

## **Effect of Employee Performance Appraisal on Organisational Commitment in the Banking Sector in Benue State, Nigeria: A Study of First Bank of Nigeria Plc**

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### **ABSTRACT**

To thrive in this competitive age, banks in Nigeria need to continuously improve quality, attract more customers, and become more cost conscious. In other words, banks need to better manage their performance appraisal scheme and increase employee commitment. Over the years, there are many practices, tools, techniques, systems, and philosophies that aim to help organizations to gain the competitive advantage of higher performance. The empirical review showed how different scholars examined the effect of performance appraisal on employee productivity and organizational commitment in particular. Most of the studies reviewed showed a significant relationship between performance appraisal and organizational commitment but very few of the studies were carried out in Nigeria and none in Nigerian banking industry. This study therefore, examined the effect of employee performance appraisal on organizational commitment in the banking sector in Benue State, Nigeria. Specifically, the study sought to examine the effects of performance appraisal standard, performance appraisal communication, performance appraisal feedback and corrective action on organizational commitment in First Bank of Nigeria Plc. The study adopted a survey design and one hundred and fifty-two (152) employees were purposively served with the instrument of data collection. Data were gathered from both primary and secondary sources. The questionnaire was the main research instrument used in collecting the primary data for the study. Out of the 152 questionnaires distributed, 141 valid questionnaires were retrieved for analysis. The hypotheses were tested using regression at 5% level of significance. Findings revealed that performance appraisal standard, performance appraisal communication, performance appraisal feedback and corrective action all have significant positive effects on organizational commitment in First Bank of Nigeria Plc. The study recommends among others that employees in the banking industry should develop a positive mindset toward performance appraisal. This way, they will be able reap the benefit of performance appraisal rather than seeing it as witch hunting.

**Key words:** Performance appraisal standard, Performance appraisal communication, Performance appraisal feedback, Corrective action and Organizational commitment

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### **1. INTRODUCTION**

Today's business environment is becoming increasingly uncertain and dynamic. This trend has accelerated due to environmental forces such as globalization, advances and innovation in technology and changes in the market conditions. The changes in the business environment require firms to show greater concern in developing human competence and have a competitive advantage over their competitors (Wanjala & Kimutai, 2015). In today's competitive business world, it is understood that organizations can only compete with their rivals by innovating and organizations can only innovate by managing their human resources well (Rasch, 2004). The human resource system can become more effective by having a valid

and accurate appraisal policy used for rating performances of the employees (Collings & Wood, 2009). Thus, the appraisal system refers to a function within the human resource management (HRM) which allows firms to develop a competent workforce. When effective, the appraisal process reinforces the individuals' sense of personal worth and assists in developing his/her aspirations (Zafrullah, & Irfanullah, 2017). The significant role of performance appraisal in any establishment of organizations has become indispensable when we talk of organizational success (Denning, 2001). The success of any organization is dependent on how well the performance of every employee is effectively appraised and managed. The performance appraisal is a unique and very important aspect of career development which entails a regular review of the performance of employees in the organization (Wanjala & Kimutai, 2015).

Accurate appraisals are crucial for the evaluation of recruitment, selection, and training procedures that lead to improved performance (Cowandy, 2014). Appraisals can determine training needs and occasionally, counseling needs. They can also increase employee motivation through the feedback process and may provide an evaluation of working conditions, thus, improving employee productivity, by encouraging the strong areas and modifying the weak ones (Gabris & Ihrke, 2000). Every organization requires competent personnel to boost up their productivity. It is concerted effort of the human resource division/section to check the strength and weaknesses of their employees; the performance is connected to the actions and also incorporates judgment and appraisal process (Mollel, Mulongo & Razia, 2017). Performance appraisal may be defined as a structured and formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semiannual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development (Paauwe & Boon, 2009). In many organizations – like in the banking sector - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions. Performance appraisal deals with how an organisation evaluates and measures its employees' achievement. Performance Appraisal is a systematic evaluation of employee's performance and their ability that leads to further growth and development (Grote, 2002). It helps to identify gaps, if any in performance and it can be filled by training and development. The process of performance appraisal involves establishing performance standard, communicating performance standards to employees, carrying out actual performance, comparing actual performance results with established standards, discussing result with employees and taking corrective action.

Organizational commitment on the other hand has been defined as identification and involvement with the organization by believing in the organization's value systems and goals, exerting efforts on behalf of the organization, and desire to remain with the organization (Agyare, Yuhui, Mensah, Aidoo & Ansah, 2016). It typically portrays how much an employee values his membership in an organization and the extent to which he believes the organizations objectives are in line with his values. To thrive or survive, banks need to continuously improve quality, attract more customers, and become more cost conscious. In other words, banks need to better manage their performance appraisal scheme and increase employee commitment. Over the years, there are many practices, tools, techniques, systems, and philosophies that aim to help organizations to gain the competitive advantage of higher performance (Girma, Lodesso & Sorsa, 2016). Cowandy (2014) indicated that appraisal in the banks is related to employee productivity because of the following reasons; they can be used to improve current performance, provide feedback, increase motivation, identify training needs, identify potentials, let individuals know what is expected of them, focus on career development, award salary increases, and solve job problems. In Nigeria, studies by Paul, Olumuyiwa & Esther (2015) and Sojuyigbe (2017) revealed in their separate studies that Nigerian employees have a high level of performance appraisal awareness. On the relationship between

