An Assessment of Performance Appraisal Practices in the Ministry Of Finance and Economic Development (MOFED) In Addis Ababa

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Introduction

Background of the Study

All organizations acquire resources from an outside environment of which they are part and in turn, provide goods and services demanded by a larger environment. In simplest terms, organizations take resources or inputs from a larger system, process these resources and then return them in changed form (output) (Ivancevich 1990, pp: 23-24).

Among the various resources the organization has, none is as critical to the success of its undertakings as its human resources. The human resources are the most important resources of an organization. Without effective human resources, it is simply impossible for an organization to achieve its objectives. Human resource management (HRM) is the utilization of human resources to achieve organizational objectives. Basically, managers get things done through the effort of others; this requires effective human resource management (Mondy et al, 1999, p.4).

Human resource department (HRD) is a unit which is responsible to manage activities related to the human resources of an organization. Among these activities, performance appraisal and performance evaluation are the most prominent activities that ensure employee and organizational development.

Performance appraisal is the HRM activity that is used to determine the extent to which an employee is performing the job effectively (Ivancevich 1998, p. 321).

Performance appraisal is a process of determining how well employees do their job relative to a standard and communicating that information to the employee (Mathis and Jackson 2008, p. 324).

Employees want to know how they are performing on the job, and it is the responsibility of the manager to tell them. This process of appraisal and communication should be regular and ongoing; managers should not wait until the annual appraisal to do it. Nor should they rely on informal day to day coaching. Instead, both formal and informal appraisals are necessary. Employees generally see the evaluations as having direct effect on their work and lives. They may result in increased pay and promotion. For personal development areas, the employee needs training. As a result, any evaluation of employees work can create an emotionally charged event.

Performance appraisal has other terms including performance evaluation, performance review, personnel rating, merit rating or employee appraisal.

Every organization, whether it is governmental or private, uses an appraisal system to know how it is performing towards the achievement of both organizational as well as individual (employee) objectives. The emphasis of the study will be to assess both the theoretical and practical aspects of performance appraisal being practiced in the Ministry of Finance and Economic Development (MoFED).

The Ministry of Finance and Economic Development (MoFED) was established to centrally monitor and direct money in 1900 by the name- "Genzebna Guada Minister". After changing its name in different times, the

present Ministry of Finance and Economic Development (MoFED) was formed in 1994 EC by the proclamation number of 256/94 and other previous proclamations of 4/1987 and other laws. Its powers and duties are proclaimed under 471/88 proclamation number (Federal Negarit Gazette Proclamation No. 691/2002).

The organization shoulders the responsibilities of tariffs, customs, treasury, banks and reserve areas of work. And it has clearly stated Mission, Vision and Strategic Objectives as follows:

Mission

Make real a prosperous Ethiopia by formulating development policies, preparing development plan and budget, mobilizing and administering external resources, installing modern, efficient, effective and accountable public finance and property administration, and controlling system.

Vision

Become a capable and leading organization for the realization of faster, sustainable and equitable economic developments.

Strategic Objectives

➢ Ensuring faster, sustainable and equitable economic growth.
➢ Improve the macro-economic administration.
➢ Harmonize population issue with economic growth.
➢ Enhance the delivery and distribution of information and communication.
➢ Boost developmental partnership and cooperation.
➢ Improve the effectiveness of resource utilization.
➢ Improve public finance and internal audit operation systems.

> ➤ Develop the skill, knowledge and attitude of human resource.

> ➤ Improve leadership and decision making capacity.

(**Source:** Ministry of Finance and Economic Development (MoFED), Finance   and Development, Monthly edition, N<u>o</u>. 26)

Statement of the Problem

Nowadays, organizations' work force is mainly characterized by larger number of women, ethnic minorities & diversities and persons. The increasing diversity in work force makes performance appraisal system to be non-discriminatory i.e., it focuses on the truly essential features of the job. An effective performance appraisal system should be developed & agreed by both the managers and employees, which are participative, bias free, job related, conducted on a continuous manner, easy to operate, able to provide feedback etc. (Samuel Arega 2012).

But in most public and private organizations of Ethiopia, performance appraisal programs are not used as they are intended for the organizations. There are many reasons associated for the failure of performance appraisal system to yield the desired results in an organization. Among these causes the following are vital: unclear performance standards, untrained appraisers, lack of ongoing performance feedback, raters' error in evaluating performance, lack of resources to reward performance, etc.

Therefore, the study has attempted to assess the employees' performance appraisal practice of the Ministry of Finance and Economic Development (MoFED).

Objective of the Study

The general objective of the study was to assess the performance appraisal systems and practices of Ministry of Finance and Economic Development (MoFED).

The specific objectives of the study are:

➢ To investigate the major purpose of the current system of employees' performance appraisal.

➢ To identify and evaluate the nature of standards involved in the appraisal process.

➢ To identify the appraisal techniques and criteria used and to what extent they are appropriate to measure the performance of employees.

➢ To identify appraisers involved and how skillful & competent they are.

➢ To suggest possible solutions for the problems that will be discovered in the Ministry of Finance and Economic Development (MoFED) performance appraisal system.

Methodology

Sample Size

The organization had a total of 640 permanent employees working at the head quarter. The researcher selected 40 of the total population as a sample. The samples included both supervisors (appraisers) and non-supervisory employees. They were selected because they were the main sources of information regarding the real practices and problems of the performance appraisal system at Ministry of Finance and Economic Development (MoFED).

Sampling Techniques

In conducting the study, the researcher used non-probability sampling technique to select samples from the total population and to collect the required information from the samples. This was because the researcher had selected from both supervisors and non-supervisory employees.

The researcher purposely selected both supervisors (appraisers) and non-supervisory employees who had a diploma and above educational background and those who worked more than a year in the organization. Because the researcher believed that taking samples from supervisors and non-supervisors category, in addition to the experience they had, would give better information about the practice of performance appraisal in the organization.

