



**ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES**

**A STUDY OF EMPLOYEES' PERCEPTION OF THE
PROBLEMS AND PRACTICES OF
EMPLOYEE PERFORMANCE EVALUATION:
In Nib International Bank (NIB)**

BY: MERIHUN ELIAS TEJEJI

**FEBRUARY, 2013
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY
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SCHOOL OF GRADUATE STUDIES
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Practices of Employee Performance Evaluation
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr.Yekunoamlak Alemu. 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.

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ENDORSEMENT

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

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Merihun Elias

Abstract

This research is designed to assess the perception of employees towards the practices and problems of performance evaluation in Nib International Bank. To this end; the study has the objective to assess the perception of employees towards the problems and practices of performance evaluation. On the basis of data collected through questionnaires and interview which are founded on the theoretical assessment of related literatures; the researcher has tried to unearth some of the real problems of appraisals based on the opinion of the ratees in that particular organization. The questionnaire was distributed to 200 employees of the Bank working in ten city branches and four outlying branches to be fully representative and were fully completed and returned. The questionnaire was distributed to the employees on the basis of convenience sampling based on the willingness and cooperation of the respondents. The data collected were analyzed using SPSS software. On the basis of the data obtained from the respondents, the study identified the lack of transparency both during the evaluation and after evaluation as its major findings. Almost all the participants vented out that they are not allowed to see the result of their ratings. As a result, they do not have confidence on the appropriateness of the evaluation to make crucial human resource decisions. Based on the findings of the study, the researcher have forwarded some recommendations so that if they are used by the Bank will give them an insight as to the practice and its associated problems of performance appraisal in the organization. In conclusion, the lack of evaluation dimensions to specific tasks assigned to each category of employees, lack of communication between the rater and employees in regard to performance status during the period proceeding the evaluation , inadequacy of rater to evaluate employees' performance at the organizational level and to take timely and concrete measures in regard to rewards, penalties and training; lack of training supervisory staff on rating skills; lack of confidence of supervisory staff to openly discuss performance evaluation results with concerned individuals and employees are the other problems identified with respect to performance evaluation practice of the Bank. The bank should encourage the participation of its employees in the design of the form that is used to evaluate the performance of the workers and it should take into account the differences among jobs in terms of their requirements and characteristics. Therefore, in order for the appraisal system to be effective, at least the forms that measures jobs having similar characteristics need to be customized and tailor made.

TABLE OF CONTENTS

ACKNOWLEDGMENTS	vii
Abstract.....	viii
List of Tables.....	x
CHAPTER ONE	1
INTRODUCTION	1
1. Background of the Study	1
2. Statement of the Problem.....	4
3. Research Questions	6
4. Objective of the Study	6
5. Significance of the Study	6
6. Research Design and Methodology	7
6.1 Research Method	7
6.2 Sample and Sampling Techniques:	7
6.2.1 Method of Data Collection.....	8
7. Organization of the Paper.....	9
6.3 Scope of the Study	9
Chapter Two.....	10
Literature review.....	10
2.1. Introduction	10
2.2 Definitions of performance Evaluation	10
2.3 Purposes of Performance Appraisal System	11
2.4 Problems in the Performance Evaluation Process.....	14
2.4.1 System Design and Operating Problems.....	14
2.5 Factors Influencing the Effectiveness of Performance Evaluation.....	18
CHAPTER THREE.....	21
DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	21
3.1. Demographic Information of the Respondents.....	21
3.2. The Employees' Perception of the Purposes of Performance Evaluation in Nib International Bank (NIB)	22
3.3. The Attitude of Employees towards the Effectiveness of Performance Evaluation by Gender in Nib International Bank (NIB)	25
3.4.The Employees' perception of the problems and practices of performance Evaluation in Nib International Bank	25
3.5. The Attitude of Employees towards the importance of Conducting Performance Evaluation in NIB	37
CHAPTER FOUR	39
4. SUMMERY, CONCLUSIONS AND RECOMMENDATIONS	39
4.1. Summary	39
4.2. Recommendations	42
REFERENCES	43

List of Tables

	Page
Table 3.1: Summary of the number and percentage of respondent by age and sex.....	33
Table 3.2: Summary of the number and percentage of respondents by working experience and educational qualification	35
Table 3.3 (a): The employees' perception towards the controlling purposes of performance evaluation NIB.....	36
Table 3.3.(b): summary of Employees; perception towards the coaching purposes of performance evaluation in NIB.....	37
Table 3.4: The attitude of employees towards the ability of the criteria used measure their true performance by age and sex.....	42
Table 3.5: employees' perception towards the forms of performance evaluation	44
Table 3.6: the employees' perception towards the fairness of the performance evaluation	46
Table 3.7: the employees' perception towards the importance of performance evaluation	47
Table 3.8: the attitudes of employees towards the problems of political considerations in performance evaluation	48
Table 3.9: the employees' perception of the documentation and transparency of rating by raters	50
Table 3.10: Employees' perception towards the fairness and qualification of the rater.....	52
Table 3.11: Summary of the problems of impression management/ingratiation of the rates.....	54
Table 3.12: Summary of the responses of the participants with respect to low performance ratings by sex	55

CHAPTER ONE

INTRODUCTION

1. Background of the study

Employee performance evaluation has been practiced by numerous organizations since centuries. It is one of the most important requirements for successful business and human resource policy of the organization. As employees are one of the most valuable assets of the organization that can make things happen, the practice of performance evaluation is an inherent and inseparable part of the organizations' life. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers to developmental programs or other personnel actions that are essential to the effectiveness of Human Resource Management.

Longenecker and Fink (1999) cited several reasons that formal performance evaluations to stay in organizations. According to them, formal evaluations are required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, etc. It is also required to determine employees' training need. The authors cited a study on high performance organizations that the practice of performance appraisal was cited as one of the top 10 vehicles for creating competitive advantage. Moreover, performance measurement allows the organization to tell the employee something about their rates of growth, their competencies, and their potentials.

However, regardless of its panacea, ineffective appraisal system can bring many problems including low morale, decreased employee productivity, a lessening of an employee's enthusiasm and support for the organization (Islam and others 2005). Evaluating employee performance is a difficult task because the job demands the immediate supervisors to understand the nature of the job and the sources of information, and the information needs to be collected in a systematic way, and it is provided as a feedback, and integrated into organization's performance management process for use in making compensation, job placement, and training decisions and assignments.

The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance and hence rating accuracy is a critical aspect of the appraisal process. A difficulty of getting accurate appraisals of employee job behavior is most often attributed to: faults in rating format used, deficiencies in appraisal content, rater resistance to judge others, and the implications of the specific purpose of appraisal for the rater and the ratee (Decotiis & Petit, 1978).

Therefore, the problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees, which in turn, leads to wrong administrative decisions that can highly affect the life of the employees. Thus, the report is attempted to assess the practices and the real problems that exists in Nib International Bank. The report also tried to address the purposes for which performance appraisal is conducted.

According to Bowra and others (2011), performance of any organization largely depends on the performance of its employees. Successful organizations are increasingly realizing that there are number of factors that contribute to performance but human resource is clearly the most critical (Mello, 2005). In spite of the size and nature of an organization, the activity it undertakes, and the environment in which it operates, its success depends on its employees In the competitive environment of modern era organizations are persistently improving performance of their employees by improving HR practices. Caliskan (2010) acknowledged that HR practices are one main source of competitive advantage. Many researchers have proven that HR practices have a significant and positive relationship with employee's performance. Moreover, they pointed out that, in the last two decades, focusing on HR practices has been an imperative and decisive area for organizational performance. Effective HR practices improve the performance of organization and lead to higher profits. Datta and others (2003) found that best use of HR practices reveals a stronger association with efficiency of firm. Human resource management (HRM) practices have significant association with accounting profits of banks.

According to Bowra and others (2011), summarized problems of HRM in developing countries as caused by low levels of salary, deficiency of useful performance values, lack of ability to fire people, small number of incentives for excellent performance, employment measures that do not catch the attention of properly skilled people, promotion guidelines based more on seniority than on actual performance of employees, deliberate promotion and lack of compensation against hard work, deficient and uncomfortable management by supervisors and lack of motivating tasks. Budhwar and Debrah (2001) revealed that many developing countries face unintentional barriers in the way of development due to outdated and unproductive human resource management systems. In recent times, the major focus on HRM writing has been to elaborate the significance of efficiently administrating human resources of enterprises.

Many researchers have recognized numerous HR organizing practices that significantly influence performance. Pfeffer (1994) supported the employ of sixteen HRM-related implementations to attain better performance. Delery and Doty (1996) classified seven human resource interconnected practices.

Most of researchers have resulted that cluster of HR practices had significant affect on performance than those individual practices functioning in segregation (Arthur, 1994; Baron and Kreps, 1999; Huselid, 1995; MacDuffie, 1995). In other words, an effective employment of those particular practices fallout in high performance transversely all nature of organizations or state.

According to Paauwe (1998) and Guest (1997) in their research also found that performance is a comprehensive and multipart observable fact. Tessema and Soeters (2006) have also conducted study on eight HR practices consist of staffing and assortment procedures, selection practices, guidance, reward, promotion, and employees" performance, complaint procedure and allowance or social security in relative with the perceived performance of employees.

However, the research will try to specifically stress on the effects of performance evaluation techniques of one of the Private Banks in Ethiopia. In doing so, the researcher will try to see the periodical employee performance practices being done without the technical know how of the parameters being used and also the resulting physiological and work related consequence on employees. Therefore the study will pin point the effects of knowledge gap in employees within an organization about the effects of performance evaluation which ultimately impedes the human capital of the organization and at last affect employees' turnover.

NIB International Bank (NIB) was established on 26 May 1999 under License No.LBB/007/99 in accordance with the Commercial Code of Ethiopia and the proclamation code for Licensing and Supervision of Banking Business No. 84/1994 by 717 founder share holders with a paid-up capital of 27.6 million and authorized capital of Birr 150 million . The Bank commenced operation on 28 October 1999 by 27 employees. At the end of June 30, 2012, the Banks total capital which is the sum of authorized capital and paid up capital reached to Birr 1.5 billion. Share holders and employees increased to 3290 and 2042 correspondingly. As far as human resource is concerned, in the year 2011/2012 financial year, the staff strength of the Bank reached 2042 registering a growth of 11% from the preceding year. A total of 308 additional employees were recruited during the aforementioned year of which 172 were professionals and clerical staff and the remaining 136 were non-clericals.

Human resource development is one of the primary concerns of the Bank. To this end, during the year 2011/2012, 80 short-term courses and training programs were given to 827 employees to deal with the ever changing business environment as well as to provide efficient banking services to customers.

A total of 1060 employees have participated in these programs. In addition the bank has covered tuition fees for 484 employees who have been attending different higher educational institutions to improve their capacities.