performance appraisal and organizational commitment, both studies found that performance appraisal system has significant impact on employee's commitment to the goals and objectives of organizations. After decades of its operations in Makurdi Benue State, First Bank has four branches in Makurdi town. The bank has kept in step with the changing economic scenario and the increasing demand by customers and has been responding drastically to changes in order to meet the sophisticated and contemporary banking services. To achieve this, employee performance appraisal is one of the human resources tools employed. Through appraisal, lapses are identified for training and retraining to meet up with the changing economic scenario.

## **2. STATEMENT OF THE PROBLEM**

Most organizations in this competitive market fail to achieve their targets successfully because employees perform below standard, and this is due to the inability of the working environment to encourage them to work harder. If management does not invest much into the welfare of their workers, problems are bound to arise that may lead to industrial labour turnover, low commitment to work, low morale, poor job satisfaction that may also lead into low productivity of goods and services. For this reason, most organizations established attractive performance appraisal systems to help motivate their employees to strive hard towards the desired performance that will be reflected on their productivity. However, regardless of the efforts and resources devoted to the implementation of various performance appraisal systems in Nigeria, employee productivity has been deteriorating to the large extent and in recent times, the banking sector in Nigeria has embarked on massive retrenchment. Another problem arise from the fact that some employees see appraisal results as not been fair to them Cowandy (2014). As much as this is happening, there seem to be a vacuum in the actual contribution of performance appraisal enhancing tool on organizational commitment. Elsewhere, the empirical review showed how different scholars examined the effect of performance appraisal on employee productivity and organizational commitment in particular. Most of the studies reviewed showed a significant relationship between performance appraisal and organizational commitment but very few of the studies were carried out in Nigeria and none in Nigerian banking industry. This study therefore is intended to examine the effect of employee performance appraisal on organizational commitment in the banking industry in Benue state. In pursuance of this objective, the paper is divided into five major parts. Part two focuses on theoretical and literature review covering the concepts of employee performance appraisal and organizational commitment. Part three focuses on the methodology employed in carrying the research. Part four focuses on analysis of data collected. And lastly, the paper provides the conclusion and recommendations.

## **3. OBJECTIVES OF THE STUDY**

The general objective of this study is to examine the effect of employee performance appraisal on organizational commitment in the banking industry in Benue State. Specifically, the study seeks to achieve the following objectives:

- i.** To examine the effect of performance appraisal standards on organizational commitment in First Bank of Nigeria Plc.
- ii.** To examine the effect of performance appraisal communication on organizational commitment in First Bank of Nigeria Plc.
- iii.** To examine the effect of performance appraisal feedback on organizational commitment in First Bank of Nigeria Plc.
- iv.** To examine the effect of corrective actions on organizational commitment in First Bank of Nigeria Plc.

#### **4. RESEARCH HYPOTHESES**

This study on the effect of employee performance appraisal on organizational commitment in the banking industry in Benue State is guided by the following null hypotheses;

- HO<sub>1</sub>:** There is no significant effect of performance appraisal standards on organizational commitment in First Bank of Nigeria Plc.
- HO<sub>2</sub>:** There is no significant effect of performance appraisal communication on organisational commitment in First Bank of Nigeria Plc.
- HO<sub>3</sub>:** There is no significant effect of performance appraisal feedback on organisational commitment in First Bank of Nigeria Plc.
- HO<sub>4</sub>:** There is no significant effect of corrective actions on organisational commitment in First Bank of Nigeria Plc.

#### **5. THEORETICAL FRAMEWORK**

Even though there are many theories related to performance appraisal, this study believe that expectancy theory (Vroom, 1964) and Goal-setting theory (Armstrong, 2006) are the most appropriate for the current study. The study is however hinged on the expectancy theory in examining the effect of employee performance appraisal on organizational commitment in the banking industry in Benue State.

##### **5.1 Expectancy Theory by Vroom (1964)**

Expectancy theory involves the preferred rewards an employee expects to get if he undertakes or performs particular actions. It concerns how motivated an employee is to carry out a task because he perceives that carrying out that task will lead to an outcome. It is also concerned with whether the employee prefers the outcome or not. The likelihood that a particular action will bring about preferred reward is at the heart of expectancy theory. In the light of the above, employees have a tendency to weigh the probability of attaining a desired reward by performing different tasks and they will eventually opt to perform the task which they perceive as more successful. Employees are thus motivated to put up positive job related attitudes and subsequently increase their efforts so as to produce better results because of the expected reward (Salaman, 2005). Vroom (1964) discusses three components of the theory to include Expectancy, Instrumentality and Valence. Expectancy is about the belief an employee holds with regards to his efforts being sufficient to help him attain his desired performance goals and it is usually determined by the employee's past experiences. Instrumentality, on the other hand, is the belief an employee holds about receiving rewards in the form of promotion or salary increment if he meets performance expectations. Valence represents how an employee values the reward he stands to get if he meets performance expectations. If an employee places a high value on the reward, then he is likely to perform the action to earn the reward. Hypotheses of this study were developed from the above theory by comparing employees' organizational commitment with factors of performance appraisal from reviewed literature.