Method of Data Collection

To conduct the study, both primary and secondary sources of data were used. Primary data were collected through the use of questionnaire, distributing to 30 non-supervisory employees, and questionnaire and interview to 10 appraisers. This was because these methods aid in collecting and knowing sample respondents' opinions and attitudes. Secondary data were gathered from relevant documents such as books, journals, articles, organization performance appraisal formats, and other internet sources related to the topic under investigation so as to establish the conceptual framework and to assist the analysis of the performance appraisal practice of Ministry of Finance and Economic Development (MoFED).

Data Analysis Method

After collecting all the necessary data through interview and questionnaire, the researcher employed simple percentage techniques.

Data from interview were analyzed through descriptive analysis and data from questionnaire were analyzed through both descriptive analysis and percentages & tables.

Significance of the Study

The study focuses on the assessment of performance appraisal system and practice in the case of Ministry of Finance and Economic Development (MoFED), and it also tries to identify the major strong and weak sides of the system. After the assessment of the system, the study can provide insights about the overall image of the appraisal system in the organization. It may create awareness among employees, managers and other members of the organization about the need for effective performance appraisal. In addition, the study would be used as a reference material for interested researchers for further investigation, and serve as feedback for the organization.

Scope of the Study

Performance appraisal was approved by the Ministry of Capacity Building to be applied in all government offices in 1995 EC. This paper, however, was limited to the style and nature of performance appraisal practice and activities of Ministry of Finance and Economic Development (MoFED), focusing on the Head Office alone.

Limitations of the Study

The study had shortcomings. These limitations were lack of enough time to conduct a detailed analysis, financial constraints, and lack of willingness of respondents to answer and return the questionnaire and interview which affected the findings of the study.

Organization of the Paper

The paper has four chapters. The first chapter deals with the basic components and sub components of the research which includes background of the study, statement of the problem, objective of the study, significance of the study, scope and limitations of the study and methodologies used. The second chapter covers literature review. It contains relevant literatures, which serve as background information for the study. The data collected by using the questionnaire and interview are presented in the form of tables and explanations under chapter three. The final chapter includes summary of the major findings and conclusions, followed by recommendations.

Literature Review

Theoretical Review

Definition of Performance Appraisal

Due to its soft nature of the topic, performance appraisal has been defined differently by different scholars.

According to Ivancivich(1989) performance evaluation is the personnel/Human Resource Management activity that is used to determine the extent to which an employee is performing the job effectively.

Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization. The appraisal is usually prepared by the employees' immediate supervisor. The procedure typically requires the supervisor to fill out a standardized assessment forms that evaluates the individual on several dimensions and then discusses the results of the evaluation with the employees (Grote 2002).

Mathis and Jackson (1997) also defined performance appraisal as the process of evaluating how well employees do their jobs compared with a set of standards and communicating that information to those employees.

According to Decenzo and Robbins (2005) performance appraisal may be understood as the assessment of an individual's performance in a systematic way. It occurs in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success.

Purposes of Performance Appraisal

According to Ivancivich (1989, pp. 325) performance evaluation serves several purposes:

1. **Developmental purposes**: It can determine which employees need more training and helps evaluate the result of training programs. It helps the subordinate –supervisor counseling relationship, and it encourages supervisors to observe subordinate behavior to help employees.
2. **Reward purposes**: Performance appraisal helps the organization decide who should receive pay raises and promotions. It can determine who will be laid off. It reinforces the employees' motivation to perform more effectively.
3. **Motivational purposes:** It encourages initiative, develops a sense of responsibility, and stimulates efforts to perform better.
4. **Legal compliance**: It serves as a legally defensible reason for making promotion, transfer, rewards, and discourages decisions.

5. **Personnel and employment plan purposes:** Performance appraisal serves as a valuable input to skill inventories and personnel planning.

6. **Communication purposes:** Evaluation is a basis for an ongoing discussion between superior and subordinate about job-related matters. Through interaction, the parties get to know each other better.

7. **Human Resource Management Research Purpose:** It can be used to validate selection tools, such as a test program.

These and other purposes served by a formal performance evaluation system indicate how important this HRM activity is to the organization of all of the relationships between performance evaluation and other HRM activities. The one between evaluation and equal employment opportunity has become extremely crucial.

As mentioned by L. Mathis and H. Jakson performance appraisal has two major roles in an organization: administrative and development.

Administrative role is to measure performance for the purpose of rewarding or otherwise making administrative decisions about employees. Administrative uses performance appraisal, such as decision on promotion, termination, lay off, and transfer assignments, are very important to employees performance appraisal are necessary when organizations terminate, promote, or pay people differently as they are a crucial defense if employees sue over such decisions.

Performance appraisal can be a primary source of information and feed back for employees, which is a key element for their future development. When supervisors identify the weakness, potentials, and training needs of employees through performance appraisal feedback, they can inform

employees about their progress, discuss what skills they need to develop and work out development plans (Mathis & Jackson 1997).

These purposes served by performance evaluation system indicate, how important this personnel/human resource management activity is to the organization and how performance evaluation is job related and linked to other personnel/human resource management activities (Planning, Selection, training and development, research evaluation and equal employment opportunity) (Ivancivich 1989, p. 325).

The Elements of an Effective Performance Appraisal System

According to Delpo (2005), there are some specific qualities that all effective performance evaluation systems share, paying particular attention to those that you as a manager can control.

A. Fair and Communicative Environment

The most effective performance appraisal system places concern for the employees at its core. Research has shown that the majority of employees want to perform well; the key is to provide them with the right environment. Such an environment includes support, communication collaboration and fair treatment – that very qualities created by effective performance appraisal systems. In addition, a fair and communicative environment builds employee morale.

B. Respect for the Employee

Respecting employees is the foundation for any effective performance evaluation system. Employees who feel respected are more likely to participate in the appraisal system truly and sincerely in setting goals and to strive hard in performing to the standards you set.

