# AN ASSESSMENT OF THE EFFECTIVENESS OF EMPLOYEE PERFORMANCE APPRAISAL SYSTEM

## AT ETHIOPIAN ELECTRIC POWER CORPORATION

BY

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ID. NO. SGS/0058/2005

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

JUNE, 2014

**ADDIS ABABA, ETHIOPIA**

# ST. MARY'S UNIVERSITY

# SCHOOL OF GRADUATE STUDIES

# SCHOOL OF BUSINESS

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## Acknowledgments

# Abstract

*Ethiopian Electric power Corporation has introduced a new employee performance appraisal system in 2009, following its restructure. Therefore, the major objective of this study is to investigate the effectiveness of the current employee performance appraisal system and this research has a descriptive nature which describes the existing phenomenon as it exists. As result, the researcher has tested the effectiveness by selecting six major effectiveness variables and other related concepts. A total of 342 questionnaires were distributed to employees of the corporation selected based on stratified random sampling technique of which 259(76%) questionnaires were properly filled and returned. Consequently, the finding indicates that the company's performance appraisal system is ill formulated and also based on the selected effectiveness variables; it is observed that the performance appraisal system is less effective across all the selected work processes. Therefore, based on the findings the researcher has recommended that the company should revisit its employee performance appraisal system and take corrective actions. For instance, alignment of the appraisal system with company's objective, reward policy and development objectives should be maintained. Moreover, the company should also work a lot on the identified effectiveness variables (objective setting, training, communication, measurement system, frequency of the appraisal, and transparency and confidentiality of the system) to enhance effectiveness of the current performance appraisal system. Likewise, the company should give emphasis for employees' participation in appraisal related matters.*

**Key word;** *Performance Appraisal, Effectiveness*

## Acronyms

| | | |
|---|---|---|
| AA | : | Addis Ababa |
| E.C | : | Ethiopian Calendar |
| EAAR | : | East Addis Ababa Region |
| EEPCo: | | Ethiopian Electric Power Corporation |
| HO | : | Head Office |
| HR | : | Human Resource |
| HRM | : | Human Resource Management |
| MW | : | Mega Watt |
| PA | : | Performance Appraisal |
| PAS | : | Performance Appraisal System |
| SPSS | : | Statistical Package for Social Sciences |
| UEAP | : | Universal Electric Access Program |
| WAAR | : | West Addis Ababa Region |

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# CHAPTER ONE

## INTRODUCTION

This introductory chapter addresses the introductory part of the research. It basically includes the background of the study, a statement of the problem, objectives of the study, the significance of the study, scope and limitation of the study and organization of the paper.

## 1.1. Background of the Study

The history of performance appraisal can be traced back to thousands of years. However, a formal employee appraisal techniques have been used for the first time during the First World War, when Walter Dill Scot, the U.S army adopted the man-to-man rating system for evaluating military personnel (Dixit, 2007).

For centuries, organizations survived quite well without formal performance appraisal systems, which begs the question "Why do formal performance appraisals systems exist?" As organizations evolve toward large organizations with professional management, a more formal performance appraisal system serves as an asset in administrative decision making. Regardless of the system in place, decisions must be made regarding who receives raises and promotions and who is terminated. These decisions are aided by a process that monitors and evaluates an employee's progress and allows for intra-organizational comparisons of individual performance. Thus, the answer is that formal systems simply have replaced informal ones. These formal performance appraisal systems are not perfect and they continue to rely primarily upon human information processing and judgment – imperfect processes, at best.

According to Murphy and Cleveland (1995) there are many advantages to using a formal system if performance appraisals are designed and used properly. It facilitates organizational decisions such as reward allocation, promotions/demotions, layoffs/recalls, and transfers. It may also assist managers in developing employees. It serves to assist individual employee's decisions regarding career choices and the subsequent direction of individual time and effort. Additionally,

performance appraisals may increase employee commitment and satisfaction, due to improvements in organizational communication.

A properly administered performance appraisal system may be an asset to an organization. However, if the tools and goals of the performance appraisal process are incongruent with organizational goals, the resulting performance appraisal system may, in fact, be a detriment to effective organizational functioning Barrett (cited in S. Wiese and R. Buckley, 1998).

Therefore, having the performance appraisal system by itself doesn't ensure that it serves its intended purpose. Rather, there are critical factors which determine the effectiveness of the performance appraisal system as whole. For instance, clear and aligned organizational and employee objectives, training for employees on the system, well-designed communication channel, effective measurement system, continuous assessment, and transparency and confidentiality of the system. In other words, every organization has to continually assess its system in the eyes of these determinant factors (variables) so that it will be easy to identify the gaps and come up with necessary corrective actions.

## 1.2.  Background of the Organization

Ethiopian Electric Power Corporation as public enterprise was established for an indefinite duration by regulation No. 18/1997, and conferred with the powers and duties of the previous Ethiopian Electric Light and Power Authority. In 2009 based on the BPR reform program new organizational structure has been redesigned which was believed to help effectively accomplish the corporation's goals. Under BPR study it has been identified that EEPCo has10 processes that starts from generation construction and ends up to delivering on service at customers' door. This process was further divided into manageable sub-processes.

Currently, the annual electricity production capacity of the corporation is about 2178 MW and the number of customers is about 2.26 million. Although the corporation has been increasing the number of customers by more than 20% annually, but this does not mean that the corporation has met the demand for electric power. Hence, the corporation is required to think and work strategically to meet the power supply need of the socioeconomic development of the country.

Following the implementation of BPR reform in 2009 Performance Management Section was formed under HR department, which manage the performance appraisal function of the company, a new performance appraisal system was introduced which is intended to direct employees' effort towards an achievement of the set company objectives. According to the company's performance appraisal policy, the following are some of the objective of the system:

- To develop a common understanding of the performance requirements between employee and team leader
- To facilitate appraisal and discussion of work performance between employee and/or team leader
- Highlights performance achievements which merit particular reward and/or recognition
- To stimulate performance improvement.
- To acknowledge good performance against the established standard, and motivate employees to maintain or improve performance.

To meet the above listed objectives, these are some of the activities set by the company as a prerequisite:

- Performance requirements that are directly related to performance effectively and efficiently shall be established and clearly communicated to all staff.
- The Corporation shall set Individual & Group Performance standard against which to measure Performance of individual and groups.
- The Corporation shall measure performance two wise a year
- The Performance appraisal shall be based on job content and objective performance criteria.
- Employee work performance shall be discussed between employee and team leader on an ongoing basis and appropriate corrective action shall be taken regularly.
- Salary increment, Bonus and incentives shall be given as per performance achieved against an established standard.

## 1.3.   Statement of the Problem

Organizations use employee performance appraisal program for a number of objectives including performance assessment and improvement, providing a basis for individual career development, identifying training needs, and assessing suitability of different HRM functions for employee performance increment. Moreover, effective employee performance appraisal serves many purposes, including helping employees identify their strengths and weaknesses, develop communication between employees and managers on common goals, employees become an active participant in the evaluation process, increase employee engagement and organizational commitment, training needs are identified and employees feel that they are taken critically as individuals and managers are truly concerned about their needs and goals.

Despite the importance of a performance evaluation system, extensive studies in this field have identified significant shortcomings in its applications that include different types of biases stemming from  rating errors, sources of performance information and individual differences (Chattopadhayay and Ghosh, 2012). Moreover, performance appraisal systems fail to serve their purpose in an effective manner because of various reasons. Some of these are, less job relatedness, lack of support from the top management, lake of reliability and validity, untrained appraisers, absence of clear performance standards, lack of ongoing performance feedback and open communication, using performance appraisal for conflicting purpose (administrative and developmental), and lack of periodic review of the system (Dixit, 2007).

In EEPCo employee performance appraisal is conducted in mid-year and at the end of the year. The employee performance appraisal results in the corporation are aimed to be used for different human resource management purposes. The management was aimed to use performance appraisal data to make decisions on the issues of employee career development and other strategies to improve performance of the organization. However the EEPCo management often faces challenge in making human resource management decisions based on the employee performance appraisal data. This is because employees of EEPCo do not seem to be comfortable with the current appraisal system. Mostly the problem is occurred when there is a need of salary increment and bonus for the management and non management member based on the appraisal result. They complain that the performance appraisal system has a gap; they also reveal that in some case the criteria set for performance appraisal are incomplete and unfair. So, the main

complaints arise from employees in the usual system of the performance appraisal system. This may lead the workers to be inefficient and ineffective in various aspects.

This indicates that there is a problem with the effectiveness of the performance appraisal system of the company. Hosting about 13,305 employees, the corporation is being challenged in maintaining effective employee performance appraisal system that indicates the actual performance result for each individual. Even though the problems of the employee performance evaluation in the corporation are indicated in informal reports there is no systematic study that assessed the effectiveness of an employee performance appraisal system. Therefore, this research is designed to assess issues related to the effectiveness of performance appraisal system in EEPCo.

## 1.4.    Research Questions

Having the above problem in mind, this study was designed to assess issue related to performance appraisal system in EEPCo, Accordingly, the study tries to answer the following basic questions:

- ➢ How the current performance appraisal practice is formulated?
- ➢ To what extent does the performance appraisal practice is effective?
- ➢ What are the challenges and problems which hinder effectiveness of the performance appraisal system?
- ➢ What is the perception of supervisors and employees towards the current performance appraisal practice?

## 1.5.    Objectives of the Study

This study has general and specific objectives as discussed bellow:-

### 1.5.1. General Objective

The general objective of this study is to assess the effectiveness of the employee performance appraisal system of EEPCo.

### 1.5.2. Specific Objectives

The specific objectives of the study include the following:

- ✓ To explore whether the current employee performance appraisal system is formulated in a way which fulfills requirements of an effective performance appraisal system or not.
- ✓ To examine the extent of effectiveness of the employee performance appraisal system, taking into consideration selected effectiveness variables.
- ✓ To assess and identify the challenges and problems which hamper effectiveness of the performance appraisal practice.
- ✓ To investigate how employees perceive about the company's performance appraisal system.

### 1.6. Definition of Key Terms

In order to avoid the difficulty in understanding the study, important terms associated with the research are briefly defined as follows

**Ethiopian Electric Power Corporation (EEPCo)**

An organization, which has given the authority to generate, transmit, distribute and sell electricity in Ethiopia.

**Effectiveness**:

Means the extent to which the organization's current performance system meets the criteria for an effective performance appraisal system (Pearsall, 1999)

**Performance Appraisal**

Performance appraisal is a continuous process by which an organization appraises job performance. (Werther and Davis, 1993)

**Performance Appraisal System**

The performance appraisal system refers to the system whereby the supervisor is expected to compare employees on the basis of specific characteristics or work capacities (Pearsall, 19991).

**Performance management**

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. (Armstrong, 2009)

**Subjectivity**

Pearsall (1999) defines subjectivity as based on or being influenced by personal feelings, tastes or opinion.

**Supervisor**

According to EEPCo's HR manual a supervisor is any officer who exercises control over one or more officers/employees on the various levels in the hierarchy of the organization being researched but he is not a management member.

## 1.7. Scope of the Study

The geographic coverage of the study was limited to Addis Ababa. The study was carried out in Generation Construction, Distribution System, UEAP, West Addis Ababa Region (WAAR), East Addis Ababa Region (EAAR) and Head Office. To ensure a fair representation of the population, both full time employees working in managerial and non-managerial positions were the focus of the study.

## 1.8. Limitation of the Study

Some factors were found as the limitations of the study. Some of the employees were not volunteer to fill the questionnaire because they are busy of their daily routine. And also, some respondents were not punctual in returning the questionnaire; The research also faces limitation regarding the finding of reliable data about the topic in the organization since the company is in transition to complete the management contracts with the Indian Power Grid Company to split the corporation into two (Ethiopian Electric Power and Ethiopian Electric Utility).

## 1.9. Significance of the Study

The Study is intended that the findings can help the organization to assess and evaluate the level of effectiveness of the current performance appraisal system and to gain knowledge about the challenges which are affecting its effectiveness. These findings will be used for correction of the current performance appraisal system in a way that enables to achieve the objectives of the organization. Furthermore, the research may add at least minimum contribution to the existing

literature on performance appraisal system and will invite other researchers to further conduct research regarding the topic.

## 1.9. Organization of the Paper

The study is organized into five chapters. Accordingly, the first chapter deals with the introduction part of the study; the second chapter focuses on the details of related literature of the study; the third chapter discusses the details of the methodology of the study; the fourth chapter focuses on data presentation and analysis. Finally, chapter five presents the summary of the findings, conclusions and recommendations.

# CHAPTER TWO

## REVIEW OF RELATED LITERATURE

In this chapter, relevant literatures related to the study topic are reviewed. This involves bringing up the theories and conceptual reviews that are used in the study.

### 2.1. Overview of the Performance Appraisal

The history of performance appraisal is quite brief:  Its roots in early $20^{th}$ century can be traced to Taylor's pioneering time and motion study.  As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the second world war-not more than 60 years ago. Performance appraisal is the key ingredient of performance management (Dixit, 2007). In a workgroup, members, consciously or unconsciously, make opinion about others. The opinion may be about their quality, behavior, way of working, etc. Such an opinion becomes basis for interpersonal interaction.  In the same way, superiors form some opinions about their subordinates for determining many things like salary increase, promotion, transfer, etc. In large organizations this is formalized and takes the form of performance appraisal.

An organization's performance appraisal system is an important, but often neglected, tool for managing the effectiveness and efficiency of employees in the workplace Armstrong & Baron (1998), and there is widespread contention that it is those employees that create competitive advantage. As Drucker (1994) puts it, employees are our most valuable assets, and they can determine the success and survival of an organization. Despite this, many organizations and managers fall to give appraisal the attention and support it deserves (Aminuddin, 2001; Armstrong, 1980).

### 2.2. Definitions and Concepts of Performance Appraisal

Before defining performance appraisal one has to know what Performance management is, therefore according to Armstrong (2009), Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams.

It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Performance management is concerned with: aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies. Armstrong (2009)

As indicated on various literatures, performance appraisal has been expresses and defined in various terms by different scholars in different time. Some of them are presented below. Aswathappa (2002), defined performance appraisal as a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. Ivancevich (2004) defined performance appraisal as an activity used to determine the extent to which an employee performs work effectively.

As cited by S. Govender, (2006), performance appraisal is the ongoing process of evaluating and managing both the behavior and outcomes of employees in the workplace (Carrell et al. 1998: 258). Simply stated, it is the process whereby a supervisor judges and evaluates the work performance of a subordinate. Performance appraisal has also been defined as a "process by which organizations establish measures and evaluate individual employee behavior and accomplishments for a finite period of time" (Zairi, 1994: 93).

