Factors affecting utilisation of performance appraisal practices in the telecommunications industry: A survey of Telecommunication firms in Kenya

Damaris Gesare Monari

Abstract—In the fast growing telecommunications sector in Kenya, there are four big players offering services with stratagem and always looking for faster growth through employees’ performance by all means. In today’s knowledge organizations (telecommunication service providers are a good example of such organizations), where value is locked in the heads of the work force, best HR (Human Resource) practices only can ensure continued success of business organizations.

Organisations have adopted performance appraisal practices to attain the mutual goals of the employees and the organization as well. This is essential because employees can develop only when the organization’s interests are fulfilled. Mutual goals simultaneously provide for growth and development of the organization as well as of the human resources. The aim of the study was to discover to what extent management role, employee capacity and financial resources affect the successful utilization of performance appraisal practices in the telecommunication industry.

The study adopted a descriptive survey design where the sample population was drawn through simple random sampling from line managers in the four telecommunication firms. Closed and open ended questionnaires were used to collect data from the sample population. Data collected was coded and analysed and results presented in form of tables and charts for easier interpretation.

The results from the study indicated that management role, employee capacity and financial resources play an important role in ensuring the successful utilisation of performance appraisal practices.

The researcher therefore recommends that Supervisors frequently communicate the purpose of performance appraisal to employees, constantly interact with the employees on issues of performance appraisal and conduct performance related coaching to employees. The employee selection process should be objective and rigorous and during the selection process, the desired knowledge should form the key pillars of employee selection.

I. INTRODUCTION/BACKGROUND

The history of performance appraisal is quite brief, its roots stem from the early 20th century. As a distinct and formal management procedure used in the evaluation of work performance appraisal really dates from the time of the Second World War, not more than 60 years ago. There is a basic human tendency to make judgments about those one is working with, as well as about oneself and appraisal is therefore both inevitable and universal. Even in the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others including subordinates naturally, informally and arbitrarily (Dulewicz, 1989).

Performance appraisal is the formal assessment and rating of individuals by their managers usually at an annual review meeting (Michael Armstrong 2006). Performance appraisal is a process of identifying, observing, measuring and developing human performance in an organization. The identification component refers to the process of determining what aspects to focus on in the appraisal process. Observation means that all performance aspects must be directly and should be sufficiently observed so that fair and accurate judgments can be made. Measurement component of the definition calls for the evaluation of what is identified and observed. The development component refers to the future oriented and improvement focus of appraisal (Glover, 1996).

Managers are expected to conduct performance appraisal on employees. This is one of the managers most important of duties. (Hatten, 1987) argues that the management of employee's performance is usually seen as a necessary function of the management cadre. Centrally, it links a number of themes, including the extent to which the organization has identified strategic goals.
reflecting the needs of the business and the degree to which these are communicated to and shared by each employee.

Graham & Bennet (1993) defines performance appraisal as a process that involves around communicating to an employee how well the employee is performing the job and also it involves establishing a plan for improvement. Performance appraisal systems have three principal purposes; to improve employee performance in the present job roles, to prepare employees for future opportunities that may arise in the organization and to provide a record of employee performance that can be used as a basis for future management decisions.

In the year 1998, the Kenya communication sector was deregulated by the Kenya Communications Act (KCA). The KCA repealed the Kenya Posts and Telecommunications Act and provided the current framework for regulating the communications sector in Kenya. This heralded a new dawn for the telecommunications sector for it marked the beginning of the phenomenal growth the country has witnessed in the telecommunication industry since then. For instance, in the financial year 2007/2008, the Transport, Storage and Communications sector contributed 11.9 per cent to GDP, with a significant proportion of this coming from the communications sub-sector (Waema, 2007). License enforcement for the telecommunications sector is undertaken by the Telecommunications license Compliance/Enforcement Unit under the Licensing, Compliance and Standards Division.

For the mobile General Subscriber Module (GSM) operators, there are four licensed operators, Safaricom and Zain/Celtel Kenya Ltd, Econet and the Telkom/Orange Network. Safaricom commands 66 per cent of the market, with Zain commanding the remaining 24 per cent. Econet Wireless and Telkom Kenya command the rest of the percentage. Although the first mobile operator was only licensed in 1997, the mobile network surpassed the fixed network by 2000/2001 and has since then experienced phenomenal growth. By 2007/2008, the mobile network was over 30 times the size of the fixed network, with a mobile teledensity of 20.42. (Waema, 2007)

Competition has been introduced in the sector and the quality of services has generally improved. However, most stakeholders in the industry perceive the costs of services as very high, especially mobile telecommunication services. Unreliable and slow Internet connections also impact negatively on this sector (Owiti Koru, Daily nation, July 2006).