C. Focus on the Future

If, at its heart, a performance appraisal process is designed to improve employee performance, then a manager should emphasize what the employee can do in the future, not how the employee did in the past. The past can inform you ideas about the future, but it shouldn't be the sole focus of the appraisal process. This doesn't mean that looking at past performance has no place in the process, indeed, at each evaluation. You should discuss whether and how the employee meets the goals set at the previous evaluation. But you should look to the past with the goal of learning from it, so that looking backward is developmental and helpful to the employee, rather than punitive.

D. Employee Participation

Another element common to successful performance evaluation system is employee participation. Employees must play a key role, participating in every activity, from writing job description to identifying their own goals and standards, to assessing how well they have performed.

You can increase employee's job satisfaction and engender their trust in the appraisal system by bringing them in the loop and giving them power and responsibility for directing and assessing their own performance.

E. Ongoing Feedback

Giving employee's feedback – both positive & negative – as circumstance warrant is another important feature of an effective evaluation system. Feedback helps employees adjust as circumstances change throughout the year. The importance of certain goals may shift, obstacles may appear; employees may lose motivation or focus. Your feedback will tell employees

what is still important; what is no longer important, and what they can do to achieve their goals in the face of these changes.

F. Document

Ongoing and accurate documentation is the crux of good performance appraisal system. Documentation spanning the entire appraisal period ensures that your review will be fair and accurate and gives you rock-solid support in case of law suit. Good documentation provides continuity. If the old manager properly documents the employee's performance, the new manager can take over easily than if no record existed.

Performance Appraisal Process

Many environmental factors like legislation, labor union and corporate culture may influence the appraisal process. Generally, performance appraisal has the following process:

a) **Establishing performance standards**: performance standards are established based on job description and specification. The standard should be clear, incorporating all factors.

b) **Communicating standards to employees**: inform these standards to all the employees including appraisers.

c) **Measuring accrual employees' performance**: as per the evaluation method used in the organization and instructions given for appraisal, evaluate actual performance of employees through observation, interview, record and reports.

d) **Evaluating factors affecting performance**: finding out the influence of various internal and external factors that may effect on performance, such factors may include inadequate work facilities,

equipments, restrictive policies, lack of cooperation from other, type of supervision, working conditions etc.

e) **Comparison of actual performance with set standards:** comparing actual performance with standards set and finding out if there is any deviation.

f) **Discussing the appraisal with the employee:** this is a very challenging step in the appraisal process as it involves presenting accurate appraisal to the employee and have the person accept the appraisal in a constructive manner.

g) **Initiating necessary corrective actions:** this includes guiding, counseling, coaching and directing the employee or making arrangement for training and development of the employee in order to ensure improve performance. It could also involve making suggestion for some changes to be made in the standard, job analysis, or other internal or external factor to facilitate effective performance of employees.

When, How often, and who Evaluates and When should evaluation be done?

There are two basic decisions to be made regarding the timing of performance appraisal: one is when to do it, and the other is how often. In many organizations, performance evaluations are scheduled for arbitrary dates. It makes more sense to schedule the evaluation at the completion of a task cycle. For other, without a clear task cycle based on dates, one way to set the date is by using Management by Objective (MBO) technique, where by the manager and employee agree up on a task cycle, terminating in evaluation at a specific time. Another approach is to schedule an evaluation when there is a significant change (positive or negative) in an employee's performance.

How often should evaluation be done?

The second question concerns how often evaluation should be done. Organizations use basic timing periods for most employees. They are referred to as the anniversary date (date the person who entered the current job) or a common review date. Under common review date system all employees are evaluated and compared so that such decisions as promotions and merit pay increases have a common period of time being covered for all employees. They are referred to as the anniversary date (date the person who entered the current job) or a common review date. Under common review date system, all employees are evaluated and compared so that such decisions as promotions and merit pay increases have a common period of time being covered for all employees (Ivancivich 1989, p. 338).

Who should evaluate the Employee?

Rating by a committee of several superiors: the superiors chosen are those most likely to come in contract with the employee. This approach has the advantages of offsetting bias on the part of one superior alone and adding additional information to the evaluation, especially if it follows a group meeting format.

Rating by the employees peers (co-workers): In the peer evaluation system, the co-worker must know the level of performance of the employee being evaluated. This approach may be useful when the tasks of the work unit require frequent working contact among peers.

Rating by someone outside the immediate work situation: Known as the field review technique, this method uses a specialized appraiser from outside the job setting, such as a personnel specialist, to rate the employee.

Self evaluation: In this case the employee evaluates herself/ himself with the techniques used by other evaluators. This approach seems to be used more often for the developmental (as opposed to evaluative) aspects of performance evaluation. It is also used to evaluate an employee who works in physical isolation (Ivancivich 1989, p. 340).

Performance Appraisal Methods

The behaviors or characteristics that are to be considered by the superior in his evaluation of the employee are typically incorporated into a standardized form that is designed to meet the needs of the particular company. These evaluation forms not only should contain the traits or characteristics that meet the criteria of observablity, universality, and distinguish ability, but they also should designed in such a manner that the rater can render the most objective opinion or evaluation of the person being rated. (Chruden & Sherman 1959, p.216)

There are a number of different types of system for measuring the excellence of employee performance. Performance can be appraised by a number of methods. Some employers use one method for all jobs and employees, some use different methods for different groups of employees, and others use a combination of methods. The following discussion highlights different tools that can be used.

These include:

   A) **Ranking Method**

Under ranking method of evaluation each evaluator or rater arranges his men in rank order from the best to the poorest. This method has the advantage of

being simple to understand and use, and it is quite natural for the rater to rank his subordinates. (Sherman 1959, p.216)

According to Filippo (1980, p.205) ranking is the oldest and simplest system of formal systematic rating to compare one person with all others for the purpose of placing them in a simple rank order of worth.

One of the main disadvantages of this method is the assumption that the differences between ranks are the same. But this limitation can be mitigated to some extent by assigning points to indicate performance differences.

