisal standards on employees' performance appraisal in SACCOs of Laikipia County. This study was grounded on the Equity Theory by John Stacey Adams that says that satisfaction is based on a person's perception of fairness. It adopted descriptive survey research design and the target population was the managers and board members from the eighty three SACCOs in Laikipia County. Since each SACCO has one manager and nine board members, the total population was eight hundred and thirty members. Sample size determination formula for a finite population was used to arrive at the sample size of three hundred and thirty nine members who comprised of eighty three managers and two hundred and fifty six board members. Both purposeful and stratified sampling were used to attain the sample size. Quantitative and qualitative data were obtained through a structured questionnaire. Quantitative data was analyzed using descriptive statistics and presented in form of frequency and percentage tables, bar charts and pie charts. The analysis was done by SPSS (Statistical Package for Social Sciences) version twenty two to generate those measures. Qualitative data was used to supplement interpretation of quantitative data. Based on the findings the study concluded that SACCOs generally carried staff performance appraisal without clarity on their practicality in boosting the SACCO's performance. On overall performance appraisal, most SACCOs do not generate or receive reports outside those prepared through the Savings and Credit Cooperative Regulatory Authority (SASRA) driven initiatives. The appraisal process should be seen to be both fair and to regard the size of the SACCO. SASRA should conduct a review of the practicality of guidelines that it issues on staff performance appraisal. The standards must be regularly updated and should be comparable across the board. They should also be realistic, viable and reliable. The standards should address quality, quantity, timeliness and cost-effectiveness. This study is important because it has shed light on how the selected factors influence managers and board members of Savings and Credit Cooperative Societies in their efforts to measure employee performance and achieve organizational goals.

Keywords: Savings and Credit Cooperative Organizations (SACCO) Performance Appraisal, Appraisal Standards

1. The Background and Literature Review

Performance appraisal is an important management activity that supports organization's focus and growth. The key benefits include focusing on results rather than behaviors and activities of employees. In today's age of high expectation performance appraisal ensures equal treatment of employees because appraisals are based on results and validates expectations. Performance appraisal depersonalizes issues as supervisors focus on results rather than personalities. It aligns organizational activities and processes to the goals of the organization, produces meaningful measurements and cultivates to a system-wide long term view of the organization. Another advantage of performance appraisal includes optimizing operations in the organizations because goals and results are closely aligned. In addition, while organizations are striving to transform themselves and transform the society too, having measurable results can verify whether grand visions are realistic or not (Langfield-Smith, 2007).

A Savings and Credit Cooperative Organizations (SACCO) is a form of cooperative society formed for purposes of offering savings and credit services for its members. Members voluntarily come together to achieve common

economic goals through a democratically controlled organization with equitable capital contribution and sharing of risk and benefits. A Cooperative Society is ideally formed for the social and economic welfare of their members by providing goods and services which enable the members to realize their goals. In essence this means that cooperatives are not only motivated by desire for economic benefit but also by a need to uphold human dignity and social welfare of members (Davis, 1999).

1.1 Role of Performance Management

Performance management plays important roles in an organization but this is not realizable without standards. Contextually, a performance standard is a management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance. A Fully Successful (or equivalent) standard must be established for each critical element and included in the employee performance plan (U.S Office of Personnel Management, 2015). If other levels of performance are used by the appraisal program, writing standards for those levels and including them in the performance plan is not required but is encouraged so that employees will know what they have to do to meet standards higher than Fully Successful. It helps an organization assure efficiency, effectiveness, and competence. This can be done on many levels, ranging from individual to organizational. In order to assure that this happens, it is necessary to concentrate on using good performance management tools. These include models of standards, self-review systems, and performance maintenance programs.

1.2 Functional Areas of Performance Appraisal

The three main functional areas of performance appraisal systems are administrative, informative, and motivational. First, appraisals serve an administrative role by facilitating an orderly means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. This implies that the appraisal process should be seen to be both fair and to regard the size of the SACCO. Delegation can happen within an organization, while capability must be commensurate to the size of the organization. These (demand for fairness) are the informing factors that led to choosing of standards an area proposed in this study.