In the telecommunications sector the main stakeholders are the customers, employees and the owners of these companies. Managers have the task of ensuring that each stakeholders needs are met without affecting those of another and therefore the need for performance appraisal (okumu J, Telkom Kenya, Pamoja newsletter).We are living in an era where the business world has become a global village and business organizations are facing cutthroat competition from around the globe. One of a source of competitive advantage for any business is the human resources (Becker & Hustled, 1998). Therefore performance appraisal practice and the ability for managers to align it within change in the environments is the only way organisations can maintain a competitive edge in the current global market trends.

Performance appraisal remains a major source of frustration of managers (Egan, 1995). There exists ample evidence to suggest that companies which utilize performance appraisal systems can strategically perform more effectively in financial terms than those firms which invest less in this Human resource management (HRM) process (Johnson, 2001).

There is widespread agreement that success or failure of performance appraisal system depends on atleast four criteria: organizational philosophies, the attitudes and skills of those responsible for its implementation, acceptance, commitment and ownership of appraisals (Lawler 1967, Hedge&Teachout 2000) and the endorsement of the notions of procedural fairness and distributive justice. Procedural fairness refers to employees’ perception of the programs overall equity and distributive justice is linked to perceptions of the fairness of associated rewards and recognition outcomes. Supporters of performance review and management systems such as Drucker (1954), Herzberg (1959), Cascio (1999) and Wilson (2001) argue that performance appraisal programs are logical and preferable means to appraise develop and to effective utilize employees’ knowledge and capabilities.

Deregulation of the telecommunications sector by the communication commission of Kenya opened it up for competition as many players joined the market. They embraced and put into place performance appraisal practices to ensure their continued success in a competitively growing market. Employee performance is a major issue and these companies have to attract and retain the best employees through application of best Human resource practices. Performance has to be kept at desirable levels to ensure satisfaction of all stakeholders in the market (Gerald ,2001).

Despite adoption of performance appraisal practice in this sector, no studies have been done so far to the best of my knowledge to bring to light any factors that affect the utility of this practice, management role, employee capacity and financial resources being very important components that determine the success of performance appraisal practices, it is important to establish how they contribute to effective utility of performance appraisal practices in the telecommunication sector. It is this gap of knowledge that the study intends to fill.

This is a problem because telecommunication companies have to sustain a competitive edge by developing state of the art performance appraisal systems and if these factors are not well established then organizations will not be fully able to utilize performance appraisal practices to achieve desired levels of performance and development of the organizations and employees as well.

Successful organizations are discovering performance appraisal as a critical business tool, one that plays an important role in translating business strategy into results. Success with performance appraisal doesn’t happen automatically, though. It requires work. Those individuals responsible for implementing and maintaining the performance appraisal system must ensure that their management team understands the potential of effective performance appraisal and is committed to its success. With that commitment in place, ensuring that the employees selected have the required qualifications and are provided with the necessary resources then organisations will sustain the momentum and secure a successful performance appraisal system implementation (Huselid. m, 1995)
II. MATERIALS AND METHODS

Descriptive research design was chosen for the study because it would enable the researcher to get more detailed information about the factors that affect utilization of performance appraisal practices in telecommunication firms.

The target population was line managers in the four telecommunication companies’ headquarter offices.

A sample frame is a list that includes every member of the population from which a sample is to be taken (Mugenda and Mugenda 2003). This consisted of 68 line managers from Safaricom, 42 line managers from Zain, 50 line managers from Orange/ Telkom Kenya and 38 line managers form Yu. The total population was 198 line managers. This represented the line managers in supervisory positions who carry out performance appraisals on employees in the four telecommunication firms.

The researcher used simple random sampling to select respondents for the study where 10 % of the target population represented the sample population (Yin, 1984).

Primary data was collected using questionnaires. Semi-structured questionnaire were developed divided into sections and each section addressed a specific objective and research question of the study. Secondary data was collected from previous researches on the same area and the company records and other policy documents.

These questionnaires used scales to measure perception, attitudes, values and behavior and consisted of numbers and descriptions which were used to rank the subjective and intangible components in the research. This helped in minimizing the subjectivity and made it possible to use quantitative analysis (Yin, 1984). The rating scale used is the Likert scale and was intended to indicate the presence or absence of the characteristic being measured (Chambers R. 1985). Interview schedules were used by the researcher to interview line managers in the telecommunication firms within Nairobi on appointment basis.

To enhance reliability the questionnaire was pre-tested on four respondents randomly selected from the actual sample the researcher planned to use in the study. The data from the pilot test was tested using cronbach alpha. Cronbach's alpha was used to determine the internal consistency or average correlation of items in a survey instrument to gauge its reliability to assess and improve upon the reliability of variables derived from summated scales. (Cronbach, 1951)

The researcher checked for completeness and errors from the data collected from the field. Thereafter responses were coded for analysis. Data was analyzed using the Software Package for Social Sciences (SPSS) and the analysis was done through use of descriptive statistics for quantitative data in terms of percentages and frequency distribution such as mean and standard deviations (Kuhn, 1996).