Another disadvantage of this method is that when the number of persons to be rated is fairly large, it is difficult for the rater to make differentiations between them (Sherman 1959, p.216).

B) Method of Paired Comparisons

The method of paired comparison involves comparing each individual with all of the other in the group. Then, the supervisor must decide which of the two subordinates in each pair is more valuable to the firm. This procedure is repeated until each person has been paired with every other employee and each one's rank relative to every other person has been determined.

The main disadvantage of this system is it is complex and the volume of work is great. Yet research has shown that this method is more reliable than ranking. The paired comparison method is most frequently used in evaluating over-all job performance rather than specific characteristics (Megginson 1981, p.315).

C) Graphic Rating Scale Method

The most widely used performance evaluation technique is a graphic rating scale. It is also one of the oldest techniques in use (Ivancivich 1989, p.348). The graphic rating scale method is the most commonly used type of rating scale. Each trait or characteristic to be rated is represented by a line or scale on which the rater indicates the degree to which he believes the individual possesses the trait or characteristic.

A type of graphic rating scale that contains descriptions of the employees' behavior is generally more satisfactory because it provides the rater with more concrete guidelines for making judgments. (Chruden & Sherman 1959, P.217)

Two modifications of the scale have been designed to make it more effective. One is mixed standard scale. Instead of just rating a trait generally, the rater is given more statements to describe that trait. The second modification is to add operational and benchmark statements to describe different levels of performance (Ivancivich 1989, p.345).

D) Forced Distribution Method

On any trait or characteristic being considered, a few persons will exhibit superior performance, and a few inferior performances, but most of the individuals will cluster about the middle or average. The forced distribution method of evaluation requires the rater to distribute his rating in accordance with the pattern that conform the normal frequency distribution, thereby forcing him to assign some low ratings to some employees and high ratings to others (Sherman 1959, p.217).

According to Henderson (1979, p.389), forced distribution technique requires the appraiser to allocate a certain percentage of work group members to certain percentage of work group members and to certain

categories that may include supervisor: above average, below average and unacceptable performance.

E) Check-List Method

As the term implies, the check-list method involves having the rater check those statements on a list that he feels are characteristics of the employee's performance or behavior. A check list has been developed and standardized; it has the advantage of being easy to interpret and score. Since it is usually restricted to one or a few jobs, it is necessary to have several check lists for the different jobs that exist in a company (Chruden 1959, p.219)

F) Critical Incident Method (CIM)

One of the newest of the evaluation methods is the critical incident method, which involves identifying, classifying, and recording critical incidents in employee behaviors.

Briefly, an incident is "critical" when it illustrates that the employee has done, or failed to do, something that results in unusual success or unusual failure on some part of his job.

This method, which emphasizes the importance of recording both strengths and weaknesses in specifically categorized areas, is valuable in training supervisors how to evaluate their subordinates (Chruden 1959, p.220).

This method is time consuming and costly and it requires the appraiser to have good analytical skill and the ability to provide straight forward and honest descriptions. The critical incident method is valuable in that it focuses on actual job behaviors, not impressions of ambiguous traits (Henderson 1979, p. 386).

G) Forced Choice Method

The forced-choice method of evaluation was developed because other methods used at the time led to too many high rating. In forced choice, the rater must choose from a set of descriptive statements about the employee (Ivancevich 1989 p. 345).

None of the above described systems can eliminate one of the major criticisms of performance appraisal, the charge that the rater may be biased or prejudiced. One of the fundamental objectives of the force-choice approach is to reduce or eliminate the possibility of rater bias by forcing a choice between descriptive statements of seemingly equal worth (Filippo 1980, p.210). The typical forced-choice rating scale requires the rater to indicate by a check mark those statements that are descriptive of the individual being rated. One of the outstanding features of the force-choice rating scale is that it can be easily scored once the discriminative value of each of the statements has been determined. The term discriminative value refers to the degree to which a statement distinguishes between good and poor employees who have been valuated in terms of some other index of job proficiency.

The forced choice method is not without limitations. The fact that it has been a source of frustration too many rather have sometimes caused it to be eliminated from evaluation programs. Forced choice can be used by superiors, peers, subordinates, or a combination of these in evaluating employees (Chruden 1959, p. 222)

H) Essay Method

In the essay technique of evaluation, the rater is asked to describe the strong and weak aspects of the employee's behavior (Ivancivich 1989, p.346).

Perhaps in response to the complexities of rating scales and formats, some organizations have reverted to simply essay descriptions of employee performance. If the appearance of subjectivity presented by this approach is not backed up by systematic accumulation of performance information (critical incidents), it may present some difficulties challenged by governmental compliance agencies (Filippo 1980, p.213).

I)Management by Objectives (MBO)

In most of the traditional performance evaluation systems, the rater makes judgments of past performance behavior. Any person making judgments is in a difficult and somewhat antagonistic role. McGregor believed that instead of creating antagonisms because of judgments, the superior should work with subordinates to set goals. This would enable subordinates to exercise self control and management over their job performance behavior, from the early beliefs of Mc Gregor, Drucker, and Odiorne has emerged the management by objective (MBO) approach.

Usually an MBO program follows a systematic process such as the following.

1. The superior and subordinate conduct meeting to define key tasks of the subordinate and to set limited number of objectives.
2. The participants set objectives that are realistic, challenging, clear, and comprehensive.
3. The superior, after consulting with the subordinate, establishes the accomplishment of the objectives.
4. Intermediate progress review dates

5. The superior and subordinate make any required modification in original objectives.

6. A final evaluation by the superior is made

7. Objectives for the next cycle are set by the subordinate after consulting with the superior, keeping in minds the previous cycle and future expectations.

An important feature of any Management by Objective (MBO) program is that discussions about performance evaluation center on results. The results hopefully are objective in nature and associated with certain work behavior (Ivancivich 1989, p. 347)

J) Behaviorally Anchored Rating Scales (BARS)

The BARS approach receives on the use of critical incidents to serve as anchor statements on a scale. A BARS rating form usually contains 6 to 10 specifically defined performance dimensions, each with 5 or 6 critical incident anchors.