Expectancy theory (Vroom, 1964) indicates that employees will be motivated to exert high level of effort when they believe that their efforts will lead to higher performance (expectancy), higher performance will lead to rewards (instrumentality) and rewards are valuable to them (valence). This effort will lead to good performance appraisal and followed by organization rewards such as bonus, salary increment or promotion which later satisfy personal goals (Salaman, 2005). This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is

influenced by the expectations concerning future events (Salaman, 2005). Expectancy theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals.

### **5.2 Goal-setting Theory by Edwin Locke (1968)**

Goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him/her for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic (Salaman, 2005). The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of goals may be affected by moderators such as ability and self-efficacy. Managers widely accept goal setting as a means to improve and sustain performance (DuBrin, 2012). Based on hundreds of studies, the major findings of goal setting is that individuals who are provided with specific, difficult but attainable goals perform better than those given easy, nonspecific, or no goals at all. At the same time, however, the individuals must have sufficient ability, accept the goals, and receive feedback related to performance (Latham, 2003).

## **6. LITERATURE REVIEW**

This subsection examines the concepts that relates to the topic under investigation. The concepts considered in this study are employee performance appraisal and organizational commitment.

### **6.1 Concept of Performance Appraisal**

Performance appraisal represents a strategic and integrated approach which is geared towards delivering organizational success by improving the performance capabilities of both individuals and teams (Armstrong, 2005). Angelo and Robert (2006) define performance appraisal as a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. It is also described as a formal process of employee monitoring which usually involves the evaluation of performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves (Jackson & Schuler, 2002). Performance appraisal is concerned with the clarification of employees' work expectations, helping with individual employee growth and the collective growth of the entire workforce, as well as ensuring that pay structure designing incorporates performance. It ensures that employees have an awareness of how organizations expect them to perform in relation to organizational goals after their performances are evaluated (De Waal, 2004). This assertion of awareness creation as mentioned by de Waal (2004) is in consonance with a finding by Gabris and Ihrke (2000) which states that the main aim of performance appraisal is the provision of periodic and formal feedback to individual staff members.

As a formal organization event, performance appraisal is undertaken for certain reasons. Malcolm and Jackson (2002) discuss three main reasons why performance appraisals are done: One of the reasons is what they term performance reviews. They describe performance reviews as an opportunity for managers to hold discussions with their employees with regards to progress in their current positions, their strengths and areas requiring further development. Secondly, they mention reward reviews and describe it as usually separate discussions but linked to the appraisal system in which the manager communicates decisions on

rewards such as pay, benefits or promotion and provides feedback. Finally, they discuss potential reviews which represent discussions about employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved.

Performance appraisal is said to be a human resource management tool used in determining and communicating to an employee his/her performance on an assigned job over a period, and essentially establishing a plan for improvement (Zafrullah & Irfanullah, 2017). The system seeks to unearth the employee's strengths and weaknesses for appropriate management decisions such as training, promotion, transfer, layoffs and motivation to be taken. Chaponda (2014) put forward an elaborative and far-reaching definition on performance appraisal. To him, performance appraisal is the formal assessment of how well employees are performing their jobs in relation to established standard and the communication of that assessment to the employees. This definition captures the salient points in the subject area which include formal assessment, performance, established standards and a feedback system. Anderson (2002) defines performance appraisal as involving the systematic review of the performance of staff on a written basis at regular time intervals and the holding of performance interview at which staff have opportunity to discuss performance issues, past, present and future, on a one-to-one basis with their immediate line manager. Mollel, Mulongo and Razia (2017) also defines performance appraisal as the process of evaluating individual job performance as a basis for making objective personnel decisions. Their definition excludes day-to-day coaching in which a supervisor casually checks an employee's work and gives immediate feedback.

In a related discussion, Boswell and Boudreau (2002) make mention of two typical reasons for performance appraisal: evaluative and developmental purposes. According to Boswell and Boudreau (2002), the evaluative function covers using performance appraisal for typical human resource decisions like pay and salary administration, promotion, retention, termination, layoffs, giving employees the needed recognition, and identifying poor performance. This represents an amalgamation of two of the purposes of performance appraisal, that is (performance reviews and reward reviews) as discussed by Malcolm and Jackson (2002). It is also considered as an evaluative process because depending on how an employee performs, they attain certain numerical scores. Afterwards, the scores attained by each employee are communicated to him or her. Boswell and Boudreau (2002) also describe developmental functions as geared towards improving individual employees by employing the use of appraisals to identify training deficits in employees, giving employees a clear perspective about what their strengths and weakness are, and to provide employees with feedback about their performance. This is akin to what Macky and Johnson (2000) describe as the enhancement of employees skills. As a working definition, performance appraisal may be defined as a structured formal interaction between a subordinate and superior, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed with a view to identifying weaknesses and strengths as well as potential for growth and development.

