



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

**THE PRACTICE OF PERFORMANCE APPRAISAL AND ITS
INFLUENCE ON JOB SATISFACTION AT COMMERCIAL
BANK OF ETHIOPIA**

**BY
YEWONDWESEN GULLILAT**

**MARCH 2014
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY,
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **MESFIN LEMMA (ASSITANT PROFESSOR)**. 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.

YEWONDWESEN GULLILAT

Name

Signature

ENDORSEMENT

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

Advisor

Signature

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ABSTRACT

This research was conducted to assess the practice of Performance Appraisal and its influence on Job Satisfaction at Commercial Bank of Ethiopia. The research used descriptive type of research and relevant data for the research was collected through survey method. Six branches were selected and 80 questionnaires were distributed to examine the relationship between Performance Appraisal practice and Job Satisfaction. The questionnaires were classified into five facets according to their focus areas. From the gathered data different problems were seen on the current Performance Appraisal practice of the bank. To improve the effectiveness of the Performance Appraisal practice recommendation such as the involvement of employees in the design of the Performance Appraisal process, improving rater's qualification, evaluating without bias, giving constant feedback, following up on the recommendation of the Performance Appraisal outcome were forwarded.

Key Words: Performance Appraisal, Job Satisfaction, Performance Evaluation, Goal Setting, Feedback, Performance Improvements.

LIST OF ACRONYMS

CBE	COMMERCIAL BANK OF ETHIOPIA
GRS	GRAPHIC RATING SCALE
HR	HUMAN RESOURCE
JS	JOB SATISFACTION
PA	PERFORMANCE APPRAISAL
PM	PERFORMANCE MANAGEMENT

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CHAPTER ONE

INTRODUCTION

Under this chapter background of the study, overview of the organization under study, statement of the problem, research questions, general and specific objectives, significance, scope and limitation of the study, definition of key terms and concepts used in the research is well addressed. Moreover, the last part shows how the entire paper is organized.

1.1 Background of the Study

In any organization the idea and practice of performance measuring of an employee is one of the main aspects that must be done in an organized and professional manner for the growth of the organization and the career development of an employee. PA is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives (Abu-Doleh & Weir, 2007).

The evaluation of job performance have been called by many different names throughout the years – a tool of management, a control process, a critical element in human resources allocation and many others. The first appraisal systems were just methods for determining whether the salary of the employees in the organizations was fair or not. Later, some empirical studies have shown that reduction or future pay were not the main effects of the process. Performance appraisal was recognized for a tool for motivation and development in the United States in the 1950s (Cardy & Dobbins, 1994).

PA gives different and important benefits to the organization in general. There has been a general harmony in the belief that PAs lead to positive implications of organizations. Furthermore, PAs can benefit an organization's effectiveness. Most methods of PA often lead to giving individual workers feedback about their job performance. From this may spawn several potential benefits such as the individual workers becoming more productive (Schraederet al., 2007). Its every man's nature to improve or try to improve centering the feedback received, it is in the employees benefit if the feedback or result of a performance appraisal is communicated back to the

employees. The effort of any employee to improve his/her self will help the employee in becoming a better one and in turn the improvement of any employee will directly benefit the organization he/she belongs to.

In many experiences encountered we can observe that most managers don't like to conduct PA's while most employees don't like to be on pedestal and be judged too (Henderson, 1984). This leads to the question of why? As previously discussed many benefits can be gained by conducting a PA effectively but it is not as easy as just putting numbers to the performance of an employee, if not careful executed, PA has its own pitfalls. PA should provide accurate and relevant ratings of an employee's performance as compared to pre-established criteria/goals. Sometimes supervisors tend to give inflated ratings to employees than they truly deserve whether biased by their friendship or personal issues with co-workers. On the other hand the criterion's used to evaluate an employee may not be as accurate as they do not relate to the goals set by the organization. Some of the criterion's used are designed only through the eyes of the supervisors or managers and don't include representatives of employees in the designing process. Employees' involvement is essential because developing an appraisal system that accurately reflects employee performance is a difficult task. PA systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employee and organizational characteristics and qualities (Henderson, 1984).

Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated (Cumming, 1972). The current PA method used at CBE is top-down appraisal. Top-Down Appraisal method is an appraisal type in which a supervisor or department head evaluates employees through the use of different techniques. This type of appraisal method is commonly used in different organizations (Schraeder et al., 2007). From the different techniques available for evaluation, CBE uses the Management by Objective (MBO). It's a technique in which employees are judged through already established objectives in relation with the organizations or departments strategic plan.

The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before. Many attributed effective PA to the development and growth of an organization. Cumming writes that the overall objective of performance appraisal is to improve the efficiency of an enterprise

by attempting to mobilize the best possible efforts from individuals employed in it PA helps in identifying training gaps, pay raises, assisting promotions, but these researches failed to connect these benefits of PA to JS on thus living this gap for the study to explore. Different researches have circulated around the benefits of PA in general, but as one explores deeply it can be observed that there is a lack of elaborated studies linking PA to JS clearly. This study had the aim of contributing to the alleviation of material on the subject.

1.2 Background of the Company

The history of banking in Ethiopia dates back to the turn of the century. When in 1905, the Bank of Abyssinia was established in Addis Ababa, under the reign of Menelek II. This event marked the introduction of banking in the country. National Bank of Egypt having been entrusted of the project, the new institution was chartered in Cairo and its shares were subscribed in a number of countries besides Ethiopia The Bank of Abyssinia was given a 50-years concession and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians. Haile Selassie, after acceding to the throne in 1930, could not accept that the country's issuing bank was foreign-owned and, in agreement with National Bank of Egypt, decided liquidation of the Bank of Abyssinia. A new bank, the Bank of Ethiopia, under Government control, was established in 1931 and retained management, staff, premises and clients of the old bank. Italian occupation in 1936 brought the liquidation of the Bank (Mauri, 2003).

According to Arnaldo Mauri, origins and early development of banking in Ethiopia There are five principal events which may divide Ethiopian Banking history into periods.

First was the establishment of the bank of Abyssinia in 1905, marking the arrival of the banking sector in Ethiopia. The second was Italian occupation in 1936, when following liquidation of the Bank of Ethiopia. The third was in 1943 the establishment of state Bank of Ethiopia, marking the independent banking in Ethiopian history. The fourth as put by Mauri was the revolution of 1974 which wiped out monarchy and shaped a “socialist banking” model. The fifth mentioned was the collapse of regime followed by a financial sector reform according to monetary and banking proclamation of 1994 (Mauri, 2003).

Commercial Bank of Ethiopia came just before the third classification of the 1943 as the bank is established in 1942 (Mauri, 2003). It is a Pioneer to introduce modern banking to the country and it has over 718 branches stretched across the country. CBE is leading African bank with assets of Birr 155 billion, over 86.5 billion birr in total deposits and has a capital of over 6 billion as on June 30th 2012. Commercial Bank also plays a catalytic role in the economic progress & development of the country. It is the first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 4 million Account holders. It has strong correspondent relationship more than 50 renowned foreign banks and a SWIFT bilateral arrangement with 500 others and combines a wide capital base with more than 12,000 talented and committed employees. Pioneer to introduce Western Union Money Transfer Services in Ethiopia. The bank has reliable and long-standing relationships with many internationally acclaimed Banks throughout the world. In general CBE is the first bank that comes to most Ethiopians in regards as being the most reliable. (www.combanketh.et)

CBE has a vision of becoming a world-class commercial bank by the year 2025. It also has a mission of being committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. And strongly believe that winning the public confidence is the basis of our success. (www.combanketh.et)

In order to achieve the above mentioned goals set, CBE has to focus in developing a pool of employees which are dedicated to their work. On way of insuring this is by conducting a periodical performance appraisal as this will help in identifying different employees with great potential and identifying those with poor work ethic. This research was aimed of helping the CBE in identifying different areas of PA practice and its benefit. It also tried to assist in improving the process of PA in the bank and had tried to identify the link of PA with JS and how to use it to the bank's advantage.

1.3 Definition of Terms and Concepts

Throughout the whole chapter one, it has been discussed about Performance Appraisal and Job performance in general. To clear any confusions that might be created on the two here are some

definition forwarded by different authors and to create similar understanding on concepts and wordings used.

1.3.1 Performance Appraisal

Performance appraisal is among the most critical Human Resource functions that brings global success for one organization. Performance appraisal has been described as “the process of identifying, observing, measuring, and developing human performance in organization” (Carroll & Scheider, 1982). On the hand Performance Appraisal is a systematic and periodic process that assesses an individual employee’s job performance and productivity in relation to certain pre-established criteria and organizational objectives (Abu-Doleh & Weir, 2007).

1.3.2 Job Satisfaction

Job satisfaction is “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. It can simply be defined as the feelings people have about their jobs (Locke, 1976). It has been specifically defined as a pleasurable (or un- pleasurable) emotional state resulting from the appraisal of one’s job, an affective reaction to one’s job, and an attitude towards one’s job (Solomon & Corbit, 1973). Throughout this research Job Satisfaction and employees’ Job Satisfaction are used interchangeably.

1.4 Statement of the Problem

For any organization to succeed in this ever changing world and cut-throat competition it should shift its focus to acquiring and developing a pool of employees with high qualification is necessary. Having a qualified staff is essential for any growth strategy aimed by the organization. Thus, the satisfaction and retention of employees is nowadays considered of paramount importance. However, the problem of dissatisfaction still persists despite the greater effort being made to maximize the level of job satisfaction by working on known contributors such as Appraisal & compensation/pay, job security, autonomy, Career opportunities etc. Most of the research carried out used more-or-less similar factors to study the Job Satisfaction level of employees. However, studies indicate that contributing factors of job satisfaction vary through time as peoples’ needs, expectations and values grow and change through time (Tavakoli et al. 2013).

