

Effect of Performance Appraisal on Organisational Performance in Public Sector: A Case Study of Ministry of Health Lusaka

Kasapo Jennipher Mwenya¹, Dr Martin Kabwe²

^{1,2}Institute of Distance Education, University of Zambia

ABSTRACT:

Performance appraisal on organizational performance in public organizations reveals significant insights into how appraisal systems can enhance employee effectiveness and overall organizational success. The purpose of this study was to examine the effect of performance appraisal on organizational performance in the Ministry of Health, Lusaka, Zambia. The study aimed to assess the current performance appraisal used at the Ministry of Health, the influence of performance appraisal design on performance and assess the impact of the numerical scale rating as a performance appraisal. The study-specific research objectives were to examine the impact of management by objective on organisation performance at the Ministry of Health, to determine the influence of performance appraisal design on organisational performance at the Ministry of Health and to assess the impact of the numerical scale rating influence on organizational performance. Guided by the theory of goal-setting theory and expectancy theory and the study used a qualitative research approach and a case study as the research design. Data was collected from the Ministry of Health using an interview guide and focus group. It was analysed using thematic analysis and findings indicated that MBO promotes accountability and motivation, appraisal design aligns performance with institutional goals, and numerical rating helps identify employee gaps. The study concluded that performance appraisal improves organisational performance. The study recommended that policy makers to set achievable objectives as some of the objectives are way too high and not achievable due to limited resources, Policymakers should communicate the importance of undertaking the appraisal. It should be viewed as a tool for growth and improving both the employee and the organisation performance and finally there is a need for the ministry to come up with a uniformity on the rating scale as this will provide clarity on the ratings and purpose of undertaking the design.

Keywords: performance appraisal, MBO, numerical rating, organisational performance, Zambia, public sector

1. INTRODUCTION

Performance appraisal plays a critical role in enhancing organizational performance within public institutions by assessing employee achievements and identifying areas for improvement (Abdullah, 2014). As employees are key drivers of institutional success, performance evaluation enables the establishment of performance standards aligned with strategic objectives (Abbas & Yaqoob, 2009). Factors such as experience, skills, responsibility, and decision-making authority are crucial in defining performance metrics (Porter et al., 1974). Senior management must coordinate efforts to improve productivity and

efficiency (Kiwang et al., 2015), and a well-skilled workforce is central to optimal performance (Bernardin & Wiatrowski, 2013).

Human Resource Management is increasingly viewed as a strategic tool for value creation (Walker, Damanpour, & Devece, 2011), with performance appraisal helping to identify strengths, address weaknesses, and align workforce capabilities with organizational plans (Kuvaas, 2006). Appraisals also influence decisions on training, compensation, and promotions (Cameron, 2001; Thurston, Wells, & McNall, 2010), making them essential for motivating employees and enhancing performance.

When conducted systematically, appraisals contribute to fairness in decision-making regarding promotions, terminations, and rewards (DeNisi & Pritchard, 2006; Simmons & Iles, 2001), and serve as tools for improving supervision, diagnosing performance gaps, and driving employee development. Overall, performance appraisals function as both diagnostic and motivational instruments in achieving organizational goals (Walker, Damanpour, & Devece, 2011; Bernardin & Wiatrowski, 2013).

Organizational performance, defined as the comparison of actual outputs to set goals, includes financial, operational, and stakeholder-related metrics (Walker, Damanpour, & Devece, 2011; Simmons & Iles, 2001). Continuous improvement, driven by leadership, hinges on understanding performance influencers (Watson, 2016; Rock & David, 2015). Although critics argue that performance is affected by complex, unstable variables (Rock & David, 2015; Bersin, 2013), scholars agree that prioritizing employees is key to maximizing performance (Schuler, Farr & Smith, 2013).

Performance appraisals are vital to managing human resources, influencing employee behaviour and enhancing team effectiveness. Setting clear goals allows performance tracking, rewards, and targeted training (Kansal & Singh, 2011). However, despite interventions, the Ministry of Health continues to face challenges such as poor staff attitudes, late reporting, and lack of patient care. These issues persist due to poor adherence to appraisal guidelines and inadequate implementation. This study, therefore, aims to examine the existing performance appraisal system, assess how its design affects performance, and determine the impact of numerical rating tools within the Ministry (Kansal & Singh, 2011).