2. Statement of the Problem

The assumption underpinning the practice of HRM is that people are the organization's key resource and organizational performance largely depends on them. If, therefore, an appropriate range of HR policies and processes are developed and implemented effectively, then HR will make a substantial impact on firm performance. The Holy Grail sought by many commentators on human resource management is to establish that a clear positive link between HRM practices and organizational performance existed over the last decade. Accordingly it has attempted to answer two basic questions: 'Do HR practices make a positive impact on organizational performance?' 'If so, how is the impact achieved?' The second question is the most important one. It is not enough to justify HRM by proving that it is a good thing. What counts is what can be done to ensure that it is a good thing. This is the 'black box' mentioned by Purcell and others (2003) that lies between intentions and outcomes. Ulrich (1997a) has pointed out that: 'HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between investment and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used'. Purcell and others (2003) have cast doubts on the validity of some of the attempts through research to make the connection: my study will demonstrated convincingly that research which only asks about the number and extent of HR practices can never be sufficient to understand the link between HR practices and business performance. As we have discussed it is misleading to assume that simply because HR policies are present that they will be implemented as intended.

Since the commencement of the official banking operation in the year 1999G.C, the Bank has been exerting its utmost effort towards capacitating the human resource through capacity building activities. In doing so, the Bank used to implement various human resource practices among which includes promotion, compensation and performance evaluations. However, these human resource practices of the Bank were not free of challenges. For example, there was a high rate of human resource turnover at all times despite the fact that there exists a relatively competitive salary scale and benefit schemes exists in the Bank such as various in house as well as external trainings, health insurance coverage, career development schemes and so on. These benefit packages being undertaken by deploying its financial resources should have benefited both the employee and the Bank. Rather by most of the employees, there is little or no sense of belongingness towards the Bank and this is true both by the Junior and senior staffs. Those who used to work for long is not as such interested to stay in the Bank looking for external job vacancy stating always that the organization has never valued them as such though they perform best at the end of the day.

Rather, most of the staffs are still complaining about the existing human resource practices of the Bank in general and promotion policy in particular. This is basically due to the gap existed in the existing promotion policy of the Bank and the employees expectations. The Bank has set its promotion policy in effect while the employees are expecting a reward for the work they contributed towards the objective of the organization every time they get evaluated.

As per the personnel policy of the Bank, the organization used to evaluate the work performance of employees twice a year. This evaluation result is basically used as a policy decision to promote or demote employees. In the former case of the other criteria's set for promotion, the weight given to performance evaluation is only 15% during internal promotion. Moreover, supervisors at all levels fill the performance appraisal format just because it is mandatory to do so. Some of them even do not strictly see the parameters set on the format. Besides, employees do not care what score they get as long as it does not deny them the annual bonus, totally ignoring that it is a managerial tool to control and check their performance. This is because most of the supervisors either do not have the know-how of critically evaluate their employees or are very ignorant about the effects of the performance appraisal output.

Some even try to fill and evaluate their employees after passing the deadline and repeatedly instructed by their supervisors. Thus, employees who manage to score a higher grade get any benefit equally and sometimes even below the line with those who actually work for that particular moment with due care. On top of the above facts, those who get promoted even by chance need to stay at this position for a minimum of one year. Thus, according to the recently revised promotion policy, he/she is not allowed to apply for a vacant post higher by two or more grades than his/her current position whatsoever performance he/she registered in their new position. But, this is not true for supervisory position.

The aggregate effects of these human resource management practices of the Bank has adversely affected the motivation of loyal and experienced employees forcing them to look around the bank industry. The problem has actually affected the staff turnover but this is not only the case those who has a plan of staying in the Bank in the future are de-motivated, What is sad about the case is that there is no commitment seen from the higher body of the Bank as to settle the case through either amending the policy. They are rather ignorant about the issue despite the fact that key and experienced personnel of the bank are still leaving the Bank.

If however, the Bank fails to revise and see the policy bottleneck regarding performance evaluation and promotion practices, the overall effect of the aforementioned practices will be a threat to get a skilled and experienced stock of human resource in the organization in the future.

3. Research questions

- What are the major reasons for conducting performance evaluation in Nib International Bank (NIB)?
- What are the real problems facing Nib International Bank with regard to the performance evaluation practices?
- To what extent do employees receive the feedback on the result of performance evaluation in Nib International Bank?
- How do the employees evaluate the impact of performance appraisal on promotion?
- How does the employee of the Bank value the consequence of performance evaluation in their future career?

4. Objective of the Study

The research will have the following objectives;

- To identify the major problems related to performance appraisal practices,
- To suggest remedial solutions in connection with turnover

5. Significance of the study

The study will be used to diagnose the existing human resource practices of the organization particularly with respect to compensation, promotion and performance appraisal practices. Thus it will try to find out the major policy constraints, challenges and policy dilemmas which will further be used for the top management policy decisions.

Moreover, the study will help the organization to maintain a stable manpower which will help to achieve its strategic objectives. It will also help other researchers to get relevant information about the human resource practices of the Bank on the employees' performance.

6. Research Design and Methodology

The research type will be explanatory one which tries to see the relationship between some of the human resource practices of the Bank (promotion, performance appraisal and compensation scheme on employees work performance. Thus, a through review of literatures will be made to compare and contrast the existing HRM practices of the banking industry in general and Nib international Bank in particular. To do this, a structured questionnaire will be distributed to 250 employees of the Bank working in the city branches here in Addis Ababa and outlying branches. Moreover, the bank's internal promotion and performance appraisal manuals will be reviewed in detail.

6.1 Research Method

Descriptive research method is a scientific method that is used to help in observing and describing the behavior of a subject without influencing it in any way to obtain a general overview of the subject. This design allows observation without affecting normal behavior. It is also useful because it is not possible to test and measure the large number of samples needed for more quantitative types of experimentation. These types of experiments are often used by anthropologists, psychologists and social scientists to observe natural behaviors without affecting them in any way. It is also used by market researchers to judge the habits of customers, or by companies wishing to judge the morale of staff. Though the results from a descriptive research can in no way be used as a definitive answer or to disapprove a hypothesis but, if the limitations are understood, they can still be a useful tool in many areas of scientific and normal study research such as this project.

6.2 Sample and Sampling Techniques

A sample of 250 employees of the Bank were selected using simple random sampling techniques to fill a structured questionnaire. A simple random sampling technique is selected for the study because almost all of the respondents are homogenous and hence taking 10% or more number of sample size will represent the total population in question. In order for the study to be representative, a geographic sampling technique will be employed in data collection i.e employees will be selected both from outline and city branches. The data will be collected confidentially and hence employees will not be forced to write their names on the questionnaire.

6.2.1 Method of data collection

The data collected was made from all the four geographic locations of the country such as MEKKELLE, JIMMA, Diredawa and Awwasa are selected for this study. The collected data will be entered and further analyzed using SPSS software. Moreover, secondary data such as promotion, performance evaluation and compensation Policy manuals will be analyzed.

Primary data

A sample of 200 employees of the Bank were selected using simple random sampling techniques to fill a structured questionnaire. The questionnaire was developed by standard performance measurement techniques and distributed to the sample Branch's through possible means of communication. Employees will be briefly informed about the purpose of the study so that they will be free of any bias. Moreover, Interview was conducted with evaluators (Raters) and the Human Resource manager and administrator of the Bank through open ended questions which is designed to elicit their perception of the problems of performance evaluation of the bank.

Secondary data

Secondary data was used for this study as the research design is descriptive in nature so I tried to collect the data available through other sources on the subject. The following sources are used for collecting the data for this study: Books, Internet , Journals ,News papers, Personal sources.

6.2.2 Data analysis and interpretation

The study was conducted based on the qualitative research technique to describe the employees' perception towards the practices of performance evaluation in Nib International Bank. The study was begun by secondary data analysis through the detailed review of related literature. To this end, books, Articles, journals, magazines, bulletins, brochures, and the company's performance evaluation formats were assessed and evaluated.

In order to gather primary information, the researcher has developed a questionnaire that comprises three parts. The first section is regarding the demographic aspect of the respondents, asking their gender, age, educational qualification, and their experience in the organization. The researcher has asked the respondents to put a tick mark if they have been evaluated or not using a 'yes' or 'No' answer question. The second part of the questionnaire consists of 35 statements evaluated on a 1-3 Likert scale , where '1' indicates strongly agree with the statement, and '3' refers to strongly disagree with the statement. The third part of the questionnaire consists of questions where the respondents were asked to describe the answers on the space provided for personal responses and comments.

In order to gather pertinent information with respect to the employees' perception of performance evaluation practiced by the Bank, the questionnaires were distributed to 200 employees who have been evaluated for the last one year and working in the ten city branches of the Bank and four outlying branches. The sample was selected from the total population of 2042 employees of the Bank excluding the non-clerical workers. The sample size accounts for 10% of the total population of managerial, supervisory and clerical workers.

Among these questionnaires, only 176 were fully completed and returned with a return rate of 81.25% which is acceptable. The participants were selected using convenience sampling method that is based on the willingness of the respondents to complete the questionnaire.

Moreover, interview was conducted with evaluators (raters) and the Human Resource manager and administrator of the Bank through open ended questions which is designed to elicit their perception of the problems of performance evaluation of the bank.

Finally, the data gathered through questionnaires were coded, entered into computer and analyzed and presented in the form of charts, diagrams, and tables using SPSS Software. For analysis purpose the responses under Likert scale were grouped in to three major categories: agree, neutral, and disagree.

The results of the interview questions were integrated to the responses of employees through questionnaires and were analyzed accordingly.

6.3 Scope of the study

The research is limited only to address the human resource practices of only one private Bank in Ethiopia. Moreover, sample will be taken from employees of the Bank working in Addis Ababa and branches selected from few regions only. The research will be limited to take a sample of only 250 employees from selected branches because of resource limitations (time and money). Moreover, the questions are all open ended so that employees will be able to respond with their utmost effort and skill. Moreover, out of the various human resource practices, only performance appraisal practices of the Bank is selected for this study.

7. Organization of the Thesis

The study is organized into four chapters.

Chapter 1 - Introduction

Chapter 2 - Review of the related literature

Chapter 3 - Data analysis and interpretation and presentation and finally;

Chapter 4 - Summary of major findings conclusions and recommendations.

Chapter Two

Literature review

2.1. Introduction

The primary purpose of this chapter is to get the theoretical understanding of the problems of performance evaluation. More specifically, it focuses on four primary areas. First, basing on the definitions given by different scholars on the term performance appraisal, I have adopted the meaning of the term as it is related to the study. Second, the literature review examined studies which discuss the purpose of and the benefits that may be received from conducting performance appraisals. Third, review identified the problems of the performance appraisal process. Fourth, the review of the literature has tried to assess the factors influencing the outcomes of performance appraisal. Finally, the researcher has tried to summarize the outcome of the review of the literature as it is related to the subject under study.

2.2 Definitions of performance Evaluation

A formal definition of performance appraisal is given by Aswathappa, A (2002): “It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is 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, organizations, and society all benefit ” From this definition one can see that the objective of performance evaluation is not only designed to check past performance(i.e. controlling) but also predicts the promotion potential of the candidate in the future(i.e. Development and coaching). Further more, the system is structured to measure and evaluate employee’s job related behaviors and outcomes and this is an answer to the question “what to measure”. This largely determines what methods to use to measure these behaviors and outcomes. But one of the weaknesses of the above definition is that it does not tell us the frequency of performance evaluation which determines the frequency of the feedback given to the employees.