## **6.2 Performance Appraisal Process**

Danielle (1998) indicated that performance appraisal system measures usually include both behaviors (what an employee does) and results (the outcomes of an employee's behavior). In order to realize the purpose of performance appraisal, organizations should carefully design appraisal system and implement accordingly. According to Gomez-Mejia (2001), different steps are followed in appraisal process. These include: establishing performance standards, communicating performance expectation, measuring actual performance, comparing actual performance with standards, discussing the appraisal with the employee and indicating corrective actions.

The appraisal process begins with the establishment of performance standards. The first step in the performance appraisal process is identifying what is to be measured. This process seems fairly simple at first glance, in practice, however, it can be quite complicated. If a significant dimension is missed, employee morale is likely to suffer because employee who do well on that dimension is missed, employee will not be recognized or rewarded (M'mbui, 2011). If an irrelevant or trivial dimension is included, employees may perceive the whole appraisal process as meaningless (M'mbui, 2011). The managers must determine what outputs, accomplishments and skills will be evaluated. These standards should have evolved out of job analysis and job descriptions (Frimpomaa, 2014). These performance standards should also be clear and objective to be understood and measured. Standards should not be expressed in an articulated or vague manner such as "a good job" or "a full day's work" as these vague phrases tell nothing (Gomez-Mejia, 2001).

Once the performance standards are established, this need to be communicated to the respective employees so that they come to know what is expected of them. Past experience indicates that not communicating standards to the employees compounds the appraisal problem. Here, it must be noted that mere transference of information (relating to performance standards, for example) from the manager to the employees is not communication. It becomes communication only when the transference of information has taken place and has been received and understood by the employees'. The feedback from the employees on the standards communicated to them must be obtained. If required, the standards may be modified or revised in the light of feedback obtained from the employees. With regards to clarifying reasons for performance appraisal, Youngcourt (2007) assert that perceived reasons for appraisal will influence employees' attitudes towards performance appraisal irrespective of intended purpose. It is therefore suggested that there should be a clear purpose behind establishing performance appraisal and it must be achieved (Sajuyigbe, 2017).

The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time (Gomez-Mejia, 2001). It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in employees' performance (M'mbui, 2011). The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. (Macky & Johnson, 2000). The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance (Gomez-Mejia, 2001). It includes recalling, evaluating and analysis of data related to the employees' performance.

As Coens and Jenkins (2000) state, performance appraisal is a mandated process, in which a group of employees' work performance and personal traits over a specified period of time are individually judged, rated and described by the rater of the group and the results of the evaluation are kept by the organizations for future reference. Performance appraisal is normally a formal process and an important part of the human resource management practices in organizations. This step in the appraisal process is to communicate to and discuss with the employees the results of the appraisal. This is, in fact, one of the most challenging tasks the manager's face to present an accurate appraisal to the employees and then make them accept the appraisal in a constructive manner (Gomez-Mejia, 2001). A discussion on appraisal enables employees to know their strengths and weaknesses. This has, in turn, impact on their future performance; the impact may be positive or negative depending upon how the appraisal is presented and discussed with the employees (Zafrullah and Irfanullah, 2017). Taylor, Fisher and Ilgen (1984) suggest

that feedback is essential for organizational effectiveness and that a lack of feedback can lead to anxiety, inaccurate self-evaluations, and a diversion of effort toward feedback gathering activities. Moreover, effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011). Performance feedback is a critical component of all performance management systems. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source.

In the ideal situation the employee receives information about how they are performing and where they could improve. According to Zachary and Dacha, (2010) managers identify the weaknesses of the employees and together they make a plan for the employee's development. The success of the feedback depends on the acceptance of the process. The satisfaction with the performance appraisal is an indication of the degree to which subordinates are satisfied with the process and the feedback they have received. It serves as a report of the accuracy and fair evaluations of the performance. The outcome is that satisfied individuals after the performance appraisal will improve further working relationships with supervisors and colleagues. The feedback can also bring negative reactions from employees. If perceived unfair, the feedback can cause behavioral changes such as absenteeism, lack of cooperation, lack of focus on priorities, unhealthy competition and even can cause staff turnover. Macky and Johnson (2000) pressed that feedback on performance appraisal system is continuously improving organizational performance, and this is achieved by improved individual organizational commitment. Therefore, improving employee performance by using performance appraisal system is a way to improve organizational commitment.

The final step in the appraisal process is the initiation of corrective action when it is necessary. The areas needing improvement are identified and then, the measures to correct or improve the performance are identified and initiated. The corrective action can be of two types. One is immediate and deals predominantly with symptoms. This action is often called as "putting out fires." The other is basic and delves into causes of deviations and seeks to adjust the difference permanently. This type of action involves time to analyse deviations. Hence, managers often opt for the immediate action, or say, "put out fires". Training, coaching, counselling, etc. is the common examples of corrective actions that managers initiate to improve the employee performance. The finding of Abdelhadi, Jamal and André (2015) revealed that there was positive and strong relationship between indicating corrective action and organizational performance. The last steps of the process of performance appraisal is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related human resource decisions like rewards, promotions, demotions, training, transfers among others.(Caruth & John 2008).