1.2 General Research Objective

This study's general research objective is to examine the impact of performance appraisal on organisational performance at the Ministry of health Lusaka.

1.2.1 Specific Research Objectives

The following research objectives will guide the study.

- To examine the impact of management by objective on organisation performance at the Ministry of Health
- To determine the influence of performance appraisal design on organisational performance at the Ministry of Health
- To assess the impact of the numerical scale rating influence on organizational performance

Theoretical

This study is anchored in two key motivational theories: Goal Setting Theory and Expectancy Theory, which together provide insight into the relationship between employee performance, appraisal systems, and organizational outcomes.

Goal Setting Theory, introduced by Edwin Locke in the 1960s, suggests that human actions are motivated by specific goals and the prospect of rewards (Locke, 1960). According to the theory, effective goals must

be time-bound, specific, challenging, and linked to feedback mechanisms (Fried & Slowik, 2004). Clear and specific goals guide employees by outlining expectations and are more likely to improve performance compared to vague or easy goals. However, the theory's effectiveness can be limited by poor management practices or the neglect of subconscious motivators (Pennsylvania State University World Campus, 2015). In this study, Goal Setting Theory underpins the concept of Management by Objectives (MBO), reinforcing that performance appraisal systems should include clearly defined, measurable targets to improve motivation and output.

Expectancy Theory, developed by Vroom in 1964, emphasises the mental processes involved in decision-making related to expectations and outcomes. The theory posits that individuals are motivated to act when they expect their efforts will result in desirable outcomes (Vroom, 1964). It introduces three core components: expectancy (belief that effort leads to performance), instrumentality (belief that performance leads to outcomes), and valence (value placed on the outcome). In relation to this study, the theory supports the idea that well-structured performance appraisal systems can influence employee motivation by aligning performance expectations with meaningful rewards. It highlights that employees are rational actors who assess whether their efforts will be recognised and rewarded, reinforcing the importance of transparent, feedback-driven appraisal mechanisms in enhancing performance and achieving strategic objectives.

2. Literature review

2.1 Conceptual Perspectives on Performance Appraisal and Organisational Performance

A literature review provides the foundation for understanding a research topic, helping identify what is already known and the gaps that remain (Grove & Burns, 2007; Polit & Beck, 2008). In this context, performance appraisal is conceptualised as a critical human resource tool for evaluating employee performance, identifying development areas, and aligning individual outputs with organisational goals (Decenzo & Robbins, 1993). It promotes employee engagement, productivity, and decision-making related to promotions and training (Heskett, 2007; Khuong & Tien, 2013). Appraisals must be job-related, collaborative, and embedded within the organisation's structure to yield positive outcomes (Lee & Chen, 2013).

Organisational performance refers to how effectively an entity meets its objectives. It is assessed using various metrics, including financial health, market reach, and internal efficiencies (Walker, Damanpour, & Devece, 2011; Simmons & Iles, 2001). Leadership plays a vital role in maintaining these performance levels through strategic goal-setting and responsive management (Watson, 2016; Rock & David, 2015). However, performance is not a fixed state—factors such as supervision quality, employee capability, and organisational culture influence it, making it necessary to prioritise human capital (Schuler, Farr & Smith, 2013; Bersin, 2013).

Performance appraisal is most effective when integrated into a broader performance management system that focuses on individual and team development (Armstrong, 2006; Walters, 1995). Performance management enables alignment of employee goals with organisational strategy, enhancing communication and motivation (Williams, 2002; Fletcher, 2004). Appraisal systems that incorporate feedback, legal compliance, and shared goal-setting tend to be more successful (Mustapha & Daud, 2015; Rankin & Kleiner, 2015).

Different methods support performance appraisals. Management by Objectives (MBO) allows employees to set measurable goals aligned with organisational aims, encouraging accountability and participation

(Drucker, 2007; Kerzner, 2017). MBO enhances organisational efficiency by linking planning, performance tracking, and feedback (Armstrong & Baron, 1998; Kirchmer, 2017). Numerical scale ratings, on the other hand, provide quantifiable assessments of competencies like communication and teamwork (Fletcher, 2001; Isaacs & Thomson, 2013). This method standardises evaluation, improves consistency, and helps in decisions regarding promotions, rewards, and training (Brutus, 2010; Lunenburg, 2012).