According to Dale Yolder (cited by Dixit, 2007), "performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees. Moreover, according to T.R. Manoharan, et al. (2012),performance appraisal is the process used to determine how an employee is performing in their job, and communicates the information back to the employee.

According to Lansbury 1988 (quoted by S. Govender, 2006), performance appraisal is the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals are more effectively achieved, while at the same time benefiting employees in terms of receiving feedback, recognition, catering for work and offering career guidance. Appraisals regularly record an assessment of an employee's performance, potential and development needs. The appraisal is an opportunity to take an overall view of work content, loads and volume, to look back at what has been achieved during the reporting period and agree objectives for the next (M. Armstrong, 2009).

As stated by Dixit, (2007), appraisal is the evaluation of worth, quality or merit. In the organization context, performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. Performance appraisal is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose of in this merit rating is to ascertain an employee's eligibility for promotion. However, performance appraisal is more comprehensive term for such activities because its use extends beyond ascertaining eligibility for promotion. Such activities may be training and development, salary increase, transfer, discharge, etc. besides promotion.

Braton and Gold 1999: 214 (cited by S. Govender, 2006), state that performance appraisal acts as an information processing system providing vital data for rational, objective and efficient decision making regarding improving performance, identifying training needs, managing careers and setting rewards for achievements.

Performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he/she is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally Varsha Dixit, (2007).

Performance appraisal systems must not only accurately measure how well an employee is performing a job, but they must also contain mechanisms for reinforcing strengths, identifying deficiencies and feeding such information back to employees so that they can improve future performance. Therefore, to make these effective organizations should develop a system that serve as a tool to performance appraisal process.

## 2.3. Objectives of Performance Appraisal

Performance appraisal is undertaken for a variety of reasons however, the main reason is to enable employees to use their effort and ability so that organizations achieve their goals and consequently their own goals. According to Dixit, (2007), review of organizational practices shows that organizations undertake performance appraisal exercises to meet certain objectives which are in the form of salary increase, promotion, identifying training needs, providing feedback to employees and putting pressure on employees for better performance.

There are potentially many reasons for undertaking performance appraisal (J.Edmonstone, 1996). It includes:

➢ Improvement in the communication between boss and subordinate through the use of feedback between them;

➢ Identification of the scope for performance improvement and the means to achieve this;

➢ Identification of individual training and development needs;

➢ Identification of the potential of individuals for future promotion, secondment, etc., or for retention or termination – all for succession planning purposes;

➢ As the basis for remuneration and reward, on the basis of performance;

➢ As a powerful means of managerial control, through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these.

The overall purpose of PA is to provide information about work performance. According to Gomez-Mejia, Balkin and Cardy 2001: 226 (cited by S. Govender, 2006), this information can serve a variety of purposes, which generally can be categorized under two main headings, administrative purposes and developmental purposes.

According to Swanepoel (2003: 373) administrative purposes concern the user of performance data as basis for personnel decision making, including:

✓ Human resource planning - for example, compiling skills inventory

✓ Reward Decisions - for example, salary and wage increases or bonuses

✓ Placement Decisions - for example, promotions, transfers, dismissals and retrenchments

✓ Personnel Research - for example, validating selection procedures by using appraisal

criteria or evaluating the effectiveness of training programs.

Developmental purposes of performance appraisal can serve individual development purposes by:

- ✓ Providing employees with feedback on strengths and weaknesses

- ✓ Aiding career planning and development and

- ✓ Providing inputs for personal remedial interventions, for example, referral of an Employee Assistance Program.

These roles of performance appraisal are quite important. However, as stated by J. Edmonstone, (1996), these roles can be performed only when there is systematic performance appraisal and various relevant decisions are made objectively in the light of result of performance appraisal. To be systematic and objective in performance appraisal managers require an understanding of various intricacies involved in performance appraisal like methods of performance appraisal, problems in performance appraisal and how these problems can be overcome. Thus, appraisal can work automatically as control device.

## 2.4. The Performance Appraisal Process

The basic purpose of performance appraisal is to make sure that employees are performing their jobs effectively. In order to realize the purpose of performance appraisal organizations should carefully plan appraisal systems and follow a sequence of steps. According to Obisi C. (2011) the following are the major steps to be followed by the appraisal process.