Expanding the study and implementation of JS factors by including current issues such as PA is significantly important. This research, therefore, is carried out to analyze whether employees' PA have an influence on their JS as well as whether, based on the result, if PA can be considered as one additional contributing factor of interest to bring about JS. Many researches were undertaken to study different perspectives of time management as well as job satisfaction independently.

The lack of studies linking JS and PA and unclear understanding of the two variables relation led to the main validation for conducting this study as it is the different and contradicting ideas forwarded by employees of the CBE. These ideas differ from the perception of the performance appraisal to the methods of appraisal used. Different ideas have been circulating on the methods used and to the extent of employee involvement in the design of the methods. This and others different ideas were forwarded on the topic and this sparked the idea for conducting this paper and as one of the employees of CBE the researcher tried to contribute in bringing a common understanding and reach consensus on the topic and help the organization in having a motivated and satisfied staff as this will help in achieving the banks goal of becoming a world class bank by 2025. Based on the above information this study has aimed in identifying the influence of PA on JS. At the end of this study the researcher will have addressed the following basic research questions:

- ♣ How clearly do employees understand the purpose and outcome of the PA process?
- ♣ Does Performance Appraisal have an impact on employees' job satisfactions?
- ♣ Is Performance Appraisal a noteworthy contributing factor for employee's job satisfaction?
- ♣ What are the major contributing factors for inefficient Performance Appraisal in the organization under study?

1.5 Objectives of the Study

The General Objective of the study is to explore the effects of performance appraisal on job satisfaction.

The specific objectives are:

- ♣ To measure the satisfaction level of the CBE employees with the current PA methods
- ♣ To assess the participation of employees on current PA criteria designs
- ♣ To measure the impact of PA on job satisfaction
- ♣ To identify the effect of employee participation on PA design
- ♣ To identify key challenges and alternative options which enable the company to improve current problems faced.
- ♣ To investigate whether employees are rewarded and motivated with the performance appraisal.
- ♣ To investigate whether the implementation of performance appraisal is free from any kind of bias.
- ♣ To examine how frequently employees receive feedback.

1.6 Significance of the Study

This research may open a new window of perspective studies by adjoining PA with employees' JS and assessing the influence one has on the other.

The study may assist in identifying the possible causes of the observed behaviors of employees towards PA and shall help draw lessons for any similar future undertakings. It may also serve as a valuable feedback to the Commercial Bank of Ethiopia's administration and shed light to an area that has possibly been overlooked with possible recommendation.

It may also contribute as an input for decision makers towards the selection criteria for an appropriate PA implementation methodology or a range of alternative methodologies suitable for CBE and the banking sector in general.

Other organizations, researchers and students can use the findings of this research to further undertake in depth and rigorous studies PA alone or as contributing factor for JS.

1.7 Scope of the Study

Commercial Bank of Ethiopia has 718 Branches opened and giving quality service stretched all over Ethiopia. It would be unrealistic to even consider that this study will embrace all this branches; therefore this study is only limited to selected branches in Addis Ababa as even considering all branches in Addis Ababa will require high cost and large man power. Four Branches namely Addis Ketema, Meskel Square, Mehale Ketema and Finfine branches in addition with the Human Resource Department and Consumer Loan West Addis from head office having a total population of 288 employees which are selected to gather the required information needed for the accomplishment of this study.

1.8 Limitation of the Study

Performance Appraisal and Job Satisfaction are very broad concepts that require a significant investment of resources and expertise such as time, money to conduct a study. As the concepts are very wide and touches upon every organization despite their mission, as the result the following limitations are worth noting.

Due to lack of these resources, this research is limited to study these concepts by taking samples only from the employees of Commercial Bank of Ethiopia (CBE). Findings may only be applied to this organization and is difficult to generalize the findings to every bank in the banking sector.

The other basic constraint of this study is shortage of time which forced the data collection to be focused only on the use of questionnaire.

The other limitation worth mentioning is lack of adequate research and literature done on the correlation of Performance Appraisal and job satisfaction despite the fact that job satisfaction and Performance Appraisal are well discussed concepts by themselves.

1.9 Organization of the Study

This study is organized in five chapters. The first chapter dealswith the Introduction which has included Background of the study and organization, Rationale of the study, Statement of the Problem, Objective, Methodology, Significance and Limitation of the Study. Chapter Two has dealt with Review of related literature concerned with the topic on hand in general and

performance appraisal and job satisfaction in specific. Chapter Three has dealt with research design and methodology of the study. Chapter Four has included the findings and results of the study followed by with their interpretations and discussion with the help of the literature consulted. The final chapter, Chapter five is the closing chapter which includes the summary of the findings, conclusion reached and recommendation forwarded.

CHAPTER TWO

REVIEW OF RELATED LITREATURE

In this chapter, the literature review is organized in two major areas, which are the conceptual part and the empirical review. The researcher has discussed issues on performance appraisal and job satisfaction. Definitions of relevant concepts were also included in this chapter to grasp a clear understanding of the topic and provide answers to the research questions mentioned in the previous chapter, the Introduction.

2.1 Conceptual Review

According to Anthony William Performance Appraisal is one of the main aspects of HR functions that have to be addressed in order to keep one employee satisfied. William has mentioned PA is one of the many practices of an organization but it's the most critical one that brings global success. It is more considerable than other processes because its results show the success of the awareness of the other areas in the field of Human Resources and other personnel activities (William, 1993). As clearly put in the theory of William, the success of PA process does not only show how an employee is rated but it also put into consideration of how much an employee is in sync with the organization vision, mission, goals and objectives placed. If we consider another theory forwarded assumptions of corporate management show that performance appraisal makes people to be really engaged in the business of the organization (Reid & Hubbell, 2005). In both of these researches the authors revolve around the fact that PA can reveal the actual performance of an employee and will help in identifying the gap of the performance with expected outcome. The main emphasis given on both theories is that performance appraisal is not only focusing on rating an employee but it is essential for viewing the big picture of how an employee contemporizes with the goals and objectives set by the organization. If performance appraisal conducted is successful it will play a great role in identifying the gap the expectations of the organization in comparison with employee's actual performance and will help in identifying the gap and where it was created. On the other perspective it will also help in identifying the necessary actions that should be taken in order to take corrective measures and fill the gap in between.

2.1.1 Definitions of Variables

Under this part different definitions concerning performance appraisal and job satisfaction will be entertained. Various definitions forwarded by different authors are analyzed in order to clasp clear idea about the variables at hand.

2.1.1.1 Performance Appraisal (PA)

Performance management (PM) is a goal-oriented process directed toward ensuring that Organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. It is a major player in accomplishing organizational strategy in that it involves measuring and improving the value of the workforce. PM includes incentive goals and the corresponding incentive values so that the relationship can be clearly understood and communicated. There is a close relationship between incentives and performance (Giannetto, 2009).

Performance management systems are one of the major focuses in business today. Although every HR function contributes to performance management, training and performance appraisal play a more significant role (Giannetto, 2009). PA is especially critical to the success of performance management. Although performance appraisal is but one component of performance management, it is vital, in that it directly reflects the organization's strategic plan.

Performance Appraisal (PA) is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives (Abu-Doleh & Weir, 2007). It is a method by which performance of an employee evaluated in order to understand the level of performance the employee. It helps in identifying the potential an employee has and gaps of the employee where trainings and further updates needed, which should be the main reason for conducting PA on timely basis. According Kathryn Performance Appraisal is a formal system of review and evaluation of individual or team task performance (Tyler, 2005). A critical point in the definition is the word formal, because in practicality, managers should be revising an individual's performance on a continuing basis.

Another PA definition describes it as "the process of identifying, observing, measuring, and developing human performance in organization" (Carrol & Scheider, 1982). This definition is

very important, because it comprises all important components needed for the well-performed appraisal process. But when do we say that PA is effective, when is said PA was done to full effect? Can we actually say that the PA was done effectively? What are the basic areas where employers should focus on should be clear in order to implement PA to all advantage.

2.1.1.2 Effective Performance Appraisal

The effectiveness of PA is dependent on various aspects associated with it. An ineffective PA is nearly a waste of time and resources. So when can we say a PA is effective and what are the criterions that make PA an effective one?

We say a PA is effective when it has potential to improve employee performance, PA has to contribute to improving an employee's performance because the main reason for conducting PA in the first place is to improve performance. Different authors have written different ideas on the variables that determine the effectiveness of PA. The main determinants are as follows:



Figure 1 Factors Affecting PA Effectiveness, (Latham and Wexley, 1977)

- ◆ **Rating Approaches:** According to Latham and Wexley, there are mainly three different rating approaches existing: (I) examine cost-related variables; (II) judgments on traits or attitudes and (III) observe and record behavior (Latham and Wexley 1977). The cost-related approach means that profits, product quantity or quality or return on investment is taken as criteria to appraise an individual (Latham and Wexley 1977). Latham and Wexley judge this approach as a generally inadequate measure of individual job

performance for several reasons: First, it gives no information to the employee why he is effective or ineffective. Thus, there is also no clue how to improve performance. This obstacle is also identified by Harris. He emphasized that a system must be designed in such a manner that it provides guidance for employees relative to how increased performance is to be achieved. Second, these measures are also contaminated by other factors over which the individual has little or no control (Harris, 1988). The second approach introduced by Latham and Wexley also does not indicate what exactly the individual has to do differently to improve performance. The interpretation of the feedback is left to the employee. The behavior approach is a more direct measure of what the employee does or has to change to become more effective. Furthermore, it is less influenced by factors not under control of the employee (Latham and Wexley 1977). The rating approaches used in the PA must be tailor made to the organization and the employee being appraised in order to get high result. We can conclude that the rating scale used in the PA process can and will influence the effectiveness of PA process and can improve performance an employee.