Furthermore, Ivancevich, (2004) defined performance appraisal as, “The activity used to determine the extent to which an employee performs work effectively. More specifically, a formal performance evaluation is a system setup by the organization to regularly and systematically evaluate employees’ performance”. In the definition, the author classified between formal and informal performance appraisal system. Thus, the informal system is unsystematic, unplanned, chaotic, random and unmethodical. On the other hand, the formal system is prescribed, official, and intentional in its design and has a specific purpose or goal.

Moreover, according to Beer, cited in Lorch, (1987) performance appraisal is defined as: “...a system of papers and procedures designed by the organization for use by its managers and an interpersonal process in which manager and subordinate communicate and attempt to influence each other.”

According to the author, performance appraisal has two major components: The appraisal system and the appraisal process. The Performance appraisal system is the specified mechanism (e.g. objectives, participants, procedures, criteria, rating scales etc.) that is used to guide and regulate the process of performance evaluation. The appraisal process refers to the interpersonal process in which the supervisor and the subordinate communicate and attempt to influence each other through the feedback interview. It is concerned with how Performance appraisal is actually implemented and carried out in an organization. Moreover, Performance appraisal is defined as: “...a periodic evaluation of the output of an individual measured against certain expectations” [Yong, 1996 as cited in Ahmad, and Ali, Azman, 2004]

The definition implies that the performance evaluation process involves observing and evaluating staff members' performance in the workplace in relation to pre-set standards. According to DeNisi et al. (1984) cited in Campbell and Lee (1988), performance appraisal consist of observation of behavior by a rater, formation of some cognitive representation of this behavior, storage of this representation in memory, retrieval of the stored information, at the time of evaluation, reconsideration and integration of the retrieved information with other items of information, and, finally the assignment of a formal evaluation to the employees. This definition shows the process of performance appraisal decision making which is complex and unattainable because of the limitation of human information processing capacity.

Therefore, in this study, performance evaluation is a system designed to periodically and regularly measure the performance of employees against pre-set standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decisions and developmental purposes. In the citation of literature, such terms as appraisal, assessment, personnel rating, merit rating, and review are used interchangeably with evaluations (Ivancevich, 2004)

2.3 Purposes of performance appraisal system

It has long been recognized that performance appraisal plays an important role in Organizations (Mount, 1984). It serves a variety of purposes such as providing the basis for making selection decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used a powerful tool for managerial control.(Edmonstone, 1996) According to (Beer, 1987) performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers decide who will be promoted. Centrally

maintained records are the means by which the corporation attempts to remove favoritism, subjectivity, and politics from personnel decisions. Evaluation is also needed to improve the performance and potential of employees.

There is no question that the role of a manager is changing rapidly in the world market place and this opts for systematic management development efforts at the organizational level (Longenecker, 1997). So many other scholars argued that performance appraisal is to be effective device for: administering a formal organizational reward and punishment system, evaluating the legitimacy of selection test, providing feedback to employees and thereby serves as vehicles for personal and career development; establishing objectives for training programs and diagnosing organizational problems.

[Wiese, and Buckley, 1998; Cascio, 2003; Longenecker, 1997; “The federal civil servants proclamation No.515/2007” of Ethiopia; just to mention some]Ivancevich, (2004) in the case for using formal evaluation mentioned that a well-designed formal evaluation potentially can serve development, motivation, Human Resource and employment planning, communication, legal compliance, and Human resource management research. However, such confirmative arguments with regard to performance appraisal are frequently based on conditional statement, such as; “If the performance appraisal system has been well-designed and conscientiously implemented . . .”; “If performance appraisal process is an honest, open one . . .”, “If used well, performance appraisal is the most powerful instrument . . .” What then if the Performance appraisal system is not so ethically right and practically effective as theoretically desired? Negative reviews have related the destructive consequences a defective Performance appraisal system can bring to the organization.

As Ivancevich (2004) has cited, the quality expert W.Edwards Deming argued that performance appraisal is fundamentally flawed because of the following reasons: They nourish short term performance and deflect attention from long term planning, they leave ratees bitter, desolate, and feeling inferior and unfit for work because they are afraid to present a divergent point of view, they are detrimental to teamwork because they foster rivalry , and fear, they focus on the end product ,not leadership to help people, the measures used to evaluate performance are not meaningful, because supervisors and subordinates are pressured to use numbers and count something and the measures discourage quality because people concentrate on meeting numbers; they won’t take time to improve a design if their goals involve quantity and deadlines. He argued that performance appraisal nourishes fear, encourages short-term thinking, stifles teamwork, and is not better than lotteries. He condemns performance appraisal as a deadly disease, and advocates the elimination of performance appraisal.

In a more comprehensive way, Michael Beer (1987) described the two major goals of performance appraisal as follows: Organization and individual employees. He argued that both individual and organizational goals are not always compatible and results in conflict of interest in performance appraisals. As a result it brought up a mixed blessing to both the supervisor and the subordinates.

From the perspectives of the organization, Performance appraisals serve two basic goals: Evaluation and coaching and development goals. The evaluation goals are primarily designed to give feedback to subordinates so they know where they stand, to develop valid data for pay ,salary and bonus and promotion decisions and to provide a means of communicating these decisions, and to help the manager in making discharge and retention decisions and to provide a means of warning subordinates about unsatisfactory performance. On the other hand, the coaching and development goals are to be used to council and coach subordinates so that they will improve their performance and develop future potential, to develop commitment to the larger organizations through discussion of career opportunities and career planning, to motivate subordinates thorough recognition and support, to strengthen supervisor-subordinate relations, and to diagnose individual and organizational problems.

The most important point to note at this junction is that these two goals of performance appraisal are in conflict. It leads supervisors to play the role of the judge and the helper at the same time.

On the other hand, like the organization, the individual has conflicting goals in Performance evaluation. Individuals want feedback about themselves because it helps them to learn and this can be obtained through performance appraisal interview. On the other hand, employees have the desire for self development. There are obvious conflicts between individuals' desire for personal development and their wishes for rewards and feedback consistent with their self image. Self-development requires openness to feedback and real receptivity to alternative approaches to the job. It requires subordinates to drop their defense and consider accepting the manager's view of their performance taking an exploratory attitude about their performance and what might be done about it.

From this we can see that the evaluation and development goals of organizations force the managers to use performance appraisals in two quite contradictory ways. Similarly, individuals have conflicting objectives as they approach the performance appraisal. The most significant conflict, however, is between the individual and the organization Despite the heated controversies with respect to performance appraisal in terms of both its goals and benefits, it is a reality in our world, whether a panacea or a deadly disease. In this study, because of its comprehensive nature the purposes/goals framed by Michael Beer (1987) will be used as the basis to assess the purposes of performance appraisal as a practice in Nib International Bank (NIB).

2.4 Problems in the Performance Evaluation Process

Performance appraisal is one of the oldest management tools available, and the problems associated with it are equally well established (Michel Beer, 1987). Different scholars have suggested the possible sources of performance appraisal problems. Accordingly, there are three major sources of problems in performance evaluation.

2.4.1 System Design and operating problems

According to Michael Beer (1987) many of the problems in performance appraisal stem 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. 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 (results), or on personality traits rather than performance, the evaluation may not be well received (Junlin Pan and Guoqing Li, 2006; Michel Beer, 1987; Ivancevich, 2004; Cynthia Lee, 1985).

As Henderson (1984) cited in Deborah F.B and Brain H. Kleiner (1997), 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. In the study made by Clinton O. Longenecker (1977) on 120 seasoned managers drawn from five different large US organizations entitled “why managerial performance appraisal are ineffective”, the majority (83%) of the respondents argued that managerial performance appraisal is destined to fail because of (among the many reasons cited) unclear performance criteria or ineffective rating instrument used. This mostly emanates from ambiguity on the job descriptions, goals, traits and/or the behaviors that will be the basis for the evaluation of the process to fail right from the start.

According to Deborah F.B and Brain H. Kleiner (1997) organizations need to have a systematic framework to ensure that performance appraisal is “fair” and “consistent”. In their study of “designing effective performance appraisal system”, they conclude that designing an effective appraisal system requires a strong commitment from top management. The system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria. They further argued that the system should help to create a motivated and committed workforce.

The system should have a framework to provide appropriate training for supervisors, raters, and employees, a system for frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

2.4.2 Raters' problems in Performance Evaluation

Even if the system is well designed, problems can arise if the raters (usually supervisors) are not cooperative and well trained (Ivancevich, 2004). This is often because they have not been adequately trained or have not participated in the design of the program. Inadequate training of raters can lead to a series of problems in completing performance evaluations, including: : problems with standards of evaluation, Halo effect, Leniency or harshness, central tendency error, "Recency of events" error, contrast effects, personal bias (stereotyping); "similar to me(Ivancevich, J.M.,2004; Cascio, F.W., 2003;Aswathappa, K., 2002).

According to Mark Cook (1995), Performance appraisals suffer from four major problems. These are Biases, politicking, impressions management and undeserved reputation. Biases could be consciously or unconsciously because of age, ethnicity, gender, physical appearance, attitudes and fundamental values of the raters, and personal like or dislike. There is a growing body of evidence supporting the view that supervisors are often motivated to use rating inflation as a strategy to manipulate subordinates' reactions to the performance appraisals they receive. For example, on the basis of interviews with executive Longenecker, Sims and Gioia (1987) as cited in Y.Fried et al.(1999) identified six major reasons why managers inflate ratings:

- (a) to maximize subordinates' merit raises;
- (b) to avoid hanging 'dirty laundry' in public;
- (c) to avoid creating a written record of poor performance;
- (d) to give a break to an employee who has shown recent improvement;
- (e) to avoid confrontation with a difficult employee; and
- (f) to promote a problem subordinate 'up and out' of the department. Many of these reasons can be interpreted as supervisors' attempts to elicit positive reactions from subordinates, such as increasing their work motivation and performance, as well as increasing subordinates' trust in, and cooperation with, their supervisors.

In addition to the aforementioned reasons for inflation, supervisors may also deliberately inflate ratings to minimize potential challenges from subordinates to their own performance ratings. Indeed, subordinates' opposition to their performance ratings is probably quite common because individuals typically overestimate their own performance level (Campbell and Lee, 1988) and thus the opposition is sever and more likely when organizational rewards and punishments are contingent on performance appraisals. Resistance to low performance ratings is associated with such subordinate reactions as lower work motivation, greater alienation from the work environment, increased conflict with the supervisor, and

diminished belief in the leadership legitimacy and power of their supervisor (Y.Fried et al., 1999). Thus supervisors may inflate ratings to avoid creating an angry, demoralized, unmotivated, and unproductive work unit.

Generally, rating inflation is a political strategy employed by supervisors to further their self interest. Because managers' own work effectiveness is dependent on that of their subordinates, managers will tend to deliberately inflate ratings in an attempt to ensure favorable reactions or avoid unfavorable reactions from their subordinates to their performance appraisals. However, the strength of managers' motivation to inflate ratings is likely to vary according to a variety of personal and contextual variables.