**Figure 2.1 Steps in Performance Appraisal**

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┌─────────────────────────────────────────┐
│  Establish Performance Standard          │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│  Communicate Standards to Employees      │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│  Measure Actual Performance              │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│  Compare Performance with Standard       │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│  Discuss Appraisal with Employees        │
└─────────────────────────────────────────┘
                    ↓
┌─────────────────────────────────────────┐
│  If necessary, Initiate Corrective Action│
└─────────────────────────────────────────┘
```
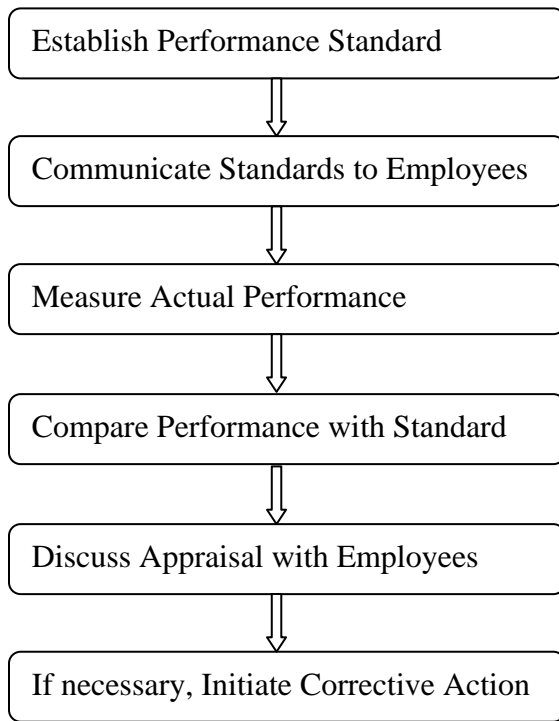
Source: The process of performance appraisal adopted from Obisil C.(2011)

The above performance appraisal process is briefly described as follows:

**1. Establishing Performance Standards**

The first step in appraising performance is to identify performance standard. A standard is a value or specific criterion against which actual performance can be compared (Baird, et.al, 1990). Employee job performance standards are established based on the job description. Employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employees' performance is measured.

**2. Communicating Standards to Employees**

For the appraisal system to attain its purposes, the employees must understand the criteria against which their performance is measured. As Werther and Davis (1996), stated to hold employees accountable, a written record of the standards should exist and employees should be advised of those standards before the evaluation occurs. Providing the opportunity for employees to clearly

understand the performance standards will enhance their motivation and commitment towards their jobs.

## 3. Measuring Performance

Once employees have been hired their continued performance and progress should be monitored in a systematic way. This is the responsibility of the immediate boss to observe the work performance of subordinates and evaluate it against the already established job performance standards and requirement. The aim of performance measure is to detect departure from expected performance level.

## 4. Comparing Performance with Standard

After evaluating and measuring employee's job performance it is necessary to compare it with the set standard to know whether there is deviation or not. When one compare performance with the standard either performance match standards or performance does not match standards.

## 5. Discussing Appraisal with Employees

For the appraisal system to be effective, the employees must actively participate in the design and development of performance standards. The participation will enhance employee motivation, commitments towards their jobs, and support of the evaluation feedback. In other words, employees must understand it, must feel it is fair, and must be work oriented enough to care about the results (Glueck, 1978). After the evaluation, the rater must describe work-related progress in a manner that is mutually understandable. According to Baird et.al. (1990), feedback is the foundation upon which learning and job improvement are based in an organization. The rater must provide appraisal feedback on the results that the employee achieved that meet or exceed performance expectations. As Glueck (1978) noted, reaction to positive and negative feedback varied depending on a series of variables such as:

- ➢ the importance of the task and the motivation to perform it
- ➢ how highly the employee rates the evaluator
- ➢ the extent to which the employee has a positive self-image, and
- ➢ the expectancies the employee had prior to the evaluation; for example, did the employee expect a good evaluation or a bad one?

In sum, it is important that employees should be fully aware that the ultimate purpose of performance appraisal system is to improve employee performance, so as to enhance both organizational goal achievement and the employee's satisfaction.

**6. Initiating Corrective Action**

The last step of the performance appraisal is taking corrective action. The management has several alternatives after appraising performance and identifying causes of deviation from job-related standards. The alternatives are 1) take no action, 2) correct the deviation, or 3) review the standard. If problems identified are insignificant, it may be wise for the management to do nothing. On the other hand, if there are significant problems, the management must analyze and identify the reasons why standards were not met. This would help to determine what corrective action should be taken. For example, the cause for weak performance can range from the employee job misplacement to poor pay. If the cause is poor pay, corrective action would mean compensation policy reviews. If the cause is employee job misplacement, corrective action would mean assign employee to a job related to his/her work experience and qualification. Finally, it is also important to revise the performance standard. For example, the major duties stated in the job description and the qualification required to do the job may not match. In this case corrective action would mean to conduct job analysis to effectively determine the job description and job specification. Hence, the evaluator would have a proper guide i.e., performance standards that make explicit the quality and/or quantity of performance expected in basic tasks indicated in the job description (Chatterjee, 1995).

## 2.5. Importance of Performance Appraisal

It has been recognized that performance appraisal plays an important role in organizations. Performance appraisal is an indispensable tool for organizations (Dixit, 2007). The importance of performance appraisal is that it enables the management to make effective decisions and/or correct or modify their earlier decisions relating to the following issues of human resource management.

✓ Organizational planning based on potentialities of its human resource.

✓ Human resources planning based on weakness, strengths and potentialities of human resource.

✓ Organizational effectiveness through performance improvement.

✓ Fixation and revision of salary, allowance, incentives and benefits.

✓ Original placement or placement adjustment decisions.

✓ Identifying training and development needs and to evaluate effectiveness of training and development programs.

✓ Career planning and development and movement of employees.

✓ Helps to maintain an inventory of the number and quality of all managers.

✓ To maintain individual and group development by communicating the performance to them.

✓ A regular appraisal constrains a superior to be alert and remain competent in his work.

I.e. it improves the quality of supervision by giving him an incentive to do things that he should be doing normally.

✓ It makes for better employer-employee relations through mutual confidence, which comes as a result of frank discussions between the superior and the subordinate.

According to Dixit, 2007, performance appraisals are also essential for career and succession planning. Performance appraisals are important for staff motivation, attitude, and behavior development, communicating organizational aims, and fostering positive relationships between management and staff. Performance appraisals provide a formal, recorded, regular review of an individual's performance, and a plan for future development. Annual performance appraisals enable management and monitoring of standards, agreeing expectations and objectives, delegation of responsibilities and tasks. In short, performance and job appraisals are vital for managing the performance of people and organizations.

## 2.6. Feature of Performance Appraisal

Performance appraisal is the systematic description of an employee's job-relevant strengths and weaknesses (Dixit, 2007). It has the following features:

❖ The basic purpose is to find out how well the employee is performing the job and establish a plan of improvement.

❖ Appraisal process is always systematic in the sense that it tries to evaluate performance in the same manner using the same approach.

❖ Performance appraisal is a continuous process in every large scale organization.

❖ Appraisal are arranged periodically according to a definite plan

❖ An important objective of the performance appraisal is the growth and development of the employee. Good planning, analysis and review discussions should lead to development.

## 2.7. Formulation of Performance Appraisal System

According to Deborah and Brian (1997), since performance appraisal systems are not generic or easily passed from one company to another, their design and administration must be tailor-made to match employees and organizational characteristics and qualities. The authors support that organizations need to have a systematic framework to ensure that performance appraisal is "fair" and "consistent", and that the system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria (Deborah and Brian, 1997). Therefore, during its formulation the following issues should be considered:

### 2.7.1. Strategic Alignment of the Performance Appraisal System

Fletcher 2001 (cited by Anastasios Palaiologos, et al, 2011), posits that the performance appraisal has a strategic approach and integrates organizational policies and human resource activities. Literature reveals that performance appraisal attains its fullest potential when it is aligned with organizational objectives. Performance appraisal is strategic: when it is linked to the organization and when individual goals are linked with organizational goals (Noeefa, 1997).

According to Bolander *et al.* 2001: 331(cited by S. Govender, 2006), strategic relevance refers to the extent to which standards relate to strategic objectives of the organization. The strategic approach is gaining popularity as organizations see performance appraisal as an important means to achieve organizational objectives. Noe, Hollenbeck, Gerhart and Wright, (1997: 198) and De Cenzo *et al,* (1996: 322) agreed that a performance appraisal system should link employee activities with the organization's goals. This calls for flexibility in the system, in order for it to be adjusted to the changing goals and strategies of an organization.

### 2.7.2. Employees' Participation

Literature reveals that it is better to design a system encompassing all the needs of the organization than to adopt an off the shelf or cheaper system. According to Carrell *et al.* (1998:293) when creating or modifying performance appraisal systems, employee involvement should become the standard approach.

According to Stephanie C. Payne et al, (2009), ideally, performance appraisal is a partnership between an employee and his/her supervisor. Accordingly, one of the most widely researched performance appraisal characteristics is employee participation (Cawley et al., 1998). There are a variety of ways to include the employee in the evaluation process. This can range from informal prompts during the interview in which the employee can contribute to the dialog about his/her performance to a more formal completion of a self-evaluation form. Research supports the importance of employees feeling that they have a role in the evaluation of their own performance (Greller, 1978). Perceptions of participation are particularly important in organizations that make self-evaluations an option or requirement (Gary, 2003). Employees who report greater participation in the performance appraisal process also react more positively to the process (Korsgaard and Roberson, 1995), report more motivation toward improvement, and demonstrate more actual improvement (Dickinson, 1993).

### 2.7.3. Developmental Nature of the Appraisal System

According to M. Armstrong, (2009), learning is inseparable from activity, and like performance management it is a continuous process. Every task carried out by someone presents a learning opportunity and it is the duty of managers to help people become aware of this and to support the day-to-day learning that takes place. They should enable people to understand how they should tackle a new task and what additional knowledge or skills they will need. Guidance can be provided by asking questions on what individuals need to know and be able to do to undertake a task, leaving them as far as possible to think for themselves but helping them when necessary. Feedback throughout the year rather than during an annual performance review is also an important means of helping people to learn. They can be asked to analyze their performance and, where it can be improved, come up with ideas about any additional coaching, training or experience they need.

**2.7.4. The Relationship between Good Performance and Recognition/Reward**

According to M. Armstrong, (2009), performance management is, or should be, about developing people and rewarding them in the broadest sense. These rewards can be financial or take the form of recognition through feedback, opportunities to achieve, the scope to develop skills, and guidance on career paths. All these are non-financial rewards that can make a longer lasting and more powerful impact than financial rewards.

## 2.8. Effectiveness of a Performance Appraisal System

Developing an appraisal system that accurately reflects employee performance is a difficult task. Performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employee and organizational characteristics and qualities Henderson (cited by F. Boice and H. Kleiner, 1997). They also identified the following major factors which determine effectiveness of performance appraisal systems:

### i. Organizational and Employee Objectives

One of the first steps in developing an effective performance evaluation system is to determine the organization's objectives. These are then translated into departmental and then individual position objectives working with employees to agree their personal performance targets. This allows the employee to know "up front" the standards by which his/her performance will be evaluated. This process involves clarifying the job role, job description and responsibilities, explaining how the role and responsibilities contribute to wider goals, why individual and team performance is important and just what is expected within the current planning period. Objectives developed in this way should be reflective of the organizational goals and provide linkages between employee and organizational performance.

Rogers 1999 (cited by J. Mooney, 2009) highlights that setting objectives and targets remain the core activity of performance appraisal, but in practice is poorly conducted, with little regard for ensuring that organization and individual objectives are aligned as closely as possible.

### ii. Training for Supervisors and Employees

A major aspect of developing an effective performance system is training for those individuals involved as raters. This training should start with a focus on providing the manager with a systematic approach to the practice of effective people management (Goff and Longenecker, 1990). Thus training should begin those levels of management that will be involved in administering the programme and providing training for lower levels of supervision. Once these senior managers have "bought into" the system, skill training is needed for junior managers and supervisors. Once an individual rater has been through the necessary training, periodic refresher courses will be required to help the rater maintain necessary skills in performance assessment. Raters involved in the appraisal process should also be evaluated on how they conduct performance appraisals. This will help to make sure that evaluations are performed in a similar and consistent manner throughout the organization.

Since we are asking employees to contribute to the process (by being involved in the setting of personal objectives and obviously in the review process), some training is required for all employees. This training should include how to set objectives, how to keep accurate records, and how to communicate all aspects of performance.

### iii. Frequency of Appraisal

Employee reviews should be performed on a frequent and ongoing basis. The actual time period may vary in different organizations and with different aims but a typical frequency would be bi-monthly or quarterly. By conducting reviews frequently two situations are eliminated:

1.  Selective memory by the supervisor or the employee; and

2.   Surprises at an annual review.

As cited by J. Mooney, (2009), Sahl (1990) suggests that frequent reviews are required to ensure progress is being made on developmental objectives.

### iv. Maintain Records of Employee's Performance

Another key to ensuring the effective use of a performance appraisal scheme is keeping and maintaining accurate records of employee's performance. Carefully maintained, they establish patterns in an employee's behavior that may be difficult to spot by typical incident by incident

supervision (Crane, 1991). Careful review of the records helps avoid the selective memory mentioned earlier and helps plot appropriate actions. Of course, well maintained records are essential if the need arises to discipline, demote or dismiss an employee.

### v. Conduct the Performance Appraisal by Using a Multi Rater System

In many systems, the front-line supervisor is responsible for conducting the performance review. However, a multiple rater system should be considered. Multiple rater systems provide a form of "triangulation' that results in ratings in which employees and managers have greater confidence. It may also be necessary to restrict the number of employees rated by any one individual especially in today's new, flatter organization in which spans of supervision may be 60 people or more.