- ♣ **Rating Techniques:** The most common way for a rater to express a judgment of the rate's job performance is with a graphic rating scale (GRS). Such scales provide a continuum from high to low performance levels concerning an overall performance or specific performance dimensions (Berry, 2003). Organizations are in a certain way left to decide for them what constitutes the best method of performance appraisal (Parrill, 1999). But to equalize the negative influence of field dependence on rating accuracy it is recommended that the performance appraisal instrument has highly structured scales. According to Jacobs et al. it is further especially important that the job behaviors included in the rating process are relevant to successful job performance, evaluate the magnitude of importance and frequency of occurrence for each behavior rated (Jacobs et al, 1980).
- ♣ **Rating Accuracy, Errors and Bias:** The accuracy of ratings is determined by the reliability and validity of the measurement at hand. Reliability refers to the relative absence of random measurement error in a measurement instrument or precision of a measurement instrument (Harrell and Wright, 1990). According to research theory a measurement is always formed out of a true score plus some error score. But the goal is

of course to keep the error component minimal. Rating accuracy is an important, albeit insufficient condition for feedback to positively affect future performance (Jelley and Goffin, 2001). Unfortunately, there are several different error phenomena which all poses a threat to the accuracy of ratings (Jacobs et al., 1980). In general, these errors can be differentiated as being related to (I) inadequate observations, (II) faulty standards or expectations about performance, and (III) difficulties in using a rating scale (Berry, 2003). Some errors appear to be a result of using a rating scale; other errors are due to personal biases. If one uses for example oneself as a referent and evaluates the ratee opposite of the way the self is perceives there is a contrast error at hand (Jacobs et al., 1980). In summary, it can be concluded that even though bias and errors never can be totally deleted there is a chance to minimize them. To do so these conditions must be met: (I) make sure that raters have sufficient opportunity to observe their ratees; (II) give raters techniques at hand how to minimize the cognitive demands in evaluating behavior and the risk of decay; (III) train raters sufficiently in understanding and using the appraisal standards; and (IV) design the performance appraisal form and scales in such a way that they are comfortable and easy to use for raters. Concerning the acceptance of a performance appraisal system it is furthermore necessary that appraisees perceive the rating as relatively unbiased, while appraisers must feel able to implement the system as intended.

- ♣ **Performance feedback:** Feedback as we all know is the focal point of PA. Giving feedback to an employee generally aims at improving performance effectiveness through Stimulating behavioral change. Thus is the manner in which employees receive feedback on their job performance is a major factor in determining the success of the performance appraisal system (Harris, 1988). Hearing the weakness and discrepant of one's self from other is very difficult because it may shake the core belief of the person. According to Dalton it is crucial to set conditions of feedback so that the ratee is able to tolerate, hear, and own discrepant information (Dalton, 1996). We can say that giving feedback in an appropriate manner is a key factor in determining the employee's willingness to adapt behavior. First, it is important that the feedback is given in a confidential atmosphere and that the appraiser is perceived as being in state to give useful feedback. Second, the feedback should be precise and detailed and if possible contain examples of the behavior

at hand. Third, feedback giving should leave room for discussion of important aspects, thus involving the ratee in giving opportunity to state his opinion and referring to his problems. Fourth, goal-setting should be part of the feedback. Goals should be clear, as well as the way how to achieve these goals, relevant, specific and moderately difficult. Furthermore, both parties should accept the goals. Fifth, it might be useful to give beside the annual performance review regular informal performance feedback. If all these conditions are met, the acceptance of the feedback will be enhanced and behavior change will be more likely.

- ♣ **Training:** Nearly all authors agree in the fact that rater must be trained to observe, gather, process, and integrate behavior-relevant information in order to improve performance appraisal effectiveness. It is essential that the rater should be knowledgeable in the area of PA. According Rudner for example proposes that training should aim at three goals: First, it should familiarize judges with the measure they will be working with. Second, it must ensure that judges understand the sequence of operations that they must perform. Third, it should explain how the judges should interpret any normative data that they are given (Rudner, 1992). It is important that any organization acknowledge that the training of the raters is important in the success and effectiveness of the whole PA process. Trainings will help raters in general to understand the purpose of the PA process in general, help the raters to use the PA tools as fit the objective and help in delivering effective feedback to employees.
- ♣ **Employee participation:** According to Roberts, genuine employee participation in several aspects of the appraisal process is necessary because it has the potential to mitigate any of the dysfunctions of traditional performance appraisal systems as well as to engender a more human and ethical human resource management decision-making process (Roberts, 2003). Roberts has given his emphasis on the participation of employees in the different part of PA, according to him first participation should take place during the development of reliable, valid, fair and useful performance standards. Second, there should be employee participation during designing the rating format and measurement scales. On the other Hand employee participation will enhance motivation, feelings of fairness and overall acceptance of the performance appraisal process.

The different ideas entertained above gives clear insight theoretically, which performance appraisal factors influence the systems` effectiveness and how these characteristics have an impact on the acceptance of users. To grasp more understanding on the subject we`ll further explore the PA process and acknowledge the benefits of effective PA.

2.1.1.3 Benefits of Effective Performance Appraisal

Performance appraisal process includes different stages which should be carefully applied in order to get the most out of the process. These processes include establishing standards of performance, communicating performance appraisal, measuring actual performance, computing performance actual performance with set standards, communicating and giving feedbacks with employees and taking corrective measures if necessary.

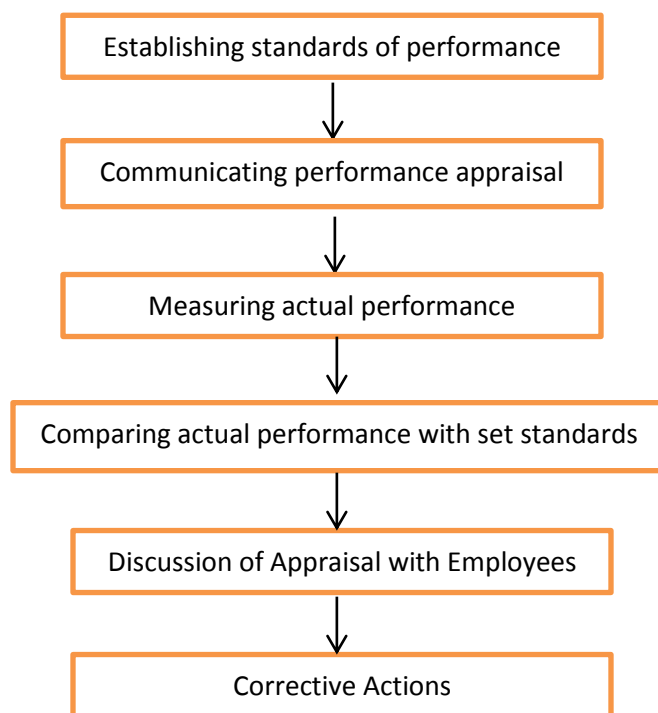


Figure 2 Steps of Performance Appraisal, (Pettijohn & Kent, 2001).

For the effectiveness of PA this steps must be carefully planned and implemented. The success on the implementation will help in gathering the fruits of carefully planning. There are a number of potential benefits of organizational performance management conducting formal PAs.

There has been a general consensus in the belief that PAs lead to positive implications of organizations (Pettijohn & Kent, 2001). Furthermore, PAs can benefit an organization's effectiveness. One way is PAs can often lead to giving individual workers feedback about their job performance. From this we may issue several potential benefits such as the individual workers becoming more productive.

Other potential benefits include:

- ♣ **Facilitation of communication:** communication in organizations is considered an essential function of worker motivation. It has been proposed that feedback from PAs aid in minimizing employees' perceptions of uncertainty. Fundamentally, feedback and management-employee communication can serve as a guide in job performance (Becton & Portis, 2007).
- ♣ **Enhancement of employee focus through promoting trust:** behaviors, thoughts, and/or issues may distract employees from their work, and trust issues may be among these distracting factors. Such factors that consume psychological energy can lower job performance and cause workers to lose sight of organizational goals. Properly constructed and utilized PAs have the ability to lower distracting factors and encourage trust within the organization (Mayer & Gavin, 2005)
- ♣ **Goal setting and desired performance reinforcement:** organizations find it efficient to match individual worker's goals and performance with organizational goals. PAs provide room for discussion in the collaboration of these individual and organizational goals. Collaboration can also be advantageous by resulting in employee acceptance and satisfaction of appraisal results (Kikoski, 1999).
- ♣ **Performance improvement:** well-constructed PAs can be valuable tools for communication with employees as pertaining to how their job performance stands with organizational expectations. "At the organizational level, numerous studies have reported positive relationships between human resource management (HRM) practices" and performance improvement at both the individual and organizational levels (Becton & Portis, 2007).
- ♣ **Determination of training needs:** "Employee training and development are crucial components in helping an organization achieve strategic initiatives" (Becton & Portis,

2007). It has been argued that for PAs to truly be effective, post-appraisal opportunities for training and development in problem areas, as determined by the appraisal, must be offered. PAs can especially be instrumental for identifying training needs of new employees. Finally, PAs can help in the establishment and supervision of employees' career goals (Spinkss, Wells & Meche, 1999).