In the study of Y.Fried et al. (1999) based on results from a sample of 148 supervisors from a variety of organizations supported that raters' tendency to deliberately inflate performance appraisal ratings of subordinates is associated with rater negative affectivity(the tendency of the rater to experience such negative mood states over time and across situations have been described as being in Negative affectivity) and the managers' ability to deliberately inflate ratings, if they desire to do so , may be contingent on certain aspects of the rating context. The two contextual variables are: (a) the degree to which supervisors systematically document the work behaviors of ratees during the appraisal period and (b) the visibility of performance ratings among subordinates. The data collected from the supervisors in a variety of organizations indicated that the tendency to inflate ratings is associated with high rater Negative affectivity, low documentation of subordinates' work behaviors, and high appraisal visibility.

From an organizational perspective, the study implied that the prevalence of deliberate inflation of performance ratings may hinder organization's effort to use performance ratings effectively for development, motivational or administrative purposes. For instance: (1) supervisors who often inflate performance ratings may develop cynical attitudes towards their managerial position as well as low perceived integrity and work involvement;(2)inconsistency among raters concerning their level of rating inflation may also adversely affect an organization's ability to effectively tie performance ratings to merit raises. This is because ratees may become skeptical about the legitimacy of the performance appraisal merit raise link. For example, employees from different departments with similar work experience and qualifications may be rated differently by their supervisors, in part because these supervisors differ on how much they tend to inflate performance ratings on the basis of such variables as documentation of work behaviors and appraisal visibility. This inconsistency in ratings may reduce subordinates' trust and confidence in the procedural and distributive fairness of the performance appraisals system (M.S.Susan, Taylor et al., 1995), resulting in lower work motivation and performance.

As Folger, Konovsky, and Cropanzano (1992) cited in M.S.Susan (1995) there are three characteristics of due process appraisal system in order to settle fairness and justice in the performance appraisal system. (1) adequate notice-in this context requires organizations to publicize, distribute and explain performance standards to employees to discuss how and why such standards must be met and to provide for regularly and timely feedback on performance.(2) Fair hearing which requires a formal review meeting in which an employee is informed of a tentative assessment of his or her performance and how it was derived by his or her manager, who should have a familiarity with the employee performance based on sufficiently frequent observation of the individual's work.

Employees are permitted to challenge this assessment and provide their own commentary by conducting and presenting a self appraisal. Finally, fair hearing requires that employees receive training in the appraisal process to ensure that they possess the knowledge needed to challenge assessments perceived to be unfair. (3) Judgment based on evidence requires the organization to apply performance standards consistently across employees. The results of the study appear to suggest that organizations may help reduce the inflation phenomenon by promoting or enforcing documentation of employees' behaviors and activities. Organizations may also help control the rate of inflation across supervisors and departments by standardizing the degree of appraisal visibility throughout the organization.

On the other hand there is an evidence uncovering the reasons why managers deliberately give low performance ratings to the subordinates:(a) to shock someone back on to a higher performance track;(b) to teach a rebellious subordinate a lesson; (c) to send someone a message that they should consider leaving the organization; (d) and to build a well documented record of poor performance to speed up terminations. (Longenecker et.al.1987 as cited in Mark Cook; 1995)

2.4.3 Ratees' problems in Performance Evaluation

The problems of performance evaluation can also be attributed to the ratees. For instance, their attempt to create unnecessary impression and work area ingratiation is one of the major problems with respect to ratees.

According to Mark Cook (1995), organizations occasionally exist in which subordinates gain credit for pushing a head with management plans that are absurdly wrong, in pursuit of aims which are completely pointless, stifling criticism either of purpose or of method with cries of "commitment" and "loyalty". An extreme case of this trend may be termed the World War I mentality. As Wayne, S.J. and Ferris, G.R.,(1990) cited in Mark Cook(1995) there are three underlying types of ingratiating behavior, or "upward influence styles":

- a) Job-focused ingratiation: claiming credit for things you have done and not done, claiming credit for what the group has done, arriving at work early to look good, and working late to look good.
- b) Supervisor-focused ingratiation: taking an interest in the supervisor's private life, praising the supervisor, doing favors for the supervisor, volunteering to help the supervisor, complimenting the supervisor on his/her appearance and dress, agreeing with the supervisor's ideas.
- c) Self-focused ingratiation: presenting self to the supervisor as a polite and friendly person, working hard when results will be seen by the supervisor, letting the supervisor know that you are trying to do a good job. Research suggests however that ingratiation does not always succeed in obtaining good Performance ratings. Unsubtle ingratiation may sometimes be too blatant to be credible, or palatable. Ingratiation and other impression management techniques also contaminate appraisal ratings, and make them less accurate reflectors of true worth to the organization.

Besides undermining performance appraisal, and selection research, this tends to be bad for morale, when staff see persons whose true performance is poor, but who are good at ingratiating themselves, get merit awards, or promotion, or other marks of favor. On the other hand, defensiveness and resistance to evaluations are also major problems among workers. To many employees, performance appraisal can be a highly threatening experience. This is because employees regard their performance much more positively than did his supervisor. Research showed that, employees may develop defensive mechanisms and resistance in performance ratings to defend against threats to their self esteem (Michael Beer, 1987; Campbell and Lee, 1988). The defensiveness may take a variety of forms. Subordinates may try to blame their unsatisfactory performance on others or on uncontrollable events; they may question the appraisal system itself or minimize its importance; they may demean the source of the data; they may apologize and promise to do better in the hope of shortening their exposure to negative feedback; or they may agree too readily to the feedback while inwardly denying its validity or accuracy. The defensiveness that results may take the form of open hostility and denials or may be masked passively and surface compliance. Therefore, based on the theoretical understanding gained from the literature, I have tried to assess the extent to which these and other related problems exist in relation to the performance evaluation practice of Nib International Bank.

2.5 Factors influencing the effectiveness of performance Evaluation

According to Michael Beer (1987) there are three major factors influencing appraisal outcomes. First, the appraisal system can be designed to minimize the negative dynamics causing problems of performance appraisal. The supervisor often has only marginal control over these matters. Second, the ongoing relationship between boss and subordinate will have major influence on the appraisal process and outcome. Third, the interview process itself, the quality of communication between boss and subordinate, can help to

minimize problems of performance appraisal.

2.5.1 The appraisal system

In order to solve the problem of defensiveness of ratees that resulted as a result of conflict in the goals of performance appraisal, raters should conduct two separate performance appraisal interviews –one focused on evaluation and the other coaching and development. The other solution is choosing appropriate performance data. For instance, using behavioral rating scales and behavior related appraisal techniques may solve this problem.

2.5.2 supervisor-subordinate relations

The quality of the appraisal process is dependent on the nature of the day-to-day boss subordinate relationship. In an effective relationship, the supervisor is providing feedback and coaching on an on going basis. Thus, the appraisal interview is merely a review of the issues that have already been discussed. On the other hand, if a relationship of mutual trust and supportiveness exists, subordinates are more apt to be open in discussing performance problems and less defensive in response to negative feedback.

There are no easy techniques for changing a boss subordinate relationship. It is highly affected by the context within which the boss and subordinate work, the broader culture of the organization, and the climate of the primary work group will have important influences on boss-subordinate relationship. If the organization culture encourages participative management, open communication, supportiveness accompanied by high standards of performance, a concern for employees, and egalitarianism, it is more likely that these values will characterize.

2.5.3 The appraisal interview

The best techniques for conducting a particular appraisal interview depend on the mix of objectives pursued and the characteristics of the subordinate. Employees differ in their age, experience, sensitivity about the negative feedback, attitude towards the supervisor, and desire for the influence and control over their destiny.

As Norman R.F. Maier (1958) cited in Michael Beer (1987) there are three types of appraisal interviews each with a distinct specific objectives. The differences are important in determining the skills required by the supervisor and the outcomes for employee motivations and supervisor-subordinate relationships. The three methods are termed as: tell-and-sell, tell-and-listen, and problem solving.

The tell and sell method

The aim of this method is to communicate evaluations to employees as accurately as possible. The fairness of the evaluation is assumed and the manager seeks (1) to let the subordinate know how they are doing, (2) to gain their acceptance of the evaluation, and (3) to get them to follow the manager's plan for improvement. In the interview, supervisors are in complete control; they do most of the talking. They attempt to influence

and persuade subordinates that their observation and recommendations are valid. Clearly, this method leads to defensiveness, lack of trust, lack of open communication and exchange of invalid information and it can hurt supervisor-subordinates relations.

The tell and listen interview

The purpose of this interview method is to communicate the evaluation to the subordinate and then let him/her respond to it. This method is apt to result in better understanding between supervisor and subordinate than the -tell and sell method.

The problem solving interview

This interview approach takes the manager out of the role of judge and puts him in the role of helper. The objective is to help subordinates discover their own performance deficiencies and lead them to take the initiative in developing a joint plan for improvement. The problem solving interview is best suited to coaching and development objectives of performance appraisal. To summarize, based on the above literature the research report has attempted to explore the different purposes of performance evaluation in theory and practice. Secondly, the research focused on describing and analyzing the problems of performance Evaluation from the perspective of the system itself, the Raters, and the Ratees themselves. Thirdly, the research report tried to address different issues related to performance evaluation problems, especially the feedback and the appeal process.

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

3.1. Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table and diagram. These variables include: number of years the worker worked with the organization, number of years worked on the current job, age, sex, and the highest educational level Achieved.

Table 3.1: Percentage of respondent by age and sex

Age	Sex				Total
	Male		Female		
	count	%	count	%	
under 25	20	10.76	8	3.07	(28)13.8%
25-34	107	52.31	20	15.38	(127)67.7%
35-44	26	12.31	0	0	(26)12.3%
45-54	0	0	10	4.6	(10)4.6%
55 and above	1	0	0	1.5	(1)1.5%
Total	154	76.9	46	23.1%	(1)1.5%

About 77% of the respondents were male and the remaining 23 % of the respondents were female. Regarding the age of the participants, the largest group (67.7%) was in the 25-34 years age group. The second largest group (13.8%) indicated their age as less than 25 years but (12.3%) indicated that they were in the 35-44 age groups. This shows that the labour force of the organization is composed of young people who are at their productive age and hence the organization should set an effective and workable human resource management strategy to efficiently utilize this human capital. On the other hand, only a few experienced individuals (4.6%) are in the age category of 45-54 and only one respondent reported above 55 years. This shows that the organization is highly engaged in the recruitment and placement of new university graduates almost every year as a norm thereby giving intensive on job trainings. Moreover, these employees ones completed their probation period, are assigned in a new position where they have no experience. This being the case, those who served the organization for five years or more always compete with these new entrants for a vacant post. However, despite the fact that they are

competent for the aforementioned posts, they never get the chance and most leave the organization. This is actually confirmed in the collected data showing that the majority of the workforce are between the age of 25-34.

The statistical analysis indicates that the majority (69.67%) of the respondents are categorized in the years of experience between 2 and 4 with mean value of 4.5551 and standard deviation of 2.41272. From this it is possible to infer that the workforce composition of the respondents are young and thus may require the organization to design a system by which they can be trained, educated and developed.

