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EVALUATING EMPLOYEE PERFORMANCE APPRAISAL IN ISO
9001:2000 CERTIFIED ORGANIZATIONS IN MOMBASA – KENYA

BY

GICHINGA LUCY WANJIRU

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DECLARATION

This project report is my original work and has not been presented to any university or examination body.

Signed Gichinga

Date 30-11-07

Gichinga, Lucy Wanjiru

This report is presented for examination with the approval of my supervisor and chairman, Business Administration department.

Signed Judith Oluoch

Date 30/11/07

Ms Judith Oluoch
Department of Business Administration
Kenyatta University

Signed D.K. Ngaba

Date 06.05.08

Mr. D.K. Ngaba
Chairman
Department of Business Administration
Kenyatta University

ABSTRACT

Implementation of ISO 9001:2000 Quality Management Systems is a major organizational change that requires transformation in the organization's culture, processes, strategic priorities and beliefs.

Performance appraisal plays a critical role in enhancing these Quality Management systems and should therefore be congruent with the culture and principles that guide these organizations. Most performance appraisal systems do not meet quality management expectations since they focus on person factors rather than situational factors within the system leaving employees demotivated. A performance appraisal criterion that has little relevance to quality activities is clearly of no value to its performance. Little or no change has been observed in the performance of those organizations that have received ISO 9001:2000 certification.

This study sought to evaluate performance appraisal in ISO certified organizations in Mombasa with the aim of establishing the extent to which it has been integrated with the Quality Management Systems.

To carry out this research ISO 9001:2000 certified organizations in Mombasa district were identified with the assistance of the certification agents and a questionnaire administered to Human Resource Managers with the aim of comparing performance appraisal systems prior to and after certification. Company financial reports, quality control and marketing reports were studied to determine the change (if any) that has taken place in their performance since they received certification.

Data was categorized and coded after which it was analysed using percentages, central tendency measures, variances and standard deviation.

Findings from this study will be useful to organizations as they adopt Quality Management Systems in order to institute quality driven performance appraisal and enhance competitive advantage. Certification agents may also find them useful in assessing the success of quality management practices since although data will be gathered from ISO 9001:2000 certified firms in Mombasa, findings of the study are likely to be generalisable to other similar contextual dependent environment.

DEDICATION

I am proud to dedicate this research to my late mother, *Violet*.

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OPERATIONAL DEFINITION OF TERMS

ISO 9001:2000 Quality Management Systems: A generic name given to standards developed by the International Standard Organization to provide a framework around which a Quality Management System can effectively be planned and documented. It encourages organizations to analyse customer requirements and to meet them and also defines processes for realization of the product or service that is acceptable to the customer

Performance: this is a record of outcomes produced on a specified job function or activity during a specified period of time.

Performance appraisal: *Anthony (1999)* defines performance appraisal as a means to verify that individuals are meeting performance standards that have been set.

Process: This is a combination of people, machines, materials, methods and environment that produces given products or services.

Quality Management Systems (QMS): *Riley (1996)* defines these as well documented systems that ensure consistency and improvement of working practices, including the products and services produced

Standard: the document produced by an international committee of experts, setting the guidelines on how things should be done.

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ABREVIATIONS

The following abbreviations will be used frequently in this study;

ISO – International Standards Organization

QMS – Quality Management Systems

KEBS – Kenya Bureau of Standards

SGS – Societe Generale de Surveillance

BVQI – Bureau Veritas Quality International

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

This chapter outlines the introduction to the research. It gives the study background, and states the problem and the objectives. Finally it outlines the significance of the study, its scope and study limitations.

1.1 STUDY BACKGROUND

In recent years, the performance appraisal process has changed significantly. At one time it was a subjective function controlled primarily with input from the employees' immediate supervisor but owing to managerial awareness in application of Quality Management Systems it has become necessary to remodel the performance appraisal systems to match the new requirements.

In his contribution, Beckford (2002) observes that Quality Management Systems constitute a formal record of an organizations method of managing the quality of its products and services. It enables the organization to demonstrate to itself, its customers and importantly to an independent certification body that it has established an effective system for managing the quality of its products and services. Meeting the accreditation standards permits the organization to claim quality certification for its products and services and to advertise the fact. The trend currently is for organizations to deal only with quality accredited organizations.

According to the ISO website, www.iso.org/iso (2007) The ISO standards began in Switzerland in 1964 with the intention of promoting development of international standards in order to foster trade of products and services between countries. By 1994 the set of standards included ISO 9001, 9002, 9003, and 9004, which tended to have a clear bias towards manufacturing sector. The series were consolidated to a single standard ISO9001: 2000 and today ISO standards are mandated by governments around the world where over 345,000 organizations had registered to ISO 9001 by early 2001. 700,000 organizations are currently registered to ISO 9001 in 154 countries around the world out of which 30% are in the services sector.

Kenyan firms have also realized that most international strategic partners that they deal with have standards certification as a requirement for joint venture agreements. International agencies from which they source business prefer dealing with certified firms and similarly most customers favour dealing with ISO certified companies. The mission and vision statements align these firms to quality services that can only be provided by the ISO certification. ISO 9001:2000 is a milestone and a major boost in businesses as it gives the customers the assurance that they are dealing with a firm whose credibility in manufacturing and service provision is in no doubt.

The kebs.org (2007) website outlines the role of Kenya Bureau of Standards, a Statutory Organization of government established by an act of parliament Chapter 496 in 1974, as mandated to develop standards, issue product certification and Quality System

Certification (ISO 9001:2000). KBS inspects imports to ensure conformity to international standardization organization (ISO) and other product testing and certification for individual product categories. Other privately owned certification agents are SGS and BVQI. Currently a total of 50 organizations in manufacturing and service sector, privately owned as well as state corporations have received the ISO 9001:2000 certification while ten have already applied for auditing in readiness for certification. It is projected that over 100 firms will be certified by the year 2010. 15 organizations have been certified in Mombasa district of coast province, 5 in the manufacturing and 10 in the service sector while two are in the audit stage waiting for certification.

Kenyan firms certified under ISO Quality Management Systems have added value to products and services they offer. During the certification of Siginon Freight to ISO 9001:2000 standards, the advertiser's announcement appearing in The Standard, (November 30th 2006), quoted the Managing Director Mr. Meshak Kipturgo stressing that the award of the prestigious standards was an enormous achievement that put his company at par on standards with some of the best in the world.

Appraising performance assumes that performance standards have been set and that the employee will get feedback with the aim of motivating him or her to eliminate performance deficiencies or to continue to perform above par.

Human capital is the single most important aspect of any successful organization as identified by Beardwell (1997). This makes employee performance appraisal exercise

important since it attempts to ensure some continuity of purpose by checking the validity of individual goals in terms of organization's goals.

Crudely developed and hastily implemented performance appraisal systems do not deliver the results. All attention paid to performance appraisal is a general testimony to its potentially pivotal role in influencing organizational performance and effectiveness. The most effective performance appraisal system according to Ulrich (1995), is a critical component of a much broader set of human resource practices that should be linked to business performance, personal and organizational development, corporate strategy and culture.

According to Dessler (2005) the underlying objective of performance appraisal is to improve the performance of the individual leading to improvement in the performance of the organization as a whole. Quality driven human resource performance appraisal should be the goal of certified organizations if ISO 9001:2000 objectives are to be met and satisfied. Performance is the foundation on which performance management is built.

A study carried out by Soltani (2004) among ISO 9001:2000 certified manufacturing firms in the United Kingdom found little congruence between Quality Management and performance appraisal. Few respondents were satisfied with their Quality Management programme and felt that in order for quality driven performance appraisal system to be successful it was necessary for organizations to help employees to improve their performance; promote customer focus; involve all employees in modification of the

system and approach performance appraisal as a quality management improvement effort.

1.2 STATEMENT OF THE PROBLEM

In Kenya many organizations have embraced ISO 9001:2000 certification with zeal in the last decade many having been certified in the last five years, an indication that this is a relatively new concept

Notable are delays in service and products delivery leading to long queues and waiting period, customer complaints, wastage, breakdowns and low quality goods and services. Consequently profitability margin has not increased as expected considering the huge cost of attaining ISO certification.

Performance appraisal has remained largely traditional in many organizations and is therefore unable to detect and eliminate these performance gaps, instead it continues to be an annual faultfinding ritual that antagonizes management and subordinates, ignoring systems-level causes of performance variations such as equipment, training, communication, financial resources, and consequently holds individuals responsible for performance outcomes that are beyond their control.

In his research findings on assessing compatibility of performance appraisal to Quality Management, Soltani (2004) noted that most performance appraisal systems are unsatisfactory and therefore unable to play a more effective role in reaching

organizational objectives in the area of quality management. So far no study has been carried out to evaluate performance appraisal among ISO 9001:2000 organizations in Kenya and this study is long overdue in order to fill a gap in knowledge.

This research will evaluate existing performance appraisal systems in ISO 2001:9000 firms to determine the level of compliance and make recommendations that can be adopted to match the recently adopted Quality Management System since less zeal has been applied to making employee performance appraisal ISO compliant and performance appraisal has not undergone radical change that is required to enhance success in Quality Management System.

1.3 OBJECTIVES OF THE STUDY

1.3.1 General objectives

The objective of this study was to evaluate performance appraisal in ISO 9001:2000 certified organizations in Mombasa district.

1.3.2 Specific objectives

- 1) To compare performance appraisal systems prior to and after ISO9001: 2000 certification.
- 2) To establish the extent to which performance appraisal has been made compliant to ISO 9001:2000 standards.

- 3) To establish the impact of ISO 9001:2000 driven performance appraisal on organizational performance.
- 4) To make recommendations for incorporating Quality Management principles into performance appraisal by ISO 9001:2000 certified organizations.

1.4 RESEARCH QUESTIONS

- 1) How does performance appraisal systems compare prior to and after ISO 9001:2000 certification
- 2) To what extent has performance appraisal been made compliant to ISO 9001:2000 standards?
- 3) What has been the impact of ISO 9001:2000-performance appraisal on organizational performance?
- 4) What Quality Management Principles can be incorporated in performance appraisal by the ISO 9001:2000 certified organizations?

1.5 SIGNIFICANCE OF THE STUDY

The research sought to evaluate performance appraisal in ISO 9001:2000 certified organizations.

It will help the organizations institute quality driven performance appraisal system for improvement of quality and productivity and ensure competitive advantage. The study

can be useful to an organization attempting to identify those characteristics that may provide an opportunity to implement productivity and cost improvement. Managers may use the findings to determine performance measurements, assign responsibilities and resources within the organization and monitor the progress for achieving companywide improvements in quality management

It will identify areas for further research such as redesigning performance appraisal to make it compatible to quality management, factors leading to low degree of success of quality driven performance appraisal or making a comparison of performance appraisal in certified and non-certified organizations. It will be useful to other academicians who may need information for their research work as well as filling a gap in knowledge.