### vi. Carefully Designed Measurement System

According to Dixit, (2007), a criterion is the standard of performance the manager desires of his subordinates and against which he competes their actual performance. Criteria are hard to define in measurable or objective term. Ambiguity, vagueness and generality of criteria are difficult hurdles for any process to overcome. The actual measurement or grading system used to rate employee's performance needs to be designed carefully. A performance appraisal system which ranks employees according to a numerical rating tends to lead to a great deal of average performers.

In developing a rating system, a clear definition of each level of performance must be provided and disseminated to all employees. Employees and all supervisors must clearly believe that a rating higher than average is achievable and attainable. Of course, they should also clearly believe that ratings lower than averages are achievable and will be given if appropriate. This again will help the employees to clearly understand that the measurement system is accurately reflecting the true level of performance for every employee. Armstrong and Baron 1998 (cited by J. Mooney, 2009), describe how many organizations now use SMART criteria (specific, measurable, agreed, realistic and time related) for performance measurement.

Whether performance is evaluated according to goal achievement, or value added, a common problem are inconsistencies of standards between raters. The main problem lies in the way that different people define standards. 'Good', 'average' and 'fair' do not mean the same thing to everyone (Dessler, 1997).

According to Carrell et al. (1998) maintains that the methods chosen and the instruments (or forms) used to implement these methods, are crucial in determining whether the organization manages its performance successfully. In addition, Carrell et al. (1998) state that the dimensions listed on the performance appraisal form often determine which behaviors employees' attempt and raters seek and which are neglected. Performance appraisal methods and instruments should signal the operational goals and objectives to the employees, groups and the organization at large. McDonaugh (1995) agrees that the design of the appraisal form will depend on the nature of the organization and the employees to be appraised. Literature reveals that an incorrect implementation of the instruments or methods will result in an ineffective performance appraisal system.

## vii. Transparency and Confidentiality

Completed PA forms are highly personal and confidential documents only accessible to selected parties. According to Stephanie C. Payne et al, (2009), Traditional PA forms are typically stored by the organization in the employees' personnel file, whereas online PA systems store evaluations on the organization's server or on a third party's server. Ideally, computer storage is more secure, because it is protected by firewalls and passwords.

According to (V. Dixit, 2007) a sound appraisal system should comply with the following:

**Reliability and Validity**

The system should be both valid and reliable. The validity of the rating is a degree to which they are truly indicative of the intrinsic merit of employees. The reliability of ratings is the consistency with which the ratings are made, either by different raters, or by one rater at different time.

**Job Relatedness**

The evaluation should focus attention on job related behaviors and performance of employees. In order to focus attention on behavior under the employee's control, raters must become familiar with the observed behavior. It is also necessary to prepare checklist so as to obtain and review to performance related information. Ratings should be tied up with actual performance of units under the rate's control.

**Standardization**

Well-defined performance factors and criteria should be developed. Appraisal forms, procedures, administration of techniques, ratings etc., should be standardized as appraisal decision affect all employee of the group. It will help to ensure uniformity and comparison of ratings. They should also be easy to administer and economical to use.

**Practical Validity**

The technique should be practical viable to administer, possible to implement and economical to undertake continuously. It must have the support of all line people, think it is too theoretical, too ambitious, too unrealistic or those ivory tower staff consultants who have no comprehension of the demand on time of the line operators have foisted it on them, and they will resent it.

**Training**

The evaluators or appraisers should be provided adequate training in evaluating training and in evaluating the performance of employees without any bios. Evaluators should also be given in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting appraisal interviews rating errors etc.

As cited by J. Mooney, (2009), an important element of developing an effective performance system is training for those individuals involved as raters (Boice and Kleiner 1997). Evans (1991) suggests that training should incorporate coaching and counseling, conflict resolution, setting performance standards, linking the system to pay (if applicable) and providing employee feedback. Williams (2002) also recommends training being incorporated into any system to ensure it is used consistently and effectively.

Bretz, Milkovich and Read (1992) also suggest that a lack of training of appraisees may cause discrepancies between expected and actual performance of the process, and associated satisfaction. Overall, training should increase the effectiveness of the Performance Appraisal system and lead to greater organizational success (Cook and Crossman 2004).

**Open Communication**

The system should be open to participative. Not only should it provide feedback to the employee on their performance it should also involve them in goal setting process.

**Employee Access to Results**

Employees should receive adequate feedback to their performance. If performance appraisal were meant for improving performance, then with holding appraisal results would not serve any purpose.

**Clear Objective**

The appraisal system should be objective oriented. It should fulfill the desired objective like determining the potential for higher jobs or for the selection of annual increment in salary or for granting promotion or for transfer or to know the requirement for training.

## 2.9. Challenges and Problems of a Performance Appraisal System

According to V. Dixit, (2007), every organization undertakes performance appraisal, either formally or informally. There are certain barriers, which work against effective appraisal system. Some of them are more pronounced and need to be identified so that suitable measures can be taken to reduce their impact to a minimum level.

➢ **Distortion:** distortions occur in the form of biasness and errors in making the evaluation. For instance, an appraisal system can have a distortion like halo effect, central tendency, first impression, horn effect, stereotyping and recency effect.

➢ **Poor appraisal forms:** the appraisal process might also be influenced by the following factors relating to the forms that are used by raters:

✍ The rating scale may be quite vague and unclear

✍ The rating form may ignore important aspects of job performance

&#x270D; The rating form may contain additional, irrelevant performance dimensions

&#x270D; The form may be too long and complex

&#x27A2; **Lake of rater preparedness:** the raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee's is going to be evaluated by a rater who has limited functional specialization in that area. The rater may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the rater may not be competent to do the evaluation owing to a poor self-managing and lake of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

### 2.9.1. Absence of Clear Explanation on Performance Standards

According to Plunkett, 1996(cited by S. Govender, 2006), states that unless supervisors clearly define and properly communicate the standards of performance, when gathering information and making observations of their subordinates, they will not be able or capable of making and sharing adequate appraisals.

### 2.9.2. Standards Which Are Not Tailored To the Nature of Jobs

According to Dessler, (1997) standards must be job related; reasonable and challenging in order to have the most potential to motivate. Standards with no objective evaluation criteria will cause the raters to make subjective guesses or feelings towards performance.

### 2.9.3. Ratting Error

Furthermore, raters' evaluations are often subjectively biased by their cognitive and motivational states (DeNisi and Williams, 1988; Longenecker et al., 1987), and supervisors often apply different standards with different employees, which results in inconsistent, unreliable, and invalid evaluations (Folger et al., 1992). Concentration on goal attainment contributes to the fairness of the system by lending an air of rational objectivity to performance appraisal (Mount, 1984).

### 2.9.4. Lack of Clarity in How Performance Is Going To Be Measured

Goal-setting theory suggests that appraisal criteria and performance goals should be clear and understandable so as to motivate the appraisee, otherwise the appraisee would not know what to work towards (Locke and Latham, 2002). This knowledge may well decrease job ambiguity, a source of stress for some individuals.

### 2.9.5. Lack of Well-Designed Process and Procedures

According to Beer (1987) many of the problems in PA system from the appraisal system itself: the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system. In addition, the performance system can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance. If the criteria used focus solely on activities rather than output, or on personality traits rather than performance, the evaluation may not be well received (Ivancevich, 2004).

As cited by Dechev (2010), Walters (1995) outline the main Performance Appraisal challenges in the performance appraisal process:

➢ **Determining the evaluation criteria:** Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.

➢ **Lack of competence:** Evaluators should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the training necessary to carry out the appraisal process objectively.

➢ **Errors in rating and evaluation:** Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.

➢ **Resistance:** The appraisal process may face resistance from the employees because of the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well the process of appraisal. The standards should be clearly

communicated and every employee should be made aware of what exactly is expected from them.
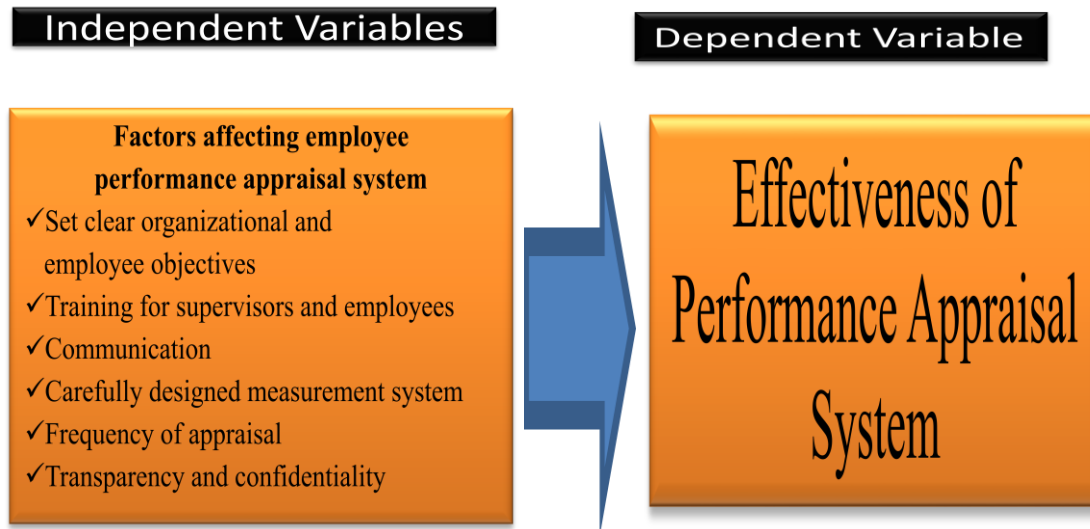
Thus, effectiveness of the performance appraisal system of EEPCo has been evaluated taking in to consideration mainly the following selected six major factors (variables) for effectiveness.

    i.   Set clear organizational and employee objectives
   ii.   Training for supervisors and employees
  iii.   Communication
  iv.   Carefully designed measurement system
   v.   Frequency of appraisal (frequent and ongoing)
  vi.   Transparency and confidentiality

### 2.9.6.  Conceptual Framework

The variables under study have been represented diagrammatically to show the relationship between them by illustrating the influence of the independent variables on the dependent variable in order to give coherence to this report.

*Figure 2.1: Conceptual framework showing relationship between independent and dependent variables.*

# CHAPTER THREE

## RESEARCH DESIGN AND METHODOLOGY

The main objective of the study is assessing Employee Performance Appraisal Effectiveness at EEPCo. To this effect, this chapter involves the research design and method employed. To get a reliable answer for each question of this research: various sources of data, methods of sampling, tools of data gathering and analyzing of data were employed.

### 3.1. Research Design

According to R. Kothari, (2004), a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.

In order to show the existing phenomenon as it exists this research has a descriptive nature. According to Brian Allison, (1995), a large proportion of all research is descriptive research. This is because a clear statement of 'what is' is an essential prerequisite to understanding 'why it is so' and 'what it might be'. In a very real sense, description is fundamental to all research. Descriptive research sets out to seek accurate and adequate descriptions of activities, objects, processes and persons. Therefore, to better see the effectiveness of the company's performance appraisal system, the role of each identified effectiveness variables are described in detail.

### 3.2. Sources of Data

In order to achieve its objectives the research has used both primary and secondary data. The primary data were collected through questionnaire from the employees of the organization. The secondary data were accessed from the company's work processes, policies, procedures, forms and other documents which are linked with the performance appraisal system and also from different literatures in the area.

## 3.3. Target Population

Target population is defined as the entire group a researcher is interested in. According to Zikmund (2003), the definition of population was identifiable total set of elements of interest being investigated by a researcher. Based on the company's HR database as of March 10, 2014 there were a total of 13,305 permanent employees in the corporation; out of them the target population for this research were Generation construction, Distribution System, UEAP, HO, WAAR and EAAR permanent employee; whose number were 2,338.

## 3.4. Sample Design and Size

As it's mentioned in chapter one the company is organized in ten processes that starts from generation construction and ends up to delivering of service at customers' door. This structuring has been made based on the different natures of tasks conducted within these functions. As a result, the population belongs to some of these categories which tend to have heterogeneous behavior. Hence, taking in to account the nature of the study and structure of the company, the researcher has used stratified random sampling technique to have a more representative sample. In other words, each division was considered as a stratum and the sample was determined proportionally for management and non-management employee categories in each of the stratum. If the population from which a sample is to be drawn does not constitute a homogeneous group, then stratified sampling technique is applied so as to obtain a representative sample (R. Kothari, 2004). After the proportion for each stratum determined, the questionnaire was distributed for each respondent using a simple random technique.

As the researcher mentioned above out of 13,305 permanent employees, 2,338 was assigned under the selected six divisions and these employees were taken as the total population for this study and out of them 161are management staffs.

The sample size was determined using the following formula as it stated by Yamane (1967) cited in Israel (1992).

Sample size obtained as;

$$n = \underline{\quad N \quad} = \underline{\quad 2338 \quad} = 342\text{employees}$$
$$1 + N(e)2 \qquad 1 + 2338(0.05)2$$

Where, n – designates the sample size the research uses.

   N - Designates the total number of EEPCo's employees in selected work processes.

   e – Designates maximum variability or margin of error 5% (0.05).

   1 – Designates the probability of the event occurring.

Table 3.1: Status of Questionnaires Distributed to the Corporation's Different Processes

| No. | Process | No. of Employees | Proportion % | Questionnaires Distributed |
|---|---|---|---|---|
| 1 | Distribution system | 606 | 25.9% | 75 |
| 2 | East AA region | 580 | 24.8% | 65 |
| 3 | Generation construction | 180 | 7.7% | 40 |
| 4 | Head office | 173 | 7.4% | 42 |
| 5 | UEAP | 207 | 8.9% | 50 |
| 6 | West AA region | 592 | 25.3% | 70 |
|  | Total | 2,338 | 100.0% | 342 |

## 3.5. Instruments and Procedures of Data Collection

The data collection tools that were employed in this study were questionnaire from primary sources of data and document analysis from secondary sources. The questionnaire was used commonly to gather data for descriptive survey. The questionnaires were having structured with closed and open ended type. Accordingly, 5 point Likert scale items were prepared for respondents because it is helpful to choose one option from the given scaling that best align with their views. In addition to this, open-ended questionnaire was conducted in order to give opportunities to express their feelings, perceptions, and intentions related to the performance appraisal system in the organization. The questionnaires were having different parts to obtain necessary information.

## 3.6. Validity

According to R. Kothari, (2004), Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity is the extent to which any instrument measures what is intended to measure. Content validity of the survey questionnaire was validated by professionals and the research advisor. The results led to make minor changes in the instrument, which were made prior to administering the survey.

## 3.7. Reliability

This research used Cronbach's alpha to measure the reliability for a set of two or more constructs where the alpha coefficient values ranging between 0 and 1 with higher values indicating higher reliability among the indicators. A measuring instrument is reliable if it provides consistent results, (R. Kothari, 2004). Moreover, a reliable measuring instrument does contribute for validity. Finally, the reliability of the questionnaire has been tested by using Cronbach Alpha. Therefore, as indicated in table 3.2, the SPSS result shows that the questionnaire's reliability is 0.928 Cronbach's Alpha. The alpha value of the items varies from 0.920 to 0.929 indicating an acceptable overall reliability.

Table 3.2 – Reliability test table (SPSS result)

Case Processing Summary