III. RESULTS AND DISCUSSION

The response rate was 95 % for all the telecommunication companies.

Reliability of the scale for the constructs describing the variables of the study was found to be sufficient because all the item and composite reliability coefficients were above 0.6 set as the acceptable minimum(Nunnaly,1978).

4.1. Effect of Management Role on Performance Appraisal Practice

From the responses tabulated, most responses agreed with the fact that supervisors frequently communicate the purpose of performance appraisal to employees. 50% of responses agreed with the assertion, 30% strongly agreed and a relatively small percentage of less that 10% disagreed. Furthermore, 45% responses agreed that supervisors use performance appraisals to enhance relations with employees, 30% strongly agreed and less than 5% disagree with the assertion. 40% responses agreed that supervisors know their career aspirations and 20% disagreed. It’s also worth to note that 40% strongly agreed that supervisors always give feedback to employees on their performance less that 10% indicated otherwise and within the same line 70% of responses indicated that supervisors apply professional knowledge to assigned duties, 10% disagreed with the assertion. 45% of responses agreed that supervisors are able to administer resources economically and judiciously to employees, 5% felt otherwise. 60% felt that supervisors do hold interviews periodically with employees on performance though 5% responded otherwise. 70% recorded that supervisors offer performance related coaching and counseling sessions to employees with 5% responding otherwise. Most respondents felt that lack of commitment and matrix management were some of the serious challenges that made it hard for the line managers to carry out their roles effectively with regard to performance appraisal.

From the chi square values, it was clear that supervisors apply professional knowledge to assigned duties since the data is good enough to support the belief. Also it is realized that supervisors have been holding interviews periodically with employees on performance.

4.2. Effect of Employee Capacity on Performance Appraisal Practice

From the results, 45% of responses agreed and 15% agreed to the fact that the selection system followed highly objective and rigorous procedure in performance appraisal considering employee capacity. Less than 10% disagreed with the opinion or felt otherwise. On the question of whether the line manager’s participate in the selection process, 50% agreed and 20% strongly agreed meaning that most of the responses agreed that line managers participate in the performance appraisal process. It is worth to note that the selection process selects those with desired knowledge skills and attitudes 55% agreed with this assertion and 15% strongly agreed. Less than 15% disagreed with this. On the question whether employees are involved in setting their own targets, 50% agreed with the assertion that they were involved though a considerable number shown by 40% did not know if indeed it did matter. Most of the employees agreed that they are given an opportunity to suggest improvement in
the way things are done. 75% of responses agreed and less than 5% disagreed with the opinion. Employees are also given reasonable deadlines to achieve their targets. This is indicated by the 70% of the responses.

From the chi square values, the only factors which were significant as pertains employee capacity and performance appraisal were that employees are given opportunity to suggest improvements in the way things are done which had a chi-square value of 27.2 that indicate enough evidence to reject the null and that where employees are given reasonable deadlines to achieve targets. It had a chi-square value of 22.8 which indicates enough evidence to suggest that much effort is to be expended in giving much time so that they set and work toward attaining their set targets.

4.3. Influence of Financial Resources on Performance Appraisal Practice

From the results, 65% of responses agreed with the fact that the organization has allocated funds for planning of performance appraisal in its budget. 15% strongly agreed with the assertion too while only 5% disagreed. 45% agree that the organization invests in training of its employees and 20% strongly agreed with this while 5% strongly disagreed with this fact. Also 55% agreed that the organization sponsors team building activities to foster peer round table discussions 30% strongly agreed with this while 5% disagreed with the fact. 55% agreed that the organization invests in research to continuously keep the performance appraisal practice alive and 30% strongly agreed with this while 5% disagreed on this fact. 40% felt that the compensation and reward system is aligned to performance appraisals while 40% also disagreed with the fact. Some of the areas necessary for effective implementation and utilization of performance appraisal practice that were felt not to have been addressed by the organizations budget allocation were responded to differently, 22% suggested performance based salary increment while 33% preferred investment in tools to enhance efficiency.

Scherer and Segal (2006) indicate that companies with world class performance systems generally engage in the best practices. They note that some of the noted best practices of Performance appraisal is ensuring that an organization makes performance appraisal part of the culture. Performance appraisals practices must be linked to organizational objectives. Firms must invest in training and education, design the system for the unique needs of the organization, use performance appraisal to build relationships between supervisors and employees, use flexible, customized appraisal forms and finally separate the compensation from performance.