The certification agents may find it useful in evaluating success of ISO 9001:2000 standards in Kenya when they carry out periodic checks and identify area of non-conformity.

Finally the Ministry of Trade and Industry would like to keep track of the progress in Quality Management Systems in Kenya even as the country endeavours to realize Vision 2030-aimed at making Kenya a middle income nation by the year 2030 with a sustainable Gross Domestic Product growth of 10%, which cannot be achieved if local organizations lack competitive advantage with foreign competitors.

1.6 SCOPE OF STUDY

The study covered ISO9001: 2000 certified manufacturing and service organizations in Mombasa district of the Coast province of Kenya. It targeted Human Resource managers in these organizations.

1.7 STUDY LIMITATIONS

This study was limited by inadequate funds since the researcher was self-sponsored.

Time constraints was also an impediment since the researcher could not manage to collect, analyse data and compile the findings within the stipulated period. It was not possible to find adequate time to pay regular visits to all the sampled organizations.

The researcher could not access records on human resource performance appraisal and Quality Management Systems due to security concerns without first signing an agreement on confidentiality with the organizations' management.

Respondents could have given inaccurate responses when responding to the questionnaire while one did not return the questionnaire, this may give rise to inaccurate findings.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents a review of available literature on human resource performance appraisal in the context of ISO 9001:2000 Quality Management Systems. It outlines principles of quality management, performance appraisal systems and the adjustments that ought to be made in order to acquire congruence between performance appraisal and quality management principles.

2.1 ISO 9001:2000 QUALITY MANAGEMENT SYSTEMS

The key to ISO 9001:2000 compliance is matrixed, integrated, living documentation and employees doing what they are supposed to do. It forces the company to define itself, its systems and its processes. As the world shrinks due to globalization, it becomes more important for common rules and standards to exist. According to elsmar.com.(2002) the ISO standards attempt to provide common definitions, directions, intentions, techniques and requirements for basic Quality Assurance Systems in manufacturing and other business systems. They also provide a method to evaluate systems and processes while providing data, which will allow for the identification of problems as well as cost reductions.

In its contribution, omnexus.com/standards/iso(2006) website suggests that ISO 9001:2000 specifies the requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide a product that meets customer and

applicable regulatory requirements and aims to enhance customer satisfaction through effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements.

It is now the only standard in the ISO 9000 family against whose requirements Quality Systems can be certified by an external agency. The ISO 9001:2000 certification signifies a global benchmark in customer satisfaction, product quality, and leads to significant reduction in defect levels. The standard recognizes that the word product applies to services, processes material, hardware, and software intended for, or required by customers.

2.1.1 Standard Guidelines

Compliance to ISO 9001:2000 requires an organization to have a documented Quality Assurance Program with a demonstrated management involvement. www.systemsquality.com (2006). The standard guidelines include a written quality policy, which defines company's objectives and commitment to quality. Quality management must be documented defining responsibilities and all documents, which affect manufacture of a product, must be controlled. Documents include procedures, specifications, drawings, forms and other manufacturing paper work. Purchased material used in manufacture must be controlled and the process defined and carried out under controlled circumstances.

Everything produced must have an inspection and when applicable a test plan to verify that the product is being constantly produced in accordance with the specification. Non-conforming products are then identified and segregated. Corrective action is taken after determining cause of failure (such as failure of process or operator error) so that it does not recur. The purpose of quality management is to set up a system and a management discipline that prevents defects from happening in the performance cycle. Rather than conduct a traditional post hoc inspection Cardy (1998) points out that the emphasis is on making inspection an integral part of the work process rather than separate function that occur later. Finally procedures for identifying the training needs of employees must also be established and written.

According to (Biech 1994) Companies initiate Quality Management Systems to increase customer satisfaction; retention; reduce customer complaints; attract new customers; increase organizational effectiveness; reduce costs due to less wastage and rework; improve profitability; achieve a greater market share and maintain a competitive advantage.

2.2 PRINCIPLES OF ISO 9001:2000 QUALITY MANAGEMENT SYSTEM

ISO9001: 2000 is concerned with Quality Management, it outlines what the organization does to fulfill the customers' quality requirements, applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives. The Kenya Bureau of Standards website

Kebs.org (2005) suggests that ISO Quality Management System is recognized worldwide as an effective tool for facilitating regional and international trade because products produced by an organization certified to the ISO Quality Management System have higher perceived quality in the market place and therefore gives an implementing firm a competitive advantage in the market.

Several writers who include Deming (1986), Crosby (1979) and Juran (1989), Biech (1994) as well as websites esmar.com (2002) and omnex.com/standards (2006) summarize the key principles of ISO 9001:2000 quality management systems as follows;

2.2.1 Customer Focus

Organizations manage through the customers' eyes whereby the needs of the customer drive quality improvement. Approach to customer is anticipation of customer needs before customers are aware of these needs according to Scholtes (1993), customers and their needs shape any organization and its work. Customer service should be addressed from two main areas; internal customers, people inside the organization involved in the process chain and who must be satisfied with the system as a prerequisite for external customer satisfaction, and external customers who purchase products and services.

Organizations depend on their customers and therefore should understand current and future customer needs. They should meet customer needs and strive to exceed customer expectations. This is achieved through researching and understanding customer needs; ensuring that the objectives of the organization are linked to customer needs and

expectations; communicating customer needs and expectations throughout the organization; measuring customer satisfaction and acting on the results; systematically managing customer relationships and ensuring a balanced approach between satisfying customers and other interested parties (such as owners, employees, suppliers, financiers, local communities and society as a whole).

The key benefits of customer focus are increased revenue and market share obtained through flexible and fast responses to market opportunities; increased effectiveness in the use of organization's resources to enhance customer satisfaction; and improved customer loyalty leading to repeat business.

2.2.2 Leadership

Leaders establish unity of purpose and direction in the organization. They should create and maintain the internal environment in which people can become fully involved in achieving the organizations objectives. An organization's leadership establishes a clear vision of the organization's future and sets clear challenging goals and targets.

In his contribution, Banks (2000) concurs that the aim of leadership in quality management is to empower employees to engage in continuous improvement by taking more risks, create and sustain shared values, fairness and ethical role models at all levels of the organization; establish trust; provide people with required resources, training and freedom to act with responsibility and accountability; as well as inspiring, encouraging and recognizing peoples contributions.

The organization benefits because people will understand and be motivated to achieve the organization's goals and objectives; activities are evaluated, aligned and implemented in a unified way, and bad communication within the organization levels is minimized.

2.2.3 Involvement Of People

The involvement of people at all levels in an organization is essential to the success of a Quality Management System implementation. It can be achieved through people understanding the importance of their contribution and role in the organization; people identifying constraints to their performance; accepting ownership of problems and their responsibility for solving them; evaluating their performance against their personal goals and objectives; actively seeking opportunities to enhance their competence, knowledge and experience; freely sharing knowledge and experience and openly discussing problems and issues.

2.2.4 Process Approach

Quality is achieved more efficiently when activities and related resources are managed as processes. Motwani (2004) suggests that process approach can be applied through systematically defining the activities necessary to obtain desired results; analyzing and measuring the capability of key activities; identifying the interfaces of key activities within and between the functions of the organizations; focusing on factors such as resources, methods, and materials that will improve the key activities of the organization;

and finally evaluating risks, consequences and impact of activities on customers, suppliers and other interested parties.

The result of this is lower costs and shorter cycle times through effective use of resources; improved, consistent and predictable results, as well as focused and prioritized improvement opportunities.

2.2.5 System Approach To Management

This involves identifying, understanding and managing interrelated processes as system contribute to the organizations effectiveness and efficiency in achieving its objectives. A Quality Management System applies this principle through structuring a system to achieve the organization's objectives in the most effective and efficient way; understanding the interdependencies between the processes of the system; instituting structured approaches that harmonize and integrate processes and providing a better understanding of the roles and responsibilities necessary for achieving common objectives and thereby reducing cross-functional barriers.

The management should also understand organizational capabilities and establish resource constraints prior to action; target and define how specific activities within a system should operate; and also seek to continually improve the system through measurement and evaluation.

A Quality Management System that successfully applies system approach to management, according to Banks (2000) benefits since there is integration and alignment

of the processes that will best achieve the desired results. The organization is able to focus effort on the key processes and it provides confidence to interested parties regarding the consistency, effectiveness and efficiency of the organization.

2.2.6 Continual Improvement

Continual improvement of the organization's overall performance should be a permanent objective of the organization. Key benefits of this practice are performance advantage through improved organizational capabilities; alignment of improved activities at all levels of the organization's strategic intent and flexibility to react quickly to opportunities.

However according to omnex.com/standards (2006), continual improvement involves applying a consistent organization-wide approach to the organization's performance; providing people with training in methods and tools of continual improvement; and making continual improvement of products, processes and systems an objective of every individual in the organization. The quality system also enhances establishment of goals to guide and measures to track continual improvement and also recognizes and acknowledges improvements.

Banks (2000) suggests that an appropriate system of recognition and reward is critical to any company's quality management program, particularly as the quality improvement process offers greater involvement to ordinary working people. These include merit based increase of earnings and promotion of individuals who contribute in a major way to quality improvement. Quality improvement is also achieved through projects, which are

owned, by a work group, project team or Quality Circle. It comprises of 2-10 people who can best contribute to the solving of business problems resulting in the improvement of output. A team will continue to work on problem(s) until the customer is satisfied with the outcome.

2.2.7 Factual Approach To Decision Making

Effective decisions are based on the analysis of data and information. Quality Management System ensures data and information are sufficiently accurate and reliable. This data should be availed to those who need it, analyzed using valid methods and decisions made based on factual analysis, balanced with experience and intuition. The organization is thus able to make informed decisions, demonstrate the effectiveness of past decisions through reference to factual records and possess an increased ability to review, challenge and change opinions and decisions.

2.3 BENEFITS OF ISO 9001:2000 QUALITY MANAGEMENT SYSTEMS

Dale (2000) asserts that the object of ISO9001: 2000 series is to give purchasers an assurance that the quality of the products / services provided by a supplier meets their requirements. It is a model for Quality Assurance in design, development, product, installation and servicing. It covers circumstances in which an organization is responsible for conceptual design and development work and/or where it may be required to cover post delivery activities such as commissioning and servicing.

It ensures that an organization has a quality policy, procedures are standardized, defects are monitored, corrective and preventive action systems are in place and that management regularly reviews the system to ensure its effectiveness. He outlines the benefits of ISO 9001:2000, which has been accepted all over the world as a reduction in errors and non-conforming products and services. This consequently leads to a reduction in customer complaints, costs and wastage. The ultimate result is the retention of customers, and increased profitability.

ISO 9001:2000 standards also contribute in the elimination of the number of audits assessment and also a reduction in the time taken by customers to audit the system leading to a saving in resources. It also improves controls, discipline (such as preventing use of short cuts, and duplication of activities; procedures), documentation, communication dissemination and customer satisfaction as well as quicker identification and resolution of problems.