2.1.1.4 Drawbacks of Performance Appraisal

Despite all the potential advantages of formal performance appraisals (PAs), there are also potential drawbacks. One of the problems with formal PAs is there can be detrimental effects to the organization(s) involved if the appraisals are not used appropriately. The second problem with formal PAs is they can be ineffective if the PA system does not correspond with the organizational culture and system (Becton & Portis, 2007).

Complications stemming from these issues are:

- ♣ **Detrimental to quality improvement:** it has been proposed that the use of PA systems in organizations adversely affect organizations' pursuits of quality performance. It is believed by some scholars and practitioners that the use of PAs is more than unnecessary if there is total quality management (Kikoski, 1999).
- ♣ **Negative perceptions:** "Quite often, individuals have negative perceptions of PAs" (Pettijohn & Kent, 2001). Receiving and/or the anticipation of receiving a PA can be uncomfortable and distressful and potentially cause "tension between supervisors and subordinates" (Jenks, 1991). If the person being appraised does not trust their employer, appraiser or believe that they will benefit from the process it may become a very unfruitful exercise.
- ♣ **Errors:** Performance appraisals should provide accurate and relevant ratings of an employee's performance as compared to pre-established criteria/goals (i.e. organizational expectations). Nevertheless, supervisors will sometimes rate employees more favorably than that of their true performance in order to please the employees and avoid conflict. "Inflated ratings are a common malady associated with formal" PA (Martin & Bartol, 1998).

- ♣ **Legal issues:** when PAs are not carried out appropriately, legal issues could result that place the organization at risk. PAs are used in organizational disciplinary programs as well as for promotional decisions within the organization. The improper application and utilization of PAs can affect employees negatively and lead to legal action against the organization (Jenks, 1991).
- ♣ **Performance goals:** performance goals and PA systems are often used in association. Negative outcomes concerning the organizations can result when goals are overly challenging or overemphasized to the extent of affecting ethics, legal requirements, or quality. Moreover, challenging performance goals can impede on employees' abilities to acquire necessary knowledge and skills. Especially in the early stages of training, it would be more beneficial to instruct employees on outcome goals than on performance goals (Becton & Portis, 2007).
- ♣ **Derail merit pay or performance-based pay:** some researchers contend that the deficit in merit pay and performance-based pay is linked to the fundamental issues stemming from PA systems (Selden, Ingraham & Jacobson, 2001).

2.1.1.5 Improving Performance Appraisals

It cannot be emphasized enough how the effectiveness of the whole PA process is essential for an organization success. Although performance appraisals can be so easily biased, there are certain steps that can be taken to improve the evaluations and reduce the margin of errors through the following:

- ♣ **Training** - Creating an awareness and acceptance in the people conducting the appraisals that within a group of workers, they will find a wide range in difference of skills and abilities.
- ♣ **Providing Feedback to Raters** - Trained raters provide managers who evaluated their subordinates with feedback, including information on ratings from other managers. This reduces leniency errors.
- ♣ **Subordinate Participation** - By allowing employee participation in the evaluation process, there is employee-supervisor reciprocity in the discussion for any discrepancies

between self-ratings and supervisor ratings, thus increasing job satisfaction and motivation (Schultz & Duane, 2010).

2.1.1.6 Concept of Job Satisfaction (JS)

Researchers across disciplines have written countless articles concerning the job satisfaction of their field's practitioners. Authors have borrowed from psychology, business administration, human resources management, and the wide umbrella of organizational science to define, measure, and interpret the significance of job satisfaction in their discipline. Job satisfaction has been a matter of concern and attention in any field of business nowadays. Organizations realize that employee job satisfaction is the essential element to increase customer satisfaction and keep their business running, as competition is getting more intense.

The concept of job satisfaction has been defined in many ways. Different researchers have put different definition in accordance of their perspective to their own profession. However, the most-used definition of job satisfaction in organizational research is that of Locke, who described job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Locke, 1976). Building on this conceptualization, Hulin and Judge noted that job satisfaction includes multidimensional psychological responses to one's job, and that such responses have cognitive (evaluative), affective (or emotional), and behavioral components (Hulin and Judge, 2003). Job satisfaction can simply be defined as the feelings people have about their jobs (Locke, 1976) It has been specifically defined as a pleasurable (or un-pleasurable) emotional state resulting from the appraisal of one's job, An affective reaction to one's job, And an attitude towards one's job (Solomon & Corbit, 1973). These definitions suggest that job satisfaction takes into account feelings, beliefs, and behaviors.

The importance of job satisfaction specially emerges to surface if had in mind the many negative consequences of job dissatisfaction such a lack of loyalty, increased absenteeism, increase number of accidents etc. Spector lists three important features of job satisfaction. First, organizations should be guided by human values. Such organizations will be oriented towards treating workers fairly and with respect. In such cases the assessment of job satisfaction may serve as a good indicator of employee effectiveness. High levels of job satisfaction may be sign of a good emotional and mental state of employees. Second, the behavior of workers dependingon their level of job satisfaction will affect the functioning and activities of the

organization's business. From this it can be concluded that job satisfaction will result in positive behavior and vice versa, dissatisfaction from the work will result in negative behavior of employees. Third, job satisfaction may serve as indicators of organizational activities. Through job satisfaction evaluation different levels of satisfaction in different organizational units can be defined, but in turn can serve as a good indication regarding in which organizational unit changes that would boost performance should be made.

2.1.2 Conceptual Framework

The dependent variable is job satisfaction and the independent variable is performance appraisal. From the literature review examined, four basic indicators of performance appraisal quality have been identified, which are Employee participation, clarity of performance expectations, level of communications between the employee and their supervisor and the fairness of the performance appraisal process. Moreover, for the dependent variable many researches have put different variables which contribute to an employee's job satisfaction some of these different indicators such as employee attitudes and interest, job success, and feedback are mentioned. This factors mentioned will play a major role in increasing an employee's job satisfaction but for this study the researcher has focused on the factors that contribute to the effectiveness of Performance Appraisal and if in turn PA has any influence on job performance.

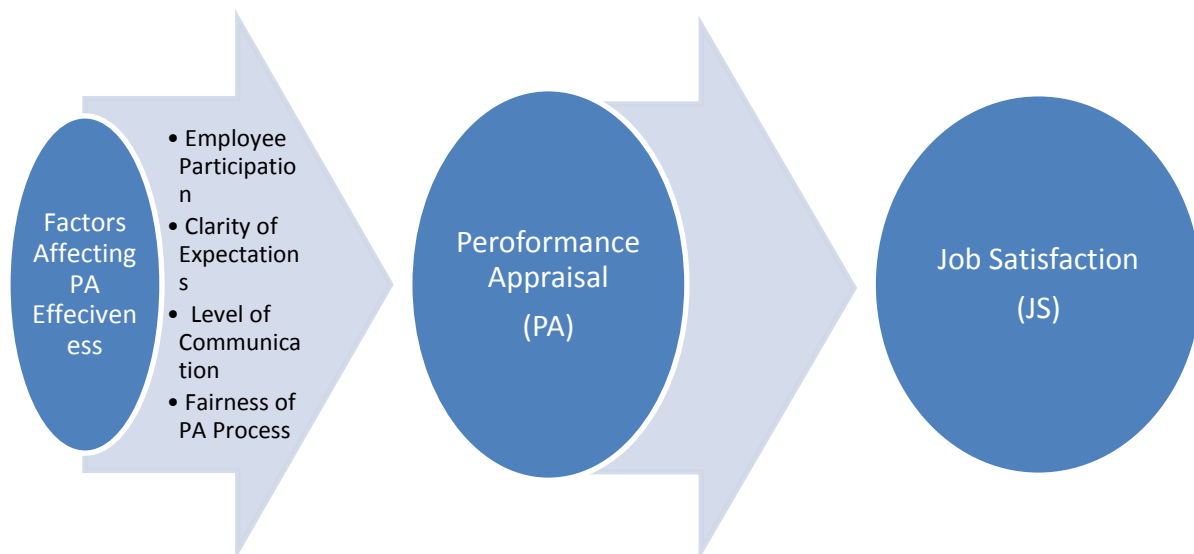


Figure 3 Proposed Conceptual Framework of Illustrated (Source: Own)

In the above figure we can observe the factors affecting the effectiveness of PA as moderators. And it can also be observed if an effective performance appraisal has any effect on job satisfaction, which is the aim of this study.

2.2 Empirical Review

During the last ten years, the number of studies which examined the effects of performance appraisal systems on employee had increased (Brown et al., 2010). In another study by Brown 2010, the researchers surveyed 6,957 employees of a large Australian public sector organization regarding their opinions and perceptions of the appraisal quality. The findings of this study revealed that there was a direct relationship between performance appraisal satisfaction and employee outcomes, which is mostly job satisfaction among employees (Brown et al., 2010). According to different authors there is a consensus that this field lacks a well-documented research that relates these variables. The one reason forwarded by the authors for the lack of documented materials is the absence of proper performance appraisal method. According to the research conducted by Venclova Katerina on around 1,698 organizations located in Czech Republic and India the result have shown different reasons for the reasons of which they do not conduct PA (Katerina, 2013).

Table 1 – Reasons for Absence of Performance Appraisal, (Katerina 2013)

Reasons	Percent (%)
Formal Appraisal is not Important	49.1
Capacity Reasons	40.4
Time Demands	13.3
Financial Reasons	12.3

This show the perception organizations have towards PA methods. As previously mentioned the importance of Performance cannot be emphasized enough. An effective performance appraisal can change the organization as well as help employees into becoming better ones. The practice of PA by itself doesn't guarantee success; it's the interpretation of the results and applications that will improve the organizations. The majority results can reveal that. In the same research by Venclova Katerina different organization which conducts PA use the results according to what fits to their organizations.