Table 3.2: Respondents by working experience and educational qualification

Number of years of Experience on the job	Educational qualification			Total
	College diploma	B.A/B.Sc	Masters degree	
0-4	115(23.07%)	25(38.47%)	0	140(61.54%)
5-9	8(12.30%)	7(10.77%)	1(1.53%)	16(24.6%)
10-19	0(0%)	5(7.69%)	0	5(7.69%)
20-30	2(3.07%)	2(3.07%)	0	4(6.14%)
Total	125(38.47%)	39(60%)	1(1.53%)	165(100%)

As we can observe from the above Table 3.2, the largest groups of respondents (61.54%) have a working experience of 0 to 4 years of on the current job whereas 24.6% are in the range of 5 to 9 years. On the basis of educational qualification, the majority of the respondents are first degree holders (60%) and 38.47% of the respondents holders of college diploma. Only one person is identified to have the degree of masters and there are no PhD holders at all among the respondents. This shows that there is a high rate of turnover in the organization because though the Bank has registered ten years of establishment, the majority of the employees serve the Bank not for more than five years looking for another jobs in the industry. This clearly shows that the organization should revise its human resource policy and practices specially its performance measurement practices and promotion policy.

3.2. The Employees' perception of the Purposes of Performance Evaluation in Nib International Bank (NIB)

Based on the responses gathered from the employees of the bank, the researcher has tried to discuss the employees' perception of the purposes of performance evaluation in Nib International Bank. The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly disagree; 2 = agree; 3 = neither agree nor disagree; 4 = agree; and, 5 = strongly agree. The information obtained from the questionnaire are summarized and discussed in the

Tables 3.3(a) and 3.3 (b)

Table 3.3(a): The purposes of Performance Evaluation in NIB

Degree of agreement	Give feedback		Determine pay & promotion		Warn subordinates	
	Count	%	Count	%	Count	%
Agree	96	48	86	43	77	38.5
Neutral	24	12	55	28	46	23
Disagree	80	40	59	29	77	38.5
Total	200	100	200	100	200	100

As we can observe from table 3.3(a), about 48% of the respondents agree with the statement ‘information generated through performance evaluation in Nib International Bank is used to give feedback to subordinates so that they know where they are’. However, about 40% of the respondents disagree whereas 12% of the respondents became neutral with the statement. This shows that some of the employees are aware of their work performance and hence information generated through performance appraisal is sometimes used as a controlling tool by the organization. To the contrary 40% of the employees disagree with the statement and hence disagree stating that they do not get a feedback from their supervisors as to where they are. This shows that there is a knowledge gap within among the supervisors which leads to different managerial Decisions.

On the other hand, the majority of the respondents (43%) agree with the statement ‘information generated through performance evaluation in NIB strongly determines pay and promotion decisions’ while about 28% of them became neutral and 29% of the respondents disagree with the statement. This shows that the employees are aware of the effects of performance evaluation for their career development, reward and punishment in the organization.

Moreover, 38.5% of the respondents agree with the use of ‘information generated through performance evaluation as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions’. About 38.5% of the respondents argued that they disagree with the statement whereas about 23% of them become neutral. This shows that some employees have the very knowledge of poor/good performance. But they through time try to see the effects of good performing at work being given less or no weight at their internal promotion decision. Rather it is just a means by which supervisors use to warn or charge employees.

Performance evaluation as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions’. About 38.5% of the respondents argued that they disagree with the statement whereas about 23% of them become neutral.

Table 3.3(b): Employees’ perception towards coaching purposes of Performance evaluation in NIB

	Counsel & coach Subordinates		Motivate Subordinates		Strengthen relationship		Diagnose problems	
	Count	%	count	%	count	%	count	%
Agree	68	34	80	40	77	38.5	37	18
Disagree	49	24	62	31	46	23	62	31
Disagree	83	42	58	29	77	38.5	101	51
Total	200	100	200	100	200	100	200	100

The above table shows that about 42% of the respondents argued against the counseling and coaching purpose of performance evaluation whereas about 40% of the respondents agree with the statement that the result of performance evaluation is used as an input for motivating workers and to provide them with recognition and support. On the contrary, 38.5% disagree and equal percent of the ratee do also agree with the idea that information generated through performance evaluation strengthens the relationship between the supervisors and the subordinates. Thus there is a dilemma by the employees as to whether or not the prevailing performance appraisal practice should be strengthened or not.

Moreover, majority of the participants do not agree to the statement that performance evaluation information is used to diagnose both organizational and individual problems. This shows that the organization is unable to first diagnose the problem and then give lasting solutions to the existing evaluation techniques thereby improve the policy bottlenecks related to promotion decisions also. The aggregate effect might lead the organization to high rate of employee turnover because those who have been efficient at their work yet not recognized by the supervisors could not get the chance to get what they deserve instead remain being disappointed at their work and this will lead to poor performance results.

In general, the majority of the respondents argued that the information generated through performance evaluation is used to determine pay and salary increases, warn employees for their unsatisfactory performance, and helps to show the position of the workers relative to their counterpart when compared with the coaching and counseling purposes of evaluation.

3.3. The Effectiveness of Performance Evaluation by Gender in Nib International Bank (NIB)

In order to understand the perception of the employees of the bank towards the overall effectiveness of the performance evaluation system, the opinion of the respondents were collected.

	Agree (%)	Neutral (%)	Disagree (%)
Male	10	24	66
Female	13.3	46.7	40
Total	23.3	70.7	106

According to table 3.3 above, the majority of the respondents (66% and 40% of male and female respectively) disagree with the statement ‘In my opinion, the information generated through performance evaluation in NIB is serving its purpose’ whereas 10% and 13.3% of male and female respondents respectively agree with the effectiveness of performance evaluation in the organization. On the contrary, 24% and 46.7% of the respondents became neutral with the statement. From this, it may be inferred that considerable proportion of the respondents do not feel that the performance evaluation system in the bank is effectively fulfilling its objectives.

To conclude, the significance of the information generated through performance evaluation to make the various functions of Human Resource Decisions such as performance assessment and improvement, providing a basis for individual remuneration, identifying training needs, assessing suitability for promotion and probationary review is questionable.

3.4. The Employees’ perception of the problems and practices of performance Evaluation in Nib International Bank

Employee performance evaluation has multifarious problems which can be emanated from the stakeholders (employees, the organization and the raters) involved in the system. In order to assess the practical and real problems that exist in the organization under case study, questions were designed and distributed to the employees of the bank working in different departments to gather information related to those problems. Hence, the results of the responses given by the participants are summarized and interpreted using tables and diagrams.

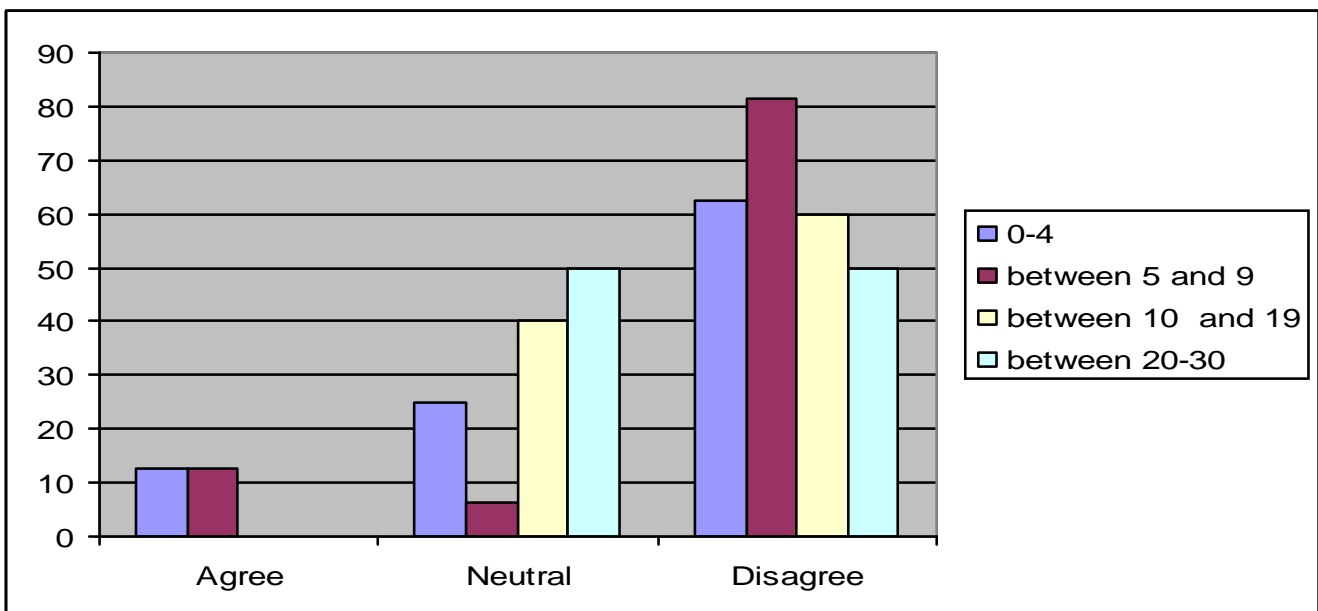
3.4.1. System Related Problems in Performance Evaluation

In most cases, the performance appraisal system is considered as a source of problem whenever the forms and criteria used to evaluate the performance of workers are complex, cumbersome, and vague; the criteria are subjective; if it fails to differentiate between effective performers' and non-performers'; if the system uses comprehensive forms across all the jobs in the organization; if it lacks a system to provide feedback on the evaluation results; the lack of an appeal process if in case the evaluation result is found to be unfair and inaccurate; and if the system fails to help employees to improve their job performance.

Apart from the theoretical suggestions identified in the literature, an attempt was made to identify whether there is a system related problems in the organization under study or not. In order to assess the existence of the aforementioned problems, the researcher has designed groups of questions to checkout the existence of the system related problems.

3.4.1.1. The employees' perception towards Goal Clarity and Objectivity of Performance Evaluation Criteria

The first step in the performance evaluation process is the specification of the standards against which the performance of employees will be judged. As much as possible the criteria/instruments used to evaluate the performance of employees should be clear and objectively determined. In this regard, the opinion of participants as to the degree/extent to which they agree with the clarity and objectivity of the performance evaluation criteria used in NIB in accordance of the work experience of respondents is portrayed in the Figure 3.3.



	0-4	between 5 and 9	between 10 and 19	between 20-30
Agree	12.5	12.5		
Neutral	25	6.5	40	50
Disagree	62.5	81.5	60	50

Fig:3.3

As we observe from the above diagram (Figure 3.3), the majority of the respondents disagree with the statement ‘the performance criteria/ instrument used to measure my performance are clearly defined and objective’. The figure further indicated that about 62.5%, 81.5%, and 60% of the respondents having work experience of between 0-4, 5-9, and 10-19 respectively disagree with the statement.

On the contrary, 12.5% of the respondents in the years of between 0-4 and 5-9 agree with the clarity and objectivity of the criterion used to evaluate the performance of the workers whereas about 50% of the respondents in the working experience between 20-30 years equally agree and disagree with the statement. Moreover, about 25%, 6.5% and 40% of the respondents between years of experience of 0-4, 5-9, and 10-19 became neutral with the statement.