The design of performance appraisal systems is equally critical. When systems are clearly structured using frameworks such as SMART, they help align employee tasks with strategic objectives, improving performance outcomes (Locke & Latham, 2002; Aguinis, 2019). A well-designed appraisal system reinforces fairness, increases intrinsic motivation, and contributes to overall productivity (Kaplan & Norton, 1996; Fletcher, 2010).

3. Empirical Evidence on Performance Appraisal Practices

Studies have shown a consistent link between performance appraisal practices and organisational performance. Research by Hoffmann-Burdzinska & Flak (2016) and Mulolli, Islami, & Skenderi (2015) found that involving employees in goal setting under MBO significantly improves performance. Shaout & Yousif (2014) emphasised the objectivity and motivational value of MBO, while Xhavit, Enis & Naim (2018) found it enhances employee effectiveness. Ofojebe et al. (2014) highlighted MBO's role in improving academic administration in Nigeria, and Mate (2006) identified implementation challenges within Zambia's civil service due to poor follow-up, inadequate funding, and staff shortages.

Kim (2015) highlighted the centrality of fairness in appraisal systems, showing that perceived fairness boosts motivation more than system design alone. In Kenya, Mwangi (2013) observed that regular quarterly appraisals had minimal impact on productivity, while Nyamboga (2016) and Kirai & Kisang (2016) reported that effective systems at National and Equity Banks significantly improved employee motivation and performance. However, Kamfwa (2016) noted inefficiencies in Zambia's civil service despite long-standing appraisal systems, indicating a disconnect between process and outcomes.

Regarding numerical scale ratings, Rizzo et al. (2017) found this method widely used across Italian manufacturing firms to evaluate teamwork and productivity. Singh & Rao (2018) observed similar usage in India's service sector, with benefits in technical performance and customer satisfaction. In Kenya, Odhiambo & Karanja (2020) reported that numerical ratings were adopted by 65% of firms to support promotion, salary reviews, and training identification. These findings underscore the global and regional significance of well-structured appraisal systems in enhancing organisational performance.

4. Methodology Summary

This study adopted a qualitative research approach to explore the impact of performance appraisal on organisational performance. Qualitative inquiry was appropriate for understanding the complex human and institutional experiences related to appraisal systems (Creswell, 2007).

A case study design was used, focusing on the Ministry of Health, to collect in-depth and context-specific data (Kerlinger, 2006; Cooper & Schindler, 2008). The target population consisted of 100 employees, from which a purposive sample of 24 participants was selected based on their roles and relevance to the topic. The sample included directors, senior officers, planners, and health officers. Purposive sampling was employed to ensure data-rich respondents (Kasonde, 2013; Anchola & Bless, 1988).

Data collection instruments included semi-structured interview guides, focus group discussions (FGDs),

and document reviews. Interviews allowed for one-on-one exploration of personal experiences, while FGDs enabled interactive dialogue. Document analysis was used to triangulate findings and verify information (Kombo & Tromp, 2006; Mpundu, 2017).

To ensure data quality, the study emphasized trustworthiness, credibility, dependability, confirmability, and transferability. Strategies such as member checks, audit trails, triangulation, and supervisor reviews were applied (Lincoln & Guba, 1985; Korstjens & Moser, 2018).

Data analysis followed a thematic analysis approach where responses were coded and categorised into themes aligned with research objectives (Kombo & Tromp, 2006). These themes were then interpreted

5. Results and Analysis

This section presents the findings from the field data and provides analysis based on participant responses. The analysis is structured into two main components: Demographic Characteristics and Thematic Analysis. The demographic data provide context to the qualitative insights, helping to situate the interpretation of themes within the characteristics of the respondents.

5.1 Demographic Characteristics

Understanding the demographic profile of the respondents is essential in contextualizing their perspectives on performance appraisal. Three demographic variables were analysed: length of service, gender, and job position.