### **6.3 Concept of Organisational Commitment**

Herscovitch and Meyer (2002) defined organizational commitment to reflect how devoted an employee is to his organization which usually comes about if he or she feels that he can identify with the values and objectives of the organization. It goes to show the extent to which an employee would go to help an organization achieve its goals. And as there may be factors for which an employee may not give his all in the course of rendering his duties at work, how committed an employee is plays a role in how he persists in the face of these factors to exert more effort on the job. It typically portrays how much an employee values his membership in an organization and the extent to which he believes the organizations objectives are in line with his values. Cooper-Hakim and Viswesvaran (2005) mention the three vital pillars which help define organizational commitment. Firstly, they cite an employee's willingness to exert more effort to aid organizational success and this exerted effort might be more than the organization expects. Secondly they cite the willingness of an employee to remain an employee of the organization. Thirdly, the perception an employee has about his organization's core values and how he identifies with it.

Organizational commitment is an essential requisition in an employee for reaching challenging goals because, as opposed to easy goals, they require more effort and typically have lower chances of success than easy goals do (Latham, 2007). For over a period of 30 years, several private and public sector organizations have generally focused significantly on researching into organizational commitment, an act which underscores the relevance of the issue (Meyer, 2004). The study of organizational commitment has proven extremely beneficial in diverse ways. It has revealed a positive relationship between organizational commitments and constructs like low turnover, job satisfaction and high productivity (Cohen, 2003). It is also useful in predicting performance levels which, by extension, helps in the attainment of organizational goals (Meyer, 2002). Organizational commitment is also very vital in understanding the behavior of sales persons (Singh, 2010) and it is thus not surprising that organizational behaviorists pay close attention to researching on commitment (Allen and Meyer, 2002). Studies conducted by Wright, Gardner, and Moynihan (2003) on 50 business units from a large food service corporation, Bergmann (2000), Paul and Anantharaman (2003) in the study of software professionals, Browning (2006) among hospitality organizations in South America, Payne and Huffman (2005), have all given credence to the existence of a significant positive relationship between HR practices and organizational commitment, and also between HR systems and organizational commitment.

#### **6.4 Empirical Review**

M'mbui (2011) carried out a study to establish the effect of performance appraisal system on employee job satisfaction at the Kenyan Revenue Authority. Data was collected from one hundred and twenty two employees who were selected through stratified sampling approach. The study findings indicated a positive and significant relationship between performance appraisals and job satisfaction. Fakhimi and Raisy (2013) carried out a study aimed at investigating the relationship between satisfaction with performance appraisal and some behavioral indices (work performance, affective attachment to the organization, motivation improvement and willingness to quit job) of employees in Bank Refah. The data in the study were collected from 269 employees in the headquarters offices of Bank Refah. The results indicated that satisfaction with performance appraisal is regarded as an important index in improving the effectiveness of this function of management and it will have outcomes such as motivation improvement, reduction in willingness to quit job, increasing affective commitment of employees and improvement in work performance. Iqbal, Ahmad, Haider, Batool and Qurat-ul-ain (2013) conducted a study to examine the impact of performance appraisal on employee's performance and also analyse whether motivation affects the relationship of performance appraisal and employee's performance. The study selected 150 employees as sample by using simple random sampling among the banks of Dera Ghazi Khan. Results presented that there is positive relationship between performance appraisal and employee's performance.

Frimpomaa (2014) evaluated employees' satisfaction with performance appraisal system. The research was based on the questionnaires distributed to the sample of 120 respondents from Vodafone Ghana (Accra - Head Office and Kumasi - Adum). The data analyzed showed that employees clearly understood the criteria used for appraisal assessment and employees were invited for discussions about their performance before they append their signatures on the assessment sheet. Chaponda (2014) investigated the effect of performance appraisal on employee motivation: The descriptive research design collected data using structured questionnaires from a sample size of 171 selected using stratified sampling method. The study found that performance appraisal has a positive effect on employee motivation. Cowandy (2014) carried out a research to find out employees' perception about their performance appraisal system. The research was conducted in PT. XYZ's headquarter in Surabaya by distributing questionnaire to 80 employees from various different functions in the company. The data was analyzed using Multiple Linear

Regression Analysis. The results showed that fair performance appraisal have significant impact on employees' motivation.

Wanjala and Kimutai (2015) explored the influence of performance appraisal on employee performance in commercial banks in Trans Nzoia County in Kenya. The study adopted descriptive survey research design. A total of 178 research subjects were drawn from the target population using the stratified and the simple random sampling technique. The findings show that there is a significant relationship between performance appraisal and worker's performance. Paul, Olumuyiwa and Esther (2015) carried out a study on modelling the relationship between performance appraisal and organizational productivity in Nigerian Public Sector in Lagos. The study involved a survey research design and the sample frame for the study is 300 and out of which 254 questionnaires were valid and filled completely. The study pointed that if managerial decisions are fair and just with equitable reward and promotion for job done, it will increase employees' commitment and loyalty in the organization. Abdelhadi, Jamal and André (2015) carried out a study on the effect of performance appraisal system on employee satisfaction: The role of trust towards supervisors. A questionnaire was distributed to employees of a large Canadian bank. Fifteen of the bank's branches as well as its head office agreed to participate in the study. The questionnaire was used to conduct the survey. Regression analysis was used in testing the hypotheses and the results confirm the existence of a positive and significant relationship between the perception of the PA, and employees' job satisfaction.