Therefore from this we can conclude that for a successful performance management role, employee capacity and financial resources have to be harnessed to ensure continual success of performance appraisal practices in organisations and this will in turn ensure efficiency and effectiveness and therefore better performance of firms that have adopted performance appraisal practices. It is observed that all telecommunication firms have adopted performance appraisal practices and have incorporated all the areas necessary to ensure its success but in varied degrees. But for the performance appraisal practice to be effective in ensuring and sustaining optimal performance of these firms, they have to ensure that the managers play their role in ensuring its success, financial resources have to be expended towards the practice and employees have to be continually developed to ensure there have the capacity to perform in their various job functions.

From the values of the chi square table on management, it indicated that supervisors apply professional knowledge to assigned duties since value of the computed chi is bigger than the tabulated, then the data is good enough to support the belief that the supervisors have been professional in dealing with employees. Hence from this we can conclude that professional ethics and standards of some code need to be adhered to during performance appraisal process for it has a significant effect to the general performance. Also it is realized that supervisors have been holding interviews periodically with employees on performance and consequently seen the results being positive thus it can be recommended that such a cycle should be designed so that the whole process of performance appraisal is done correctly. What is noted though is that supervisors don’t give feedback to employees on performance.

Considering financial resources, the factors that were significant that is the organization has allocated funds for planning of performance appraisal in its budget, it has sponsored team building activities to foster peer round table discussions and it invests in research to continuously keep the performance appraisal practice alive. All these factors had their chi square values greater than the tabulated value hence conclude that for the organization to attain faster efficiency then it has to take into consideration the issues of allocation of funds for planning on performance appraisal in its budget, sponsor team building and continuously invest in research activities. It can be recommended that the organization to allocate more funds for planning of performance appraisal in its budget, sponsor team building activities and keep enough funds for research and development.

IV. CONCLUSION

This study concluded that Supervisors frequently communicate the purpose of performance appraisal to employees. However, the very supervisors in the companies under study don’t give feedback on performance appraisal employees nor have much knowledge of their employee career aspirations. The supervisors constantly interact with the employees on issues of performance appraisal and conduct performance related coaching to the employees. Therefore for effective utilization of performance appraisal practices supervisors need to constantly give feedback on performance to employees.
The study also concluded that there is a very strong relationship between employee capacity and performance appraisal. Right from the employee selection process which should be objective and rigorous and during the selection process, the desired knowledge forms one of the key pillars of selection in all the telecommunication companies that were investigated. Training needs are also indentified during the existing performance appraisal mechanisms processes. Performance appraisal however may be hindered by Poor relationship between the staff and management, Lack of proper equipments, tools for the job as well as lack of motivation which arises from low morale that results from outsourcing and downsizing fears and concerns.

The study further concludes that for a successful implementation of a successful performance appraisal system, financial resources need to be dedicated at each and every stage. All the companies under study have a budgetary allocation to cater for performance appraisal. All companies under study apart from Telkom have invested in training of the employees. On team building which is a very key parameter that helps in building rapport between the management and the employees. Not all the companies under study are investing in research. Only 50% of the respondents’ companies invest in research which is very crucial in the day to day company management. For successful performance appraisal systems finances have to be sufficiently allocated to cater for all the areas pointed out.

V. RECOMMENDATIONS

The findings from the study indicate that there are factors that have an impact on utilization of performance appraisal practice. These factors are usually not insurmountable obstacles but can be managed to ensure success in utilization of performance appraisal practices. The following areas highlighted if addressed well will enhance the success of performance appraisal practices.

First, for effective performance appraisal practice, managers need to constantly communicate performance results to employees and always use performance appraisals to enhance relations with employees. From the data gathered and analysed, it was discovered that the supervisors and managers do not enhance relations with employees. Success of the employee management relationship can be enhanced by use of appraisals since that is the time the managers can know their employee’s weakness as well as strong points and career aspirations.

Secondly, participation of line managers in the selection process and eventual development of employees in the organisation is recommended to ensure that employee skills are always on point in regard to their respective job positions. This is to eliminate instances whereby employees are not suited for their positions and cannot perform effectively making the appraisal process impossible.

Thirdly, companies should invest in equipments for the employees to work with as this was discovered to be a major hindrance to the performance appraisal process. Companies with proper systems and equipments perform much better as compared to companies without systems. It can also be recommended that the organization to allocate more funds for planning of performance appraisal in its budget, sponsor team building activities and keep enough funds for research and development. This will ensure effective utilization of performance appraisal practices.

Lastly, telecommunication companies need to address issues regarding matrix management, this can only be achieved if the goals and objectives of each area the employee is working in are clear, measurable and of course achievable. It is also recommended that performance appraisal system be automated in telecommunication companies to reduce instances of complaints of unfairness. It also recommends that performance appraisal be carried put in two parts whereby the employee appraises themselves then discusses the results with his/her manager. This recommendation was arrived at after the study realized that respondents with this challenge were from companies that conduct appraisals manually and that the employee has little or no say in his or her performance appraisal thereby opening the whole process to abuse.

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