Figure 1: Length of Service

Years of Service	Percentage
0–5 years	33.3%
6–10 years	29.2%
11–15 years	20.8%
16+ years	16.7%

The data reveals that the Ministry of Health comprises a balanced mix of newly recruited and experienced staff. A significant proportion (33.3%) of the workforce has served for less than five years, indicating the presence of fresh perspectives and energy. Simultaneously, 16.7% have over 16 years of experience, reflecting institutional continuity and deep sectoral knowledge. The blend of junior and senior staff is likely to enrich the performance appraisal discourse, bringing together innovation and historical understanding.

Figure 2: Gender Composition

Gender	Percentage
Male	58.3%
Female	41.7%

The gender distribution highlights a moderate imbalance, with males representing 58.3% of the respondents and females making up 41.7%. While this suggests relative inclusivity, the

underrepresentation of women, especially in senior roles, may influence perceptions and experiences of performance appraisal. Gendered dynamics could affect feedback mechanisms, appraisal fairness, and access to training or promotions, which are critical elements in appraising employee development.

Figure 3: Position of Informants

Position	Percentage
Directors	12.5%
Senior Officers	25.0%
Planners	20.8%
Health Officers	41.7%

A large portion of the respondents (41.7%) are health officers, representing operational-level personnel directly involved in service delivery. The inclusion of directors (12.5%) and senior officers (25%) allows for strategic-level insights into how performance appraisals are designed and interpreted at higher administrative levels. This multi-tiered participation enriches the findings by offering both managerial and implementational perspectives on the appraisal process.

5.2 Thematic Analysis

Thematic analysis was conducted on the qualitative data collected from interviews and focus group discussions. Key themes identified include: Management by Objectives (MBO), Performance Appraisal Design, and Numerical Scale Rating. These themes reflect the central constructs through which performance appraisal impacts organisational performance in the Ministry of Health.

5.3 Management by Objectives (MBO)

The application of MBO was perceived positively by many participants, particularly those who were familiar with structured performance systems. Respondents expressed that when implemented correctly, MBO facilitated accountability and goal clarity within departments.

“MBO assists in ensuring that objectives are set and measured periodically. It structures operations in our departments.” — RO1

The clarity and measurability of objectives allowed employees to align their tasks with departmental goals, which promoted focus and motivation. However, there was also resistance to MBO, with some employees viewing it as bureaucratic and redundant.

“There is reluctance from some employees who see MBO as unnecessary paperwork.” — RO3

This dichotomy suggests that while MBO has the potential to enhance performance, its success depends on employee buy-in and proper implementation. Lack of training or understanding of the system may contribute to the perception of it as burdensome.

5.4 Performance Appraisal Design

The design and structure of the appraisal process emerged as a crucial factor in determining its effectiveness. Respondents noted that while some aspects of the process were aligned with performance indicators, inconsistencies existed in goal-setting, communication, and feedback.

“Lack of transparency in how objectives are assigned creates frustration among staff.” — RO5

“Our departmental heads set broad targets. For lower-level employees, objectives have lopsided alignment...” — RO2

These quotes point to a disconnect between institutional objectives and individual-level expectations. Without clear communication and participatory target-setting, employees may feel excluded or misaligned with the broader goals of the Ministry. Furthermore, failure to follow up on appraisal results limits the system's usefulness in promoting professional development and performance improvement.

5.5 Numerical Scale Rating

The use of numerical ratings in performance appraisals was widely acknowledged as a practical tool for categorising employee performance. Participants appreciated its ability to simplify evaluation and identify both top performers and those needing support.

“It allows us to pinpoint who is struggling and offer support where needed.” — RO4

However, concerns were raised about the lack of standardisation and subjectivity in applying these scales. When ratings are inconsistently interpreted or applied, they risk becoming unreliable indicators of actual performance. The absence of clear rating criteria or behavioural anchors can undermine the objectivity that numerical scales are meant to provide.

6. Discussion of Findings and Interpretation

This section interprets the results presented in the previous chapter by linking the findings to the study objectives, relevant literature, and theoretical framework. It elaborates on how performance appraisal mechanisms, including Management by Objectives (MBO), appraisal design, and numerical scale ratings, influence organisational performance within the Ministry of Health.