A BARS scale usually contains the following features:

1. Six to ten performance dimensions are identified and defined by rates and ratees (a group is selected to construct the form).

2. The dimensions are anchored with positive and negative critical incidents.

3. Each ratee is then rated on the dimensions.

4. Ratings are feedback using the terms displayed on the form (Ivancivich 1989, p. 350).

The Feedback Interview

After the rater has completed the evaluation, it should be discussed with the employees. Some organizations use split evaluations to accomplish the dual purposes of evaluations. In evaluating for developmental purposes, the ratings are communicated and appropriate counseling takes place. And in evaluation to determine pay, promotion and other rewards, the ratings sometime are not given to employee. In the usual evaluation, however, the employee acknowledges the evaluation in some way, often by signing a receipt form.

The suggestions for conducting an effective evaluation interview are designed to reduce the arbitrariness and improve the clarity of the superior – subordinate interaction. Regardless of how or when the performance evaluation occurs, there should be a formal evaluation interview.

The closer the suggestion are followed, the more effective the interview. It is superior's responsibility to be a clear communicator good listener; he/she should set a respectful tone and cover not only past performances but also future expectations and objectives.

The interviewing skills that are needed by a rater are an ability to talk clearly, listen carefully, gather and analyze information thoroughly, and negotiate the availability and use of resources.

A poor feedback interview occurs because of poor communication skill, poor preparation, miscalculation about the purpose of the session, and failure to achieve some accuracy in understanding each other in the perceptions of the rater and the rate.

The feedback interview is designed to accomplish goals such as;

(1) Recognizing and encouraging superior performance so that it will continue;

(2) Sustaining acceptable behavior, and

(3) Changing the behavior of rates whose performance is not meeting organizational standards of acceptance (Ivancivich 1999, p. 361).

Selecting the Method of Evaluation

Performance evaluation, like any other type of evaluation, requires some standards to be used against which individuals may be judged or compared. The standards or basis of comparison may be of two general types: relative or absolute. Under the relative method, the employees' performance is compared with that of the other employees holding the same or similar jobs. Under the absolute method, the employee's performance is compared with predetermined standards. The relative method is used primarily to evaluate employees for the purpose of making promotions, wage adjustments, and similar personnel actions. The absolute method, on the other hand, is designed mainly to improve the performance of employees on their jobs. The method of comparison used will thus depend largely on the primary purpose for which evaluations are being made.

Another important factor to be considered in selecting the method of evaluation is the extent to which evaluation scale or form is consistent with job demands. One job, for example, may require the worker to possess the following characteristics in very high degree ability to plan, skill in written expressions, emotional stability, and ability to meet and deal with people. Another job may emphasize other characteristics. If the same rating scale is used for both jobs, one job will be discriminated (Mondy 2010)

Potential Performance Appraisal Problems

Ivancivich(1989) categorized performance appraisal problems into three components. These are opposition to evaluation, system design and operating problems and rater problems.

Opposition to Evaluation

Most employees worry about performance evaluation. Perhaps, the most common fear is that of rater subjectivity. Introducing subjective bias and favoritism are real problems that create opposition to most performance evaluation systems. Those who oppose the use of performance evaluation systems argue that

- They increase paper work and bureaucracy with out benefiting employees
- Employees who are not evaluated in the top performance category experience a reverse motivation effect.

System Design and Operating Problems

Performance valuation systems break down because they are poorly designed. The design can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance. If the criteria used focus solely on activities rather than output results, or on personality traits rather than performance, the evaluation may not be well received.

Rater Problems

Even if the system is well designed, problems can arise if the raters are not cooperative and well trained. Inadequate training of rates can lead to series of problems in completing performance evaluations including:

- Standard of evaluation
- Halo effect
- Leniency or harshness
- Central tendency
- Recency of events
- Personal bias (same as me or different from me)
- Sampling error

➢ Standards of evaluations problems with evaluation standards arise because of perceptual differences in the meaning of words used to evaluate employees. This problem arises most often in graphic rating scales but may also appear with essays, criteria incidents and checklists.

➢ **The hallo effect:** It occurs when a rater assigns ratings on the basic of an overall impression (positive or negative) of the person being rated. To reduce this type of problem, it is better to have the rater evaluate all subordinates on one dimension before proceeding to another dimension. The theory of this practice is that thinking in terms of one dimension at a time forces the other to think in specific instead of overall terms when evaluating subordinates.

➢ **Leniency or Harshness error:** Performance evaluations require the rater to objectively reach conclusion about criteria of performance. Raters have their own rose-colored glasses with which they "objectively" view subordinates. What some raters see is everything good – these are lenient raters. Other raters see every thing bad – these are harsh raters.

- ➢ **Central Tendency Error**: This is a philosophy that everyone is about average and rate subordinates around a 4 on a 1 to 7 scale or 3 on a 1 to 5 scale. It offers little information for HRM decisions regarding compensation, promotion, training needs, or what should be feedback to rates.

- ➢ **Recency of Events Errors**: One difficulty with many of the evaluation systems is the time frame of the behavior being evaluated. Raters forget more about past behavior than the current. It can be integrated by using a technique such as Critical Incident Method (CIM) or Management by Objective (MBO) or by irregularly schedule evaluations.

- ➢ **Personal Bias Error:** Rates bias can influence the evaluation employees. If raters like certain employees better than others, this can influence the rating they give. Some evaluation techniques (e.g. Forced choice method, field review, performance test and MBO) tend to reduce this problem (Ivancivich 1989, p. 327).

- ➢ **Varying Standards**: When appraising employees, a manager should avoid applying different standards and expectations to employees performing same or similar jobs. Such problem often results from use of ambiguous criteria and subjective weighting by supervisors.