Table 2 – Utilization of Performance Appraisal data in Human Resource Management Areas, (Katerina, 2013)

Application Area	Percent (%)
Reward	92.7
Learning and Development	17.1
HR planning and Training	12.5
Career Development and Corporate Ladder	7.3

The application of PA results as mentioned above are the most essential part of the whole process. But can the application help to increase job satisfaction of employees, that's a different matter. From the above table we can observe that different organization use the final outcome of the PA process for various area of application. The most common area used from the above graph observed is in the reward process. As many researchers have put the reward and recognition of an employee's effort will go so far in bringing job satisfaction in employee's attitude. A worker's overall well-being can be affected by how the worker feels about the job. According Gruneberg, an individual's feelings about the pay, security, recognition and other benefits and rewards received from a job were of great importance to the individual's well-being and increases job satisfaction (Gruneberg, 1979). Compared from other organization many have leaned towards to use the PA process as an input for reward system compared from those who use it to Learning and Development, HR planning and Training and Career Development and Corporate Ladder. But in order to use the PA results for rewards and benefits it is the researchers belief that it should be done with very much care and sensitivity because the whole procedure depends on the effectiveness of the PA process and one mistake while conducting PA can bring about negative outcomes. Similarities of the use of the PA results can also be seen from the above table. Even though most organizations use PA for rewards we can also observe that other organizations use it for the application of career development, HR planning and the like which many researchers have put that may have an effect on job satisfaction.

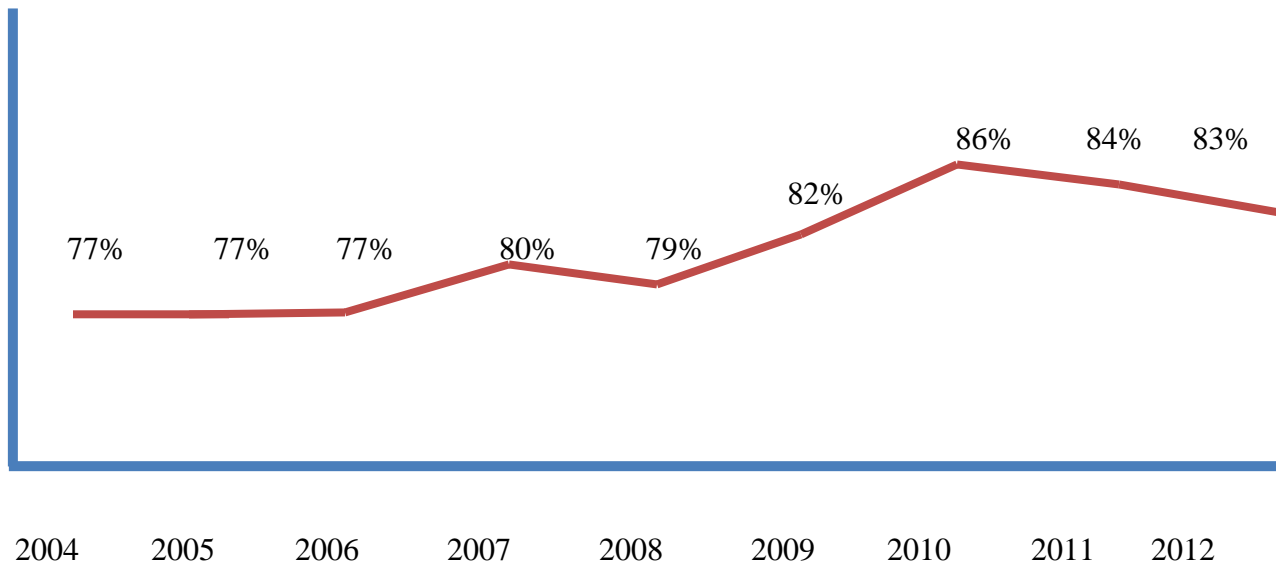


Figure 4– Overall Job Satisfaction over the Years, (Katerina, 2013)

If we look at the figures collected from 2004 – 2012 presented by the graph of the current trends of job satisfaction of employees in the United States it shows there is a moderate increase in job satisfaction, can this be attributed to Performance Appraisal is the main question that this paper aims to explore.

2.3 Performance Appraisal and Job Satisfaction

If there is one thing that's constant in the world we're living in the idea of change. Every organization has to cope with the ever changing business environment in order to survive and sustain in being profitable. Besides dealing with the changing environment of businesses an organization needs employees to survive. Human resource (HR) is essential for every organization and having a dedicated and satisfied employee plays the major role in growth of the organization. There are many variables that have to be addressed in order to keep one employee satisfied with the current placement of work. According to Anthony William Performance Appraisal is one of them. Among the different HR functions, one of the most critical one that brings global success is performance appraisal. It is more considerable than other processes because its results show the success of the awareness of the other areas in the field of Human Resources and other personnel activities (William, 1993). In the other perspective, assumptions of corporate management show that performance appraisal makes people to be really engaged in the business of the organization (Reid & Hubbell, 2005). In both of these researches the authors

revolve around the fact that PA can reveal the actual performance of an employee will help in identifying the gap of the performance with expected outcome. After identifying the gap, other HR functions such as trainings could be planned taken as a corrective measure. The receiving of feedback and designing of trainings according to the employee needs plays a major role in increasing the job satisfaction of the employee as it helps the employee in gaining more confidence in the work place as it helps in acquiring the skills required to accomplish the task and creates a communication flow with employees and supervisors, in general creating the "happy worker syndrome" (Reid & Hubbell, 2005).

But others researchers have claimed that designing and applying the PA process only doesn't help in insuring the increase in the level of an employee's job satisfaction. According to Addison and Co. they have mentioned there are other factors besides PA that contribute to job satisfaction. There are different factors that should be considered, Environmental factors such as Superior-Subordinate Communication, Communication Overload and Communication Under load and Internal factors such as Personality, Genetics, Emotion should also be considered. According to Addison and Co organizations should consider this and other factors should be considered in order to improve JS in general. Although PA can contribute in increasing job satisfaction level it is the only factor that should be considered (Addison et al., 2007). This study as mentioned in the previous chapter will revolve around in identifying the influence of the practice PA on JS and contribute some part in elevating the lack of related researches on the subject.

CHAPTER THREE

RESEARCH DESIGN AND METHODS

This chapter begins with discussion of the research design and methodological approach conducted for probing the Effects of Performance Appraisal on Job Satisfaction at Commercial Bank of Ethiopia. The research design has been created in order to answer those forwarded research questions and address the basic objectives of the study. Then, it has been followed by an outline of the research methods, sample and sampling techniques, data collection instruments used, and a discussion of the ethical consideration that should be considered for the gathering of necessary information from respondents are all included.

3.1 Research Design

A Research design is a clear and detailed explanation or set of actions for achieving an output or end result. The research design is the master plan specifying the methods and procedures for collecting and analyzing the needed information (Mouton, 2001). Taking the above statement into consideration, this study has taken the form of Descriptive research and Cross-sectional design. The object of descriptive research is ‘to portray an accurate profile of persons, events or situations. When the purpose of the study is to answer who, what, where, how much and how many questions similar to the questions raised in this research, using descriptive type research will be a typical choice (Saundres et al., 2009). This has helped in the exploring the topic at hand very clearly through the use of Questionnaires and if necessary through the use of interviews. Moreover, due to the time frame of this research, it used cross sectional study method as it takes a snapshot of the variables at a specific time as opposed to repeated measurement.

3.2 The Study Population, Sample Size and Sampling Technique

Commercial Bank of Ethiopia has 718 Branches opened and giving quality service stretched all over Ethiopia. It would be unrealistic to even consider that this study have embraced all this branches. As mentioned in the previous chapters this study didn’t not include all the employees of the bank as it requires and large number man power and financial banking and it is also physically impossible to conduct the study in that length at this moment. This study has included respondents from carefully selected branches namely **Addis Ketema, Meskel Square,**

Mehale Ketema and Finfine branches in addition with the **Human Resource Department and Consumer Loan West Addis from head office**. The selected branches included four branches involved in normal banking operation, one from credit department and the last is the human resource department. This selection of the branches has helped in getting a variety of responses on the effect of performance appraisal on job satisfaction from different employees working on different operations of the bank. The staff of each branch selected is listed here below in Table 3 and from the population of total number of 288 a sample size 80 respondents was selected to participate in the data collection process.

Table 3 – Number of Employees of Selected Branches

Name of Branch	No. of Employees
Addis Ketema	62
MehaleKetema	49
Finfine Branch	65
Meskel Square	45
Human Resource Department	36
Consumer Loan West Addis	31
Total	288

The total staff of the selected branches is 288 and the sample size of 80 respondents was selected based on the criterions suggested by Carvalho of sampling procedure. The sampling criterions are listed in the below table, table 4. (Carvalho, 1984)

Table 4 – Sample Size Selection, (Carvalho, 1984)

POPULATION	LOW	MEDIUM	HIGH
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-45000	200	500	800

3.3 Source of Data

Instruments of Data Collection

Two types of data source have been used in order to obtain clear and precise information on the topic being explored. Both Primary and Secondary data have been analyzed in order to get the maximum result.

♣ Primary Data Source

Questionnaires –The necessary primary data have been collected through the use of questionnaire dispatched to **80 (Eighty)** randomly selected employees from the selected branches. Random selection has helped to insure fairness in the selection process.