It ensures consistency, increased quality awareness, in particular from those departments and people who traditionally perceived "quality" not to be their major concern. ISO 9001:2000 standards also help in identification of ineffective and surplus procedures and documents and other forms of waste and provide a better working environment.

According to www.engineers-international.com/quality/ (2005) a well managed Quality Management System will have an impact on customer loyalty and repeat business, market share, operational efficiencies, flexibility and ability to respond to market opportunities, effective and efficient use of resources, cost reductions, competitive

advantages, participation and motivation of human resources, industry reputation and control of all processes.

2.4 CHALLENGES OF ISO 9001:2000 QUALITY MANAGEMENT SYSTEMS

Dale (2000) however points out certain difficulties, problems and shortcomings affecting implementation of Quality Management Systems, which include; interpretation of various sections of the standard and understanding its requirements; time and resources needed in writing procedures; training and retraining staff in the requirements of the ISO9001: 2000 series and the internal auditing system.

Costs involved in achieving ISO9001: 2000 certification and maintaining especially for small organizations are high. In sales or service situations, the vigour and applicability of the standards are perceived as restrictive and barriers to providing a flexible and responsive service to customers. There is a lot of bureaucracy involved in documenting and accreditation.

Having an ISO9001: 2000 certificate of registration does not imply that non-conformities at all stages of the process will not occur. The standard is not restrictive as to the means of prevention. The standard clearly indicates that corrective and preventive actions and procedures should be established, documented and maintained to prevent recurrence of non-conforming product and that the system is maintained and developed through the internal audit and management review.

2.5 HUMAN RESOURCE PERFORMANCE APPRAISAL

Companies that seek to gain competitive advantage through employees must be able to manage the behaviour of all employees. Performance appraisal is a communication process in which the rater attempts to convey information to the organization about subordinate's performance. An appraisal system attempts to ensure some continuity of purpose by checking the validity of individual goals in terms of organization goals. Murphy and Cleveland (1995) assert that performance appraisal system needs to be congruent with the culture and principles that guide the conduct of the organization.

Dessler (2005) offers a number of potential benefits to both the individual and the organization. It can identify an individual's strengths and areas of development and indicate how such strengths may best be utilized and weaknesses overcome. Problems which may be restricting progress and causing inefficient work practices may be revealed.

Performance appraisal can develop a greater degree of consistency through regular feedback on performance and discussion about potential and improve the quality of working life by increasing mutual understanding between managers and employees.

A properly developed performance appraisal according to Latham (1994) serves as a contract between the organization and an employee in that it makes explicit what is required of that individual. Appraising performance serves as an audit for the

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organization about the effectiveness of each employee. Such a control system based on key job behaviours that serve as standards enable a manager to specify what the employee must start, continue or stop doing. Similarly such a control system is the crux for self-management on the part of the employee.

2.5.1 Traditional Performance Appraisal

As early as 1957, McGregor severely criticized performance appraisal practices as making the superior both judge and counselor thus eliciting defensiveness so that in attempting to communicate criticism to a subordinate the superior usually found that the effectiveness of the communication was inversely related to the subordinate's need to hear it.

The purpose of traditional performance appraisal system is largely to ensure that the minimum standards for the job are being maintained and that some measure of control is exerted over the employee. This is referred to as performance control, Randel (1994).

Traditional performance appraisal is viewed as an opportunity to criticize rather than give recognition or meaningful support for performance improvement. It ignores performance related pay, employee future development and tends not to incorporate strategic needs of the business.

Koontz and Weihrich (2004) observed that traditional performance appraisal methods that attempt to measure personality traits have serious limitations and an effective method is to appraise employees against verifiable objectives.

It focuses on past performance and uses quantifiable measures. The system is highly subjective, rating scales use is conservative, and it is mainly an annual appraisal that emphasizes formal procedures thus impedes wider discussions between employees and the manager.

Deming (1986) further opines that traditional performance appraisal promote worker behaviour that compromises quality and create discouraged workers who cease trying to excel. They assign inordinate amount of responsibility for poor performance to individual employees while undervaluing the importance of overall work process.

They rob the worker of their pride in workmanship; they assume a false degree of measurement accuracy; they engender dysfunctional employee conflict and competition; they underemphasize the importance of the work group and they are often used as a management 'theory X' control device. Cardy (1996) argues that it ignores systems level causes of performance variation and consequently employees are held responsible for outcomes that are beyond their control.

Noe et al (2000) adds that holding employees accountable for outcomes affected by systems factors is believed to result in dysfunctional behaviour such as falsifying sales reports, budgets, expensive accounts and other performance measures as well as lowering employees' motivation for continuous improvement.

According to Cardy (1996) system factors influencing performance include poor coordination of work activities with others; inadequate information, instructions and specifications; lack of needed equipment; inability to obtain raw material, parts, supplies; inadequate financial resources; uncooperative coworkers or poor interpersonal relations; inadequate training; insufficient time to produce quality or quantity of work required; poor environmental conditions; and unexpected equipment breakdown.

2.5.2 Current Performance Appraisal

During recent years performance appraisal systems have tended to move away from being primarily control and maintenance based and have moved towards an approach more concerned with motivational and developmental issues to be congruent with the culture and principles that guide the conduct of the organizations, Noe (2000). Such shifts include; focusing performance appraisal on development rather than control-feedback given during the process often pinpoint the employees' weakness. Ideally performance appraisal identifies deficient aspects of the employees' performance as well as the causes of these deficiencies. Employees who are effective in their jobs are developed.

Sherman (1998) concurs and adds that regardless of the employee level of performance, the appraisal process provides an opportunity to identify issues for discussion, eliminate potential problems and set new goals for achieving high performance. Newer approaches to performance appraisal emphasize training as well as developmental and growth plans for employees. A developmental approach to appraisal recognizes that the purpose of a manager is to improve job behaviour, not simply to evaluate past performance. Having a

sound basis for improving performance is one of the major benefits of an appraisal program.

Koontz and Wehrich (2004) further add that the evaluator must take into account whether goals were reasonably attained in the first place; whether factors beyond a person's control unduly helped or hindered the person in accomplishing goals and what the reasons for the results were. The review should also note whether an individual continued to operate against obsolete goals when situations changed and revised goals were called for.

Performance appraisal is strategic and link employee activities with organizational goals. This is achieved through defining results, behaviours and employee characteristics that are necessary for carrying out that strategy and then developing measurement and feedback systems that will maximize the extent to which employees exhibit that characteristics engage in the behaviour and produce results.

According to Anthony (1999) Organizations use performance appraisal in many administrative decisions such as salary administration, promotions, retention, termination, transfer, and lay offs. Performance appraisal data may be used for human resource planning, in determining the relative worth of a job, and as criteria for validating selection tests. Performance appraisal also provides a paper trail for documenting human resource management actions that may result in legal action.

Sherman (1998) adds that performance appraisal programs may yield disappointing results due to lack of top management information and support, unclear performance standards, rater bias, too many forms to complete, use of the program for conflicting purposes. Managers may also lack appraisal skills; employees do not receive ongoing performance feedback, insufficient resources provided to reward performance, ineffective discussion of employee development and managers use of unclear/ambiguous language in the evaluation process.

2.5.3 Performance appraisal methods

Both Sherman (1998) and Anthony (1999) outline methods commonly used to appraise employees as follows;

Trait Methods

Trait approaches to performance appraisal are designed to measure the extent to which an employee possesses certain characteristics such as dependability, creativity, initiative, leadership, that are viewed as important for the job and the organization. These include Graphic Rating scales method where each trait or characteristic to be rated is represented on a scale on which a rater indicates the degree to which an employee possesses the trait.

Forced Choice Method requires the rater to choose from statements that appears equally favourable or equally unfavourable. The statements are designed to distinguish between successful and unsuccessful performance.

Essay method requires raters to compose a statement that best describes the employee being appraised. The appraiser describes the employee's strengths and weaknesses and

makes recommendations for his/her development. Trait methods tend to be vague and subjective.

Behavioural Methods

These methods involve description of behaviour along a scale or continuum. They include Critical Incident method where an unusual success or unusual failure in some part of the job is used to appraise an employee's response to the job. Since behavioural incidents are specific, they can facilitate employee feedback and development.

Behaviourally Anchored Rating Scales (BARS) consist of a series of five to ten vertical scales one for each important dimension of performance identified through job analysis. These dimensions are anchored by behaviours identified through a critical incident job analysis. The incidents are placed along the scale and assigned point values. BARS are typically developed by a committee and thus yield more accurate ratings. Behaviour Observation Scales (BOS) are designed to measure how frequently each behaviour has been observed. It allows the appraiser to play the role of observer rather than judge and provides constructive feedback to the employee.

Result Methods

This involves evaluating accomplishments of employees such as sales figures, production output, scrap rate/number of defects, and company profits/growth rate. The results give employees responsibility for outcomes while giving them discretion over the methods they use to accomplish them. Results appraisal link what employees accomplish and

results that benefit the organization, thus directly align employee and organizational goals.

Management by Objectives is a philosophy of management that rates performance on the basis of employee achievement of goals set by mutual agreement of employee and manager. The goal statements are accompanied by a detailed account of actions the employee proposes to take in order to reach the goals. Managers must be willing to empower employees to accomplish objectives on their own, giving them discretion over the methods they use but holding them accountable for outcomes.

2.5.4 Appraisal Interview

This interview gives the manager the opportunity to discuss a subordinate's performance record and to explore areas of possible improvement and growth. It also provides an opportunity to identify the subordinates attitude and feelings more thoroughly and thus to improve communication. The appraisal interview should have the ability to persuade an employee to change in a prescribed manner, listen and communicate the strong and weak points of an employee's job performance, explore employee's feelings about the appraisal as well as seeking non directive procedures that stimulate growth and development.

2.6. ISO 9001: 2000 COMPLIANT PERFORMANCE APPRAISAL

According to Noe (2000) most firms have appraisal systems that are incompatible with quality management principles because; most existing performance appraisal systems

measure performance in terms of quantity and not quality; companies do not share the financial rewards of successes with employees according to how much they have contributed to them; rewards are not connected to business results and employees are held accountable for good or bad results to which they contribute but do not completely control.

Deming (1986) poses whether the main source of variation in organizational performance is the performance of the system or the performance of the individual. Even though managers usually respond to performance variation as though it were caused by special factors rather than common causes, he argues that employee behaviour and thus their achievements is governed more by the system they work in than anything they are able to do.

Cardy (1998) however disagrees with the assertion that system factors should be given more emphasis, arguing that if performance is largely due to system factors then it makes little sense to assess the workers since they contribute such a small amount to performance outcomes.

Raters are incapable of distinguishing between people- caused as opposed to system- caused variation in performance, and as a result it is unfair to hold workers responsible for errors that may be the result of faults within the system as this is likely to cause stress and demotivate. For example sales representatives who have extremely bad markets or production employees who cannot get the materials will not be able to perform up to their abilities and it may be unfair to hold them accountable for results that are contaminated

by circumstances beyond their control. Both person and system factors should be assessed and a participative approach taken to distinguish between them.