1.3 Importance of Employees' self Evaluation

When the employee's requires self – evaluations, as well as responding to requests from employees who want to review their performance, the management, human resource teams and individuals must be involved, and they will require training so as to undertake their roles effectively (Regenesys, 2011). With self-evaluations, supervisors and managers also must take into consideration the employee's self-rating when conducting their own evaluations of the employee's performance (Mayhew, 2014) (Mayhew, 2014).

2 Employee's performance based on standards

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2.1 Standards Characteristics and Performance Measurements tools

Effective performance appraisal requires good performance management tools. The Performance appraisal process in organizations can only evaluate employee performance based on preset standards. It should also include self-review systems, and performance maintenance programs. (Mote, 2014). Line managers need to have the skills to prepare and run a successful performance appraisal within the organization. Appraising and developing staff is essential to their role. Doing it well and leaving the staff feeling empowered and motivated is what will make the difference to team and individual success (Group, 2014).

The standards must be regularly updated and should be comparable across the board. They should also be realistic, viable and reliable. The standards should address quality, quantity, timeliness and cost-effectiveness (U.S Office of personnel Management, 2015). Performance measurement tools that an organization need are those that allow it to develop beneficial customized standards. Models provided by other organizations are one of best ways to accomplish this. Such models may be chosen by field, specialty, or business type. For example, a

mining company may choose to look at the standards of other mining companies, but a heart surgeon may find health models too broad and choose to follow the models of those sharing his specialty (Dye, 2014).

2.2 Reports on SAACCOs Performance

On overall performance appraisal, most SACCOs do not generate or receive reports outside those prepared through the Savings and Credit Cooperative Regulatory Authority (SASRA) driven initiatives. According to chief executive of SASRA in 2013, ideally it is expected that before the rating by a third party, SACCOs should be able to understand their operational performance and take corrective action for the sake of improving on the performance. However, due to low capacity, the SACCOs prefer to receive report from the regulator on their performance (Ademba, 2014).

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3.0 Research Methodology

This study adopted descriptive survey research design that used mixed methodology to analyze collected data regarding employee appraisal in active SACCOs of Laikipia County. This helped to combine both qualitative and quantitative data analysis methods. According to Elahi and Dehdashti (2011), descriptive research design is appropriate when the research objectives include the following: Portraying the characteristics of a social or physical phenomenon and determining the frequency of occurrence; determining the degree to which the variables are associated and making predictions regarding the occurrence of social or physical phenomena. Descriptive statistics was therefore appropriate for the study.

3.1 Target Population

This study targeted managers and board members from 83 SACCOs based in Laikipia County registered by the Commissioner for Co-operative Development, in Laikipia County of the Republic of Kenya (The County Director of Cooperatives, Laikipia County, 2016). Each SACCO had 9 board members and one manager. The target population was the 83 managers and 747 board members. The target population was therefore 830 individuals.

3.2 Sampling Design and procedure

The study used purposive and stratified sampling. There were two strata, one for the managers and the other for the board members.

To determine the confidence and precision level the researcher adopted Krejcie and Morgan formula for a known population where:

$$\text{Size} = \frac{X^2 NP (1-P)}{D^2 (N-1) + X^2 P (1-P)}$$

Adopted from (Krejcie & Morgan, 1970)

Where X^2 =table value of Chi-Square @ d.f. (degree of freedom) =1 for desired confidence level. In this case the desired confidence level was .05 thus X^2 will 6.64

N= Population Size

P=Population proportion with the desired characteristic (Were assumed to be 0.05)

d= was the degree of accuracy

Since there was only one manager in each Sacco, all the managers in the 83 SACCO's were included in the sample. However the sample size of the board members were to be determined by use of a formula. When the population is less than 10,000 individuals, 384 of them are recommended as the desired sample size (Mugenda and Mugenda, 1999). The accessible population in this case will be 747 board members from the 83 SACCOs. Thus the sample size was:

$$nf = n / (1 + n/N)$$

According to the above formula:

nf= desired sample size when the population is less than 10,000,

$n =$ desired sample when the population is more than 10,000,

$N =$ estimate of the population size.