Agyare, Yuhui, Mensah, Aidoo and Ansah (2016) investigated the impact of performance appraisal on the job- satisfaction and commitment of employees. The study used a descriptive research design. A stratified random sampling was used to sample 200 respondents from Microfinance organizations in Ghana. The study used questionnaires as its data collection instrument. The study revealed that employees' job satisfaction is positively related to and impacted by fairness in the appraisal system, linking appraisals with promotion, clarity of roles and feedback about their performance. Nabi, Syduzzaman and Munir (2016) conducted a research which sought to examine, investigate and analyze the impact of human resource management practices on performance appraisal, job satisfaction, absenteeism and turnover, training and motivation, team work, employee participation. Results from regression analysis showed that the outcomes of human resource management practices positively and significantly correlated with performance appraisal. Girma, Lodesso and Sorsa (2016) explored the effect of performance appraisal process on employee performance in Hawassa university administrative staff. Descriptive research design was employed. The findings revealed that there are positive and significant relationships between independent and dependent variables. That is establishing performance standards, Communicating established standards, measuring actual performance and compare with standards, discussing the appraisal and giving feedback and indicating corrective action with employee performance.

Sajuyigbe (2017) examined the impact of performance appraisal system on employee's performance in Telecommunication sector. Simple random sampling technique was employed to select 260 respondents from employees of MTN, Nigeria. Result established that performance appraisal system has significant impact on employee's performance. Zafrullah and Irfanullah (2017) carried out a study focusing on the association between performance evaluation and employees' performance and motivation as a moderator. A total of one hundred and fifty (150) employees of banks were studied in Dera Ismail Khan. Regression analysis indicated that all the research variables are significantly, positively associated with each other. Mollel, Mulongo and Razia (2017) investigated the influence of performance appraisal management practices on employee productivity in Muheza District in Tanzania. A sample of 339 employees participated in the study through questionnaires and interviews. The findings of this study highlight the fact that performance appraisal tools such as recognition and feedback are vital to employee's performance

and indeed influence employee productivity in the organization. The empirical review showed how different scholars examined the effect of performance appraisal on employee productivity and organizational commitment in particular. Most of the studies reviewed showed a significant relationship between performance appraisal and organizational commitment but very few of the studies were carried out in Nigeria and none in Nigerian banking industry. And this constitutes the gap which this study seeks to fill.

## 7. RESEARCH METHODOLOGY

A descriptive research design using survey method is adopted and used in this study. This design was adopted because it involves the field enquiries by collecting data using questionnaire from the target population within the period of the study. The population of study comprised 152 employees from 4 branches of First Bank of Nigeria Plc in Makurdi the state capital of Benue State, Nigeria. The study made use of the entire population since it was manageable. 152 questionnaires were issued out to employees of the 4 branches of the bank chosen for the study out of which 141 were properly answered and returned for analysis. The questionnaire covered organizational commitment and the four stages of performance appraisal process under review based on the objective of the research. Also, a pilot study was conducted to test the accuracy and the consistency of the research instrument. The result shows that all the constructs were greater than 0.70 indicating that the measures of the variables were reliable (consistent). Data were statistically analyzed after being collected from the field using Multiple Regression Analysis as the main statistical tool with the aid of SPSS to explain the relationship between variables.

## 8. DATA ANALYSIS RESULTS

### 8.1 Results

This is discussed under model summary, analysis of variance and regression coefficients

**Table 1: Model Summary**

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.852 <sup>a</sup>	.727	.712	.803	.1283

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a. Predictors: (Constant), Corrective actions, performance appraisal feedback, performance appraisal standards, performance appraisal communication

b. Dependent Variable: Organizational Commitment

Multiple regression was used to determine the extent to which a set of independent variables (performance appraisal standards, performance appraisal communication, performance appraisal feedback and corrective actions) predicted the dependent variable (organizational commitment). The results from Table 1 showed that a combination of performance appraisal standards, performance appraisal communication, performance appraisal feedback and corrective actions significantly predicted up to 72.7 % of the variation in organizational commitment ( $R^2 = .727$ ). The remaining 27.3 % unexplained variation in organizational commitment is caused by other variables outside the regression model. The result from Table 1 also indicated the value of adjusted R-Square. The adjusted R-Square value was calculated which took into account the number of variables in the model and the number of observations the model was based on.

The adjusted R-square value (.712) gave the most useful measure of the success of the model. It also gave an idea of how well the model could be generalized, which implied the closer it was to R-square, the better.

Also, Durbin-Watson statistic was employed to determine the presence or absence of auto-correlation. For this model, the value of Durbin-Watson statistic was computed to be 1.283, which was reasonably closed to 2. This implied that there was no auto-correlation.