| Reliability Statistics | |
|---|---|
| Cronbach's Alpha | N of Items |
| 0.928 | 20 |

| Item/Factor | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|
| Clear objectives are set | 0.39 | 0.929 |
| Discussion is made between the supervisor and subordinate on the objectives | 0.457 | 0.927 |
| It is possible to speak that performance appraisal process of the company translates organizational goals in to individual job objectives | 0.457 | 0.927 |
| Employee are adequately trained on performance appraisal process | 0.357 | 0.928 |
| The rater is adequately trained to do a performance appraisal. | 0.651 | 0.923 |
| Clearly communicated the purpose of performance appraisal. | 0.79 | 0.92 |
| My rater frequently lets me know what I am doing. | 0.426 | 0.927 |

| Item/Factor | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|
| Discussion made between subordinates and their manager about job performance. | 0.685 | 0.922 |
| Formal communication processes are in place to ensure that employees understand the company's objective. | 0.672 | 0.922 |
| Receiving continuous feedback from the rater. | 0.677 | 0.922 |
| The performance appraisal form is easy to understand. | 0.776 | 0.921 |
| Clear performance criteria (standards) are set before preceding the performance appraisal process. | 0.730 | 0.922 |
| The job performance standards are realistic. | 0.691 | 0.922 |
| The job performance standards are measurable. | 0.742 | 0.921 |
| Existing standards are continually reviewed, renewed and discussed. | 0.753 | 0.921 |
| The appraisal technique used is unbiased. | 0.603 | 0.924 |
| Evidence of performance is gathered throughout the year. | 0.443 | 0.927 |
| Frequency of performance appraised during the course of the year. | 0.672 | 0.923 |
| There exists transparent discussion on performance appraisal. | 0.740 | 0.921 |
| Performance records are confidential. | 0.385 | 0.929 |

Source: Own Survey, May, 2014

## 3.8. Methods of Data Analysis

The researcher has employed both a quantitative and qualitative data. The interpretation is done with the help of frequency and percentage. Also, the data collected through open ended questions were presented and analyzed qualitatively by supplementing the data gathered through close ended questions, and categorized and discussed in line with close ended question. Each finding was interpreted and its organizational implication also addressed. In addition, modern statistical data analysis software called SPSS version 20 was used for analyzing data. After data has been presented and analyzed, the findings are used to draw the necessary conclusion and recommendations

## 3.9. Ethical Considerations

The researcher treated all the information given by employee kept confidentially without disclosing the respondents' identity and would not be used for any personal interest. Furthermore the questionnaires were distributed only to voluntary participants. Lastly, all secondary sources were quoted to keep the rights of ownership of all materials.

# CHAPTERFOUR

## DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the results of the data analysis. The first section of this chapter provides the demographic profiles of the final survey respondents. The second part of the chapter deals with the analysis of the different questions in the questionnaire.

### 4.1. General Information about Respondents

The background characteristics of respondents as referred to in this section deals with the presentation on the overview and number of respondents who filled the questionnaire for the study. This part gave general information about respondents like gender, age, educational level, position, service year and qualification. The demographic information enabled to have a better understanding on the respondents and the topic.

The following figure shows the summary of the respondent's gender composition.

*Figure 4.1 Genders of Respondents*



**Gender of the Respondent**
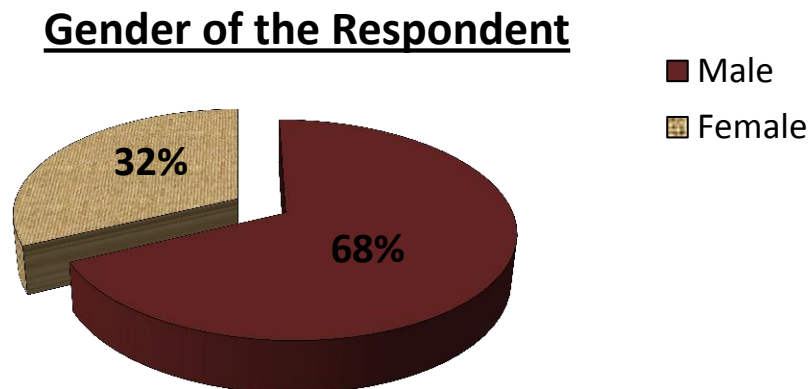
Source: Own Survey, May, 2014

As stated above in figure 4.1, about 68% respondents were male and the remaining 32% were female respondents. From this, it can be easily understood that the respondents' gender distribution has been dominated by male.

*Figure 4.2 Age of the Respondents*

## Age  of the Respondents
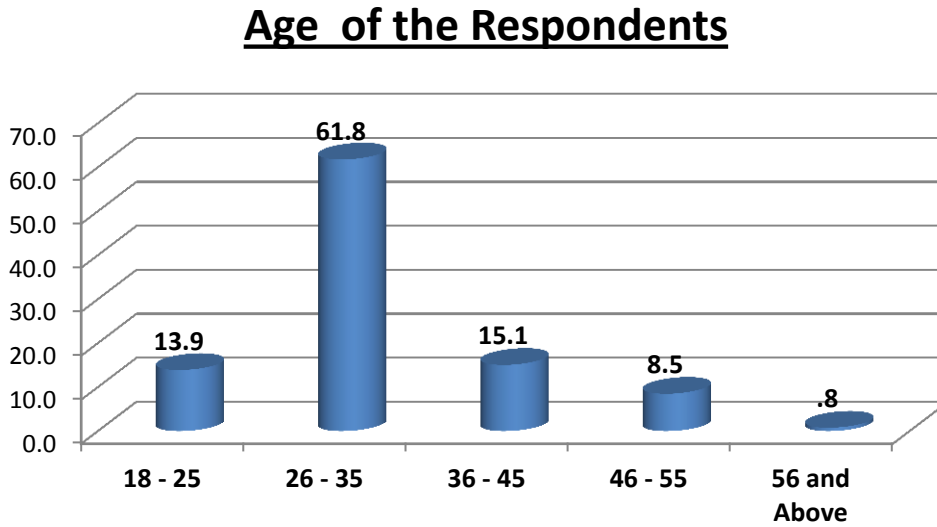


Source: Own Survey, May, 2014

As can be seen from the above figure 4.2 concerning age status, 61.8% of the employee are between age 26 and 35 and 15.1% are between 36 and 45. Furthermore, about 13.9% of the employees are between age 18 and 25. This indicates that the company's staffed with young employees. In other words, most of the employees are belonging in the productive age group.

*Figure 4.3 Educational status of the*

*respondent by gender*                                              *Figure 4.4 Job category of Respondents*
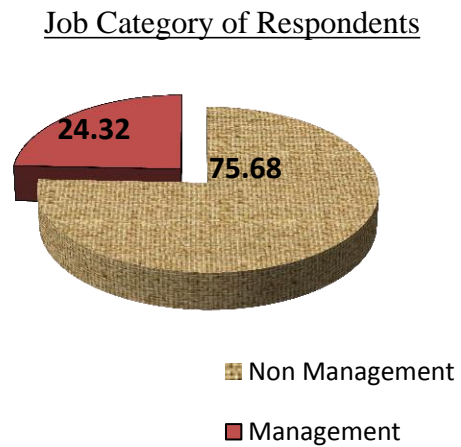




Source: Own Survey, May, 2014

As far as educational status of the respondents is concerned, and stated in figure 4.3 above 210(81.1%) of the respondents were first degree holders (144 are male and the remains 66 are female), followed by diploma holders, 38(14.7%) out of them 25 are male and 13 are females. The remaining 8(3.1%), and 3(1.2%), of the employees have specialization at a master's level and grade 12 completed respectively.

According to the data shown in the above figure 4.4, 24.32% of the respondents hold managerial positions, where as the remaining 75.68% of the respondents are non-managerial employees.

*Figure 4.5 Service year of Respondents*       *Figure 4.6 Qualification of Respondents*
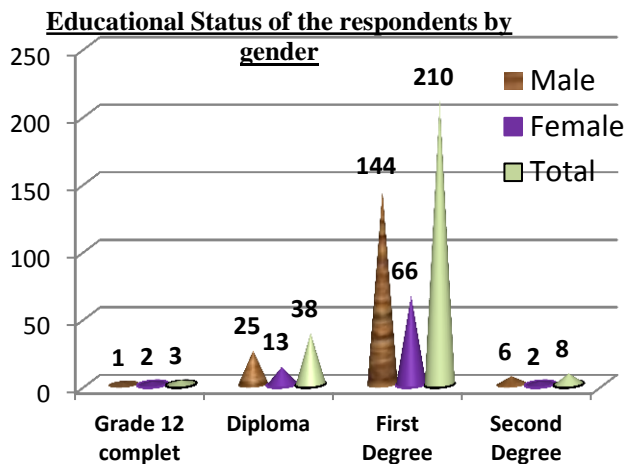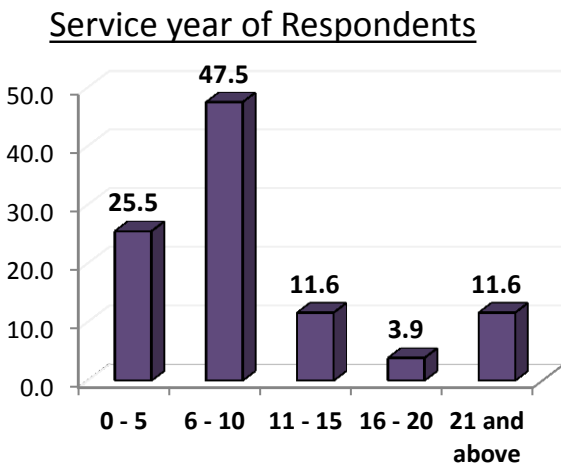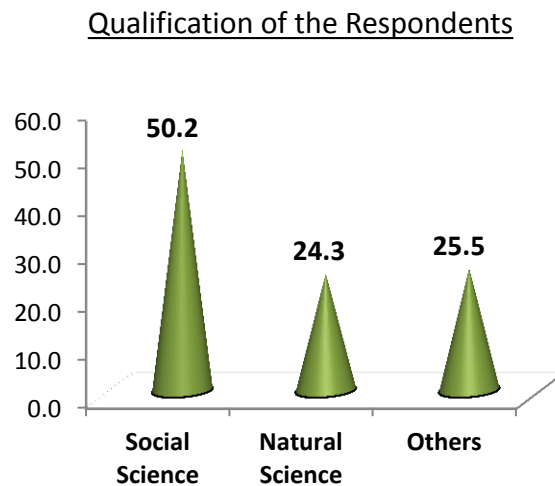


Source: Own Survey, May, 2014

Concerning work experience of the respondents, as illustrated in figure 4.5 the majority of the respondents 123(47.5%) have 6 to 10 years of experience and the rest 66 (25.5%), 30 (11.6%), 10 (3.9%) and 11.6% have 0 to 5, 11 to15, 16 to 20 and above 21 years of service in the corporation respectively. In general, almost more 75% of the respondents were working for more than 5 years at the corporation, which indicates their long period of experience and that contributes the reliability of the information they provide.

With reference to the last variable of respondents demographic characteristics, educational qualification, the majority of employees 130(50.2%) is graduated in social science fields like accounting, economics and management, and 63 (24.3%) are graduated in technology faculty while the rest 66 (25.5%) was graduated in different fields.

## 4.2. Data Analysis Pertaining to the Study

For each questions a 5-Point Likert Scale was used: (like Very Poor, Poor, Average, Good and Excellent), (Strongly Agree, Agree, Neither, Disagree and Strongly Disagree) and (Very Dissatisfied, Dissatisfied, Neutral, Satisfied and Very Satisfied). It is to be noted that each of the questions had the option of 'Neither' or 'Average' in case the respondents were neutral or average they did not want to answer a particular question. The responses received on each statement are presented in tabular, graphical or chart form. As illustrated in table 4.1 bellow out of the distributed 342 questionnaires 259 (76%) were returned filled by the respondent. Therefore, the maximum 'frequency' column total cannot exceed 259 and the maximum 'valid percent' column total cannot exceed 100. The legends on the tables and charts are well defined for easy interpretation.

Table 4.1 Number of Questionnaires Distributed and Returned

| No. | Process | No. of Employees | Questionnaires Distributed | Questionnaires Returned | Returned in percent |
|-----|---------|------------------|----------------------------|-------------------------|---------------------|
| 1 | Distribution system | 606 | 75 | 63 | 84% |
| 2 | East AA region | 580 | 65 | 35 | 54% |
| 3 | Generation construction | 180 | 40 | 29 | 73% |
| 4 | Head office | 173 | 42 | 40 | 95% |
| 5 | UEAP | 207 | 50 | 38 | 76% |
| 6 | West AA region | 592 | 70 | 54 | 77% |
| | Grand total | 2338 | 342 | 259 | 76% |

Source: Own Survey, May, 2014

### 4.2.1 Formulation of the Current Performance Appraisal System

This part covers the data presentation and analysis on how the formulation of the current performance appraisal system looks like.

Table 4.2 Formulation of the current Performance Appraisal System

| Item | Statements | | Very Poor | Poor | Average | Good | Excellent | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | The current PAS is directly related to the job and the goal of the organization | Frequency | 42 | 69 | 86 | 51 | 10 | 258 |
| | | Valid Percent | 16.2 | 26.6 | 33.2 | 19.7 | 3.9 | 99.6 |
| 2 | The PA is easy to use and understood by both supervisors and subordinates | Frequency | 42 | 86 | 78 | 50 | 3 | 259 |
| | | Valid Percent | 16.2 | 33.2 | 30.1 | 19.3 | 1.2 | 100 |
| 3 | The PAS was developed with inputs from the staff. | Frequency | 61 | 99 | 72 | 22 | 5 | 259 |
| | | Valid Percent | 23.6 | 38.2 | 27.8 | 8.5 | 1.9 | 100 |
| 4 | Provision of coaching, counseling and support when there is performance problem. | Frequency | 74 | 77 | 70 | 31 | 7 | 259 |
| | | Valid Percent | 28.6 | 29.7 | 27 | 12 | 2.7 | 100 |
| 5 | Good performance is recognized | Frequency | 78 | 92 | 51 | 30 | 8 | 259 |
| | | Valid Percent | 30.1 | 35.5 | 19.7 | 11.6 | 3.1 | 100 |
| 6 | Possibility of appeal for biased or inaccurate performance rating. | Frequency | 35 | 92 | 90 | 36 | 6 | 259 |
| | | Valid Percent | 13.5 | 35.5 | 34.7 | 13.9 | 2.3 | 100 |

Source: Own Survey, May, 2014

As per the respondents view concerning, whether the current performance appraisal system is directly related to the objectives of the job and goals of the organization or not, 42.8% of the respondents replied that the current performance appraisal system is formulated without considering the objective of job and goals of the organization in general. On the contrary, 23.6% of the respondents believed that the current performance appraisal system is constructed by taking into account specific job objectives and broader goals of the organization. The remaining 33.2% respondents respond it has an average of the two sides. From this analysis, it is evident that the majority percentage of the respondent's asserted that the current performance appraisal system is not related to the objectives of employees' jobs and the goals of the organization.

Concerning easiness of the performance appraisal system to use and whether it is well understood by supervisors and subordinates, 49.4% of the respondents answered that the current performance appraisal system is not easy to use and also they believe that the system is not well-understood by both supervisors and subordinates. On the other hand, 20.5% of respondents have agreed that the current performance appraisal system is easy to use and it is well understood by

supervisors and subordinates. The rest 30.1% respondents are in the middle of the road; they have average attitude, not good and bad. From this interpretation we can comprehend that most of the respondents felt that the current performance appraisal system was not easy to use and understandable by both the supervisor and themselves. Therefore, EEPCo should ensure that the current PA system is easy to use and well defined to meet this requirement and avoid misunderstanding by both the employees and the evaluators.

Regarding employee's participation in the development process of the current performance appraisal system, 61.8% replied that the system was developed poorly or without employees input and participation in the process. In contrast, 10.4% of the respondents have said there is a good practice of taking input from employees. The remaining 27.8% of respondents are on the average. As a result, it is possible to say the current performance appraisal system is developed with a very minimal participation from employees.

For the question asked about the presence of coaching and counseling in case of employee's under performance because of personal or interpersonal problems,58.3% of the respondents answered that there is no coaching and counseling intervention at all whereas 14.7% of respondents, replied that they have got the necessary coaching and counseling when they face such kind of performance problems. The other 27% of the respondents declared that they are in the middle of the scale about the presence of such an intervention. Form the fact, we can infer that the current performance appraisal system is not properly formulated in a way which enables to closely follow the performance of employees and take the appropriate coaching and counseling as a corrective action when it is needed.

Concerning the perception of employees, whether good performance is recognized or not in the company, 65.6% of the respondents have confirmed that the company doesn't acknowledge good performances. On the other side, 14.7% of the respondents said that the company gives the proper emphasis for good performance. The remaining 19.7% of the respondents are on average or didn't take either of the two sides. Generally, we can conclude that the current performance appraisal system is built without giving a proper attention for good performance.

For the last question regarding the presence of a structured way to appeal performance rating problems when employees feel it is biased or inaccurate, About 49% respondents answered that

they felt impossible to appeal for the higher officials whereas 16.2% of the respondent answered there is a way to appeal to the next supervisor who is superior to the rater. But, the rest 34.7% respondents are indifferent. Generally, there is no common understanding among employees about the issue of appealing.

Generally, as indicated in figure 4.7 below as well as the analysis interpreted above the researcher take the mean of all of the six questions to assess formulation of the current performance appraisal system, the largest proportion of the respondents which is 54.5% of them have reflected that the system is not properly formulated, in the contrary only 16.7% of the respondents have positive looking on the formulation of the current PAS. Therefore, effectiveness of the company's current performance appraisal system is impacted because of lack of proper formulation of performance appraisal system.

*Figure 4.7 Formulation of the current PAS*

## Formulation of the Current PAS in Percent
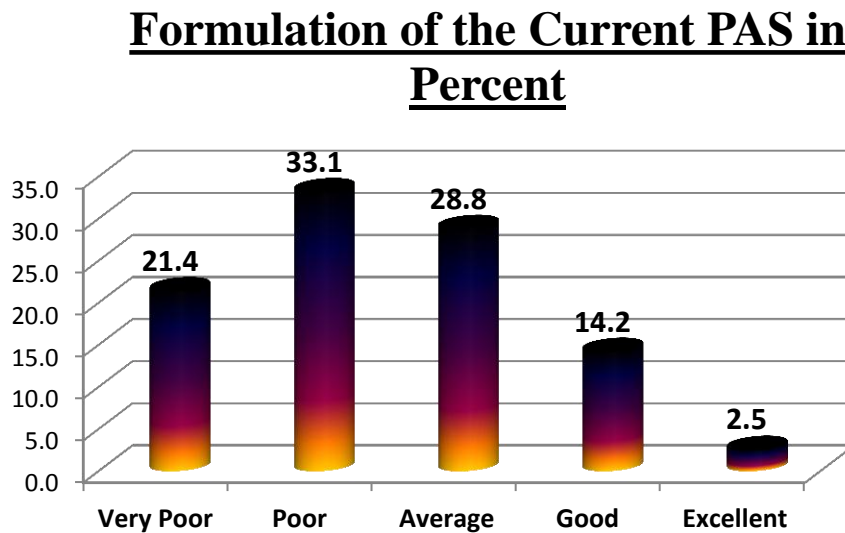


Source: Own Survey, May, 2014

## 4.2.2. Level of Effectiveness of the Current Performance Appraisal System

This part presents and analyzes the level of effectiveness of the current performance appraisal system of the company.

Table 4.3 Setting organizational and employee objectives

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | Clear objectives are set | Frequency | 33 | 75 | 80 | 60 | 11 | 259 |
| | | Valid Percent | 12.7 | 29 | 30.9 | 23.2 | 4.2 | 100 |
| 2 | Discussion is made between the supervisor and subordinate on the objectives | Frequency | 44 | 91 | 72 | 44 | 8 | 259 |
| | | Valid Percent | 17 | 35.1 | 27.8 | 17 | 3.1 | 100 |
| 3 | It is possible to speak that performance appraisal process of the company translates organizational goals in to individual job objectives | Frequency | 49 | 77 | 86 | 39 | 6 | 257 |
| | | Valid Percent | 19.1 | 30 | 33.5 | 15.2 | 2.3 | 100 |

Concerning the question which was raised about whether the company set clear employee and organizational objectives, 41.7% of the respondents said that the company doesn't have clear objectives as an organization as a whole and specifically for individuals. On the other side, 27.4% of the respondents has clearly stated organizational and employee objectives. Moreover, the remaining 30.9% of the respondent goes to those who neither agree nor disagree on the presence of clear objectives. Therefore we can say that effectiveness of the current performance appraisal is affected because of lack of clear organizational and employee objectives.

Employees were asked if discussion is made between subordinates and their supervisor on organizational and employee objectives and as a result 52.1% of the respondents replied that no discussion is made between them. On the other dimension, 20.1% of the respondents believed that there exists a discussion between employees and their respective supervisor. In addition, the remaining 27.8% of respondents are neither of the two sides. In other words, it indicates that very few employees feel the existence of the required discussion on objectives. Hence, from this fact, we can understand that effectiveness of the current performance appraisal system of EEPCo is negatively affected by the absence of adequate discussions on organizational and employee objectives.

Regarding the observation of employees about capability of the current performance appraisal system in translating organizational goals in to individual job objectives, 49.1% of the

respondents replied that the appraisal system doesn't reinforce the translation of overall goals of the company into specific job objectives. On the contrary, 17.4% of the respondents asserted that the current performance appraisal system enable employees to have job objectives which are cascaded down from goals of the company. Finally, the remaining 33.5% of respondents goes to those who belong to neither of the two sides. By this, we can say that effectiveness of the current performance appraisal system is jeopardized since it evaluates performance of employees based on job objectives which are not properly cascaded down from the company objectives.

Table 4.4 Training for subordinates and their supervisors

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | Employee are adequately trained on performance appraisal process | Frequency | 77 | 107 | 44 | 25 | 6 | 259 |
| | | Valid Percent | 29.7 | 41.3 | 17 | 9.7 | 2.3 | 100 |
| 2 | The rater is adequately trained to do a performance appraisal. | Frequency | 64 | 96 | 67 | 24 | 7 | 258 |