♣ Secondary Data Source – The secondary data used in this study are gathered from the different materials written by different authors in relation to this topic. Other secondary information was gathered from different websites and information about the bank was gathered from different journals and the website of CBE.

3.4 Procedure of Data Collection

First, there has been a pilot test done on the questionnaires through randomly selected 10 employees to check the relevance of the questionnaires formulated. After the completion of pilot testing, the primary data in relation to performance appraisal and its effect on job satisfaction has been collected from selected employees.

3.5 Questionnaire Design

The importance of using a questionnaire in exploring a sensitive issue like job satisfaction is without a doubt very important. It helps respondents answer the questions forwarded freely without the fear of being traced back to them. The questionnaires that will be distributed to respondents are designed to include all information that are thought to make the whole PA process effective and which in turn will help explore if the PA process has any kind of effect on job satisfaction. The Questionnaires used are taken from the research done by Anne Von in 2005 with a bit modification and customization to fit for this study. Each questionnaire has five scales ranging from strongly agree to strongly disagree. These five choices will allow respondents

express their feelings on the subject and will help the researcher in measuring the respondents feeling very clearly. The choices are

- 5-Strongly Agree**
- 4-Agree**
- 3-Neither Agree nor Disagree**
- 2-Disagree**
- 1-Strongly Disagree.**

The questionnaires are classified into five categories based on the emphasis given to on each questionnaire; the classifications are put as follows:

Table 5 – Questionnaire Categorization Based on Facet scale

Category of Questionnaire	NO. of Questionnaires
Instrument Validity	Section II Q1 – Q6
Design and Evaluation	Section III Q1 – Q6
Rater’s Qualification and Feedback	Section IV Q1 – Q6
Goal Setting	Section V Q1 – Q6
Performance Appraisal and Job Satisfaction	Section VI Q1 – Q6

3.6 Data Analysis Method

The data collected from primary sources through the use of questionnaires obtained from respondents will be analyzed by using tables, figures and percentages. The collected data will be interpreted based on the findings. After analyzing the data and properly interpreting them, findings will be summarized based on their importance of findings and which will be followed by the forwarding of appropriate recommendation and suggestions for all the concerned parties.

3.7 Ethical Considerations

A policy of secrecy for the employees and managers was adhered as various confidential data were accessed by the researcher. Respondents were informed to not include their name, address, branch working-in in order to make sure they don’t have any doubts on their identities being exposed so it can help in getting the required and honest information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The data was collected from four selected branches and two head office departments, namely the HR office and Consumer Loan West Addis. A sample size containing 80 employees was determined and 80 questionnaires were distributed. From the 80 questionnaires distributed 70 were returned back but only 64 of the questionnaires were with full required information.

4.1 Demographic Character of the Respondents

Table 6 Socio – Demographic Distribution

ITEMS	RESPONSE	NNUMBER	PERCENTAGE
GENDER	MALE	43	67.2
	FEMALE	21	32.8
	TOTAL	64	100
AGE	20 – 25	20	31.2
	26 – 35	31	48.4
	36 – 45	4	6.3
	> 45	9	14.1
	TOTAL	64	100
EDUCATIONAL BACKGROUND	DIPLOMA	9	14.1
	DEGREE	52	81.2
	MASTERS	3	4.7
	TOTAL	64	100
YEAR OF SERVICE	< 5	27	42.2
	6 - 10	22	34.4
	11 – 20	5	7.8
	21 – 30	8	12.5
	> 30	2	3.1
	TOTAL	64	100

Source: Own Survey, Dec, 2013

The socio demographic survey shows that from the total 64 respondents, 43 are males with a percentage of 67.2% while the remaining 21 or 32.8% are females. Majority of the respondents belonged to the age group of 26-35 years with 48.4% which means most of the employees are in their youth. With regards to educational background majority of the respondents are degree holders which is 81.2% and it is safe to say that they have good academic background and we can expect a better understanding of the issue discussed. When we take year of service into consideration 76.6% fall from the range of $\leq 5 - 10$ years. And it is safe to conclude that they can comment on the practices of PA at CBE since they have experienced the process in their work from time to time.

4.2 Data Analysis and Interpretation

Table 7 – Understanding of Performance Appraisal Practice by Employees

Items	S. disagree		Disagree		Neutral		Agree		S. Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Agreement on the Need of P.A	1	1.6	-	-	1	1.6	23	35.9	39	60.9	64	100
Clarity and measurability of P.A at CBE	21	32.8	25	39.1	11	17.2	5	7.8	2	3.1	64	100
Understanding the measures used in evaluation	4	6.3	7	10.9	9	14.1	31	48.4	13	20.3	64	100
Instrument Accuracy in measuring Performance	18	28.1	16	25.0	13	20.3	16	25.0	1	1.6	64	100
Common conceptualization of raters on standards	3	4.7	12	18.7	16	25.0	24	37.5	9	14.1	64	100

Source: Own Survey, Dec, 2013

When respondents were asked if there was a need for the PA process to be conducted in general and from the collected data 60.9% of the response strongly agree on the necessity to conduct the PA process and 35.9% have also agreed on the need for the PA while 1.6% of the respondents disagreed. From the above statistics one can clearly imply that the majority of the respondents

completely agree on the need for the PA process as its benefits are very much of importance to the organization in general and this will definitely help to improve the effectiveness of the work done in the organization.

When respondents were asked if the PA criteria of the bank is based on clear and measurable objectives 71.9% of the respondents disagree that the objective and criteria of the PA process is not clear or measurable and 7.8 % & 3.1% agreed and strongly agreed and think otherwise while 17.2% were neutral. From this one can conclude the PA process at the Bank lack clarity of the expectations and in relation to the literature part for any PA to be successful it was mentioned that the PA process should have clarity of performance expectations and this may have a negative outcome at the end. This clearly shows one the ineffectiveness of the current PA process at CBE.

Respondents were asked if they understand the measures used to evaluate their performance and 68.7% of the respondents agree they do understand the criteria used to evaluate them while 17.2% of the respondents disagreed and say they don't understand the measures used. From the above data we can see that the measures used are understandable which are related to the work of the employees but do the criteria used can evaluate the actual performance accurately is another matter and this leads to the next question raised.

When asked about if the PA instruments accurately measures what employees do on their work from the selected employees only 26.6% of the responses agreed that it accurately measures what they do on their job but the majority of the responses have the opposite feeling. 28.1% the respondents strongly disagreed while 25.0% also disagreed that even if they understand the criteria used they fail to accurately measure what they do in their jobs. From this one can conclude that most of the unsuccessful PA processes emerge due to non-clarity of outcome objectives and used criteria. From the responses above one of the reasons may be due to the lack of employee involvement in the design process.

The last question of this section were to examine if respondents feel raters share common conceptualization of the performance standards and 37.5% agreed and 14.1% have strongly agreed in the subject and think the elaborated concept of the performance standards by raters will help to implement the PA process to success.

This whole section of the questionnaire was designed to evaluate respondent's feelings on the PA instruments and its validity and the responses clearly show the instruments used lack clarity and accuracy to evaluate the performance of the employees. And the fact stated by different authors, (Martin & Bartol, 1998) is those elements are basic for the effectiveness of the PA process and if not corrected this leads to dissatisfaction in the outcome and also later on lead to dissatisfaction on their job.

Table 8 – Performance Appraisal Design & Evaluation

Item	S. Disagree		Disagree		Neutral		Agree		S. Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Involvement of Employees in Design of PA	22	34.4	20	31.2	13	20.4	7	10.9	2	3.1	64	100
Better communication b/n employees and supervisors	17	26.6	21	32.8	11	17.2	13	20.3	2	3.1	64	100
Supervisors knowledge on real work performance	2	3.1	9	14.1	13	20.3	29	45.3	11	17.2	64	100
Result of clear and unbiased process	17	26.6	21	32.8	12	18.7	11	17.2	3	4.7	64	100
Best workers receive highest evaluation	13	20.3	19	29.6	17	26.6	11	17.2	4	6.3	64	100

Source: Own Survey, Dec, 2013

When respondents were asked if employees have participated in the design of the PA, 34.4% strongly disagreed, 31.2% have also disagreed and 20.4% were neutral on the subject. The data clearly puts that more than half of the respondents feel that there was no participation of employees in the design of the PA process. As mentioned by different researchers employee involvement is one of the main ways to improve the whole PA process and also increase job satisfaction and motivation by decreasing the gap between employees capabilities and raters expectations.

When asked if the PA process have resulted in a better communication between supervisors and subordinates 59.4% of the respondents have totally disagreed with this idea while only 23.4% of the responses say it does create a better communication.

When respondents were asked if their immediate boss have clear information on their real work and performance only 17.2% of the responses disagree with the idea but a majority response of 62.5 percentile do agree that their immediate bosses have clear idea of their work and performance. This is a good point since their immediate bosses are usually the ones who conduct the PA process. The next questions were drawn to find out if the knowledge of real work and performance of employees result in un-biased PA outcome.

This question was a follow up to the above one and when employees were asked if they think the PA outcome results in un-biased appraisal 26.6% of the responses showed they strongly disagreed, 32.8% disagree and 18.7% were neutral. This clearly shows that majority of the responses are in disagreement with the fact that the PA process result in an un-biased result.

When respondents were asked if they think that the best workers receive the highest evaluation a response of 49.9 percent have disagreed and verified the biasedness of the whole PA process even if their immediate boss have a clear information on their real work and performance.