**Table 2: Analysis of Variance (ANOVA)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.518	4	.138	8.746	.000 <sup>b</sup>
Residual	4.185	136	.185		
Total	5.703	140			

- i. *Dependent Variable: Organizational Commitment*
- ii. *Predictors: (Constant), Corrective actions, performance appraisal feedback, performance appraisal standards, performance appraisal communication*

The result in Table 2 shows the results of Analysis of Variance (ANOVA) test which revealed that the combined independent variables have significant effect on organizational commitment. This can be explained by the F-value (8.746) and p-value (.000) which is less than 5 % level of significance. The valid regression model implies that all the variables are related.

**Table 3: Regression Coefficient**

Model	Unstandardize d coefficient		Standardize d coefficient Beta	T	Sig	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	4.441	1.820		2.177	.000		
Performance appraisal standards	.135	.056	.138	2.408	.017	.751	1.331
Performance appraisal communication	.315	.055	.332	5.714	.000	.729	1.372
Performance appraisal feedback	.354	.052	.353	6.463	.000	.826	1.210
Corrective actions	.253	.048	.323	4.039	.027	.886	1.129

The general multiple regression model was;  $Y = b_0 + b_1x_1 + \dots + b_nx_n + \epsilon$ . For this research model,  $n=4$  since there were four (4) independent variables. Thus, the researcher obtained the parameters  $b_0$  to  $b_4$  from Table 3, and the model was presented thus:  $Y = 4.441 + 0.135x_1 + 0.315x_2 + 0.354x_3 + 0.253x_4$

From this study it was evident that 95 % confidence level, the variables produce statistically significant values for this study (high t-values,  $p < 0.05$ ). A positive effect is reported for all the variables under study hence affecting organizational commitment. Furthermore, the tolerance and variance inflation factor (VIF)

values as presented in Table 9 showed that multi-collinearity does not present a challenge in this study. The VIF values of all the variables were less than 2 which were far less than 10 considered harmful for regression analysis. The tolerance values are a measure of the correlation between the predictor variables and can vary between 0 and 1. The closer to zero the tolerance value is for a variable, the stronger the relationship between the variable and the other predictor variables. For this model, all the tolerance values were high giving the researcher a good model.

## 8.2 Test of hypothesis

**H0<sub>1</sub>:** There is no significant effect of performance appraisal standards on organizational commitment in First Bank of Nigeria Plc.

The multiple regression analysis as presented in Table 3 showed that performance appraisal standards significantly predicted organizational commitment in Benue State ( $\beta = 0.138$ ,  $t = 2.408$ ,  $P < 0.05$ ). This implies that there is statistical evidence to reject the null hypothesis (H0<sub>1</sub>).

**Decision:** Since the P – value (0.017) is less than 0.05 level of significance ( $P < 0.05$ ). The researcher rejected the null hypothesis (H0<sub>1</sub>) and concluded that performance appraisal standards significantly affect organizational commitment in First Bank of Nigeria Plc.

**H0<sub>2</sub>:** There is no significant effect of performance appraisal communication on organizational commitment in First Bank of Nigeria Plc.

The result from Table 3 also indicate that performance appraisal communication is a significant predictor of organizational commitment in First Bank of Nigeria Plc ( $\beta = 0.332$ ,  $t = 5.714$ ,  $P < 0.05$ ). This suggests that there is statistical evidence to reject the null hypothesis (H0<sub>2</sub>).

**Decision:** Since the P-value (0.000) is less than 0.05 level of significance ( $P < 0.05$ ), the researcher rejected the null hypothesis (H0<sub>2</sub>) and conclude that performance appraisal communication has a significant effect on organizational commitment in First Bank of Nigeria Plc.

**H0<sub>3</sub>:** There is no significant effect of performance appraisal feedback on organizational commitment in First Bank of Nigeria Plc.

The result from Table 3 also revealed that performance appraisal feedback is a significant predictor of organizational commitment in Benue State ( $\beta = 0.353$ ,  $t = 6.463$ ,  $P < 0.05$ ). This implies that there is statistical evidence to reject the null hypothesis (H0<sub>3</sub>).

**Decision:** Since the P – value (0.000) is less than 0.05 level of significance ( $P < 0.05$ ), the researcher rejected the null hypothesis (H0<sub>3</sub>) and concluded that performance appraisal feedback significantly affect organizational commitment in First Bank of Nigeria Plc.

**H0<sub>4</sub>:** There is no significant effect of corrective actions on organizational commitment in First Bank of Nigeria Plc.

The result from Table 3 also revealed that corrective actions is a significant predictor of organizational commitment in First Bank of Nigeria Plc ( $\beta = 0.323$ ,  $t = 4.039$ ,  $P < 0.05$ ). This implies that there is statistical evidence to reject the null hypothesis (H0<sub>4</sub>).

**Decision:** Since the P – value (0.027) is less than 0.05 level of significance ( $P < 0.05$ ), the researcher rejected the null hypothesis (H0<sub>4</sub>) and concluded that corrective actions significantly affect organizational commitment in First Bank of Nigeria Plc.