| | | Valid Percent | 24.8 | 37.2 | 26 | 9.3 | 2.7 | 100 |

As depicted in the above table 4.4. item 1, the question raised to assess if employees have got an adequate training on performance appraisal process of the company, majority of the respondents (71%) have indicated that they didn't get sufficient training. On the other end, insignificant proportion of the respondents who represent 12% of the respondents have agreed that they have taken the required level of training on the processes. Moreover, the other 17% of the respondents were neutral. Hence, it indicates that EEPCo almost doesn't train its employees on the overall process of the performance appraisal system.

As can be identified in the above table item 2, employees were asked whether their respective raters are well trained to the extent which enables to conduct an appropriate appraisal and as a result 62% of the respondents indicate that raters are not well equipped on how to conduct a scientific performance appraisal. On the other side, 12% of respondents agreed that their raters are well trained in a manner which enables to properly accomplish the evaluation whereas the remaining 26% of responded neither agree nor disagree on the matter. Based on this fact, it is possible to say effectiveness of the current performance appraisal system is affected because of lack of training for raters on how they should conduct an appraisal.

Table 4.5 Proper communication and feedback

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | Clearly communicated the purpose of performance appraisal. | Frequency | 43 | 92 | 78 | 35 | 11 | 259 |
| | | Valid Percent | 16.6 | 35.5 | 30.1 | 13.5 | 4.2 | 100 |
| 2 | Discussion made between subordinates and their manager about job performance. | Frequency | 38 | 104 | 61 | 45 | 11 | 259 |
| | | Valid Percent | 14.7 | 40.2 | 23.6 | 17.4 | 4.2 | 100 |
| 3 | My rater frequently lets me know what I am doing. | Frequency | 31 | 95 | 81 | 38 | 14 | 259 |
| | | Valid Percent | 12 | 36.7 | 31.3 | 14.7 | 5.4 | 100 |
| 4 | Formal communication processes are in place to ensure that employees understand the company's objective. | Frequency | 36 | 77 | 78 | 52 | 16 | 259 |
| | | Valid Percent | 13.9 | 29.7 | 30.1 | 20.1 | 6.2 | 100 |
| 5 | Receiving continuous feedback from the rater. | Frequency | 44 | 109 | 70 | 28 | 8 | 259 |
| | | Valid Percent | 17 | 42.1 | 27 | 10.8 | 3.1 | 100 |

As depicted in the above table 4.5 item 1, regarding employees' level of agreement if they are clearly communicated about the purpose of performance appraisal, 52.1% of respondents have agreed that they are not clearly communicated about purpose of the current performance appraisal system. To the contrary, 17.7% of respondents believed that they are clearly communicated about its purpose. Moreover, 30.1% of the respondents have stated that they are neither of the two sides. Form this fact, we can infer that majority of the employees agreed that they are not clearly communicated about the purpose of the appraisal system hence, the researcher believed that lack of clear communication will not enable to take up the performance appraisal towards the achievement of the desired goals.

In the table above item 2, employees were asked whether their manager regularly discuses with them on their job performance. The majority (54.8%) of employees agree, while 21.6% disagree and 23.6% were indifferent. Based on the presented fact, larger proportion employees are not getting a regular discussion regarding their performance with their respective manager. Therefore, this may adversely affect the level of effectiveness of the appraisal system.

As can be observed in the above table 4.5 item 3, 48.7 % of respondents did not agree about their level of agreement if the rater frequently lets them know what they are doing, while 20.1% agreed that they do and 31.3% were neutral. Hence, it indicates that majority of the employees,

are performing their day today activities without having a clear direction about what they are going to do. Thus, it has a negative impact on employees as well as companies appraisal effectiveness.

Associated with the existing communication channel, employees were asked whether a formal communication processes are in place to ensure that employees understand the company's objective. 43.6% of respondents were agreed that there is no formal communication process which enables to make employees aware of goals and objectives of the company. From the other perspective, 26.3% argues that there is a formal communication process whereas 30.1% of respondents neither agree nor disagree on the presence of formal communication channel. The result indicates that there is no formal communication processes to ensure that employees to understand the company's objective. Therefore, the researcher believed that there is a difficulty in achieving the effectiveness of appraisal system without formal communication on company's objective.

As we can observe from the overleaf table 4.5 item 5, about 59.1% of the respondents agreed that they don't receive feedback from their supervisor; while 13.9% of the respondents agreed in receiving feedback from their supervisors, whereas 27% of the respondents became neutral with the statement. From this fact, we can understand that large proportions of the employees are not getting a continuous feedback which is vital for the effectiveness of performance appraisal systems.

As shown in the table 4.6 item 1, 50.2% of respondents have agreed that the form is not easily understandable, on the other dimension, 18.9% of respondents agreed on easiness of the current performance appraisal form while, 30.9% of respondents chose to take neutral stance. The result indicates majority of respondents felt uncomfortable in the current appraisal form. Therefore, as it has adverse effect on evaluation process the company should have to revise it.

From the responses received the majority 51% of respondents have stated that the company doesn't set clear performance standards prior to execution of the appraisal activity, whereas only 13.1 agreed. Apart from these two sides, 35.9% of respondents have chosen putting themselves

neutral. Having this evidence in mind, it is possible to say most of the performance evaluations in EEPCo are conducted without having a clearly pre-established performance criterion.

Table 4.6 Appropriate measurement system

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|------|-----------|---|---|---|---|---|---|---|
| 1 | The performance appraisal form is easy to understand. | Frequency | 41 | 89 | 80 | 40 | 9 | 259 |
| | | Valid Percent | 15.8 | 34.4 | 30.9 | 15.4 | 3.5 | 100 |
| 2 | Clear performance criteria (standards) are set before preceding the performance appraisal process. | Frequency | 34 | 98 | 93 | 27 | 7 | 259 |
| | | Valid Percent | 13.1 | 37.8 | 35.9 | 10.4 | 2.7 | 100 |
| 3 | The job performance standards are realistic. | Frequency | 31 | 104 | 70 | 47 | 6 | 258 |
| | | Valid Percent | 12 | 40.3 | 27.1 | 18.2 | 2.3 | 100 |
| 4 | The job performance standards are measurable. | Frequency | 32 | 100 | 69 | 40 | 18 | 259 |
| | | Valid Percent | 12.4 | 38.6 | 26.6 | 15.4 | 6.9 | 100 |
| 5 | Existing standards are continually reviewed, renewed and discussed. | Frequency | 69 | 96 | 65 | 21 | 8 | 259 |
| | | Valid Percent | 26.6 | 37.1 | 25.1 | 8.1 | 3.1 | 100 |
| 6 | The appraisal technique used is unbiased. | Frequency | 54 | 76 | 94 | 29 | 5 | 258 |
| | | Valid Percent | 20.9 | 29.5 | 36.4 | 11.2 | 1.9 | 100 |

Source: Own Survey, May, 2014

As it can be shown in the above table item 3, Most of 52.3% respondents disagreed on the statement that the standards required in their job are realistic. Only 20.5% agreed that the standards required in their job were realistic. A total of 27.1% of the respondents chose to take a neutral stance. By this fact, it can be said the performance standards are prepared without considering the real features of the job and the existing context.

Measurability of the performance appraisal standard is one of the best indicator of effective performance appraisal however, majority (51%) of respondents felt that the standards required in their job are not measurable, whereas 22.4% are agreed their jobs standards being measurable. Once again, 26.6 4% of the respondents took a neutral stance. From these all facts, since large proportion of the employees believe that their performance standards are not measurable, we can say that measurability of performance standards didn't get the required emphasis in the company.

As indicated in the overleaf table 4.6 item 5, 63.7% of the respondents disagreed that their existing jobs standards are continually reviewed, renewed and discussed with them. Only 11.2% of the respondents agreed that their existing job standards are continually reviewed renewed and discussed with them. Furthermore a total of 25.1% chose to take a neutral stance. This high percentage of disagreement shows that their existing jobs standards are not continually reviewed, renewed and discussed with them is another weakness in the current performance appraisal system.

Finally, regarding impartiality of the measurements, employees were asked whether the current appraisal techniques in the company are unbiased or not, and almost half of the respondent (50.4%) replied that the existing methods are biased. Whereas small amount of respondents (13.2%) agreed that the current appraisal methods are unbiased. Meanwhile, a fair amount of respondents (36.4%) have preferred to keep them neutral. Hence, it indicates that the current performance appraisal methods are developed in a way which gives a room for biased judgments.

*Figure 4.8 Mean of Measures of work standards*



**Measures of Work Standards**
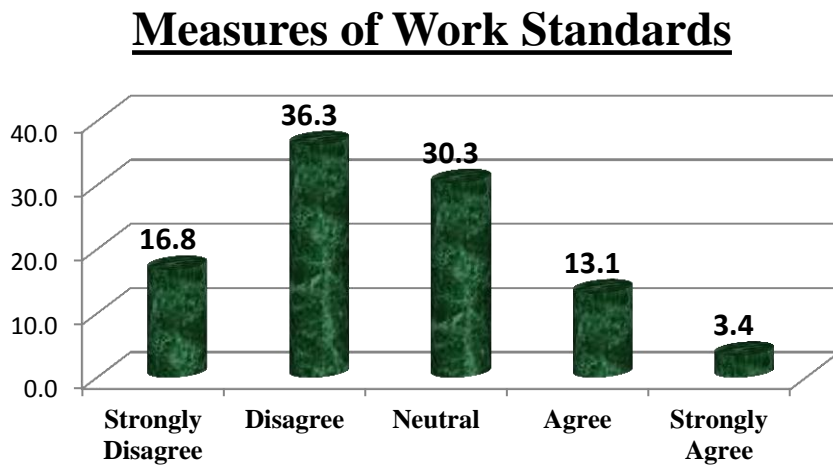
Source: Own Survey, May, 2014

As we can understand from the above analysis and from the mean of measurement of standards which shows in figure 4.8 above there is a weakness in the implementation of work standards in the current PAS. More than half of the respondents (53.1%) believed that the measures of the

work standards are not realistic, the standards are not continually reviewed, renewed and discussed with them and the standards are not measurable. Therefore, this is an issue the needs to be resolved, as this will definitely affect the effectiveness of the PAS of EEPCo.

Table 4.8 Frequency of Appraisal

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|------|-----------|---|-------------------|----------|---------|-------|----------------|-------|
| 1 | Evidence of performance is gathered throughout the year. | Frequency | 50 | 93 | 64 | 42 | 9 | 258 |
| | | Valid Percent | 19.4 | 36 | 24.8 | 16.3 | 3.5 | 100 |
| 2 | Frequency of performance appraised during the course of the year. | Frequency | 61 | 84 | 77 | 30 | 7 | 259 |
| | | Valid Percent | 23.6 | 32.4 | 29.7 | 11.6 | 2.7 | 100 |

Source: Own Survey, May, 2014

As depicted in the above table item 1, employee were asked to reflect their observation if evidences of performance are gathered throughout the year. As a result, 55.4% of respondents have asserted that evidences are not gathered during the course of the year. On the other side, 19.8% of respondents have supported the existence of continuous performance evidence gathering all over the year. Apart from this, 24.8% of respondents are neither of the two sides. Based on the investigated fact, since very few numbers of respondents supported the presence of all over the year performance evidence collection, we can say that performance of majority of the employees is just considered based of events on some time.

As mentioned in literature review frequency of performance review is the component of effective PAS of the company. Therefore, it should be performed on a frequent and ongoing basis. The actual time period may vary in different organizations and with different aims. According to the guideline of EEPCo's PAS, the company is performing review twice a year. Concerning this issue majority of respondents (56%) are not satisfied with the number of times they are appraised during the course of the year. On the other end, 14.3% of respondents believed that the existing frequency of appraisal is adequate to meet the required objectives of performance management. Moreover, 29.7% of respondents have preferred to be neutral. This fact indicates that larger proportions of employees are not satisfied with the existing frequency of appraisal in a year.

Table 4.9 Transparency and confidentiality of Appraisal System

| Item | Statements | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | There exists transparent discussion on performance appraisal. | Frequency | 77 | 86 | 63 | 30 | 3 | 259 |
| | | Valid Percent | 29.7 | 33.2 | 24.3 | 11.6 | 1.2 | 100 |
| 2 | Performance records are confidential. | Frequency | 41 | 74 | 80 | 51 | 13 | 259 |
| | | Valid Percent | 15.8 | 28.6 | 30.9 | 19.7 | 5 | 100 |

Source: Own Survey, May, 2014

Performance appraisal should be transparent. Transparent is emphasized more specifically; trust will be developed if management acts transparently and fairly discussed on performance appraisal, Regarding to the employees perception of transparent discussions on performance appraisal system in the organization, the response from data collected is shown in the table above. Majority 62.9% of employees disagree, while 24.3% indifferent and 12.7% agree. Having this evidence in mind, since majority of the employees believed that there is no transparent discussion; it is possible to infer that effectiveness of the existing performance appraisal system is highly affected because of lack of transparency within it.

As shown in the above table item 2, employees were asked to reflect their perception if their performance records are kept confidential and 44.4% of employees replied as their performance records are not confidential. Apart from that, 24.7% have argued that performance records can't be accessed by others unless they have the privilege to do so. Finally, the remaining 30.9% have supported neither of the sides. From the above findings the larger proportion shows the performance records are not confidential. Therefore, the company has a lot to do to ensure confidentiality of performance records.

**4.2.3. Problems and Challenges of the Current Performance Appraisal System**

This part covers the presentations and analysis of problems which hinder effectiveness of the current performance appraisal system.

Table 4.10 Problems which hinder effectiveness of the current performance appraisal system

| Item | Statements | | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | Lack of alignment between performance appraisal system and vision and mission of the company | Frequency | 7 | 47 | 72 | 92 | 41 | 259 |
| | | Valid Percent | 2.7 | 18.1 | 27.8 | 35.5 | 15.8 | 100 |
| 2 | Absence of clear explanation about the performance standards to the employees | Frequency | 13 | 45 | 58 | 86 | 57 | 259 |
| | | Valid Percent | 5 | 17.4 | 22.4 | 33.2 | 22 | 100 |
| 3 | Employees are not rated according to the nature of their job and responsibilities | Frequency | 10 | 39 | 55 | 98 | 55 | 257 |
| | | Valid Percent | 3.9 | 15.2 | 21.4 | 38.1 | 21.4 | 100 |
| 4 | Inaccurate performance appraisal criteria. | Frequency | 10 | 50 | 64 | 99 | 36 | 259 |
| | | Valid Percent | 3.9 | 19.3 | 24.7 | 38.2 | 13.9 | 100 |
| 5 | Lack of emphasis for employees' participation in the appraisal process. | Frequency | 17 | 26 | 66 | 107 | 40 | 256 |
| | | Valid Percent | 6.6 | 10.2 | 25.8 | 41.8 | 15.6 | 100 |
| 6 | There exists rating error. | Frequency | 9 | 43 | 77 | 89 | 41 | 259 |
| | | Valid Percent | 3.5 | 16.6 | 29.7 | 34.4 | 15.8 | 100 |
| 7 | Lack of commitment from senior management for successful implementation of the performance appraisal system. | Frequency | 11 | 38 | 64 | 86 | 60 | 259 |
| | | Valid Percent | 4.2 | 14.7 | 24.7 | 33.2 | 23.2 | 100 |
| 8 | Employees are not clear about how their performance is to be measured. | Frequency | 12 | 35 | 52 | 98 | 60 | 257 |
| | | Valid Percent | 4.7 | 13.6 | 20.2 | 38.1 | 23.3 | 100 |
| 9 | Lack of well-designed performance appraisal procedure and process which enable employees to receive an appropriate feedback about their job performance. | Frequency | 15 | 23 | 59 | 96 | 64 | 257 |
| | | Valid Percent | 5.8 | 8.9 | 23 | 37.4 | 24.9 | 100 |

Source: Own Survey, May, 2014

As shown in the above table 4.10 item1, regarding the problems which hinder effectiveness of performance appraisal systems, employees were asked if lack of alignment between performance appraisal system and vision and mission of the company is observed. Consequently, 51.4% respondents have agreed that there exists lack of integration between the performance appraisal system and mission and vision of the company. On the other side, 20.8% of representatives have argued that there is the required level of alignment between the appraisal system and mission and vision of the company. Apart from this, 27.8% of employees have taken neither of the two sides.

Having these all facts in mind, we can deduce that majority of the employees are just feeling they are appraised for something which is not contributing for the achievement of mission and vision of the company.

As far as challenges related with performance standards concerned, the researcher has raised a question whether an absence of clear explanation about the performance standards to the employees is observed as a problem or not. Thus, 55.2% of respondents replied that there is lack of clear explanation about performance standards. On the other hand, 22.4% percent of respondents witnessed the existence of clear explanation regarding performance standards. Furthermore, 22.4% of respondents preferred to stay neutral on the matter. Considering these all facts, it is possible to say largest proportion of the employees believed that they are not getting a clear explanation on the existing performance standards.