On the last question of this section 70.3% of the respondents have confirmed there is bias and subjectivity on the whole PA process and have mentioned the different kinds of bias experienced. To list from the mentioned biases experienced and options given on the questionnaire the major ones are focusing only on performance close to the evaluation, Average evaluation to all to maintain good work relationship with employees, generalizing based on one time success/failure to overall performance and giving low rating with a belief that nobody deserves high rate. The mentioned ones are the most experienced ones which were mentioned on the responses collected.

The responses collected on this section are used to evaluate design and evaluation of the instrument. And the responses have indicated that there was no participation of employees on the design and that the process doesn't lead better communication with raters which is one of the focuses of a successful PA process. And it has also pointed out some of the bias experienced in the PA application as seen the by the employees.

Table 9 – Qualification of Rater’s and Feedback Received

Item	S. disagree		Disagree		Neutral		Agree		S. Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Supervisors knowledge to implement the PA process	2	3.2	14	21.9	15	23.4	20	31.2	13	20.3	64	100
Supervisors utilizes to conduct the PA without bias	15	23.4	21	32.9	11	17.2	12	18.7	5	7.8	64	100
Supervisor tendency to take the PA process Seriously	-	-	25	39.1	11	17.2	23	35.9	5	7.8	64	100
Receiving feedback and its help in attain goals set	3	4.7	4	6.3	10	15.5	25	39.1	22	34.4	64	100
Receiving feedback on regular and timely basis	16	25.0	19	29.7	17	26.6	11	17.2	1	1.5	64	100
Whether the feedback received is sufficiently detailed	26	40.6	22	34.4	8	12.5	5	7.8	3	4.7	64	100

Source: Own Survey, Dec, 2013

In this section the first question forwarded was to evaluate if employees think their supervisors have the adequate knowledge to implement the PA process and 20.3% strongly agree while 31.2% responses also agree but a slight 3.2% strongly disagree while 21.9% also disagree. Even though the responses are to the both side more the half of the responses think their supervisors have the proper knowledge on the subject. Mention in the literature part on of the basic points that help the success of the whole PA process is the knowledge of the rater and it shows that most the bank’s rater do possess that knowledge and it could also be improved through training given to raters to improve the quality of the whole PA process.

When respondents were asked if their supervisor utilizes the PA process to evaluate the performance of employees without bias and subjectivity, 56.3% of the responses disagree and say the PA process is influenced by subjectivity. This is one of the reasons that lead to dissatisfaction as ineffective PA process will not help employees in aspect of their development and growth. 35.9% of the responses show that they strongly agree that their supervisor takes the

PA process seriously while 7.8% also agreed but on the other hand 39.1% of the responses show that they disagreed on the idea and think there is a lack of seriousness on their supervisor part.

When asked if the performance feedback received is helpful in job performance and attain goals 39.1% agreed while 34.4% also strongly agreed. This indicates the necessity of feedback for the success of the PA process which helps in attaining goals and increasing performance with set goals.

As a follow up to the above question respondents were asked if they receive regular and timely feedback of the performance review a total of 54.7 percent responses disagreed that and claim they don't receive regular feedback. This is a major issue as Feedback as we all know is the focal point of PA. Giving feedback to an employee generally aims at improving performance effectiveness through Stimulating behavioral change, and which in this case is not applicable as employees rarely receive or not at all.

The final question of this section is in relation to the above two and if any received feedback is sufficiently detailed. 40.6% of the response strongly disagrees and 34.4% have also disagreed while from the respondents only 4.7% strongly agree that they receive sufficiently detailed feedback. This data justifies the above statement forwarded in the previous question and should be a major focus area for the bank.

The rater's qualifications were examined in this section with also questions revolving around feedback received. From the response given many have indicated that they don't receive feedback on their performance and as mentioned in the literature review this is one of the main aspect which could lead in effectiveness of the performance and may also lead to job dissatisfaction.

Table – 10 Performance Appraisal Practice in Relation to Goal Setting

Item	S. disagree		Disagree		Neutral		Agree		S. Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Supervisors express goals and assignments	4	6.3	6	9.3	9	14.1	24	37.5	21	32.8	64	100
The goals set for employees performance are meaningful measures	21	32.9	23	35.9	10	15.6	3	4.7	7	10.9	64	100
Acceptance of goals assigned	19	29.7	26	40.6	5	7.9	7	10.9	7	10.9	64	100
Goal setting and organization objectives	2	3.1	2	3.1	9	14.1	36	56.3	15	23.4	64	100
Goals set being reasonable	25	39.0	22	34.4	10	15.6	4	6.3	3	4.7	64	100
Goal setting and planning work to meet expectations	3	4.7	6	9.4	9	14.1	31	48.4	15	23.4	64	100

Source: Own Survey, Dec, 2013

One of the criteria for a good PA is setting up of a clear and measurable goals, objectives and assignments. When asked if supervisors clearly express goals and assignments, 70.3% of the responses agreed that supervisors do express goals and assignments clearly. From this one can conclude that as expressed by different writers clarity in communicating goals and assignments can help in clarifying confusion that occur in the conducting of the PA process.

When respondents were asked if goals developed for their performance are meaningful measures 4.7% agreed, 10.9% strongly agreed and the majority response of 32.9% strongly disagreed while 35.9% disagreed. This shows 68.8% of the responses have disagreed even if the goals are clearly expressed by their supervisor they feel it is not a meaningful measure.

Responses of 70.3% have refused to accept the goals assigned to them as they don't think it's a meaningful measure which can support the above data gathered and the conclusion reached.

Employees were asked if they think goal-setting gives them a broader picture of the work unit and organization objectives 56.3% agreed, 23.4% strongly agreed and on the other hand 3.1% disagreed and another 3.1% also disagreed.

When respondents were asked if they think the performance goals are reasonable 39.0% strongly disagreed, 34.4% disagreed and 6.3% agreed while 4.7% strongly disagreed. This indicates that the majority of respondents clearly feel goals set are not reasonable and this can clearly create dissatisfaction as they are measured through unattainable goals set.

71.8 % of the responses do feel that if the goal set are reasonable, goal-setting helps them in planning their work to expectations but since goals set are not attainable it is difficult to use the goals set to achieve what is expected of them.

Even though that many respondents goal setting are necessary to improve performance many respondents have also claimed that the goals set are actually un-reasonable. This is one of the main areas where the PA process has faults and should be taken into consideration in order to improve process.

Table 11 – Performance Appraisal Practice and Job Satisfaction’s Relationship

Item	S. disagree		Disagree		Neutral		Agree		S. Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Whether if the PA of CBE is well designed increases JS	21	32.8	21	32.8	13	20.3	3	4.7	6	9.4	64	100
Involvement of Employees in PA to better the process	2	3.2	1	1.6	7	10.9	26	40.6	28	43.7	64	100
Effectiveness of PA and increase in JS	1	1.6	3	4.7	6	9.4	29	45.2	25	39.1	64	100
Considering PA as a major contributor to increase in JS	-	-	4	6.3	10	15.5	25	39.1	25	39.1	64	100
Effective PA can't solely increase JS	7	10.9	9	14.1	4	6.3	20	31.2	24	37.5	64	100
Recommendation and suggestion followed through	26	40.6	20	31.2	7	10.9	8	12.6	3	4.7	64	100

Source: Own Survey, Dec, 2013

Employees were asked if they think the PA of CBE is well designed and leads to better performance and increase job satisfaction, the majority of the responses were negative. 32.8% disagreed while also other 32.8% strongly disagreed. This data clearly supports the faults that were observed in the responses of the different sections of this questionnaire.

Employees were also asked if they think employee participation in the PA process can help better the PA instrument, almost all of the responses were in agreement with the idea as 84.3% of the responses collected were in agreement with the idea.

When respondents were asked if effective PA can improve job satisfaction, 45.2% agreed while 39.1% strongly agreed that the effectiveness of the PA process plays a major role in increasing job satisfaction of employees.

While when asked if they consider PA as a major factor, majority of the responses were in agreement with the idea as 78.2% of the responses agree that effective PA is a major factor increasing job satisfaction of employees.

But 68.7% responses collected from employees do feel that even though PA is a major factor in increasing job satisfaction it can't solely improve job satisfaction employees.

Employees opinions were also examined if they think recommendation for training and development were followed through 40.6% strongly disagreed, 31.2% also disagreed while only 12.6% agreed and 4.7% of the responses strongly agreed too. This data clearly identifies that there is a gap between recommendation forwarded and actions taken.

The final question were asked to examine what the main use of PA process outcome is at the bank and the majority of the responses have said it's for reward, promotion and transfer while man have also claimed its for punishment and some also claimed its for employee development.

And when asked if they think the above uses of the PA will increase job satisfaction 71.8% of the responses disagreed on the idea and think that it doesn't as there are plenty of factors that should be corrected in the PA as a whole for the recommendations to be effectively applied.

The final section of the questionnaire were designed to examine if employees suspect there is a positive relationship between effectiveness of PA process and increase in Job satisfaction and

responses collected from respondents clearly indicate that employees do consider there is a positive relationship between the two. From this one can conclude that there is a shared belief of employees on the positive effective PA on JS and it is in the best interest of the bank to make the PA process as effective process as possible.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter is sub divided into three main parts. The first part presents summary of major research findings, the second part presents the study's conclusions using the basic research questions as a guide. The last part discusses research recommendations made from findings for managerial implications and further research.

5.1 Summary of Findings

In this research, effects of Performance Appraisal on Job Satisfaction at CBE are assessed through questionnaire. From the data collected and analyzed, the following points are summarized.