Deming (1986) argues that quality management principles contradict the basic elements of performance appraisal and it would be impossible to combine them, thus the two are incompatible. A firm's human resource management activities must fit with each other and support other management programmes if peak organizational performance is to be achieved. Inappropriate performance appraisal system could be a major cause of failure in the implementation of ISO 9001:2000 standards.

Quality driven performance appraisal is therefore inevitable and many scholars maintain that it is a necessary and beneficial component of management system. Ghorpade (1995) concurs that appraising performance is inevitable in all organizations because it is the organization's way of assessing whether it is getting its rightful due from the individual; it is necessary to account for the differences in contributions of individuals; it is essential to defend the organization's negative actions against individuals.

Ghorpade (1995) suggests then that it should be broadened in order to reconcile the emphasis of quality management on Team and system variables with the needs of individual employees for recognition and development resulting in Quality Driven-Performance Appraisal.

Ghorpade (1995) and Cardy (1998) offer suggestions for maximizing effectiveness of performance appraisal in an ISO 9001:2000 Quality Management Systems. The primary

purpose of performance appraisal should be to help employees improve their performance. Appraisal should be discussed openly with employees and counseling or corrective guidance offered to help poor performers improve their performance. An appeals procedure should be established to enable employees to express disagreement with the appraisal.

When modifying the existing appraisal system, all those who are affected should be actively involved in setting standards and measuring performance; there should be a shift of performance appraisal to a partnership focused on improving performance rather than placing blame. When there is good upward communication, where a boss is open to the ideas of subordinates people are less likely to see targets as tight. An appraisal exercise should be open so that the staff can accept the process and check the its consistency with verbal feedback from the manager. Departmental meetings for example help budget holders internalize external targets into personal aspirations.

Focus on appraisal should be on behaviour, with output used for diagnostic and developmental purposes. Workers should be judged by absolute rather than relative standards of performance. Managers and supervisors may lack precise standards for appraising subordinates performance and have not developed necessary observational and feedback skills; the appraisals may become non-directional and meaningless. A good performance standard describes what an employee should have produced or accomplished upon completing a specific activity.

Anthony (1999) asserts that standards should be written so that anyone who reads them will recognize the difference between acceptable and unacceptable behaviour; challenge the employee while being realistic; state clearly what qualifies as appropriate behaviour; specify a time frame and that the goal be observable and measurable.

Training should explain objective of the appraisal system, focus on eliminating rater error such as halo effect, leniency or strictness, 'recency' error, contrast error, and similar to me. A training program for raters should provide general points on how to plan and conduct the feedback.

Responsibility of performance evaluation should continue to rest with the manager.

Scholtes (1993) suggests that in order for an organization to enter the quality era, the managers should let go of their obsession with the individual worker and understand the importance of systems and processes. Noe (2000) is of the opinion that quality approach advocates evaluation of personal traits (such as cooperation), which are difficult to relate to job performance unless the company has been structured into work teams.

2.6.1 Sources Of Performance Appraisal

According to Sherman (1998) and Noe (2000), it is unrealistic to presume that one person can fully observe and evaluate an employee's performance. Supervisors are in the best position to appraise while provision can be made for a review by the supervisor's superior to provide a broader perspective of employee performance.

Employees may also be asked to evaluate themselves on a self-appraisal form to increase employee involvement in the review process. Subordinate appraisal may be used to give managers feedback on how subordinates view them. Individuals of equal rank who work together are increasingly asked to evaluate each other. A peer appraisal provides information that differs to some degree from ratings by a superior since peers often see different dimensions of performance such as leadership and interpersonal skills.

Sherman (1998) adds another dimension of performance appraisal based on quality management principles – it should involve team appraisal to evaluate the performance of the team as a whole since quality management involves setting standards based on customer requirement, measuring performance against those standards and identifying opportunities for continuous improvement. Team appraisals represent one way to break down barriers between individuals and encourage their collective efforts. The system should be complemented by use of team incentives or group variable pay.

Cardy (1998) and Sherman (1998) recommends the use of multiple sources for evaluation often eliciting performance information from a variety of sources results in a performance appraisal process that is accurate and effective. This is called 360-Degree Appraisal and feedback system and consists of Multiple Raters (supervisor, peers, subordinates, customers) who provide input into a manager's evaluation. It provides a means of minimizing bias in an otherwise subjective evaluation technique. The system is more comprehensive in that responses are gathered from multiple perspectives, quality of information is better, it complements quality initiative by emphasizing customers and

teams; feedback from peers and others may increase employee self development. But managers according to Leopold (2005) are willing to accept multi rater appraisal with certain constraints. They accept it for development purposes but are less willing to see it used as basis for judgment concerning pay, performance or promotion. Quality driven appraisal should deal explicitly with causal attribution so that accurate diagnosis of performance can be made and effective remedies introduced.

2.7 CONCLUSION

Performance appraisal is a vital necessity in quality driven context but it needs to be adapted so that it maximally contributes to the quality effort. In their view, Murphy and Cleveland (1991) suggest that all systems and subsystems across the organization must be consistent and fit together in order to meet individual and organizational objectives

Performance appraisal has been lamented as a difficult task, which focuses on the past, and a tool for managerial control. Quality gurus such as Deming (1986) view it as being incompatible with quality management systems. Support for performance appraisal abounds and guidelines offered on how it can be integrated with quality management systems.

Appraisal and management of performance is prone to error, but it is important to both the organization and the individual perspectives that it is done in as effectively as possible. Ordinarily performance appraisal emphasizes person factors while quality driven performance appraisal emphasis is on system factors. But none of the approach on its own is sufficient, indeed both should be assessed in order to make performance

appraisal quality driven and allow for determination and improvement of person fit within the work situation. Performance appraisal is a vital necessity in quality driven context but needs to be adapted so that the practice maximally contributes to the quality effort.

Quality management can result in a change in the way human resource management functions operate and possibly in a redefinition of the role of the function. It can undoubtedly lead to a reassessment of the performance criteria for the human resource managers.

2.8 CONCEPTUAL FRAMEWORK

Independent variables

Intervening variables

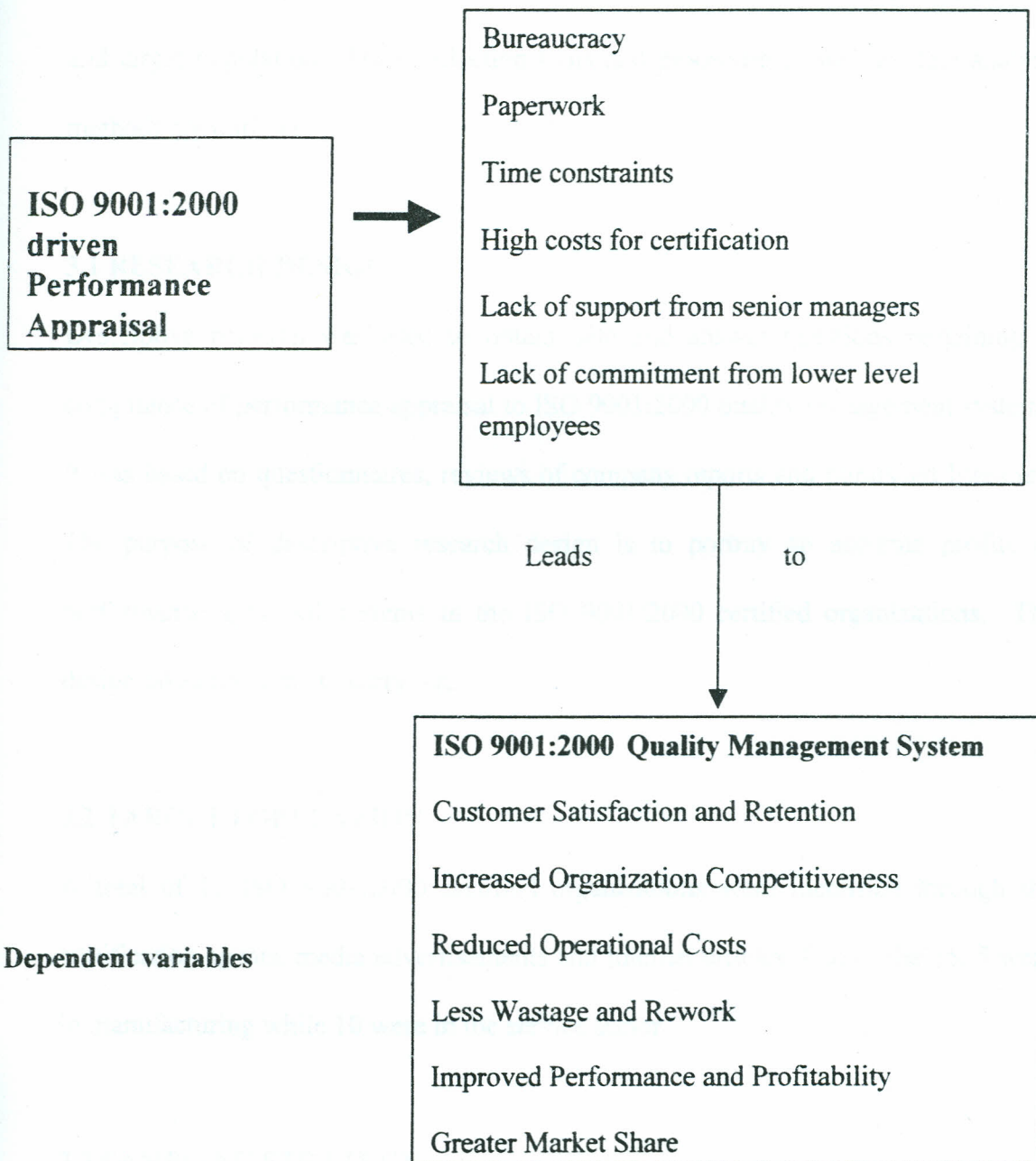


Figure 1: Conceptual Framework

Source: Researcher (2007)

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter outlines the way research was carried out. It includes research design and target population. Data collection tools and procedure as well as data analysis methods are outlined.

3.1 RESEARCH DESIGN

Descriptive research was used to obtain data and answer questions pertaining to compliance of performance appraisal to ISO 9001:2000 quality management systems. It was based on questionnaires, reviews of company reports and published literature. The purpose of descriptive research design is to portray an accurate profile of performance appraisal systems in the ISO 9001:2000 certified organizations. The design takes less time to carry out.

3.2 TARGET POPULATION

A total of 15 ISO 9001:2000 certified organizations were identified through the certification agents, media advertisements and Internet articles. Out of the 15, 5 were in manufacturing while 10 were in the service sector.

3.3 SAMPLING STRATEGY

Owing to the small number of ISO 9001:2000 certified organizations in Mombasa no sampling was done and data was collected from all the organizations.