As one of the challenges for effectiveness of performance appraisal systems, employees were requested to show what they feel if they are not rated according to the nature of their job and responsibilities. Hence, the majority 153(59.5%) of believed that they are not evaluated as per the nature and attributes of their specific job. On the contrary, 19.1% of respondents asserted that the existing performance evaluations are done in accordance with the nature of their specific job and responsibilities. Finally, 21.4% of respondents did support neither of the two sides. Therefore, since majority of the respondents reflected the absence of a fit between the performance measurement and the nature of the job, it leads to say performance standards are not tailored as per the actual nature of specific jobs within the company.

Employees were asked if the performance appraisal criteria are inaccurate and accordingly 52.1% of respondents replied as they are evaluated based on inaccurate performance criteria. On the same case, 23.2% of the respondents argued that the performance appraisal criteria are accurate. On the other dimension, 24.7% of the respondent preferred to put themselves at the middle-of-the-road; they neither agree nor disagree on the issue. Considering the observation of majority of the respondents, it is possible to imply that performance appraisal criteria of the company are suffering from lack of accuracy.

As shown in table 4.10 item 5, the researcher raise question to see how much attention is given for participation of employees. Therefore, 57.4 of respondents have expressed their feeling as employees' participation is not considered as a crucial element for an effective performance appraisal system. Apart from this view, few proportions of respondents 16.8% supported presence of the required emphasis for employees' participation. In addition, 25.8% of the respondents advocated neither of the perspective. By implication, the company is almost not giving an emphasis for employees' participation to accomplish an effective performance appraisal process.

Employees were asked if rating errors are committed during the evaluation process and as a result 50.2% of respondents have agreed the existence of rating errors as a problem. In comparison, 21.1% of respondents advocated that there is no rating error during a performance review. Apart from this, 29.7% of respondents supported neither of the two dimensions. Based on the presented facts, since only one fifth of the respondents held the absence of rating errors, it can imply that the company is facing a rating problem which ultimately hinders effectiveness of the performance appraisal system.

As depicted in the above table 4.10 item 7, employees were also asked about the presence of lack of commitment from senior management for successful implementation of the performance appraisal system. Therefore, the majority 56.4% of respondent have admitted that senior managements do not commit the required effort for an effective implementation of the performance appraisal system. On the other side, 18.9% of employees advocated that senior managements are committed for the successfulness of the system. Additionally, 33.3% of employees preferred taking the neutral side. Hence, since majority of the respondents believed that senior managements are not committed enough for an effective implementation of the appraisal system, we can infer that the company is not having the required level of commitment from the management in this regard.

Concerning clarity of measurement as a challenge, the researcher raised a question which asked employees if they are not clear about how their performance is to be measured. Hence, 61.5% of respondents believed that they are not clear how their performance is going to be measured.

Apart from this, 18.3% of respondents advocated that employees are clear about the way their performance is to be measured. Moreover, the remaining 20.2% of employees preferred to be neutral. From these all explanations, it is possible to deduce that the largest proportions of respondents are just evaluated while they are not clear about how they are going to be measured.

Finally, employees were asked if lack of well-designed performance appraisal procedures and processes which enable employees to receive an appropriate feedback about their job performance is observed as a problem. Hence, 62.3% of respondents have agreed on the absence of well-developed performance processes and procedures. On the other dimension, 14.7% of the respondent supported the presence of well-formulated processes and procedures to perform the appraisal. In addition, 23% of the respondents did take neither of the two. Based on the presented facts, it is indicated that the company has no properly designed processes and procedures which enable to conduct the performance appraisal in a scientific and effective manner.  .

### 4.2.4. General Perceptions of Supervisors and Employees towards the Current Performance Appraisal System

This part covers the presentation and analysis of overall perceptions of employees about the current performance appraisal system.

As we observed from the table 4.11 bellow, the researcher has raised a question to assess the perception of the employees regarding the performance appraisal system of EEPCo, therefore the first question was whether the performance appraisal helped them to understand what is expected of them and as a result 22.6% of respondents replied as it enables them to comprehend the expectations. On the other end, the majority (56.9%) of employees argued that the existing performance appraisal system doesn't enable them to understand what the organization is expecting from them to accomplish. Moreover, about 20.6% of the respondents became neutral with the statement.

Table 4.11 General perceptions of employees regarding the performance appraisal system

| Item | Statements | | Very Dissatisfied | Dissatisfied | Neutral | Satisfied | Very Satisfied | Total |
|---|---|---|---|---|---|---|---|---|
| 1 | The performance appraisal helped to understand what is expected. | Frequency | 30 | 111 | 51 | 47 | 9 | 248 |
| | | Valid Percent | 12.1 | 44.8 | 20.6 | 19 | 3.6 | 100 |
| 2 | Performance appraisal process taking place in the organization exactly evaluates the employees' performance against performance standards. | Frequency | 33 | 124 | 51 | 33 | 7 | 248 |
| | | Valid Percent | 13.3 | 50 | 20.6 | 13.3 | 2.8 | 100 |
| 3 | Performance appraisal reflects objectively my performance. | Frequency | 29 | 121 | 60 | 31 | 7 | 248 |
| | | Valid Percent | 11.7 | 48.8 | 24.2 | 12.5 | 2.8 | 100 |
| 4 | Performance appraisal results are properly recorded. | Frequency | 36 | 65 | 81 | 50 | 16 | 248 |
| | | Valid Percent | 14.5 | 26.2 | 32.7 | 20.2 | 6.5 | 100 |
| 5 | Performance appraisal helps people to set and achieve meaningful goals. | Frequency | 27 | 88 | 54 | 60 | 18 | 247 |
| | | Valid Percent | 10.9 | 35.6 | 21.9 | 24.3 | 7.3 | 100 |
| 6 | Performance appraisal gives constructive criticism in a friendly and positive manner. | Frequency | 25 | 92 | 67 | 52 | 12 | 248 |
| | | Valid Percent | 10.1 | 37.1 | 27 | 21 | 4.8 | 100 |
| 7 | Performance of employees improves after process of the performance appraisal. | Frequency | 20 | 96 | 76 | 50 | 6 | 248 |
| | | Valid Percent | 8.1 | 38.7 | 30.6 | 20.2 | 2.4 | 100 |
| 8 | Performance appraisal helps to change behavior of Employees. | Frequency | 14 | 87 | 66 | 68 | 13 | 248 |
| | | Valid Percent | 5.6 | 35.1 | 26.6 | 27.4 | 5.2 | 100 |
| 9 | Performance appraisal process encourages co-operation & team spirit. | Frequency | 20 | 89 | 49 | 74 | 16 | 248 |
| | | Valid Percent | 8.1 | 35.9 | 19.8 | 29.8 | 6.5 | 100 |
| 10 | The performance appraisal system distinguishes good performers from poor performers. | Frequency | 19 | 87 | 60 | 57 | 25 | 248 |
| | | Valid Percent | 7.7 | 35.1 | 24.2 | 23 | 10.1 | 100 |

Source: Own Survey, May, 2014

Employees were asked if the performance appraisal process taking place in the organization exactly evaluates the employees' performance against performance standards. Thus, 56.9% of respondents argued that employees are not evaluated as per the established performance standards. On the other end, 16.1% of employees revealed that employees are just evaluated as per the established performance standards. Furthermore, 20.6% of respondents did support neither of these views. This all facts indicate that most of the employees are not properly evaluated as per the established performance standards.

Regarding objectivity of the evaluation process, employees were requested whether the performance appraisal reflects objectively their performance and consequently 60.5% of respondents replied that the existing performance appraisal doesn't show their performance in an objective manner. On the other end, 15.3% of employees have agreed on the objectivity of the current performance appraisal system. In the process, 24.2% of respondents preferred to take neither of the two sides. Taking in to consideration these all facts, it is possible to deduce that majority of the respondents do have a perception as the performance appraisal is dominated by subjective judgments.

Concerning performance data maintenance of the company, the researcher has posed a question if the performance appraisal results are properly recorded. Therefore, 40.7% of respondents responded as there is no proper record system for the performance appraisal results. On the other perspective, 26.6% of respondents supported the presence of good record keeping. In the meantime, 32.7% of respondents have taken neither of the sides. Having this fact in hand, since only about one fourth of the respondents believed that the company has an organized record keeping, it implies that the company has a lot to be done in this regard to assure effectiveness of its performance appraisal system.

Employees were asked if the current performance appraisal helps them to set and achieve meaningful goals and thus 31.6% of respondents have agreed on the capability of the current performance system as a tool to develop and achieve meaningful goals. On the contrary, 46.6% of respondents asserted that the existing performance appraisal system doesn't allow them to set and attain meaningful goals. On the other hand, 21.9% of respondents preferred to stay apart from these two sides; they neither agree nor disagree on the matter. Looking on the above figures, we can say the larger proportion of the respondents have agreed that the current performance appraisal system is not helping them to set and achieve required goals. Therefore, the explanation indicates that the company has a lot to do on this area.

Proper and constructive criticism is vital to validate performance. According to DeCenzo and Robbins (2000: 269) are agreed that without proper two-way feedback about an employee's effort and its effect on performance, the organization runs the risk of decreasing an employee's

motivation. Table 4.11 displays the respondents' opinions with regards to providing them to get constructive criticism in a friendly and positive manner. As a result, 25.8% of respondents agreed on the capability of the current performance appraisal system on giving a fruitful criticism in a friendly and positive sense. On the other end, 47.2% of respondents argued that the system is not as such matured to forward constructive feedbacks in a kindly manner. On the other dimension, 27% of respondents neither agree nor disagree on the matter. Therefore, it is possible to conclude that majority of the respondents perceived there is a problem in constructive criticism. Hence, EEPCo has to do a lot in providing constructive feedback in performance appraisal to improve the future performance.

Performance appraisal is useful not only to align employees with the goals of organization; it is also used for the development of the capacity of the employees in order to make them more productive. Concerning contribution of the performance appraisal system, the researcher has raised a question which deals about the perception of employees whether the current performance system ultimately results in improvement of individual's actual performance. Hence, 46.8% of respondents didn't believe that performance appraisal in this company doesn't play a role on employees performance improvement. On the other side, 22.6% of respondents were dissatisfied on the contribution of the performance appraisal system for the improvement of employees' performance. Furthermore, 30.6% of respondents preferred to be neutral on the issue. Therefore, the figure revealed that the practice of evaluating employees to improve their job performance was not adequate enough.

The researcher has also raised about the role of the current performance appraisal system in changing behavior of employee towards what the company expecting from them. Then, 32.7% of respondents reflected that the performance appraisal reinforces behavioral changes on the way to the company's expectation. On the other hand, 40.7% of employees were advocates of the view that performance doesn't have any contribution in changing behaviors of employees. Lastly, 26.6% of respondents did take neither of the perspectives; rather they prefer to be neutral.

There was also a question which requested employees to reflect what they observed whether the current performance appraisal system encourages co-operation and team spirit. Consequently, 44% of respondents relied as the system is not facilitating presence of better cooperation and team sprit among employees. On the contrary, 36.3% of respondents were satisfied on the positive contribution of the current performance appraisal system towards better cooperation and team spirit. Moreover, 19.8% of respondents have taken neither of the sides.

Finally, a question was raised about employees' perception on whether the company's performance appraisal system properly distinguishes good performers from poor performers. Hence, 42.7% of respondents replied that the system doesn't differentiate good performers from poor performers. Apart from this, 33.1% of respondents argued that the current performance appraisal system does have the capability to distinguish good performers from poor performers. In addition, 24.2% neither of the two viewpoints, rather they prefer to be neutral.

Furthermore, employees were given the chance to write down if they observe any other problems and their recommendation related with the current performance appraisal in addition to the listed ones by the researcher. Therefore, the under mentioned points were just raised by the respondents as problems which are hindering effectiveness of the appraisal system.

➢ The appraisal is unfair and subjective because of differences in understanding among managers towards the evaluation criteria and also because of pessimistic and optimistic nature of supervisor different, political affiliations, race, religion and intimacy of the supervisor with subordinates.

➢ Furthermore, they have reflected that placements decisions are not related with performance appraisal results, the appraisal is more of subjectivity; the performance criteria are not as such detail to the extent which enables to evaluate the overall contribution of employees.

➢ Finally, they have also indicated that there is lack of clear job description which enables employees to know what their responsibilities and duties; HR division doesn't facilitate proper implementation of the performance appraisal processes and lack of clear direction from HR managers.

# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and interpretation in the previous chapter the following summary major findings, conclusions and recommendations are given.

## 5.1 Summary of the Findings

The major findings of the study are:

➢ Respondents replied that the appraisal system and goals and objectives of the company are not aligned each other.

➢ The current performance appraisal system is developed with a very minimal participation from employees. Furthermore, the respondents don't agree on the easiness of the current performance appraisal system and whether it is well understood by employees.

➢ The current performance appraisal system is not properly formulated in a way which enables to closely follow the performance of employees and take the appropriate coaching and counseling as a corrective action when it is needed.

➢ The appraisal system is built without giving a proper attention for good performance recognition as an element for an effective performance appraisal system.

➢ Regarding organizational and employee objectives, majority of the respondents replied that no discussion is made between subordinates and their supervisor on organizational and employee objectives. On the other side, almost half of the respondents also replied that the appraisal system doesn't reinforce the translation of overall goals of the company into specific job objectives.

➢ The respondents have argued that the company doesn't deliver the required training on the performance appraisal system to the subordinates and their respective raters.

➢ Related with communication, majority of the employees agreed that they are not clearly communicated about the purpose of the appraisal system. In addition, majority of the employees have no clear direction about what they are going to do and they are not having a

regular discussion regarding their performance. Besides that, majority of the respondents have advocated the absence of continuous feedback from their supervisors.

➢ As far as measurement system concerned, largest share of the respondents have stated that performance standards of their respective job are not clear, realistic and measurable. Similarly, most of the respondents indicated that the current appraisal methods are developed in a way which gives a room for biased judgments. Additionally, most of the respondents asserted that the company doesn't regularly review, renew and discuss on the performance standards considering the existing context.