Using the above formula sample size were:

$$n = \frac{384}{1 + \frac{384}{747}} = 256$$

The size was therefore 256 board members + 83 SACCO managers = 339.

The sample size were allocated proportionately as shown in table 1 below

Table 9: Sample Size

Category of respondents	Number	Percentage
Managers	83	24.48
Board of Directors	256	75.52
Total	339	100

3.3 Research Instrument

This study used structured questionnaires to gather both quantitative and qualitative data from the population sample. The questionnaire is a systematic and structured tool that aims at obtaining information from a large population of respondents concurrently, in a direct, open and confidential manner. The use of questionnaires was to reduce the biases which might result from personal characteristics of interviews (Kothari C. R., 2004). The questionnaires adopted the five point Linkert scale to examine the influence of factors under study on employee appraisal in the targeted SACCOs. The respondents had adequate time to fill the questions, and also since it was not necessary for the respondents to indicate their names, they were likely to give honest answers. The great strength of questionnaire as a primary data collecting approach was its versatility. This survey was conducted with an aim of obtaining information that was detailed and which didn't require visual or other objective perception of the information sought by the researcher (Punch, 2003).

3.4 Data Analysis

Descriptive data analysis methods were used to analyze quantitative. Descriptive data analysis involved calculation of frequencies, percentages, mean and standard deviations. Statistical Package for Social Sciences (SPSS) version 22 was used to do data analysis. Results were presented in frequency and percentage tables and in pie charts and bar charts for clarity. Qualitative data was analyzed to supplement the interpretation of quantitative data.

4 Summary of Findings

The study revealed that the performance appraisal technique that was most frequently used was human resource accounting method being used by 24.1% of the SACCOs while assessment Center technique was used by 15% of the SACCOs from which respondents were fetched. The assessment techniques had relatively the same level of preference by the different SACCOs. On the dependence of SACCOs on internal staff for appraisal guidelines, the study found that of 41.1% of the respondents worked in SACCOs which depended on internal staff for appraisal guidelines. This implied that most SACCOs used appraisal guidelines from internal sources. On whether SACCOs drew from SASRA for their appraisal guidelines, the study found that a big percentage (49%) of the respondents concurred with the statement "the SACCO borrows heavily from SASRA to come up with appraisal guidelines." This suggests that most SACCOs borrow staff appraisal guideline from SASRA. On whether SACCOs updated their staff appraisal standards, the study found that a total of 48.9% of the respondents indicated that their SACCOs regularly update the regulations they use for staff appraisal. On the similarity of staff appraisal regulations across SACCOs, the study found that 40.1% of the respondents, a relatively large number of respondents, agreed to the similarity of appraisal guidelines of their firm to those of other firms in the county. On the practicality of staff appraisal regulations in SACCOs, the study found that 28.53% of the respondents were not sure. This indicates that SACCO staffs were only modestly confident in the practicality of their SACCO's staff appraisal guidelines. On the ability of staff appraisal methods to improve their staff, the study found that 47% the respondents believed that appraisal methods were improving the staff in the group. This shows that SACCO appraisal methods were able to improve quality of staff in the study location.

5 Conclusion

Based on the findings, this study makes the following conclusions: On the appraisal standards, the study concludes that there is an effect of appraisal standards on employees' performance appraisal in SACCOs of Laikipia County and the most common one is human resource accounting method. However, most SACCOs do

not rely on SASRA for employees' appraisal guideline but they regularly update the regulations for measuring employees' performance.

6 Recommendations

SASRA should conduct a review of the practicality of guidelines that it issues on staff performance appraisal. The standards must be regularly updated and should be comparable across the board. They should also be realistic, viable and reliable. The standards should address quality, quantity, timeliness and cost-effectiveness.

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