From this description, it is possible to infer that the standards against which employees’ performance are judged are vague and highly subjective. If ambiguity surrounds the job description, goals, traits, and/or the behaviors that will be the basis for the evaluation, the process is doomed to fail from the start and as a result it creates confusion, role ambiguity and finally frustration among workers. Therefore, this is inline with the notion that performance evaluation is destined to fail because of lack of clearly established performance criteria and the absence of objective criteria by which employees’ work are judged.

3.4.1.2. The Employees’ perception of the Criteria of Evaluation

The criteria used to measure the performance of the employees should be relevant. It should be able to measure work related behaviors instead of measuring personal traits and at the same time it should take into account the practical difficulties and environments with in which the job is executed. However, the review of the personnel policies and procedures manual with regard to the criteria and guidelines used to measure the performance of workers in the bank indicated that both job related and personal qualities are used as a standard. Furthermore, the analysis of the evaluation form used to measure the performance of workers comprises of personal qualities as a criterion to measure the performance of the employees. For instance, health condition, neatness, and personal appearance are some of personal trait based criterion used in the bank. In this respect, the opinion of employees towards the ability of the criteria to measure the true performance of the workers in the organization based on gender are identified and summarized in the table 4.4.as shown below.

Table 3.4: The opinion of employees towards the ability of the criteria used measure their true performance by age and sex

Degree Of agreement	Age										Sex			
	< 25		25-34		35-44		45-54		>55		Male		Female	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%
Agree	3	11.1	28	20.5	3	12	3	33			6	14.0	53	33.3
Neutral	3	11.1	25	18.2	3	1	1	1			6	14.0	21	13.3
Disagree	20	77.8	83	61.3	22	87	6	66	3	100	29	72.0	85	53.3
Total	28	100	135	100	25	100	9	100	3	100	40	100	160	100

As it is possible to observe from the above table, 87.5% of the respondents whose age ranges between 35-44 years disagree with the statement that says ‘the performance evaluation criteria used in the organization is capable of measuring my true performance’. Moreover, the majority of the respondents in the age range of less than 25, 77.8% argued that the evaluation criteria do not measure their true performance. In addition, among the respondents whose age ranges between 25-34 (61.3%), 45-54(66.6%), 55 and above (100%) disagree with the statement. The proportions of the respondents who agree with the statement are insignificant. On the basis of gender, about 72% of the male and 53.3% of the female respondents disagree with the statement whereas 14% of the male respondents and 33.3% of the female respondents argued that they agree with the statement that the criterion used can truly measure their performance.

From this it is possible to infer that female respondents have more positive attitude towards the ability of the criterion to measure their true performance than male respondents. It is further implied that, at least, the majority of the employees don’t perceive that their performance is measured; thus the performance record does not reflect their true performance. As a result, if the criteria used are not truly measuring the actual performance of the employees, its appropriateness and legality of the use of the information generated through performance evaluation to make various Human Resource decisions will be questionable.

3.4.1.3. Employees’ perception of the forms of performance Evaluation

According to Beer (1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation. In this regard, the perception of employees towards the performance evaluation forms used by the Bank were gathered and presented in the subsequent table as shown below.

Table 3.5: Employees’ perception the forms of performance evaluation

Degree of agreement	Encourage participation in the design of the form		Capable of differentiating effective performers from non-performers		The form is customized	
	Count	%	Count	%	Count	%
Agree	15	7.7	40	20	60	30.2
Neutral	34	16.9	52	26.2	44	22.2
Disagree	151	75.4	107	53.5	96	47.6
Total	200	100.0	200	100.0	200	100.0

Table 3.5 indicates that the majority of the respondents (75.4%) disagree with the statement that ‘I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance’ and only few of the respondents agree with the statement. This implies that the design of the evaluation form and its content is left to the Human resource specialists of the bank and it does not encourage participation of the employees in the design of the form.

Moreover, about 53.7% of the respondents disagree with the statement that says ‘the performance evaluation form currently used to evaluate the performance of workers is capable of differentiating effective performers from non- performers’ and about 20 percent of the respondents agree with the statement. Therefore, if the form is not differentiating effective performers from non performers, the performance evaluation process may be perceived as a ritual process among the employees of the organization and as a result employees may perceive that the result of the evaluation does not reflect their actual performance.

Furthermore, about 47.6% of the respondents disagree with the statement ‘The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job’. This implies that regardless of the nature and characteristics of the jobs, the evaluation forms used in the bank are homogeneous across managerial positions and it is also similar for all clerical and supervisory positions. Such system of evaluation does not take into account the differences in the nature and characteristics of the job incumbent. On the other hand, about 30.2% of the respondents agree with the statement while about 27% became neutral to the statement.

The analysis shows that employees’ perceive that there is a problem in the evaluation form used by the bank. They argued that the evaluation forms being used by the bank are not capable of differentiating good performers from bad performers. For instance, the forms used to measure the performance of all employees in the managerial positions are the same and other forms are used for all jobs in the clerical category.

3.4.1.4. Fairness of the performance Evaluation system

As it is shown in the literature, Folger, Konovsky, and Cropanzano; cited in Susan., (1995), performance evaluation system is fair if: 1) It provides adequate notice; 2) fair hearing which requires a formal review of meeting in which an employee is informed of a tentative assessment of his/her performance and employees are permitted to challenge the assessment; and 3) Judgment based on evidence that requires the organization to apply performance standards consistently across employees. In order to assess the employees' perception of the fairness of the performance appraisal system of Nib International Bank(NIB), questionnaires were distributed and thus the results are summarized and presented in the following table (Table 3.6).

Table 3.6: Employees' perception of Fairness of Performance Evaluation

Degree of agreement	Existence of well established appeal process whenever needed		The existence of the room for challenging unfair rating		The fairness and impartiality of the evaluation system	
	Count	%	Count	%	Count	%
Agree	59.4	7.7	79	20	40	30.2
Neutral	40.6	16.9	19	26.2	58	22.2
Disagree	100	75.4	102	53.5	101	47.6
Total	59.4	100.0	200	100.0	200	100.0

Analysis of the opinion of the respondents revealed out that the majority of the respondents (50%) disagree with the statement 'I have ways to appeal a performance rating that I think is biased or inaccurate' while about 29.7% of the respondents agree with the existence of the grievance handling process but they do not believe in its transparency and about 20.3% of the respondents became neutral. On the other hand, most of the respondents still disagree with the statement 'I can challenge a performance rating if I think it is unfair' while about 38.6% of them agree with the possibility of challenging the rating if they think that the result of the appraisal are unfair and inaccurate whereas about 9.5% of the respondents became neutral to the argument. With respect to the objectivity and fairness of the performance appraisal system, about 50.7% of the respondents disagree with the fairness and objectivity of the appraisal system; while 20% of the respondents agree with the fairness and objectivity and almost 30% of the participants became neutral with the statement. This shows that the appraisal system of the bank is unfair and subjective.

Table 3.7:Employees’ perception of the importance of Performance evaluation

Degree of agreement	In my opinion, the performance evaluation process is wastage of time		The existence of the room for challenging unfair rating	
	Count	%	Count	%
Agree	31	0.15	29	0.15
Neutral	49	0.25	48	0.24
Disagree	120	0.60	123	0.61
Total	200	1.0	200	1

The above table shows that the majority of respondents (60%) consider performance evaluation process as wastage of time and almost the same proportion of the respondents claim that the performance evaluation system of the bank did not help them to improve their performance.

3.4.2. Employees’ perception of Raters’ problems in Performance Evaluation

Theoretical assessment under chapter two of this report indicated that raters are the major sources of problems in employee performance evaluation. Accordingly, performance evaluation suffers from the following major problems: personal bias, inflation due to political considerations, halo effects, leniency or harshness, central tendency error, evaluating based on recent behaviors, inadequacy of training for raters and the lack of participation in the design of the program. Documentation and transparency are also the major problems with respect to performance evaluation. The results of the opinions of the respondents with respect to the problems of performance evaluation related to the raters are summarized in the form of tables and diagrams.

3.4.2.1.Employees’ perception of the problems of political considerations in Performance Evaluation

Political consideration is one of the major problems in performance evaluations. In order to know the perception of employees towards the existence of the problems of political considerations in relation to performance evaluations, questionnaires were designed and distributed to those employees of the bank who have been evaluated for the last one year. In line with this, the opinions of employees were collected and presented in the following table (see Table 3.8).

Table 3.8: Problems of political Considerations in performance evaluation

Degree of agreement	Raters are influenced by personal likes and dislikes		Raters avoid giving negative rating		Rating accuracy is both rewards and penalty oriented		Raters give average ratings to all employees	
	No.	%	No.	%	No.	%	No.	%
Agree	96	48.4	37	19	28	13.8	54	27
Neutral	60	30.0	22	11	62	30.8	89	44
Disagree	44	21.6	142	71	110	55.4	57	29
Total	200	100	200	100	200	100	200	100

As we observe in table 3.8, about 48.4 % of the participants agree with the statement ‘My rater is influenced by his/her personal liking and disliking when evaluating my performance’. A summary of the answers given by the respondents under the open ended questions also support the idea that performance evaluation practice of the bank is full of bias.

The raters are influenced based on race, friendship, family ties, and the fundamental values of the raters, political considerations, and physical appearance. On the other hand, the majority of the respondents (70.8%) argued that they disagree with the statement ‘my rater avoids giving performance ratings which may have negative consequences for his or her subordinates’. This shows that most if not all raters do affect employees morale, work spirit and enthusiasm because of the fact that they do not critically see the parameters and its impact as such.

Moreover, most of the respondents (55.4%) argued that they agree with the statement ‘My supervisor accurately evaluates my performance to the extent that he/she believe will be rewarded for doing so or penalized for failing to do so’. This implies that raters were not motivated to seriously undertake the job of evaluating the performance of their workers unless and otherwise there is an enforcement to do so. An interview conducted with the Head of the Human Resource Management Department and Administration revealed out that in most instances line mangers do not give a serious attention to the performance evaluation. He further noted that the raters are continually informed to fill out form of evaluation and return back the result of the evaluation to the Human Resource Development and Administration division of the bank.

On the other hand, about 44.4% of the respondents became neutral with the statement ‘My supervisor gives equivalent performance ratings to all my colleagues in order to avoid resentment and rivalries among us’. However, some respondents personally noted on their respective questionnaire that their supervisors almost give average ratings to the majority of the employees under their supervision because the evaluation result is highly tied up with the salary increment and other benefits such as bonus sharing.

This is inline with the study of Freid and others (1999), which states that the prevalence of deliberate inflation of performance ratings may hinder organization’s effort to use performance ratings effectively for development, motivational and administrative purposes. Accordingly, inconsistency among raters concerning their level of rating inflation may also adversely affect an organization’s ability to effectively tie performance ratings to merit raises.

3.4.2.2. Documentation and Transparency of Performance Evaluation

The degree to which the supervisors systematically document the work behaviors of ratees during appraisal period and the visibility of the performance ratings among subordinates highly affects the tendency of the raters to inflate ratings. In this regard, an attempt was made to know the extent to which employees perceive that the raters document the work behavior of their employees during the period of evaluation and the extent to which they communicate the result of the appraisal to their employees on the regular basis. The results of the analysis are summarized in the following table (Table 3.9).