➢ The finding indicated that the respondents agreed on the absence of performance evidence collection thought the year. In addition, majority of the respondents replied that the existing rate of recurrence of the performance review is not satisfactory to well manage performance of the employees.

➢ The employees believed that there is no transparent discussion regarding performance appraisal and also they replied that the system lacks confidentiality.

➢ Furthermore, the existing performance appraisal doesn't show their performance in an objective manner, the current performance appraisal system doesn't show that much positive impact on ultimate performance improvement and it doesn't properly differentiate between poor performers and good performers.

## 5.2. Conclusions

The following are the major conclusions drawn from the findings of the study

✓ The appraisal system and goals and objectives of the company are not aligned each other. Hence, even though the company has already mentioned on paper as alignment is an important element of an effective performance appraisal system, it is not as such practiced yet.

✓ The formulation of performance appraisal system is done unsystematically. This may be because employees were not participated in the process of the current appraisal system formulation and execution as well.

- ✓ There is no coaching, counseling and support intervention when employees underperform and the company is not giving considerations for good performances. However, the company has awareness on the role of performance appraisal on reward and development; practically there is almost no relationship between them.

- ✓ Based on the finding, organizational and employee objectives are not clear and well-discussed between employees and their supervisors and the appraisal system doesn't reinforce the alignment. Hence, the fact indicates that effectiveness of the current performance appraisal system of the company is negatively affected by the absence of clarity on and alignment between organizational and employee objectives and also because of lake of adequate discussions on the objectives.

- ✓ Employees and their supervisors are not getting the required training on performance appraisal system. Hence, since training is the vital element of an effective appraisal system, effectiveness of the company's current performance appraisal system is impacted because of lack of training for raters and ratees.

- ✓ As far as communication concerned, the analysis reflected that the existing communication mechanism is not as such capable to clearly communicate about the purpose of the appraisal system, expectations and progresses of employees. Therefore, it is possible to conclude that effectiveness of the current performance appraisal system is impacted because of poor communication.

- ✓ The performance standards of employees' job are not clear, realistic and measurable and not regularly reviewed, renewed and discussed. Therefore, it indicates that the company has no a well-designed performance measurement system which is one of the pillars of an effective performance appraisal system.

- ✓ Even though the company policy states that employee performance appraisal for employees is conducted twice in a year, most of the employees are not comfortable with it. Hence, it leads to conclude that the existing frequency of the appraisal is not adequate to manage performance of employees effectively.

✓ Concerning transparency and confidentiality, there is no transparent discussion and lack of confidentiality on performance recordings. Therefore, the company has a lot to do to ensure confidentiality of performance records.

✓ Employees are not evaluated as per the established performance standards, the existing performance appraisal doesn't show their performance in an objective manner, the current performance appraisal system doesn't show that much positive impact on ultimate performance improvement, employees are not rated according to the nature of their job and responsibilities and it doesn't properly differentiate between poor performers and good performers. This means, effectiveness of the current performance appraisal is highly compromised because of these problems.

## 5.3. Recommendations

Based on the analysis and interpretation of gathered data the following recommendations are made

+ Since the major purpose of a performance appraisal system is to reinforce the efforts of employees towards the achievement of organizations goals and objectives, EEPCo has to do a lot to bring the required level of alignment between its performance appraisal system and goals and objectives of the company. To do so, the company has to assess performance of employees based on the cascaded organizational objectives. Moreover, the system has to be constructed in a way which can be easily understandable by all the employees of the company.

+ The company should give a greater emphasis for employees' participation to incorporate employees' voice and ensure their ownership whenever there is any issue which affects its performance appraisal system.

+ One of the major purposes of a performance appraisal system is developing employees. Therefore, EEPCo has to work a lot to align its performance appraisal system and employee development objectives of the company.

- The ultimate objective of any performance appraisal system is obviously discriminating between good and poor performers. As a result, the company has to recognize those good performers.

- The company has to develop employee objectives which are cascaded down from the overall objectives of the company and these objectives have to be clearly discussed between employees and their supervisors. Moreover, the company's performance appraisal system should also be designed in a way which supports this alignment.

- Since training for subordinates and their supervisors is one of the major variables for appraisal system effectiveness, the company has to give adequate attention on equipping its employees about the overall purpose and process of the current performance appraisal system.

- Communication is also the vital element of an effective performance appraisal. Hence, the company has to install a well-formulated communication channel which enables employees to be aware of the purpose of the appraisal system, to be informed what they are going to do, and to frequently discuss with their supervisor about their performance.

- As far as the measurement system concerned, performance standards of the respective job have to be constructed in a clear, realistic and measurable manner and these standards have to be regularly reviewed, renewed and discussed. Moreover, the appraisal methods should also be free from biasness.

- Related with frequency of the appraisal, the company should adjust the current performance appraisal system in a way which enables to forward continuous feedback to subordinates from their supervisors. In addition, since employees are not satisfied with the number times that currently performance is conducted, the company has to increase frequency of the formal performance review per year.

- Since majority of the respondents believed that there is lack of transparency and confidentiality, the company has to create an environment which enables employees and their supervisors to transparently discuss on performance issues. Likewise, the company should introduce a procedure which gives privilege for only those who have an access right for appraisal results. Otherwise, it has an impact on the effectiveness of the current performance appraisal system.

- Concerning problems with the current performance appraisal system, the company should give attention for all of the identified problems based on their extent of occurrence and severity and resolve accordingly. For instance, problems; "lack of well-designed performance appraisal procedure and process which enable employees to receive an appropriate feedback about their job performance." and "employees are not clear about how their performance is to be measured." has to be given the first priority since they are identified as the top two most frequently observed ones.

- The study recommends that further research should be conducted on determining the influence of the performance appraisal system on productivity.

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**ANNEX**

# St. Mary University

# MBA program

**Dear Respondents:**

This questionnaire is designed to collect information about the effectiveness of performance appraisal system at EEPCo. Moreover, the research will contribute towards the fulfillment of the researcher's Master's Degree in Business Administration (MBA). Your valuable support in responding to the questions raised is of paramount importance to the successfulness of this study. Hence, I kindly ask you in all regard to fill the questionnaire carefully at your best knowledge. The accuracy of information you provide determines the ultimate reliability of the study.

**Note:** Your answers will be strictly confidential and will only be used for academic purposes.

**Contact Address:**

If you have any query, please don't hesitate to contact me. I am available as per your convenience at – Tele - +251 911 05 45 66 or

E-mail – menur888@yahoo.com

***Thank you in advance for your cooperation and timely response!***

**Part One: Demographical Information -** Please put 'X' in the box

1.1. Gender:   Male   ☐        Female ☐

1.2. Age Group: 18 –25☐        26-35   ☐

　　　　　　36-45 ☐        46-55 ☐        56 and above ☐

1.3. Educational Status: Grade 12 Complete ☐        Diploma      ☐

　　　　　　Degree ☐                        Second Degree ☐

　　　　　　Other please specify _____

1.4. Which level are you belonging in? Chief Officer ☐        Officer ☐

　　　　　　Manager ☐   Supervisor ☐        Others ☐

1.5. Your service year:    0 – 5 ☐        6 – 10 ☐

　　　　　　11-15 ☐        16- 20 ☐   21 and above ☐

1.6. Which department are you in?   Accounting & finance   ☐

　　　　　　Engineering ☐   Economics     ☐

　　　　　　Management☐   Computer Sci & IT   ☐ Others ☐

## Part Two: Questions Related to Performance Appraisal System

1. How do you think the current performance appraisal practice of the company is formulated? Please read each statement carefully and show the extent of your agreement on the statements by **circling** the numbers in the column using the following rating scale (Likert Scale).

**Where:** 1 = Very Poor 2 = Poor 3 = Average 4 = Good 5 = Excellent

| No. | STATEMENT | Rating | | | | |
|-----|-----------|--------|---|---|---|---|
| 1.1 | The current performance appraisal system is directly related to the objectives of the job and the goals of the organization | 1 | 2 | 3 | 4 | 5 |
| 1.2 | The performance appraisal is easy to use and understood by both supervisors and subordinates | 1 | 2 | 3 | 4 | 5 |
| 1.3 | The performance appraisal system was developed with inputs from the staff. | 1 | 2 | 3 | 4 | 5 |

| No. | STATEMENT | Rating | | | | |
|-----|-----------|--------|---|---|---|---|
| **1.4** | When I under-perform in my job because of personal or interpersonal problems, coaching, counseling and support is provided to me. | 1 | 2 | 3 | 4 | 5 |
| **1.5** | Good performance is recognized by awards | 1 | 2 | 3 | 4 | 5 |
| **1.6** | I have ways to appeal a performance rating that I think is biased or inaccurate. | 1 | 2 | 3 | 4 | 5 |

2. How do you rate the level of effectiveness of the current performance appraisal practice of the company? Please read each statement carefully and show the extent of your agreement on the statements by **circling** the numbers in the column using the following rating scale (Likert Scale). **Where:** 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

| No. | STATEMENT | Rating | | | | |
|-----|-----------|--------|---|---|---|---|
| | **Organizational and employee objectives** | | | | | |
| 2.1 | Clear objectives are set | 1 | 2 | 3 | 4 | 5 |
| 2.2 | Discussion is made between the supervisor and subordinate on the objectives | 1 | 2 | 3 | 4 | 5 |
| 2.3 | It is possible to speak that performance appraisal process of the company translates organizational goals in to individual job objectives | 1 | 2 | 3 | 4 | 5 |
| | **Training** | | | | | |
| 2.4 | I am adequately trained on performance appraisal process | 1 | 2 | 3 | 4 | 5 |
| 2.5 | The rater is adequately trained to do a performance appraisal. | 1 | 2 | 3 | 4 | 5 |
| | **Communication** | | | | | |
| 2.6 | I am clearly communicated about the purpose of performance appraisal | 1 | 2 | 3 | 4 | 5 |
| 2.7 | My manager discuss regularly my job performance with me | 1 | 2 | 3 | 4 | 5 |

| 2.8 | My rater frequently lets me know what I am doing. | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 2.9 | Formal communication processes are in place to ensure that employees understand the company's objective. | 1 | 2 | 3 | 4 | 5 |
| | **Standards/ Measurement system** | | | | | |
| 2.10 | The performance appraisal form is easy to understand | 1 | 2 | 3 | 4 | 5 |
| 2.11 | Clear performance criteria (standards) are set before proceeding the performance appraisal process | 1 | 2 | 3 | 4 | 5 |
| 2.12 | The performance standards of my job are realistic. | 1 | 2 | 3 | 4 | 5 |
| 2.13 | The performance standards of my job are measurable | 1 | 2 | 3 | 4 | 5 |
| 2.14 | Existing standards are continually reviewed, renewed and discussed with me. | 1 | 2 | 3 | 4 | 5 |
| 2.15 | The appraisal method or technique used is unbiased | 1 | 2 | 3 | 4 | 5 |
| | **Frequency of appraisal** | | | | | |
| 2.16 | I have been receiving continuous feedback from my supervisor | 1 | 2 | 3 | 4 | 5 |
| 2.17 | Evidence of performance is gathered throughout the year | 1 | 2 | 3 | 4 | 5 |
| 2.18 | I am satisfied with the number of times I am appraised during the course of the year. | 1 | 2 | 3 | 4 | 5 |
| | **Transparency and confidentiality** | | | | | |
| 2.19 | There exists transparent discussion on performance appraisal. | 1 | 2 | 3 | 4 | 5 |
| 2.20 | I am sure that my performance records are confidential | 1 | 2 | 3 | 4 | 5 |

**3.** What are the challenges and problems which might hinder effectiveness of performance appraisal system of the company? Please read each statement carefully and show the extent of your agreement on the statements by **circling** the numbers in the column using the following rating scale (Likert Scale). **Where:** 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

| No. | STATEMENT | Rating | | | | |
|---|---|---|---|---|---|---|
| 3.1 | Lack of alignment between performance appraisal system and vision and mission of the company | 1 | 2 | 3 | 4 | 5 |
| 3.2 | Absence of clear explanation about the performance standards to the employees | 1 | 2 | 3 | 4 | 5 |
| 3.3 | Employees are not rated according to the nature of their job and responsibilities | 1 | 2 | 3 | 4 | 5 |
| 3.4 | Inaccurate performance appraisal criteria | 1 | 2 | 3 | 4 | 5 |
| 3.5 | Lack of emphasis for employees' participation in the appraisal process | 1 | 2 | 3 | 4 | 5 |
| 3.6 | There exists rating error | 1 | 2 | 3 | 4 | 5 |
| 3.7 | Lack of commitment from senior management for successful implementation of the performance appraisal system. | 1 | 2 | 3 | 4 | 5 |
| 3.8 | Employees are not clear about how their performance is to be measured. | 1 | 2 | 3 | 4 | 5 |
| 3.9 | Lack of well-designed performance appraisal procedure and process which enable employees to receive an appropriate feedback about their job performance | 1 | 2 | 3 | 4 | 5 |

If there any other problems with the current performance appraisal system, please write down here;

.............................................................................................................................................

.............................................................................................................................................

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4. How do you perceive about the current performance appraisal system of the company? Please read each statement carefully and show the extent of your agreement on the statements by **circling** the numbers in the column using the following rating scale (Likert Scale).

**Where:** 1 = Very Dissatisfied 2 = Dissatisfied 3 = Neutral 4 = Satisfied 5 = Very Satisfied

| No. | STATEMENT | Rating | | | | |
|---|---|---|---|---|---|---|
| 4.1 | The performance appraisal helped me to understand what is expected of me. | 1 | 2 | 3 | 4 | 5 |
| 4.2 | Performance appraisal process taking place in the organization exactly evaluates the employees' performance against performance standards. | 1 | 2 | 3 | 4 | 5 |
| 4.3 | Performance appraisal reflects objectively my performance. | 1 | 2 | 3 | 4 | 5 |
| 4.4 | Performance appraisal results are properly recorded. | 1 | 2 | 3 | 4 | 5 |
| 4.5 | Performance appraisal helps people to set and achieve meaningful goals. | 1 | 2 | 3 | 4 | 5 |
| 4.6 | Performance appraisal gives constructive criticism in a friendly and positive manner. | 1 | 2 | 3 | 4 | 5 |
| 4.7 | Performance of employees improves after process of the performance appraisal. | 1 | 2 | 3 | 4 | 5 |
| 4.8 | Performance appraisal helps to change behavior of Employees. | 1 | 2 | 3 | 4 | 5 |
| 4.9 | Performance appraisal process encourages co-operation & team spirit. | 1 | 2 | 3 | 4 | 5 |
| 4.10 | The performance appraisal system distinguishes good performers from poor performers. | 1 | 2 | 3 | 4 | 5 |

What would you recommend to be done differently in the Performance Appraisal?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

***Thank You Again!***

# DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor, Asst. professor Shoa Jemal. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.


_____                      _____

            Name                                   Signature & Date


**St. Mary's University, Addis Ababa**                **June 2014**

# ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.


_____          _____

Advisor                                          Signature & Date


**St. Mary's University, Addis Ababa**                    **June 2014**