6.1 Management by Objectives (MBO) and Organisational Performance

The findings revealed that Management by Objectives (MBO) contributes positively to organisational performance when it is clearly communicated and implemented effectively. Respondents who were exposed to structured MBO systems highlighted improved alignment between individual efforts and departmental goals. This is consistent with Locke's Goal Setting Theory, which posits that specific and challenging goals, when accepted and supported by feedback, enhance employee motivation and performance (Locke & Latham, 2002).

However, the study also uncovered resistance to MBO, often due to poor communication, lack of capacity-building, and misconceptions about its administrative burden. This divergence between theory and practice suggests a gap in managerial communication and training. Where MBO was implemented with participation and feedback, it functioned as intended—providing direction, enhancing motivation, and improving performance. Where it was seen as a formality or unnecessary paperwork, its value was diminished.

The effectiveness of MBO as a performance appraisal method is highly dependent on how well it is contextualised within the organisation's structure. The absence of participatory planning and follow-through creates scepticism and disengagement, limiting its potential to enhance performance. This finding aligns with Armstrong (2006), who emphasised that performance management should not be a compliance task, but a strategic initiative co-owned by all stakeholders.

6.2 Performance Appraisal Design and Employee Engagement

The study also found that appraisal design plays a critical role in influencing staff perceptions and engagement. Respondents highlighted issues such as inconsistent target-setting, lack of feedback, and absence of follow-up, all of which diluted the appraisal process. While some units had partially aligned their appraisal metrics with key performance indicators (KPIs), others adopted broad or unrealistic goals, which led to confusion and disengagement among lower-tier staff.

This result is strongly supported by Kim (2015), who noted that the perceived fairness of an appraisal system plays a bigger role in motivating employees than the system itself. When employees perceive that appraisal processes are transparent, participatory, and fairly implemented, their trust and engagement increase—ultimately boosting performance.

The inconsistencies in appraisal design and implementation highlight the need for a standardised yet flexible framework within the Ministry of Health. Appraisals must be tailored to specific job roles while maintaining uniform principles of fairness, transparency, and accountability. This supports the view by Fletcher (2004) that performance appraisal is not just a technical task but a social and communicative process that fosters trust, dialogue, and employee development.

6.3 Numerical Scale Rating: Usefulness and Limitations

The findings revealed that numerical rating scales were widely accepted by respondents as a method of categorising employee performance. Participants appreciated their simplicity, objectivity, and ability to help identify skill gaps and training needs. However, concerns were raised about the lack of standardised criteria and the risk of subjectivity when evaluators apply different interpretations to similar performance levels.

This aligns with Rizzo et al. (2017), who observed that numerical ratings are most effective when they include behavioural anchors to clarify expectations. In the absence of such structure, numerical ratings can become arbitrary and inconsistent, reducing their validity and potentially demotivating employees. The study by Singh & Rao (2018) also showed that while numerical ratings are efficient, they must be accompanied by regular feedback and clear documentation to be truly impactful. Numerical scale ratings are beneficial as a diagnostic tool when accompanied by standardised descriptors and follow-up mechanisms. Without these, the tool may lose credibility among employees. The findings reinforce the need for capacity-building for supervisors on how to apply rating tools objectively, and for appraisal outcomes to be tied to developmental initiatives.

6.4 Link to Organisational Performance

Collectively, the findings support the premise that effective performance appraisal systems—characterised by clear goals (MBO), structured design, and fair ratings—can significantly enhance organisational performance. When employees understand their targets, receive timely feedback, and perceive the process as fair, they are more likely to engage productively and align their efforts with institutional goals. Conversely, when systems are poorly implemented or perceived as punitive, they can undermine morale and performance.

These results are in line with DeNisi & Griffin (2008), who argue that performance management should be integrated into broader human resource strategies to reinforce continuous improvement. The findings also resonate with Expectancy Theory (Vroom, 1964), which asserts that individuals are motivated to perform well when they believe that their efforts will lead to desirable outcomes. In the Ministry of Health context, appraisal systems that clearly link performance to rewards and development pathways are more likely to drive higher organisational output.