Table 3.9: Documentation and Transparency of Rating by raters

Degree of agreement	Raters cite specific examples during rating		Raters supports evaluation by specific incidents		Raters keep file of performance during the evaluation period		Raters give continuous feedback during performance period	
	Count	%	Count	%	Count	%	Count	%
Agree	9.2	4.6	25	12.5	26.4	13.2	49.4	24.7
Neutral	52.4	26.2	59.4	29.7	36	18.0	58.4	29.2
Disagree	138.4	69.2	115.6	57.8	137.6	68.8	92.4	46.2
Total	200	100	200	100	200	100	200	100

As it is revealed out in table 3.9, the majority of the respondents (about 69.2%) disagree with the statement ‘My rater provides me specific examples of things which I did during the appraisal period if ever I question my performance ratings’ and 57.8% of the respondents disagree with the statement that ‘My rater generally supports his evaluation with specific incidents of good and poor performance’. Moreover, about 68.8% of the participants indicated that their supervisors usually do not keep a file of their performance during the evaluation period. They used to evaluate their performance based on the current work behaviors. Hence, this kind of evaluation leads the problems of recent behavior bias. The analysis of the questionnaires and the interview shown that lack of transparency and continuous feedback to show the progress of the employees to wards their performance are the major problems facing the bank. In the open ended questions, the respondents argued that the performance evaluations are not visible and they are secret to most employees. In the open ended questions, many of the respondents commented that the performance evaluation in the Bank is conducted with out their knowledge and this is very contrary to what is stated in the literature.

Theoretically, it has been identified that both the raters and ratees should seat together and discuss about the performance of the employees so that they can arrive at a common understanding. Others said that they are not exactly sure when the evaluation is taking place and they did not receive any form of formal and written feedback from their supervisor with respect the progress of their performance. Moreover, analysis of the open ended questions further revealed out that as a result of the failure of the supervisors to show the result of the ratings, employees were not in the position to know and improve their weaknesses and/or capitalizes on their strengths. To use the phrase forwarded by the one of the respondents “I never saw my evaluation and it is not customary for employees in my organization to see and comment on their evaluation” Almost 46.2% of the employees asked using the Likert scale disagree with the statement ‘My rater frequently lets me know how I am doing’ whereas about 24.7% of them agree with the statement and about 29.2% of the respondents became neutral.

Therefore, the organization need to work hard to design a system whereby employees can have access to their results and make it transparent so the employees will be able to know their weaknesses and strengths. Transparency of the evaluation result is usually accompanied by appropriate documentation of the performance of employees which demands supervisors much time but provides them objectivity and minimizes the problem of recent behavior bias.

3.4.2.3. The Employees’ perception towards the Fairness and Qualification of the Raters’

The qualification of the rater is determined by the ability of the rater to observe the work of his/her subordinates and the adequacy of the training gained in how to conduct the performance evaluation of the subordinates. On the other hand, the fairness of the performance evaluation by raters is a function of the ability of the raters to evaluate his/her subordinates based on the criteria set by the bank in its personnel policy manual with regard to performance evaluation. In this respect, the following table shows the employees’ perception of the fairness and qualification of the raters during performance evaluation.

Table 3.10: Fairness and qualification of the rater

Degree of agreement	I am evaluated based on my work.		my rater gave me a fair assessment		My rater is not qualified to evaluate my work	
	Count	%	Count	%	Count	%
Agree	59	30	79	40	40	20
Neutral	41	20	19	9	58	29
Disagree	100	50	102	51	101	51
Total	200	100	200	100	200	100

As it is possible to observe in the above table, about 50% of the participants disagree with the idea that ‘my rater evaluates my performance based on my accomplishment and achievement’ whereas about 30% of the respondents agree with the statement and about 20% of the respondents argued that they neither agree nor disagree. A further analysis showed that about 51% of the respondents disagree with the statement ‘in my recent evaluation, my rater gave me a fair assessment compared to my co-workers’ whereas about 40% of the respondents agree with the idea and the rest of the participants become neutral with the statement.

With respect to the qualification of the rater, about 51% of the respondents agree with the idea that the raters have no sufficient skill and ability to evaluate their performance. As noted by respondents in the open ended questions, most of their raters do not clearly understand the criteria against which employees are evaluated. Performance evaluation is a tough job in such a way that it requires careful observation of the work of the subordinates and clear documentation. Most of them agreed that the raters do not have adequate training and skill to seriously undertake the issue. Others contend that even if raters are qualified to evaluate the performance of their subordinates, they are not motivated and hence negligent to perform.

3.4.3.1. Employees’ perception of the Problems of Impression Management/ Ingratiation of the Ratees

There are different underlying types of ingratiating behavior, or upward influence styles and subordinates may gain for pushing a head with management plans that are absurdly wrong, in pursuit of aims which are completely pointless and stifling criticism. This ingratiation is job-focused, supervisor focused, or self focused. Taking into account these theoretical understanding, questions involving Likert scale was forwarded to the respondents and the information generated through is summarized and interpreted in table 3.11

Table 3.11. Problems of Impression Management

Degree of agreement	Comparison of rating		Ratees support their boss		positive impression		Ratees favor raters	
	No	%	No	%	No	%	No	%
Agree	62	31	56	28	106	53	37	20
Neutral	54	27	80	40	66	33	40	20
Disagree	84	42	64	32	28	14	123	60
Total	200	100	200	100	200	100	200	100

Table 3.11: Summary of the problems of impression management/ ingratiation of the ratees job. As a result of these reasons, most respondents do not believe in the qualification of their raters.

3.4.3 Employees' perception of the Ratees' problems in performance Evaluation

In some instances, ratees' may be a source of problem in performance evaluation. They may attempt to influence the performance rating done by their supervisors by creating unnecessary impressions that may influence the rater to inflate the evaluation. Moreover, ratees may resist the performance evaluation result that is in conflict with their preoccupation and develop a kind of defensive mechanism that may affect the ability of the rating to achieve its purpose.

Accordingly, Table 3.11 shows that the majority of the respondents (42%) disagree with the statement 'I often compare my performance ratings with my co-workers' whereas about 30.8% of the respondents agree with the idea and about 27.7% were neutral. The lack of comparison of the result of the performance evaluation among the workers can be considered as a good reason for transparency problems in the organization. In addition, about 32.3% of the respondents disagree with the statement 'I used to support the ideas of my supervisor knowing that it is wrong' and 40 percent of the respondents became neutral and about 27.7% of the respondents agree with the statement. On the other hand, creating unnecessary impression in the mind of the rater in order to influence him/her inflate the result of the rating is a common phenomenon in the literature.

In this regard, majority of the respondents (50.8%) neither agree nor disagree with the statement. Moreover, most of the respondents (61.5%) disagree with the statement 'I often do a favor to my supervisor' and many of the participants disagree with the statement 'I used to work hard if the result is going to be seen by my supervisor'. From this it is possible to infer that, the problems of performance evaluation as it is related to the ratees is insignificant and thus a further research is required to identify the degree to which the problems are attributed to the system, raters or ratees in the banking sector.

However, in the current study it can be implied that the major sources of problems in performance ratings are the system and the raters. But the composition of the contribution to the problem is something that requires additional research.

3.4.3.2. Employees’ perception of the Defensiveness and Resistance towards low Performance rating

Employees may develop defensive mechanisms and resistance to defend against threats to self esteem. In this respect, analysis of the responses of the participants is summarized as shown in the table below.

Table 3.12: Low Performance ratings by sex

Degree of agreement	I often resist accepting low performance Ratings					
	Agree		Neutral		Disagree	
	Count	%	Count	%	Count	%
Male	28	75	40	72	86	22.2
Female	9	25	15	28	22	47.6
Total	37	100	55	100	108	100.0

The table above revealed out that the majority of male respondents (75%) agrees with the statement ‘I often resist accepting low performance ratings from my supervisor’ and about 25% of the female respondents agree in the same way just like the male respondents. From those respondents who agree with the statement, majority of them were male 75% and 25% are female. There is no as such significant difference between the respondents with respect to the statement.

3.5. The Attitude of Employees towards the importance of Conducting Performance Evaluation in NIB

The respondents were asked to respond either as yes or No to the question “Do you think it is essential to conduct performance evaluation in your organization?” and the majority of the respondents (about 84.6%) answered ‘yes’. Analysis of the responses showed that performance evaluations are conducted for a number of reasons including:

- a) To measure of employees’ performance against tasks assigned to them; to enable employees to know their strengths and weaknesses with the view to motivate them to do better or warn them on the consequence of their weaknesses.
- b) To follow up the subordinates as well as to prize workers who works hard as long as it is conducted in a right judgment
- c) To deter or minimize employees’ carelessness and negligence and to reward and punish them
- d) To correct employee’s behavior or to take corrective action whenever employees are in the wrong way or truck and if their performance is extremely below the expected performance standard
- e) Performance evaluation is essential to the organization as the employee performed well should be rewarded whereas the employee with poor performance should be known and to be informed to improve his/her performance.
- f) To identify training needs, staff development and to properly and fairly undertake staff promotion.

However, the above-mentioned points are simply the opinion of employees towards the purposes of performance evaluation. Hence, as a practice, the information generated thorough performance evaluation in Awash International Bank is rarely utilized to serve these purposes.

Hence, the bank is required to work hard to design a system whereby the result will be accessed and utilized. The following table indicates the attitude of employees towards the importance of conducting performance evaluations by the bank based on educational qualification.

Table 3.13: Conducting performance Evaluation in NIB by educational qualification

As it is possible to observe from the above Table, regardless of their educational level, the majority of the participants believe in the importance of conducting performance evaluation in the organization.

Importance of performance Evaluation	Educational qualification					
	College diploma		B.A/B.Sc		Masters degree	
	Count	%	Count	%	Count	%
Male	55	72	112	92	1	1
Female	22	28	10	8		
Total	77	100	122	100	1	100.0

CHAPTER FOUR

4. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study obtained through the questionnaire distributed to 200 employees of Nib International Bank and the interview conducted with the human resource manager and some raters, the following conclusions and recommendations are made.

4.1. Summary

On the basis of the findings the following conclusions are forwarded.

- The demographic characteristics of the respondents revealed out that gender wise about 77% are males and the remaining 23% are females. The majority of the respondents are in the age category of twenty five up to thirty four years being followed by under 25 years age group. Moreover, the result of the study indicates that the work experience of the respondents is between 0 to 4 years being followed by 5 to 9 years. Education wise, the majority of the respondents were first degree and diploma holders and only one out of 200 are identified to have Masters Degree.
- Accordingly, the majority of the respondents said that the performance evaluation objective of the Bank is more of controlling than coaching. Therefore, the majority of the respondents agree with the idea that information generated thorough performance evaluation are primarily used for providing feedback to employees so that they know their position relative to their fellow workers. However, analysis of the open ended questions has indicated that employees are not allowed to observe their performance ratings due to transparency problem.
- The study indicted that Raters and the performance appraisal system itself are the major sources of problems in the appraisal process. In this respect, employees' contribution towards the problem is relatively low. Analysis of the questionnaires designed using likert scale and the open ended questions shows that performance appraisal are done simply to fulfill formalities, and hence no subsequent action is taken after the evaluation is over. Moreover, respondents said that there is no timely feedback, lack of transparency; inconsistency, inaccuracy, and subjectivity of the rating were identified to be the major sources of problems.
- It is has been shown in the analysis that the standards against which employees' performance is judged are vague and highly subjective. Hence, the lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and

frustration among the workers to undertake their job. As a result, the majority of the respondents questioned the legality and appropriateness of the current form used to measure the performance of workers to undertake administrative decisions. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does not reflect their true performance.