- ➢ **Contrast Error:** It is the tendency to rate people relative to one another rather than against performance standards. Although it may be appropriate to compare people at times, the performance rating usually should reflect comparison against performance standards, not against people.

- ➢ **Sampling Error:** If the rater has seen only a small sample of the person's work, an appraisal may be subject to sampling error. For example, assume that 95% of the reports prepared by an employee have been satisfactory, but a manager has seen only the 5% that had errors. If the supervisor rates the person's performance as "poor", then a sampling error has occurred. Ideally, the work being rated should be a broad representative

sample of all the work done by the employee. (Mathis &Jackson, 2011, p. 347).

Some of the evaluation errors made in rating can perhaps be reduced through the use of better performance evaluation instruments (forms & scales used) and by training the raters (Ivancevich 1989, p. 332).

Performance Appraisal Environmental Factors

Many external and internal environmental factors can influence the appraisal process. For example, legislation requires that appraisal systems to be non-discriminatory. The labor union is another external factor that might affect a firm's appraisal process. Unions have traditionally stressed seniority as the basis for promotions and pay increases. They may vigorously oppose the use of a management designed performance appraisal system used for these purposes.

Factors within the internal environment can also affect the performance appraisal process. For instance, a firm's corporate culture can assist of hinder the process. Today's dynamic organizations, which increasingly use teams to perform jobs, recognize over all team results as well as individual contributions.

A non trusting culture does not provide the environment needed to encourage high performance by either individuals or teams. In such an atmosphere, the credibility of an appraisal system will suffer regardless of its merits (Mondy 2010, p. 242).

Empirical Review

There are different literature findings regarding performance appraisal practice in different organizations of Ethiopia.

1. According to Michael Hailu, June 1998, research conducted on performance appraisal in the Ethiopian Insurance Corporation (EIC) and Ethiopian Telecommunication Corporation (ETC) in Addis Ababa, Ethiopia, the following findings were made.

- Employees were informed concerning their appraisal result without delay in both Ethiopian Insurance Corporation (EIC) and Ethiopian Telecommunication Corporation.

- In the process of appraisal, most appraisers said that they make evaluations based on their observations as well as the record they have written about employee's performance and they focus on employee trait and his work achievement in the evaluation.

- Employees in both Ethiopian Insurance Corporation (EIC) and Ethiopian Telecommunication Corporation (ETC) were evaluated by their immediate and next immediate supervisor two times a year.

- Employees have little understanding about the appraisal system because of lack of effective pre and past appraisal communication in the organizations and because of their participation in the process of appraisal is low.

2. Tibebu Nega, in his work on problems of performance appraisal in the case of Development Bank of Ethiopia (DBE) in 2007, Addis Ababa, founded that responses from 30 randomly selected samples revealed that no regular post appraisal discussion were held and supervisors do not give immediate feedback to employees. The majority of respondents didn't not present their complaints at the time of unfair evaluation results. In his research in the main office of Development Bank of Ethiopia (DBE), he also founded that the performance ap-

praisal results were not handled properly and the majority of the respondents said that immediate supervisors were their first choice for evaluation process.

3. The following findings were made by Goytom G/Hawaria in his research on performance appraisal practices in MOHA soft drinks industry with a special emphasis of Tekle Haymanot plant, in 2007. He selected 40 employees out of total employees working in Tekle Haymanot plant. He used interview for both managers and subordinates, and questionnaires to subordinates. The findings are:

- Most of the employees have good knowledge about the idea of performance appraisal.

- There was no employee participation in the process of performance appraisal; as a result, this became a source for employee's dissatisfaction.

- There was a great deal of gap between the managerial level employees and subordinate employees with regard to feedback and performance improvement of those who belongs to least performing employees.

- Even though there was periodic follow up of evaluation, the organization has not given opportunity to evaluate each other.

- Most of the employees do not properly understand about the interpretation of performance appraisal in the organization.

4. A research made by Hawi Fanose, on performance appraisal practices in the case of Federal Ethics and Anti Corruption Commission in 2007, in Addis Ababa, also found some findings. Among these is

lack of culture in explaining the purpose of appraisal to employees. Employees were not motivated to improve their performance and forward their comment and disagreement. She also found that there was lack of coordination among different departments in order to prevent extreme ratings. There was also defective recording system, and supervisors do not keep sufficient records regarding the performance of their subordinates. These are empirical reviews related to performance appraisal practices in different organizations.

Data Analysis and Interpretation

This is a section where data gathered by primary methods (questionnaires and interview) are analyzed and interpreted. The data collected through questionnaire from respondents is presented using statistical table which is followed by a detailed description about the facts indicated in the table. Moreover, the data obtained through interview from the human resource expert is used in line with the data obtained through questionnaire to elaborate more about the facts.

Among the 40 questionnaires distributed to supervisors and employees of Ministry of Finance and Economic Development (both for supervisors and non-supervisors) 36 (i.e. 90%) questionnaires were returned back. Therefore, the data analysis is based on only the 36 collected questionnaires.

Table 1: Respondent's Demographic Characteristics

Variables	Supervisory		Non-Supervisory		Total
	Frequency	Percentage (%)	Frequency	Percentage (%)	
1. Respondents level	10	28	26	72	**36**
2. Gender of respondents					
Male	8	80	19	81	**27**
Female	2	20	7	19	**9**
3. Age					
Below 25	-	-	11	42	**11**
26-35	5	50	8	31	**13**
36-45	4	40	5	19	**9**
46-55	1	10	2	8	**3**
Above 55	-	-	-	-	**-**
4. Educational back-ground					
Diploma	-	-	-	-	**-**
First degree	6	60	18	69	**24**
Masters	4	40	8	31	**12**
PhD	-	-	-	-	**-**
5. Year of experience					
1-2	-	-	2	7	**2**
Above 2	10	100	24	93	**34**

Demographic Characteristics of Respondents

Below are the demographic characteristics of respondents in terms of level, gender, age, educational background and years of experience in the present organization. The figures indicated as percentages in the tables are approximate values.