From the questions which revolve around in finding employees knowledge about the PA process, most employees have a clear idea about PA in general and respondents have claimed they do understand the measures put but commented that the measures put fail to accurately measure what they do on their jobs.

From the questions trying to investigate the design and the evaluation process, most respondents have agreed that employees were not involved in the design of the whole PA process and also feel the PA process does not create a better communication between them and their supervisors. Most respondents also claim that their immediate boss have enough information of their real work but do feel that the whole PA process creates a biased and unclear results and also feel that the best workers do not get the highest evaluation. Some of the bias experienced by employees also range from average evaluation given to maintain good work relationship to giving low rating with belief that nobody deserves high rate.

Most employees do feel that their supervisors possess the adequate knowledge to conduct the PA process but strongly disagree that their supervisors use the PA process without bias. Respondents have claimed that they don't receive timely and sufficiently detailed feedback of their performance but strongly feel receiving feedback would greatly benefit their on – the – job performance.

Respondents claimed that their supervisor clearly express goals and assignments of the department but fail to develop meaningful measures and don't accept the goals assigned to them. But feel setting up measurable goals gives employees' broader picture of the work unit and the organizations objectives.

From the questions trying to examine if there is a relationship between Job satisfaction and Performance Appraisal practice at CBE and employees feel that if performance Appraisal is well designed and effective it could lead to improve job satisfaction and also mentioned that employee involvement in the design can increase the quality of the PA instrument. But employees have also emphasized that PA solely doesn't improve job satisfaction. Employees have expressed that recommendations from the PA process outcome is not followed through as they should be and if followed through most results of the PA process are used reward, promotion, transfers or for punishment and feel that the use of the outcome on the above mentioned areas couldn't improve job satisfaction.

5.2 Conclusions

One of the basic research questions this research tried to answer was if PA Practice has Positive influence on JS and employees of the bank have stated that there is a direct relationship between JS and an effective use of the PA process can improve their job satisfaction. From the data gathered one can conclude that in general most of the employees of the bank clearly have raised their worries on the whole PA process. Even though employees agree on the need of the whole PA process but they also feel that the process lack clarity and isn't based on measurable objectives and fail to accurately measure their real performance. This will affect the whole outcome of the PA process and will in turn create dissatisfaction on employees.

Employees also have presented their concern on the design and evaluation of the PA and from this one can conclude that there is a lack of employee participation in the design, while the whole process fails to create a better communication between employees and their supervisors. From the data gathered one can conclude that the PA process is not without bias and subjectivity. A biased result of the PA will surely distress employee's job satisfaction as they have mentioned effective PA is one of factors which can affect job satisfaction. One of the ways of improving job performance is by receiving feedback on work done but employees of the bank do feel they do

not receive regular and timely feedbacks even though they feel it can improve their job performance and in turn increase their job satisfaction. The above mentioned problems are the major factors which contribute to the inefficiency of the PA process and one of the basic research questions tried to address in this study

The performance goals set for employees according to the data gathered the goals set are not reasonable and fail to accurately measure what they do on their jobs. From this one can conclude that it creates unrest and may affect their job satisfaction.

5.3 Recommendations

The main purpose of this or any research for that matter is to investigate and find out the failures and give viable recommendation to improve the problems. In order to improve the whole Performance Appraisal process the recommendations forwarded are as follows:

The first recommendation is that more emphasis must be given to the involvement of employees in the design of the PA process as to relate the criteria and measures used to the actual performance of the employees. The involvement of employees will help the bank in creating actual measures which can help in measuring the actual performance of any employee as the criteria used is created by the representatives of employees.

The qualification of raters is another point that must be a priority as it is essential to improve the effectiveness of the whole process and to perform the task without bias and subjectivity, as any bias or subjectivity experienced will create dissatisfaction of employees on their performance and as it increases it may also affect their job satisfaction. Rater's qualification will help in alleviating problems associated with dissatisfaction of such kind.

Receiving constant feedback is essential in improving performance of an employee. Providing sufficiently detailed and timely feedback should be one of the areas of which the CBE should concentrate in order to improve the whole PA process.

It is a known fact that goal setting gives broader picture of the work unit in organization and will also help in planning of works by employees. CBE must focus on when goals are set so as to make them feasible and achievable. As mentioned above the involvement of employees in the design process will help in easing problems with that nature.

After all is done the results of an effective PA are not the end rather they are a means to improve job performance and satisfaction. Therefore Commercial Bank of Ethiopia should give due attention to the use of the results in order to be effective, whether it's used for promotion, pay raise or career development the bank must focus on using the results without bias and subjectivity.

Commercial Bank of Ethiopia should give the above recommendation emphasis in order to improve the whole Performance Appraisal and this will insure improvement on employee's job satisfaction. It is in the bank interest to incorporate this suggestion so as to clarify any concerns that arise in the Performance Appraisal process.

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Appendix - Questionnaire

St. Mary's University
School of Graduate Studies
MBA-Program
Questionnaire filled by CBE Staff

Dear Respondents - First of all the researcher would like to convey his gratitude for giving your precious time and energy to fill this questionnaire and contribute your part for the completion of this study.

Objective – The objective of this Study in general and Questionnaire in particular is to study the practice of performance appraisal and its influence on job satisfaction in CBE. The paper has the aim of assessing the relationship between the mentioned variables and every questionnaire included here is with relation to the study entitled:” The effect of Performance Appraisal on Job Satisfaction at Commercial Bank of Ethiopia”. The Research is done as a partial fulfillment of academic requirements of M.A. degree in Business Administration.

General Guideline - Please put check mark () adjacent to your choice of answer. You can choose multiple answers when appropriate and write your short answer for those followed by blank spaces. The scale are described as follows and put the () mark in the scale that expresses your opinions the most.

5 – Strongly Agree

2 – Disagree

4 – Agree

1 – Strongly Disagree

3 – Neither Agree nor Disagree

Confidentiality - Any information gathered in this questionnaire will be used strictly for academic purpose only. There is no necessity for respondents to mention your name, position, department or branch and any response gathered from this questionnaire will be kept in private and treated with outmost secrecy.

I. Socio-Demographic Factors

1. Gender Male Female

2. Age 20-25yrs 26-35yrs 36-45yrs >45

3. Educational Background

Diploma Degree Masters Other

If Other Please specify _____

4. Year of Service

<5yrs 6-10yrs 11-20yrs 21-30yrs >30yrs

II. Instrument Validity

S. NO.	Section II. Items On Instrument Validity	Scale				
		1	2	3	4	5
1	Do you agree on the need of a Performance Appraisal program?					
2	Do you agree that the Performance Appraisal of CBE is based on clear and measurable objectives?					
3	I understand the measures used to evaluate my performance					
4	The Performance Appraisal instruments accurately measures what I do on my job.					
5	Do raters share a common conceptualization of the performance standards					

III. Design and Evaluation

S. NO.	Section III. Items On Design and Evaluation	Scale				
		1	2	3	4	5
1	The performance Appraisal was designed through the involvement of employees.					
2	The performance appraisal process results in better communication between me and my supervisor.					
3	Does your supervisor have enough information on your real work and performance?					
4	The performance appraisal process results in a clear and unbiased appraisal.					
5	The best workers receive the highest evaluation scores.					

Do you see any subjectivity bias from the side of the supervisor while conducting the performance evaluation?

Yes No

If **Yes** from which group do you categorize this bias?

- Generalizing based on one time success/failure to the overall performance
- Average evaluation to all to maintain good work relationship with employees or boss
- Focusing only on performance close to the evaluation period
- Evaluating based on other colleague's performance rather than your own objective
- Giving high values only to please employees
- Giving low rating with a belief that nobody deserves high rate
- Others _____

IV. Rater's Qualification and Feedback

S. NO.	Section IV. Items On Rater's Qualification and Feedback	Scale				
		1	2	3	4	5
1	My supervisor possesses adequate knowledge and training to properly implement my performance evaluation.					
2	My supervisor utilizes the evaluation system to assess my performance objectively and without bias					
3	My supervisor takes the performance appraisal procedure seriously.					
4	The performance feedback I receive is helpful in improving my on - the - job performance and in attaining my goals.					
5	I receive regular and timely performance feedback beside the annual performance review.					
6	The information provided by my supervisor during my performance feedback is sufficiently detailed.					

V. Goal Setting

S. NO.	Section V. Items On Goal Setting	Scale				
		1	2	3	4	5
1	My supervisor clearly expresses goals and assignments					
2	The goals developed for my performance period are meaningful measures.					
3	I accept the goals I have been assigned					
4	Goal-setting gives me a broader picture of the work unit and the organizations objectives					
5	I agree that the performance goals set up for me are reasonable.					
6	Goal-setting helps in planning my work so as to meet the expectation					

VI. Performance Appraisal and Job Satisfaction

S. NO.	Section VI. Items On Performance Appraisal and Job Satisfaction	Scale				
		1	2	3	4	5
1	The performance appraisal is well designed and leads to better performance increase job satisfaction.					
2	Does participation of employees in the development of performance standards leads to a better performance appraisal instrument					
3	The effective Performance Appraisal Process will surely benefit in improving job satisfaction					
4	Do I consider Performance Appraisal as a major factor in increasing job satisfaction					
5	Effective Performance Appraisal solely does not improve job satisfaction					
6	Do you agree that recommendations for training and development are followed through					

7. What is the main focus of performance evaluation in CBE

- Employee Development Employee Motivation
 Reward, promotion, transfer Punishment
 Evaluation is just filed away

♠ If you've selected one from the above choices, do you think they can improve job satisfaction?

- Strongly Agree Agree Neither Agree nor Disagree
 Disagree Strongly Disagree