3.4 DATA COLLECTION TOOLS AND PROCEDURE

A total of 15 questionnaires were administered to human resource managers in the certified organizations. The questionnaires contained open and close-ended questions divided into five sections seeking to establish organizational background, compare performance appraisal systems prior to and after certification, establish compliance of appraisal system to ISO standards, impact of the appraisal system on organizational performance and make recommendations for achieving compatibility between appraisal and ISO Quality Management System.

Company financial reports, quality control and market share for the duration prior to and after ISO certification were also perused to determine the changes in performance of the organization. Performance appraisal forms from the organizations were also studied to establish factors considered during appraisal.

3.5 DATA ANALYSIS

After collection, data was tabulated and coded to facilitate further analysis. It was then classified according to organization size, type of business and ownership.

The responses were analysed using percentages, which reduced data into standard form and facilitated further analysis and comparisons.

Data was analyzed using measures of central tendency such as mean and median to facilitate comparison of respondents' attitudes to various questions such as their

satisfaction with the level of compliance of performance appraisal to ISO quality management systems.

Measure of dispersion such as variance and standard deviation were also used to ascertain how far away the data values are from the mean. They were used to compare performance in organizations prior to and after ISO certification.

Findings were presented by use of histograms, multiple bar graphs and pie charts.

3.7 EXPECTED OUTPUT

Many ISO9001: 2000 certified organizations have a formal performance appraisal system but few of these organizations have adjusted their performance appraisal system to accommodate Quality Management Systems. Performance appraisal remains largely traditional, appraising employees annually for the determination of salary and rewards and training and development needs. It does not seem to have attained compliance to ISO 90001:2000 quality management systems.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.0 INTRODUCTION

This study was carried out to evaluate performance appraisal in ISO 9001:2000 certified organizations in Mombasa with the aim of establishing the extent to which it has been integrated with the Quality Management system

In this chapter quantitative analysis of data collected through questionnaires and company reports was done.

4.1 INTRODUCTION TO DATA ANALYSIS

Data has been tabulated and analysed using percentages, measures of central tendency such as mean to facilitate comparison of respondents' attitudes to various questions such as their satisfaction with the level of compliance of performance appraisal to ISO quality management systems.

Measures of dispersion such as variance and standard deviation have also been used to ascertain how far away the data values are from the mean.

Findings have been presented by use of histograms, multiple bar graphs and pie charts.

4.2 QUANTITATIVE ANALYSIS

The total number of certified organizations was 15. Human resource managers from 14 of the organizations responded while one declined.

4.2.1 Business Sector

Out of the 14 respondents, 79% (n=11) of the organizations engaged in service provision, which included shipping, engineering, and power provision while 21% (n=3) were engaged in manufacturing.

Table 1: Business sector

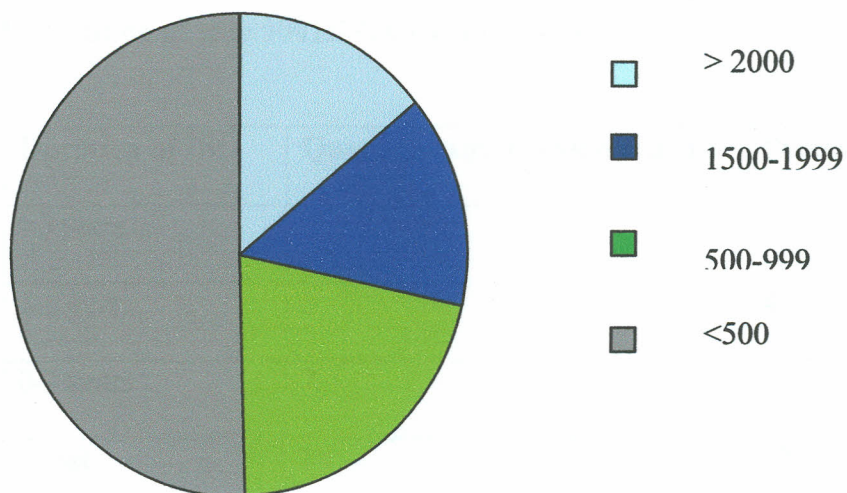
Business sector	Respondents (n)	Percentage of total
Manufacturing	3	21
Service	11	79
Total	14	100

Source: Field data

4.2.2 Size Of Organization

Organizations varied in size from less than 500 employees to over 2000 employees. 50% of the organizations were considered small with less than 500 employees.

Figure 2: Size of organization



4.2.3 Ownership

71% (n=10) of the organizations were privately owned while 29 % (n=4) were Kenyan Parastatals.

Table 2: Ownership

Ownership	Questionnaire respondents (n)	Percentage of total
Kenyan-private	10	71
Kenyan-parastatal	4	29
Total	14	100

Source: Field data

4.2.4 Duration Of ISO 9001:2000 Certification

50 % (n=7) of the organizations had been certified for a period of less than three years, 43% (n=6) for 6 years while only 7% (n=1) had been certified for over six years.

Table 3: Duration of ISO 9001:2000 Certification

Duration of ISO	Questionnaire respondents (n)	Percentage of total
>6 years	1	7
3-6 years	6	43
0-3 years	7	50
Total	14	100

Source: Field data

4.2.5 A Comparison Of Performance Appraisal System Prior To And After ISO 9001:2000 Certification

All responding organizations had a formal performance appraisal system in place.

Aim Of Performance Appraisal

In response to the reasons why they carried out performance appraisal before and after receiving ISO 9001:2000 certification, 93% (n=13) carried out appraisal to determine training and development needs prior to and after certification. The same percentage carried out appraisal to link performance to organizational goals upon certification.

86% (n=12) respondents indicated that appraisal was carried out to make promotion decisions and assess past performance an increase from 71% (n=10) and 79% (n=11) before certification. The least used aim was termination at 14% (n=2) prior to certification and 7% (n=1) upon certification. Only 7% (n=2) respondents pegged pay decisions to performance appraisal, this figure increasing to 50% (n=7) upon certification.

Table 4: Aim of performance appraisal prior to and after ISO 9001:2000

Aim of performance appraisal	Prior to ISO				After ISO			
	x	%	$x-\bar{x}$	$(x-\bar{x})^2$	x	%	$x-\bar{x}$	$(x-\bar{x})^2$
Making pay decisions	2	14	- 5.8	33.64	7	50	-2.6	6.76
Determining training and development needs	13	93	5.2	27.05	13	93	3.4	11.56
Making promotion decisions	10	71	2.2	4.84	12	86	2.4	5.76
Termination/layoff	2	14	-5.8	33.64	1	7	-8.6	73.96
Assessing past performance	11	79	3.2	10.24	12	86	2.4	5.76
Linking performance to organizational goals	9	64	1.2	1.44	13	93	3.4	11.56

Source: Field data

A mean of 7.8, variance of 18.47 and a standard deviation of 4.29 were obtained prior to ISO certification while after certification mean was 9.6, variance of 19.23 and standard deviation of 4.38 were obtained. This indicates minimal deviation between reasons why appraisal was carried out prior to and after certification.

Frequency Of Performance Appraisal

In response to how frequently organizations carried out appraisals, 86% (n=13) respondents indicated that appraisal is carried out annually while only 14% (n=2) appraised their employees every six months.

Methods Used In Performance Appraisal

Responding to the question on performance appraisal methods, Prior to ISO certification 100% (n=14) used simple ranking method but 86% (n=13) of respondents indicated continued use after certification. 29% (n=4) respondents used Behavioural Anchored Rating before certification while only 21% (n=3) used this method after certification. 7% (n=1) respondents introduced a new method, Balance Scorecard, upon certification

Table 5: Methods used in Performance Appraisal

Performance Appraisal methods	Prior to ISO				After ISO			
	x	%	\bar{x}	$(x-\bar{x})^2$	x	%	\bar{x}	$(x-\bar{x})^2$
Simple Ranking	14	100	10	100	10	86	6.2	38.44
Critical Incidents	3	21	-1	1	3	21	-0.8	0.64
Behavioural Anchored Rating	4	29	0	0	3	21	-0.8	0.64
Management by Objectives	2	14	-2	4	5	36	1.2	1.44
Targets	1	7	-3	9	1	7	-2.8	7.84
Balance Score Card	0	0	-4	16	1	7	-2.8	7.84

Source: Field data

A mean of 4 was obtained prior to certification; variance was 21.67 while standard deviation was 4.54. After ISO certification, mean was 3.8, variance 9.47 while standard deviation was 3.08, indicating that there was little change in methods adopted during the two periods under review.

Source Of Performance Appraisal Information.

Respondents were asked to rate the most effective sources of performance appraisal information prior to and after ISO certification. Most organizations relied on managers or

supervisors as indicated by 93% (n=13) before ISO and 86% (n=12) after certification. This reinforces the argument that immediate supervisors and managers are better placed to give reliable information on employee performance. Certified organizations also relied on customers as cited by 86% (n=12) of respondents. None of the respondents indicated reliance on Peers or 360' methods.

Table 6: Sources of Performance appraisal information

Source of Performance Appraisal information	Prior to ISO				After ISO			
	x	%	$x-\bar{x}$	$(x-\bar{x})^2$	x	%	$x-\bar{x}$	$(x-\bar{x})^2$
Manager / supervisor	13	93	8	64	12	86	5.4	29.16
Self	7	50	2	4	9	64	2.4	5.76
Customers	7	50	2	4	12	86	5.4	29.16
Subordinates	3	21	-2	4	5	36	-1.6	2.56
Team	5	36	0	0	8	57	1.4	1.96
360'	0	0	-5	25	0	0	-6.6	43.56
Peers	0	0	-5	25	0	0	-6.6	43.56

Source: Field data

A mean of 5 was obtained for sources of appraisal information before ISO certification, while variance was 18 and a standard deviation of 4.2. Upon certification mean obtained was 6.6, variance 22.67 while standard deviation was 4.76.

4.2.6 Factors Considered When Making Performance Appraisal Decisions Before And After ISO 9001:2000 Certification

In response to the question on factors organizations considered when carrying out performance appraisal before and after ISO certification, responses are shown on table 7.

Factors given priority before certification were decision-making 78% (n=11), employee initiative and reliability as well as leadership style of supervisors by 64% (n=9) of respondents while the least was equipment defect by 7% (n=1) and financial resources by 21% (n=3).