- The majority of the respondents believe that the performance evaluation system of the bank is not serving its purpose i.e., it is not effective.
- Moreover, employee rotation, which is very common in banking industry, creates a dilemma among the raters because of the fact that the raters did not get the opportunity to observe the work of the employees and the form currently being used is not designed according to the work characteristics.
- The negligence of the raters to conduct the performance of employees on a continuous basis are cited by the HRD and Administration division as one of the major problem facing the organization with respect to performance evaluation. The raters do not pay due attention to the performance appraisal because they consider it as the duty and responsibility of the Human Resource specialist. The analysis of open ended questions shows that the raters are not self confident to evaluate the performances of their employees and thus relies on the information obtained from third parties. Moreover, the lack of raters' adequate training/skill to evaluate the performance of their subordinates was also the major problems identified in the study.
- Analysis of the open ended questions and interview indicated that: the lack of evaluation dimensions to specific tasks assigned to each category of employees, lack of communication between the rater and employees in regard to performance status during the period proceeding the evaluation , inadequacy of rater to evaluate employees' performance at the organizational level and to take timely and concrete measures in regard to rewards , penalties and raining; lack of training supervisory staff on rating skills; lack of confidence of supervisory staff to openly discuss performance evaluation results with concerned individuals and employees are the other problems identified with respect to performance evaluation practice of the bank.
- The majority of the respondents claimed that the performance evaluation system of the organization is unfair in such a ways that it does not have well defined grievance handling procedure and it is not transparent if incase the ratees question the accuracy of the rating.
- The political considerations that leads to both rating inflation and low rating is the result of lack

of documentation of employees behaviors and this adversely affect the organization's ability to effectively tie performance ratings to merit raises. This is because ratees may become skeptical about the legitimacy of the performance appraisal merit raise link

- The majority of the respondents believe in the importance of conducting performance evaluation in the bank and they are not happy with the way it is being implemented.

CONCLUSIONS

NIB International Bank (NIB) was established on 26 May 1999 under License No.LBB/007/99 in accordance with the Commercial Code of Ethiopia and the proclamation code for Licensing and Supervision of Banking Business No. 84/1994 by 717 founder share holders with a paid-up capital of 27.6 million and authorized capital of Birr 150 million . The Bank commenced operation on 28 October 1999 by 27 employees. At the end of June 2012, the authorized capital and paid up capital reached to Birr 1.5 billion and 980 million respectively. Share holders and employees increased to 3290 and 2700 correspondingly. As far as human resource is concerned, in the year 2010/2011 financial year, the staff strength of the Bank reached 1,832 registering a growth of 14.1% from the preceding year. A total of 321 additional employees were recruited during the aforementioned year of which 229 were professionals and clerical staff and the remaining 92 were non-clerical.

Human resource development is one of the primary concerns of the Bank. To this end, during the year 2010/2011, 72 short-term courses and training programs were conducted to cope up with the ever changing business environment as well as to provide efficient banking services to customers. A total of 1060 employees have participated in these programs. In addition the bank has covered tuition fees for 562 employees who have been attending different higher educational institutions to improve their capacities.

It has been shown in the analysis that the standards against which employees performance are judged are vague and highly subjective. Hence, the lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and frustration among the workers to undertake their job. As a result, the majority of the respondents questioned the legality and appropriateness of the current form used to measure the performance of workers to undertake administrative decisions. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does not reflect their true performance.

4.2. Recommendations

On the basis of the findings and recommendations is reached, the following recommendations were forwarded in order to improve the performance Evaluation practices of Nib International Bank.

- In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis. The existing appraisal system should be changed to be participatory in the sense that employee should be allowed to see their evaluation and comment on it.
- The evaluation result needs to be discussed among the raters and ratees clearly and also design ways to communicate the results of the employees as well as the criteria against which you are going evaluate the employees. In addition, both the rater and the ratees should seat together and fill the form and finally the employees should be given the results of the performance and again they should discuss on the results and agree up on it. Otherwise the evaluation will be meaningless.
- The bank should encourage the participation of its employees in the design of the form that is used to evaluate the performance of the workers and it should take into account the differences among jobs in terms of their requirements and characteristics. Therefore, in order for the appraisal system to be effective, at least the forms that measures jobs having similar characteristics need to be customized and tailor made.
- In order to minimize the problems of subjectivity, raters need to evaluate their subordinates based on the actual volume of work and responsibility discharged over the period of evaluation rather than focusing only on subjective measurement so that the productivity of employees will be enhanced. The bank should also establish a committee who are in charge of undertaking the performance evaluation of the organization.
- The performance evaluation system of the bank should be designed in such a way that it is future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature. Salaries and other financial incentives of employees should be adjusted in accordance with the prevailing higher inflation in the country. This study can help the Bank to properly define that HR practices can produce higher performance of the employees of the banks and ultimately results in increasing the productivity and motivation in employees. In this study, the researcher adopt personally administered questionnaire and choose only three most important HR practices. The future studies can be done by utilizing other HR practices like recruitment and selection practices, training and development practices, placement practices, and grievance practices.

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Annexes
St. MERRY UNIVERSITY COLLEGE
SCHOOL OF GRAGUATE STUDIES (SGS)
MBA PROGRAM

Annex I

To be filled by Ratees or Appraisees

This questionnaire is designed to collect information about the employees' perception towards employee performance evaluation system in Nib International Bank. The information shall be used as a primary data in my case research which I am conducting as a partial requirement of my study at St.Merry University College for completing my MBA and its contribution to improvements in these practices. Therefore, I will be willing to submit a copy of my final report to you when it is ready.

As this project is a case study, I will be willing to get your permission for release of the information even when it is meant for academic use if such permission is required by your organization. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the research.

General Instructions

- There is no need of writing your name
- In all cases where answer options are available please tick (a) in the appropriate box.
- For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

Thank you, for your cooperation and timely response in advance

PART I: Participant Information

1. Number of years you have worked for this organization(in years)_____
2. Number of years working on this job (in years):
 0-4 5-9 10-19 20-30 30 years or more
3. Age (in years): Under 25 25-34 35-44 45-54 55 and above
4. Sex: Male Female
5. Educational Qualification:
 High school graduate
 Technical school graduate
 College Diploma
 BA/BSc Degree

Masters Degree

PhD Other (please state _____)

6. Have you been evaluated for the last one year?

Yes No

7. If your answer to question number 7 is yes, Please turn over to complete part II

PART II: Questions related to the practices of performance Evaluation

Listed below are statements about the practices of Employee performance Evaluation in your organization. Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the practices of performance evaluation in your organization.(the values given for the answers ranges from 1 up to 5 where 1= disagree,2= Neutral,3=disagree)

S.N	Effects of performance appraisal practices on employees performance	1	2	3	4	5
1.	Information generated thorough Performance evaluation in NIB is used to give feedback to subordinates so that you know where you stand					
2.	Information generated through Performance evaluation in NIB strongly determines pay and promotion decisions					
3.	Information generated through Performance evaluation in NIB is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make Discharge and retention decisions					
4.	Information generated through Performance evaluation in NIB is used to counsel and coach subordinates so that they will improve their performance and develop future potential					
5.	Information generated Performance evaluation in NIB is used to motivate subordinates through recognition and support					
6.	Information generated through performance evaluation in NIB is designed to strengthen the relationship between superiors and subordinates					
7.	Information generated through Performance evaluation in NIB is used to diagnose both organizational and individual Problems based on performance results					
8.	In my opinion, the performance evaluation system in NIB is serving its purpose					
9.	The performance criteria/instrument used to measure my Performance are clearly defined and objective					
10.	The performance evaluation criteria used in the organization is capable of measuring my true performance					
11.	I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance.					

12.	In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers.					
13.	The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job					
14.	I have ways to appeal a performance rating that I think is biased or inaccurate					
15.	I can challenge a performance rating if I think it is unfair					
16.	The performance evaluation in NIB helped me to improve my job performance					
17.	In my opinion , the performance evaluation system is fair and objective					
18.	I think the performance appraisal process is a waste of time					
19.	My rater is influenced by his/her personal liking and disliking when evaluating my performance					
20.	My Supervisor avoids giving performance ratings which may have negative consequences for his/her subordinates.					
21.	My supervisor accurately evaluates my performance to the extent that he/she will be rewarded for doing so or penalized for failing to do so					
22.	My supervisor gives equivalent performance ratings to all my colleagues in order to avoid resentment and rivalries among us					
23.	My rater provides me specific examples of things which I did during the appraisal period if ever I question my performance ratings					
24.	My rater generally supports his evaluation with specific incidents of good and poor performance					
25.	My rater usually keep a file on what I have done during the appraisal period to evaluate my performance					
26.	My rater evaluates my performance based on my accomplishment and achievement					
27.	In my recent evaluation, my rater gave me a fair assessment compared to by co-workers					
28.	My rater is not a qualified person to evaluate my work					
29.	My rater frequently lets me know how I am doing					
30.	I often compare my performance ratings with my coworkers					
31.	I used to support the ideas of my supervisor knowing that it is wrong.					
32.	I usually create a positive impression in the mind of my rater.					
33.	I often do a favor to my supervisor					
34.	I used to work hard if the result is going to be seen by my supervisor.					
35.	I often resist accepting low performance rating					

Part III. Additional Questions

1. In your opinion, do you think that it is essential to conduct performance evaluation in your organization? _ Yes _ No

2. What is/are your reason for question No.2 above?

3. In your opinion, what are the real problems that you observe regarding performance evaluations practices of your organization?

4. Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization? Use the space provided below

Thank you again for completing the questionnaire!

St.MERRY UNIVERSITY COLLEGE
SCHOOL OF GRAGUATE STUDIES(SGS)MBA PROGRAM

To be answered by HRD manager and raters

This following interview questions are designed to collect information about the perception of employees towards the practice and problems of employee performance evaluation in Nib International Bank. The information shall be used as a primary data in my case research which I am conducting as a partial requirement of my study at St. Merry University College for completing my MBA program.

The research is to be evaluated in terms of its contribution to our understanding of the practices of organizations in contemporary Ethiopia and its contribution to improvements in these practices. Therefore, I will be willing to submit a copy of my final report to you when it is ready. As this research is a case study, I will be willing to get your permission for release of the information even when it is meant for academic use if such permission is required by your organization.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the research.

List of interview questions

1. Is there a performance Evaluation policy in your organization? What are the objectives of performance appraisal as stated in the policy manual?
2. Do you think that the performance evaluation system of your organization is serving its purpose?
3. Do you think that the performance evaluation system differentiates effective performers from non-performers at all levels?
4. Can you please describe the performance appraisal practices of your organization?
5. What are the major problems that your department is facing with respect to performance evaluation?
6. How do you communicate the performance appraisal Results of the employees in your organization?
7. Finally, is there any think that you want to comment about the performance appraisal system of your organization?