Level of Respondents or Status

From the above Table, we can observe that 28% of the respondents were found to be supervisors. The meaning of supervisors in this context as indicated in the first part of this paper refers to employees who have one and

more subordinates below them and who fills appraisal form for their subordinates. The remaining respondents (72%) were found to be non-supervisors.

Gender and Age data of Respondents

Based on the above Table, about 27 (74%) respondents out of 36 were males, where as 9 (26%) were females and 11 (30%) of respondents were found to be below the age of 25 and 13 (37%) respondents were found to be between the age of 26-36, 9(25%)   were between 36-45 & 3 (8%) were between 46-55.

Respondent's Data on Academic Background and Years of Experience

As can be seen from Table 3.1, the majority of respondents 24 (66.6%) have their first degree and 12 (33.3%) of the respondents have master degree. The majority of respondents have above first degree (i.e. 24 out of the 36). This fact indicates that most employees can read and understand the content of the questionnaire. This in return adds values to the quality of responses provided by them. As indicated in the first chapter of this paper, the samples only took respondents who have a work experience: one year and above in the organization and accordingly all 100% of respondents serve for one year and above in the organization. This fact indicates that every respondent (both supervisors and non-supervisors) experienced the performance appraisal practice of Ministry of Finance and Economic Development (MoFED).

An Overview of Performance Appraisal Practice Ministry of Finance and Economic Development (MoFED)

To all intents and purposes, an organization is judged by its performance. Organizations' can perform well or poorly due to internal and external forces. However, the biggest influence on organizational performance is the quality of the labor force at all levels of the business. The most important role for human resource managers is to raise the performance of employees in the organization. To do this, employees' performance has to be managed and this is not an easy job. Performance appraisal or evaluation is regarded as a once a year phenomena in most organizations but that is not the fact.

Ministry of Finance and Economic Development (MoFED) periodically appraises its employees. In this organization, every executive and employee is subjected to periodic appraisal of his/her performance.

The Human Resource Department at the Ministry of Finance and Economic Development is responsible for the performance appraisal program of the organization. The organization is using a generic appraisal form for all employees working at MoFED. This is to mean that there is no separate appraisal form for different workers working at different position. The same appraisal form is used for all MoFED workers. But, since the individual work plan varies from individual employee to employee, the appraisal contents will also vary based on the individual work plan.

The appraisal form is filled with three copies: one for the line manager who filled the appraisal form; another for senior managers/department heads, and still another for HRM department for documentation purpose.

Objectives of Performance Appraisal of MoFED

Here are the responses from respondents concerning performance appraisal objectives or purposes of MoFED

Table 2: Opinion of respondents on the existence of performance appraisal objectives or purposes

Does the performance appraisal system of MoFED have objective/purposes?		Yes	No	I don't know	**Total**
Supervisors	Frequency	10	-	-	**10**
	%	100	-	-	**100**
Non-supervisors	Frequency	20	3	3	**26**
	%	78	11	11	**100**
Total	**Frequency**	**30**	**3**	**3**	**36**
	%	**84**	**8**	**8**	**100**

As we can observe from Table 3.2, asks respondents about the existence of performance appraisal system objectives at MoFED. And accordingly 100% of respondents from supervisors confirmed the existence of performance appraisal system objectives and/or purposes. From this fact, we can understand that all supervisors know that the organization performance appraisal system has purposes. From the same table, we can understand that non-supervisor employees have different opinions about the existence of performance appraisal objectives and or purposes. Out of the 26 sample respondents, the majority 20 (78%) replied that the performance appraisal system of MoFED has objectives and/or purposes. 3 (11%) of respondents replied that performance appraisal system of MoFED has no purpose and the remaining 4 (11%) of respondents replied they do not know the existence of objectives and or purposes for the performance appraisal system of MoFED.

From the analysis above, we can observe that even if the majority of both respondents 30 (84%) knew about the existence of the performance appraisal system objectives of MoFED, there are some employees who did not know the existence of performance appraisal system objectives. This fact shows that there is a gap at MoFED in communicating about the performance appraisal system which indicates that the Human Resource Management Department (HRMD) of the organization has to do a lot in this regard. For the organization perform effectively and attain its intended purposes, the department has to do more on the part of non-supervisory staff members in providing much clear information about the performance appraisal system of the organization.

Table 3: Opinions of respondents on their knowledge of performance appraisal objectives or purposes

Do you know about the purposes/objectives of MoFED performance appraisal system?		Yes	No	I don't know	**Total**
Supervisors	Frequency	9	1	-	**10**
	%	90	10	-	**100**
Non-supervisors	Frequency	20	2	4	**20**
	%	76	8	16	**100**
Total	**Frequency**	**29**	**3**	**4**	**36**
	%	**80**	**8**	**12**	**100**

Table 3.3 shows about respondents' knowledge of performance appraisal objectives or purposes. From the Table, one can understand that 9 (90%) supervisor respondents replied that they know not only the existence of the performance appraisal system objectives but they also have knowledge about it. But 1 (10%) supervisor respondent replied that he doesn't know about the

MoFED performance appraisal system objectives/purposes. Supervisory level respondents were also provided with an open ended question which basically asks respondents to write in short the objectives/purposes of the performance appraisal system of MoFED if they chose the answer "yes" for the question no. 2, according to the respondents the main objectives of the performance appraisal system of MoFED are:

- To evaluate employees performance towards achieving the strategic objectives of MoFED
- To check how one progress towards his/her departmental plan-which guarantees the performance of the bigger picture
- To make periodic evaluation of employee performance
- To show employees how they are meeting organizational require-ments and objectives
- To reward the best deeds and to improve poor performers
- To identify the gap between the job need and the employee perfor-mance
- To provide feedback on how well employees are doing their jobs
- To improve overall organizational productivity and create stronger working relationship

A formal interview was also made with the HR expert of the organization and it reveals that the performance appraisal system of MoFED serves the following major objectives:

1. To help in identifying training need of individual workers

2. To align purpose corporate strategic plan with departmental and in-dividual work plan.

3. To fulfill communication purpose, this refers as a communication tool between the line manager and the employees.

4. To make administrative purpose-salary increment and bonus at MoFED based on the annual performance evaluation result.

The interview also reveals that the performance appraisal system of MoFED is crafted and implemented with the great role of both top managers and subordinates. As replied by the interviewee, managers role were to facilitate the system to be on the interest of employees by letting employees to take part in formulation and implementation phase. This is because the performance appraisal system of MoFED is highly linked with the individual work plan which is done by individual employees.