Upon certification the trend changes little with employee initiative used by 100% (n=14), coordination of work activities 93% (n=13) and amount and relevance of training and employee reliability by 86% (n=12) of respondents. 50% (n=7) and 21% (n=3) respondents considered equipment defect and financial resources respectively

Table 7: Factors considered when making performance appraisal decision

Factors	Prior to ISO				After ISO			
	x	%	$x-\bar{x}$	$(x-\bar{x})^2$	x	%	$x-\bar{x}$	$(x-\bar{x})^2$
Equipment/material defect	1	7	-6	36	7	50	-3.3	10.89
Financial resources	3	21	-4	16	3	21	-7.3	53.29
Amount and relevance of training	6	42	-1	1	12	86	1.7	2.89
Cooperation and communication	8	57	1	1	10	71	-0.3	0.09
Leadership style of supervisors	9	64	2	4	11	79	0.7	0.49
Coordination of work activities	8	57	1	1	13	93	2.1	4.41
Time allowed for production	2	21	-5	25	8	57	-2.3	5.29
Employee Initiative	9	64	2	4	14	100	3.7	13.69
Employee Reliability	9	64	2	4	12	86	1.7	2.89
Decision Making	11	79	4	16	11	79	0.7	0.49
Self Discipline	10	71	3	9	9	64	-1.3	1.69
Independence	7	50	0	0	11	79	0.7	0.49
Employee Creativity	8	57	1	1	13	93	2.1	4.41

Source: Field data

A mean of 7, variance of 9.08 and standard deviation of 3.01 was obtained prior to ISO while after certification it was 10.3, 7.77 and 2.79 respectively. In the past organizations

relied more on person factors but a slight shift towards balancing between person and system factors was attempted after certification.

4.2.7 Extent To Which Performance Appraisal System Is Compliant With ISO 9001:2000 Quality Management System

In order to establish the extent to which performance appraisal was compliant to ISO 9001:2000 management systems, a set of system and person factors were given for respondents to clarify importance given to each while measuring performance. Respondents were asked to indicate on a four-point scale ranging from 4 (very important), 3 (important), 2 (unimportant), to 1 (least important). Questionnaire responses were classified into three sets and presented in table 8 using mean and median scores.

The first sets of factors (a-f) were regarded as very important and included employee creativity, reliability, training, employee independence, initiative and decision-making. Mean scores of 3.84, 3.79, 3.69, 3.66, 3.64 and 3.53 were obtained.

The second set of factors (g-j), which included leadership style, self-discipline, cooperation and communication as well as coordination of work activities had mean scores of 3.46, 3.45, 3.4 and 3.28 and were viewed, as important.

Finally the last set (k-m) had mean score of 3.09, 3.08 and 2.3 and included time allowed for production, financial resources and equipment/material defects. These were viewed as unimportant or least important.

Table 8: Importance given to factors while measuring employee performance

Factor	Mean Score (Median Score)
a) Employee creativity	3.84 (3.0)
b) Employee Reliability	3.79 (3.0)
c) Amount and relevance of training	3.69 (3.0)
d) Employee Independence	3.66 (3.0)
e) Employee Initiative	3.64 (3.0)
f) Decision Making	3.53 (3.0)
g) Leadership style of supervisor	3.46 (2.0)
h) Self Discipline	3.45 (2.0)
i) Cooperation and communication	3.4 (2.0)
j) Coordination of work activities	3.28 (2.0)
k) Time allowed for production	3.09 (1.0)
l) Financial Resources	3.08 (1.0)
m) Equipment and material defects	2.3 (1.0)

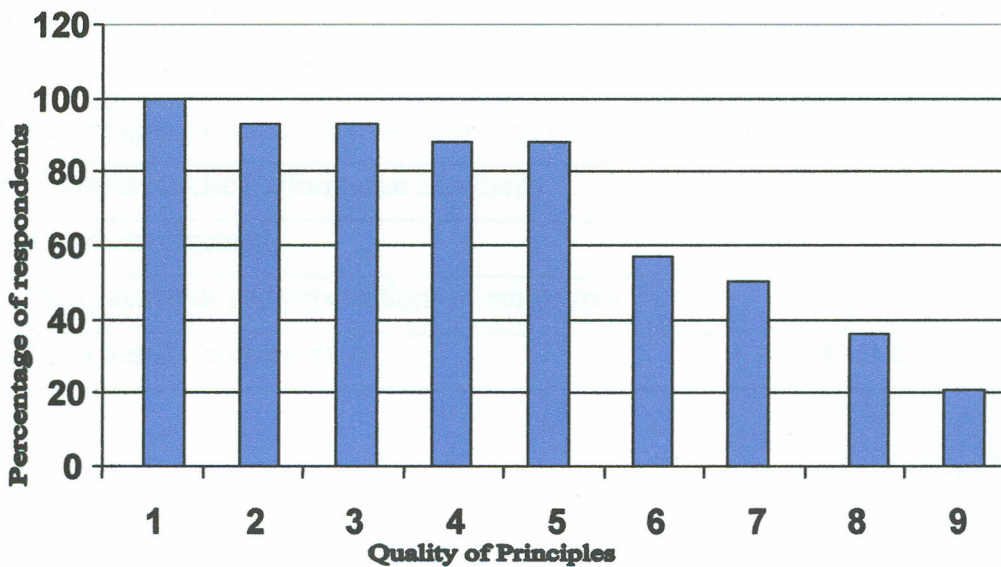
Source: Field data

4.2.8 Quality Principles reflected by the organizations' Performance Appraisal

On quality principles reflected in the organizations' current performance appraisal system, 100% (n=14) respondents indicated that performance appraisal is monitored by human resource and quality staff, 93% (n=13) indicated that it provides feedback to employees and encourages participation in determining work objectives. 88% (n=12) of the respondents said that it emphasizes on personal development and training as well as

demands and expectations of employees and quality management while 21% (n=3) responded that it catered for team based compensation.

Figure 3: Quality principles reflected in performance appraisal



Significance of Quality Principles

Respondents were asked to indicate significance attached to each quality principle on a four-point scale ranging from 4 (highly significant), 3 (significant), 2 (insignificant) and 1 (highly insignificant). Responses were classified into three sets using mean and median scores as shown in table 9.

Table 9: Significance of Quality Principles

Quality Principle	Mean score (Median score)
a) Provides feedback	3.92 (3.0)
b) Contributes to Departmental goals	3.5 (3.0)
c) Monitored by Human Resource and Quality staff	3.43 (3.0)
d) Emphasis on Personal Development and Training	3.41 (3.0)
e) Involves upward appraisal	3.2 (2.0)
f) Encourages participation in determining work objectives	3.16 (2.0)
g) Consists Precise Performance Standards	3.16 (2.0)
h) Customer Oriented	3.09 (2.0)
i) Meets demands and expectations of employees	2.81 (1.0)
j) Team based Compensation	1.9 (1.0)

Source: Field data

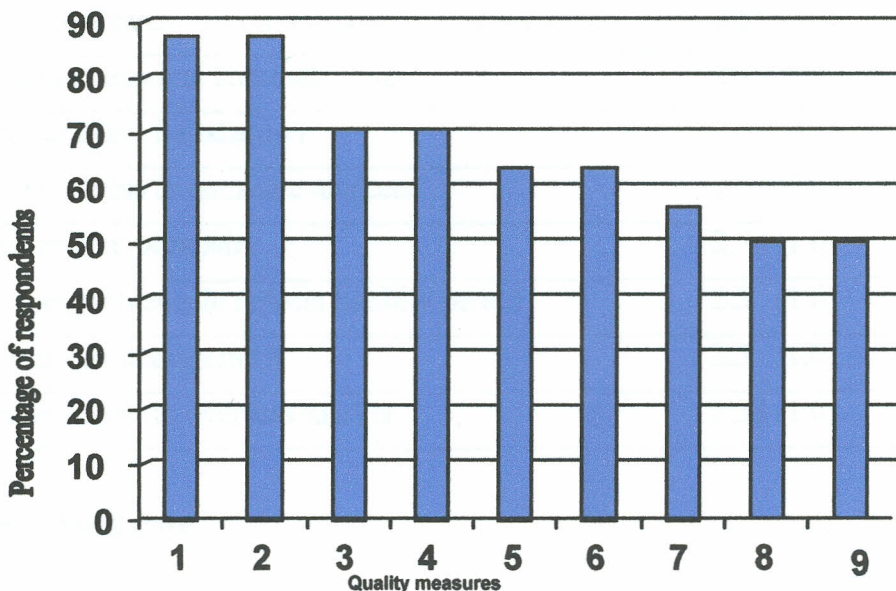
Factors in the first set (a-d) were considered highly significant in attaining compliance of performance appraisal to ISO standards and included providing feedback, contributing to departmental goals, monitoring by human resource and quality staff as well as emphasis on personal training and development

The second sets of factors (h-j) were rated as significant while the last set (i-j) were viewed as insignificant or highly insignificant.

Measures considered vital for making performance appraisal compliant with ISO 9001:2000

When asked to indicate measures that their organizations had taken to ensure compliance of performance appraisal system to ISO 9001:2000 Quality Management System, 88% (n=12) of respondents said appraisal focused on customer and that employees were involved in ensuring quality. 77% (n=10) said that there was collective responsibility for quality and that the ultimate responsibility for performance rested with the managers. 64% (n=9) of respondents stated that appraisal is regarded as a quality improvement effort and that both situational and system factors were considered. Only 50% (n=7) felt that supervisors were well trained and that performance was judged by absolute rather than relative standards. Findings are presented in figure 4 below.

Figure 4: Quality measures that ensure compliance of performance appraisal to ISO 9001:2000 management systems



4.2.9 Impact Of ISO 9001:2000 Compliant Performance Appraisal On

Organizational Performance

In order to establish the extent to which ISO 9001:2000 compliant performance appraisal had impacted on organizational performance, respondents were asked to indicate performance success using a four-point rating scale ranging from 4 (highly successful), 3 (successful), 2 (unsuccessful) and 1 (highly unsuccessful). Mean and median scores of these responses were obtained and presented in table 10.

Table 10: Impact of ISO compliant performance appraisal on organizational performance

Impact of ISO	Mean score (Median score)
a) Increased performance and profitability	3.46 (3.0)
b) Continual Improvement of operations	3.28 (3.0)
c) Stronger customer focus	3.21 (3.0)
d) Improved internal communication	3.21 (3.0)
e) Reduced operational costs	3.16 (3.0)
f) Higher efficiency in operation	3.15 (3.0)
g) Enhanced competitiveness	3.08 (3.0)
h) Increased employee morale and motivation	2.85 (2.0)
i) Improved external communication	2.75 (2.0)
j) Greater client Satisfaction	2.73 (2.0)
k) Better access to domestic markets	2.69 (2.0)
l) Less rework or repair	2.58 (1.0)
m) Fewer problems in defects liability period	2.5 (1.0)
n) Better risk management	2.5 (1.0)
o) Better access to overseas market	2.38 (1.0)

Source: Field data

The first sets of responses (a-g) were rated as highly successful and had mean scores ranging from 3.46 to 3.08 and a median score of 3.0. The set comprising variables (a-k) had a median score of 2.0 and mean scores ranging from 2.56 to 2.69 and were considered successful. These included increased employee morale and motivation, increased external motivation, greater client satisfaction and access to domestic markets.

The last set (l-o) was considered least successful or unsuccessful with a median score of 1.0 and mean scores ranging from 2.58 to 2.38.