7. Conclusion and Recommendations

7.1 Conclusion

The findings of this study affirm that performance appraisal significantly influences organisational performance within the Ministry of Health. The three focal areas examined—Management by Objectives

(MBO), appraisal design, and numerical scale ratings—each contribute uniquely to improving institutional effectiveness, provided they are properly implemented.

MBO emerged as a strategic tool capable of enhancing clarity, motivation, and goal alignment among employees. However, its success is contingent on proper implementation, staff involvement, and consistent monitoring. Performance appraisal design was revealed to be a critical factor in employee engagement, with transparency, fairness, and feedback identified as central pillars for its success. Numerical scale ratings were found to be practical and widely accepted, yet their impact was undermined by a lack of standardisation and clear behavioural anchors.

7.2 Recommendations

Based on the conclusions drawn, the following recommendations are made to enhance the effectiveness of performance appraisal and, by extension, organisational performance at the Ministry of Health:

1. Strengthen Implementation of Management by Objectives (MBO):

Ensure that all departments engage in participatory goal-setting aligned with institutional priorities. Regular reviews and feedback loops should be institutionalised to reinforce accountability and motivation.

2. Standardise Appraisal Design Across Departments:

Develop a unified appraisal framework that includes clear guidelines, realistic goal-setting, performance indicators, and structured feedback mechanisms. This will promote consistency and fairness in evaluating staff.

3. Enhance Supervisor Capacity on Rating Systems:

Provide training and development for evaluators to improve their understanding and use of numerical scale ratings. Introduce Behaviourally Anchored Rating Scales (BARS) to reduce subjectivity and bias in ratings.

4. Link Appraisal Outcomes to Career Progression and Training:

Ensure that the results of appraisals inform promotion decisions, salary adjustments, and staff development plans. This strengthens the motivational aspect of appraisals and builds a performance-driven culture.

References

1. Abbas, Q. & Yaqoob, S. (2009). Effect of leadership development on employee performance in Pakistan. *Pakistan Economic and Social Review*, 47(2), pp.269-292.
2. Abdullah, A.G.K. (2014). A review of performance appraisal system: An effective tool for development in the workplace. *Journal of Public Administration and Governance*, 4(4), pp.94-105.
3. Aggarwal, A. & Thakur, G.S.M. (2013). Techniques of performance appraisal - a review. *International Journal of Engineering and Advanced Technology*, 2(3), pp.617-621.
4. Anchola, P. & Bless, C. (1988). *Fundamentals of Social Research Methods: An African Perspective*. Juta Academic.
5. Armstrong, M. (2006). *A Handbook of Human Resource Management Practice*. 10th ed. London: Kogan Page.
6. Bernardin, H.J. & Wiatrowski, M. (2013). *Human Resource Management: An Experiential Approach*. 6th ed. Boston: McGraw-Hill.
7. Bersin, J. (2013). *The Rise of the Continuous Performance Management Model*. Deloitte.
8. Brutus, S. (2010). Words versus numbers: A theoretical exploration of giving and receiving narrative comments in performance appraisal. *Human Resource Management Review*, 20(2), pp.144-157.

9. Cameron, K.S. (2001). Organizational effectiveness: Its demise and re-emergence through positive organizational scholarship. In: Cummings, T.G. (Ed.), *Handbook of Organizational Development*. Thousand Oaks, CA: Sage.
10. Fletcher, C. (2001). Performance appraisal and management: The developing research agenda. *Journal of Occupational and Organizational Psychology*, 74(4), pp.473-487.
Fletcher, C. (2004). *Appraisal and feedback: Making performance review work*. London: CIPD.
11. Fletcher, C. & Williams, R. (1996). Performance management, job satisfaction and organizational commitment. *British Journal of Management*, 7(2), pp.169–179.
12. Fried, Y. & Slowik, L.H. (2004). Enriching goal-setting theory with time: An integrated approach. *Academy of Management Review*, 29(3), pp.404–422.
13. Hoffmann-Burdzinska, K. & Flak, O. (2016). Management by objectives in public administration: A case study. *Polish Journal of Management Studies*, 14(1), pp.84–93.
14. Kamfwa, C. (2016). *Assessment of the Annual Performance Appraisal System in Selected Ministries of the Zambian Civil Service*. Lusaka: University of Zambia.