## 8.3 Discussion of Findings

The findings of the study revealed from data collected that performance appraisal significantly affect organizational commitment in the banking industry in Benue State. The major findings of the study were presented according to the objectives of the study as follows:

### **8.3.1 Effect of performance appraisal standards on organizational commitment in First Bank of Nigeria Plc**

The result of data collected and the analysis carried out revealed that performance appraisal standards has a significant effect on organizational commitment in the banking industry in Benue State. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as  $P\text{-value } 0.000 < \alpha = 0.05$ . This result corroborates the findings of research done by Agyare, Yuhui, Mensah, Aidoo and Ansah (2016) which revealed that employees' commitment to their organization is positively related to and impacted by fairness in the appraisal system, linking appraisals with promotion, clarity of roles and feedback about their performance. Girma, Lodesso and Sorsa (2016) also revealed that there was positive and strong relationship between establishing performance standards and employee performance. The finding was supported by Goal-setting theory which suggests that the individual goals established by an employee play an important role in motivating him for superior performance thereby causing him/her to be committed to the goals of the organization as well. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic (Salaman, 2005).

### **8.3.2 Effect of performance appraisal communication on organizational commitment in First Bank of Nigeria Plc**

The findings of the study indicated that performance appraisal communication has significant positive effect on organisational commitment in the banking industry in Benue State. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.004) was lower than the significance level. This can be statistically given as  $P\text{-value } 0.004 < \alpha = 0.05$ . This result corroborates the findings of research done by Girma, Lodesso and Sorsa (2016) which also discovered that there was positive and strong relationship between communicating established standards and employee commitment. The study is also supported by Expectancy theory. This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance appraisal as it is believed that performance is influenced by the expectations concerning future events (Salaman, 2005). In addition Costello, (1994) stated that the performance goals should be clearly communicated, and the expectations of each employee clearly conveyed.

### **8.3.3 Effect of performance appraisal feedback on organizational commitment in First Bank of Nigeria Plc**

The analysis of the data collected from the respondents also revealed that there is significant effect of performance appraisal feedback on organizational commitment in Nigerian banking industry in Benue State. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as  $P\text{-value } 0.000 < \alpha = 0.05$ . The findings of this study agrees with Macky and Johnson (2000) who pressed that feedback on performance appraisal system is continuously improving organizational performance, and this is achieved by improved individual organizational commitment. This finding is also supported by Girma, Lodesso

and Sorsa (2016) who discovered that there is positive and strong relationship between communicating results of appraisal and employee commitment.

#### **8.3.4 Effect of corrective actions on organizational commitment in First Bank of Nigeria Plc.**

The findings of the study indicated that corrective actions have a significant effect on organizational commitment in the banking industry in Benue State. Regression analysis was used to test the hypothesis at 5 % level of significance and the p-value (0.048) was lower than the significance level. This can be statistically given as  $P\text{-value } 0.048 < \alpha = 0.05$ . The findings of this study are in line with a previous study Odem, Olumuyiwa and Adebayo (2015) which pointed that if managerial decisions in regard to appraisal results are fair and just with equitable reward and promotion for job done, it will increase employees' commitment and loyalty in the organization.

### **9. CONCLUSION**

Employee performance appraisal helps to identify gaps, if any in performance and it can be filled by training and development. The process of performance appraisal involves establishing performance standard, communicating performance standards to employees, carrying out actual performance, comparing actual performance results with established standards, discussing result with employees and taking corrective action which prompt employees' identification and involvement with the organization by believing in the organization's value systems and goals, exerting efforts on behalf of the organization, and desire to remain with the organization. The study concluded that performance appraisal standard significantly affects organisational commitment in First Bank of Nigeria Plc. That is to say the more effective employee performance appraisal standards are, the more committed employees will be to First Bank of Nigeria Plc. Also, the concluded that performance appraisal communication has significant effect on organisational commitment in First Bank of Nigeria Plc. By this it means communication of set standards to employees will increase their commitment to the organization. The study again concluded that performance appraisal feedback has significant effect on organisational commitment in First Bank of Nigeria Plc. This can be explained to mean that the process of discussing the result of actual feedback to employees enhances employees' organizational commitment. And finally, the study concluded that there is significant effect of corrective actions on organisational commitment in First Bank of Nigeria Plc. That is to say, the act of taking corrective measures on employees who fall short of performance expectations increase their organizational commitment.

### **10. RECOMMENDATIONS**

Based on the findings of this study, the researcher recommends that: Managers and supervisors alike should set realistic standards for their employees so that they will not be discouraged by unrealistic standards. Second, employees cannot get to know what their organization is expecting from them, so managers and supervisors need to give timely information to employees as it has to do with performance expectations. This could be done by communicating the set standards to employees from the start of the job. This will prepare their mind of what is expected of them thereby craving their commitment to the bank. Employees should be made to understand the implications of performance lapses to the organization as it is the gateway to corrective action. This could be done by discussing the pitfalls of employees with them. By so doing the reasons behind their pitfalls could be revealed and tackled. Finally, it is recommended that employees in the banking industry should develop a positive mindset toward performance appraisal. This way, they will be able reap the benefit of performance appraisal rather than seeing it as witch-hunting.

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