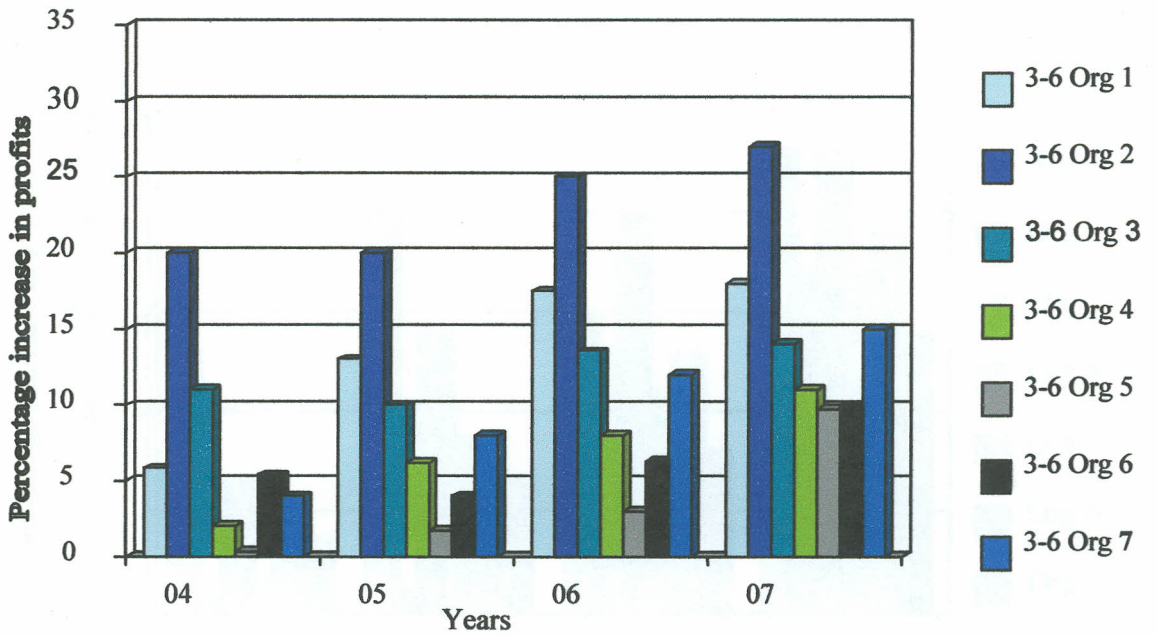
Organizational profitability between years 2003 to 2007

In an attempt to establish whether organizations' financial performance had improved in the last five years since instituting ISO 9001:2000 Quality Management Systems, financial reports were perused and percentage increase of profit calculated.

Organizations were classified into two based on the duration under ISO certification.

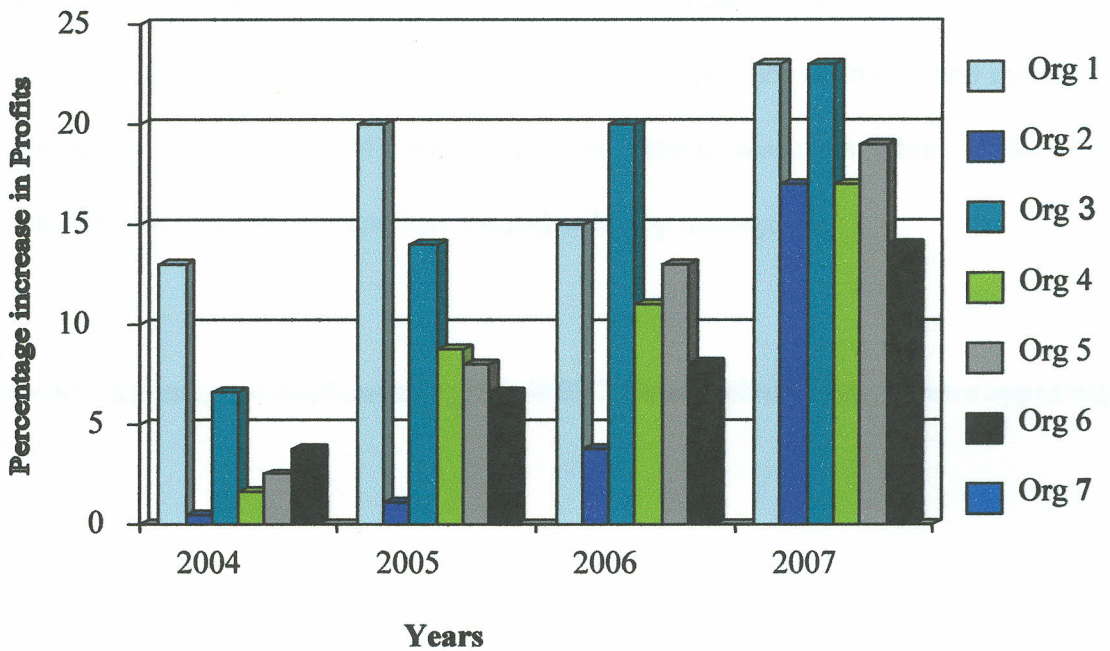
In organizations certified for a period of 3-6 years a steady increase in profit was noted with the highest being 27% in 2007 up from 21% the previous year. The least percentage increase was 10% up from 3% the previous year. Findings are shown in figure 5(a) below.

Figure 5 (a) Percentage increase in profits between years 2004-2007 in organizations certified for over 3 years



A study of organizations which has been certified for between 0-3 years reflected increase in profitability, the highest being 23% in the year 2007 while the least was 14%. However 7% (n=1) of respondents indicated a drop in profits in 2006 of 15% down from 20% the previous year as shown in figure 5(b).

Figure 5(b) Percentage increase in profits between years 2004-2007 in organizations certified for between 0- 3 years

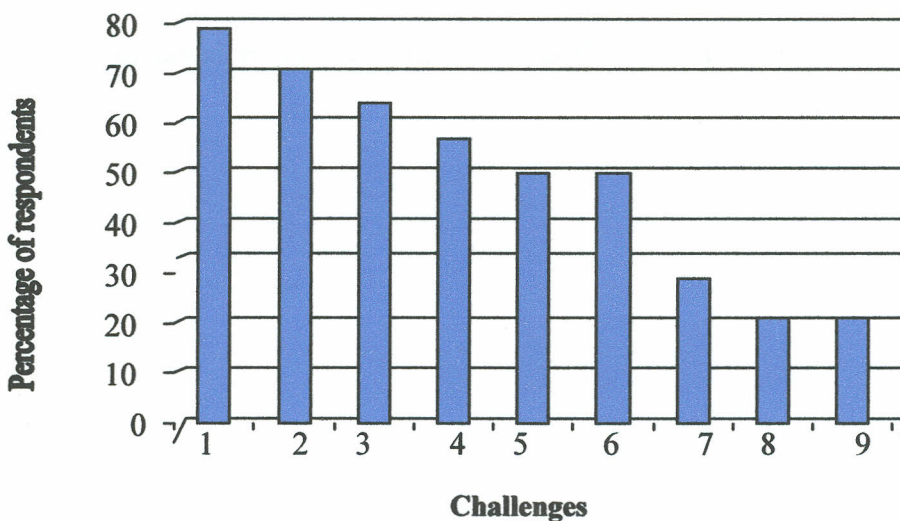


Respondents were asked whether they considered an ISO 9001:2000 compliant performance appraisal system as having a significant impact on long term organizational performance. 50% (n=7) of respondent viewed it as highly significant, 36% (n=5) as significant while only 14% (n=2) considered it as having least significant impact on organizational performance.

4.2.10 Challenges Organizations Faced While Implementing An ISO 9001:2000 Compliant Performance Appraisal System

Respondents were asked to indicate challenges faced by their organizations in implementing ISO 9001:2000 compliant performance appraisal system. The results indicate that 79% (n=11) lacked effective monitoring system for quality management implementation, 71% (n=10) lacked support from senior managers, 64% (n=9) considered it as having more paper work, 57% (n=8) indicated lack of commitment from lower level employees while 50% (n=7) felt there was resistance to change and increased bureaucracy. Only 29% (n=4) felt there were limited resources while 21% (n=3) indicated lack of commitment and less flexibility by top management.

Figure 6: Challenges of implementing ISO 9001:2000 compliant performance appraisal system



Only 7% (n=1) of respondents were highly satisfied with the level of compliance, 71% (n=10) felt it was satisfactory while 21%(n=3) considered it unsatisfactory. Those who felt that it was unsatisfactory were of the opinion that managers were unsure of how to carry out proper appraisal due to inadequate knowledge. Respondents felt that the decisions of supervisors/managers were highly considered more than the views of subordinates.

4.3 Qualitative Analysis

Respondents were asked to suggest other measures that organizations ought to take in order to achieve compliance of performance appraisal to ISO 9001:2000 Quality Management Systems. Majority felt that training at all levels within the organization should be given first priority so that all stake holders can understand the requirements of ISO certification. Many respondents also felt that the rating system should be reviewed in order to bring it in line with the standards. Respondents also felt that the appraisal process should be linked to departmental and organizational goals and that all employees should be involved from the formative stages up to implementation to enhance its success.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter contains summary of findings, conclusions and recommendations in line with objectives of study. The objectives were as follows;

1. To compare performance appraisal systems prior to and after ISO9001: 2000 certification.
2. To establish the extent to which performance appraisal has been made compliant to ISO 9001:2000 standards.
3. To establish the impact of ISO 9001:2000 driven performance appraisal on organizational performance.
4. To make recommendations for incorporating Quality Management principles' into performance appraisal by ISO 9001:2000 certified organizations.

Data collected using questionnaires, open and close ended, together with company financial reports. 14 human resource managers from 14 organizations responded to the questionnaire while one declined. Data was analyzed using percentages, measures of central tendency such as mean and median. Measure of dispersion such as variance and standard deviation were also used.

5.1 SUMMARY OF FINDINGS

Based on data presented in chapter four a summary findings is presented below. All respondents stated that they had a formal performance appraisal in their organizations.

This is an indication that few organizations are willing to eliminate performance appraisal and actually regard it as a mainstay of their organizations.

5.1.1 A Comparison Of Performance Appraisal Prior To And After ISO 9001:2000 Certification

The key reasons why organizations carried out performance appraisal before and after receiving ISO 9001:2000 certification, was to determine training and development needs.

This indicates that the existence of performance appraisal process is central to demonstrating that training and development needs are reviewed against targets at organizational and individual level.

Organizations also gave priority to assessing past performance and making promotion decisions appearing to conform to the view that recognition of past performance is the main determinant of present and future performance according to Randall (1994). If good performance is observed and then rewarded, chances of it being repeated are increased while poor performance is discouraged or even punished to decrease its chances of it happening again.

The small differences in the mean and standard deviations indicates a relatively small disparity between aims, methods and source of appraisal information before and after

organizations were certified, an indication that they were reluctant make the required adjustments in order to attain compatibility with ISO standards.

Organizations placed highest preference to person as opposed to system or situational factors This could be explained by the fact that most respondents were in the service sector while only a few were manufacturers.

5.1.2 Extent Of Compliance Of Performance Appraisal To ISO 9001:2000 Quality Management System

Organizations had quality factors in place but these had not been fully integrated into the appraisal system to attain compliance. Few made the effort to balance the system and person factors during performance appraisal after they attained certification.

Respondents felt that in order for appraisal to attain compliance, training ought to be provided, the system should focus on the customer and that all employees should be involved in ensuring quality. Quality should also be considered as a collective responsibility and ultimately responsibility for performance should rest with the managers.

5.1.3 Impact Of An ISO 9001:2000 Compliant Performance Appraisal On

Organizational Performance

It is evident that organizations considered an ISO 9001:2000 compliant performance appraisal system as extremely important in leading to increased performance and profitability.

These responses corroborates findings by Haines et al (2004) that organizations which adopted a performance appraisal system that was compliant to ISO standards had improved overall performance and reduced operational costs.

The most prevalent challenge faced by organizations as they implemented an appraisal system that is compliant to ISO Quality Management System was a lack of effective monitoring system for the Quality management system.

5.1.4 Recommendations Towards Attaining Compliance

Respondents were not fully satisfied with the level of compliance of performance appraisal system to ISO standards and felt that managers were unsure of how to carry out proper appraisal due to inadequate knowledge. Respondents also felt that the decisions of supervisors/managers were highly considered while those of subordinates were ignored.

Measures suggested in order for organizations to achieve ISO compliant performance appraisal were training, a review of the rating system and a linkage of the process to departmental goals and objectives.

5.2 CONCLUSIONS

Evidence from the data collected clearly confirms that organizations continued to carry out performance appraisal even after ISO 9001:2000 certification. It was also evident that there was little difference in the way performance appraisal was carried out prior to and after certification. Organizations had not fully remodeled their appraisal system to reflect the new ISO requirements and therefore it was not fully compliant with the Quality Management System.

Though quality principles existed in most organizations, there was low integration of performance appraisal with the quality principles in place as seen by overemphasis on person factors in determining performance, use of traditional qualitative methods of appraisal and reliance on managers as main source of information, ignoring team based appraisal and compensation as well as allowing little participation of all employees in setting performance standards. Consequently there was a low level of congruence or compatibility between performance appraisal and ISO 9001:2000 quality management system.

5.3 RECOMMENDATIONS

From the conclusions above, it is imperative that various modifications ought to be made in order to meet quality management requirements in appraising employees. Training ought to be given to supervisors and other employees on the importance of performance appraisal in the context of ISO 9001:2000. A variety of quantitative appraisal methods

should be applied to complement the qualitative ones and organizations should consider more sources of information before making performance decisions.

Organizations should also seek to balance system and person factors so that employees are held accountable over outcomes that are within their control without undervaluing the overall work process. Absolute standards ought to be set with which to judge performance and a link of performance to departmental and organizational goals where results are defined as well as behaviour and employee characteristics necessary for carrying out that strategy. Performance appraisal should also be broadened to capture individual and team activities as well as compensation.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

This research has brought out the need for further study in areas related to performance appraisal and ISO quality management system. Some of the topics that the researcher suggests could be explored include redesigning performance appraisal to make it more compatible to ISO Quality Management Systems. The factors leading to low degree of success in ISO driven performance appraisal and how to overcome these limitations could also be a follow up topic. Future research may allude to other factors leading to improved performance besides performance appraisal.

It would also be worth the while for researchers to compare performance appraisal in ISO and non-ISO organizations covering the entire country. Finally a study could be carried out on how ISO compliant human resource practices complement each other in enhancing organizational performance.

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APPENDIX 1

LETTER TO RESPONDENT

Dear Sir/ Madam

RE. QUESTIONNAIRE

The attached questionnaire has been designed to help gather data for a research project on evaluation of performance appraisal in ISO 9001:2000 certified organizations in Mombasa district. Your organization has been identified as one of the players.

I kindly request you to facilitate the collection of necessary data by answering the questions therein as precisely and as factually as possible. The information sought is purely for academic purposes and will be treated with confidentiality.

Yours faithfully

Lucy W. Gichinga.

5. a) How long has the organization had the ISO 9001:2000 certification?

Over 6 years

3 – 6 years

0 – 3 years.

b) Certification agent: KEBS SGS BVQI

2. COMPARISON OF PERFORMANCE APPRAISAL SYSTEM PRIOR TO AND AFTER ISO 9001:2000 CERTIFICATION

6. Does your organization have a formal performance appraisal system?

Yes

No

7. Indicate the aim of performance appraisal in your organization

Aim of performance appraisal	Prior to ISO certification	After ISO certification
Making pay decisions		
Determining training and development needs		
Making promotion decisions		
Termination /layoff		
Assessing past performance		
Linking performance to organization goals		

8. Indicate the frequency of performance

Frequency of appraisal	Prior to ISO certification	After ISO certification
Quarterly		
Every six months		
Annually		
Other (specify)		

9. Indicate methods used to appraise employees

Appraisal methods	Prior to ISO certification	After ISO certification
Simple Ranking		
Group Ranking		
Paired Comparison		
Graphic Rating		
Critical incidents		
Behaviorally Anchored Rating		
Management by Objectives		
Assessment Centers		
Computerized Appraisal		
Other (specify)		

10. What is the primary source of performance information in your organization?

Source of appraisal information	Prior to ISO certification	After ISO certification
Manager / Supervisor		

Peers		
Self		
Customers		
Subordinates		
Team		
360 degree appraisal		
Other (specify)		

11. Indicate factors considered when making performance appraisal decision.

Factors	Prior to ISO certification	After ISO certification
Equipment/material defects		
Financial resources		
Amount and relevance of training		
Cooperation and communication		
Leadership style of supervisors		
Coordination of work activities		
Time allowed for production		
Employee initiative		
Employee Reliability		
Decision making		
Self discipline		
Independence		
Employee Creativity		

3. EXTENT TO WHICH PERFORMANCE APPRAISAL SYSTEM IS COMPLIANT TO ISO 9001: 2000 QUALITY MANAGEMENT SYSTEMS?

12. Indicate the importance given to each of the factors below while measuring employee performance in your organization. (Use scale 4- very important; 3- important; 2 unimportant; least important)

Factors	4	3	2	1
Equipment/material defects				
Financial resources				
Amount and relevance of training				
Cooperation and communication				
Leadership style of supervisors				
Coordination of work activities				
Time allowed for production				
Employee initiative				
Reliability				
Decision making				
Self discipline				
Independence				
Creativity				

13 State whether your current performance appraisal system reflects the following Quality principles.

- Provides feedback to employees
- Customer oriented
- Emphasis on personal development and training
-

Team based compensation system

Encourages participation in determining work objectives

Precise performance standards exist

Contributes to departmental goals

Meets demands and expectations of employees and Quality

- Management

It is monitored by Human Resource and Quality staff

14. How significant have the principles in (13) above been towards making performance appraisal compliant to ISO standards in your organization?

(Use scale 4-Highly significant; 3-significant; 2-in significant; 1- highly insignificant)

Performance appraisal Quality principles	4	3	2	1
Providing feedback				
Customer oriented				
Emphasis on personal development and training				
Team based compensation system				
Encourages participation in determining work objectives				
Consists precise performance standards				
Involves upwards appraisal				
Contributes to department goals				
Meets demands and expectations of employees and quality management				
It is monitored by Human resource and Quality staff				

Better risk management				
Better access to domestic markets				
Improved external communication				
Increased employee morale and motivation				
Better access to overseas markets				

Highly satisfactory

(b) In your opinion, does an ISO 9001:2000 compliant performance appraisal system have a significant impact on the long-term performance of the organization?

Highly unsatisfactory

- Highly significant
- Significant
- Least significant
- Insignificant

17. What challenges does your organization face while implementing ISO 9001:2000-compliant Performance Appraisal

- Lack of total commitment from top management
- Lack of support from other senior managers
- Lack of commitment from lower level employees
- Resistance to change/increased staff discontent
- Limited availability of resources
- Lack of effective monitoring system for quality management implementation
- More paper work
- Increased bureaucracy
- Less flexibility in management.
- Other (specify) _____

5. RECOMMENDATIONS FOR MAKING PERFORMANCE APPRAISAL MORE COMPATIBLE WITH ISO 9001:2000

18. What is your overall assessment of the compliance of performance appraisal system to ISO 9001:2000 Quality Management Systems in your organization?

- Highly satisfactory
- Satisfactory
- Unsatisfactory
- Highly unsatisfactory

If unsatisfactory, give reasons for your answer-

19. In your opinion, what other measures should your organization take to achieve compliance of performance appraisal to ISO 9001:2000 Quality Management Systems?

APPENDIX 3

BUDGET PLAN

ITEM	COST (k sh)
PROJECT DEVELOPMENT	
Type setting	1000.00
Printing and photocopying	1000.00
Binding	1000.00
Traveling and subsistence	4000.00
Miscellaneous	2000.00
Sub Total	9000.00
PROJECT	
DATA COLLECTION AND ANALYSIS	
Traveling	4000.00
Questionnaire development	1000.00
Data processing	2000.00
Research Assistant	2000.00
Internet run-time	3000.00
Sub Total	12,000.00
PRODUCTION AND FINAL DOCUMENT	
Printing	2500.00
Photocopying	1000.00
Binding	5000.00
Miscellaneous	4000.00
Sub total	12,500.00
GRAND TOTAL	33,500.00

APPENDIX 4

TIME PLAN

ACTIVITY

DURATION

PILOT STUDY AND PROPOSAL WRITING

TWO MONTHS

PROPOSAL PRESENTATION

TWO MONTHS

DATA COLLECTION

TWO MONTHS

DATA ANALYSIS

ONE MONTH

COMPILATION OF REPORT

TWO MONTHS

SUBMISSION

ONE MONTH

TIME (MONTHS) 2007

ACTIVITY	APRIL	MAY	JUNE	JUL	AUG	SEPT	OCT	NOV
PILOT STUDY/ PROPOSAL WRITING	■	■						
PROPOSAL PRESENTATION			■	■				
DATA COLLECTION					■	■		
DATA ANALYSIS						■		
REPORT WRITING/ SUBMISSION						■	■	■

APENDIX 5

LIST OF ISO 9001:2000 CERTIFIED ORGANIZATION IN MOMBASA

1. Kenya Revenue Authority
2. Kenya Power and Lighting Company Limited
3. Doshi Enterprises
4. Kenya Ports Authority
5. Aga Khan Health Services
6. Kenya Pipeline
7. Cargill
8. Signon Freight Company Limited
9. African Marine and General Engineering Company Limited
10. Southern Engineering Company
11. Coast Bottlers
12. Mitchell Cotts
13. Pollucon
14. Kengen
15. Nakumatt Holdings

Source: Kebs, BVQI and SGS. (2007)