Table 3.3 also demonstrates that 76% of the non-supervisor respondents replied that they know about the objectives/purposes of the performance appraisal system of MoFED. Among the non-supervisor respondents, 8% of them replied that they don't know the objectives of performance appraisal system of MoFED. 16% of the same respondents had no clear information to say either "Yes" or "No" for the question.

The difference between non-supervisors and supervisors understanding of the purposes or objectives of the appraisal system emanates from the nature of their roles the two parties play in the performance appraisal practice of the organization. It is true that they know more about the performance appraisal system.

From the above analysis, we can generalize that the majority 29 (80%) know about the performance appraisal system objectives and this shows that the human resource department did a lot of activities in letting employees to know about the performance appraisal system of the named organization.

However, this does not mean that the department is at its best level in telling employees about the performance appraisal system objectives of the organization. This is said because 12% of the respondents have no any idea about the objectives of their organizations performance appraisal system.

Table 4: Respondents' answer on the success of performance appraisal objectives or purpose

Do you think the performance appraisal system of MoFED meet its intended purposes?		Strongly disagree	disagree	neutral	Agree	Strongly agree	Total
Supervisors	Frequency	1	1	-	3	5	**10**
	%	10	10	-	30	50	**100**

As it can be seen from the above Table, 3 (30%) of supervisors respondents agreed that the performance appraisal system of MoFED meets its intended purpose whereas no supervisor respondents replied that they are in between to say that whether the performance appraisal system is achieved or not. From the same respondents, 1 (10%) of them replied that the performance appraisal system of the organization does not meet the intended purpose. Among supervisors, 5(50%) of respondents replied that they strongly agreed that the performance appraisal system meets the intended purpose which is set at first. 1 (10%) respondent from the 10 supervisors replied that he/she strongly believes that the performance appraisal system does not meet its intended purpose.

Therefore, based on the above analysis, the majority of supervisor respondents agreed that the intended purpose of the performance appraisal system is achieved. However, the analysis also shows us that some of the respondents have doubt whether the predetermined purposes of the system is achieved or not. About 20 % (10%-strongly disagree and 10%-disagree)

301

respondents disagreed that the system does hit the intended purpose. The above facts shows us that the HRM department which takes the lion share responsibility in making the performance appraisal system to be successful has to do more in this regard in collaboration with other departments. Since the majority of respondents 80% (30-agree and 50-strong agree) agreed, we can generalize that the performance appraisal system meets its intended purpose.

The HR expert of the organization, in an interview said that the performance appraisal program of MoFED meets its intended purpose. This is possible through the efforts of all workers working at MoFED, said the expert.

Timing of Appraisals

Table 5: Respondents' Response on Timing of Appraisals

How often employees performance evaluation is conducted in MoFED?		Weekly	Monthly	Quarterly	Twice a year	Yearly	Total
Supervisors	Frequency	-	-	-	7	3	**10**
	%	-	-	-	70	30	**100**
Non supervisors	Frequency	-	--	-	6	20	**26**
	%	-	-	-	24	76	**100**
Total	**Frequency**	**-**	**-**	**-**	**13**	**23**	**36**
	%	**-**	**-**	**-**	**37**	**63**	**100**

The above Table displays about the timing of appraisals. Table 3.5 demonstrates that the majority 7 (70%) of supervisory respondents responded that performance evaluation is conducted twice a year, and the remaining 3 (30%) respondents responded that performance appraisal takes place annually. These findings can be evidence for that even some

supervisors do not know how often performance evaluation at MoFED is conducted. An interview with some supervisors revealed that performance appraisal is conducted in the organization twice a year in January and July.

Table 3.5 further illustrates the scattered opinion of respondents regarding regularity of performance evaluation. Based on the above Table, the majority 20 (76%) of non-supervisory respondents replied differently from the majority response of supervisory respondents and replied that performance evaluation takes place once in a year. This fact uncovers that the majority of non-supervisory respondents do not know how often performance evaluation takes place at their organization. This fact further illustrates that the Human Resource Management Department of the organization has some drawbacks in informing employees when and how performance evaluation conducted at MoFED. Employees can be oriented about the organization vision, mission, policies and products through a different mechanism including the issues regarding performance appraisal system. Employees of the organization about every aspect of their organization can be informed through company magazines, leaflet and newspaper, by posting on billboards, etc. The remaining 6 (24%) non-supervisory respondent replied that performance evaluation is conducted twice a year.

The Table above reveals that 13 (37%) of both respondents replied that performance appraisal is conducted twice a year in the middle and end of the company's physical year. In an interview, the performance appraisal expert of the organization said that there is a mid-term performance evaluation. The mid-term performance evaluation helps them to know the strength and weakness of their employees and the overall strategic plan of the organization and helps to take the necessary corrective action which again

adds value for the appraisal period which is planned to be conducted at the end of the year.

Performance Appraisal and Employees Participation

Employees need to know what the company is trying to achieve and the part they have to play in the whole corporate plan.

Table 6: Respondents' answers on the participatory aspect of the performance appraisal system of MoFED

Does the performance appraisal system of MoFED is participatory(i.e. does it allow employees to participate)		Yes	No	I don't know	**Total**
Supervisors	Frequency	8	2	-	**10**
	%	80	20	-	**100**
Non supervisors	Frequency	15	10	1	**26**
	%	55	40	5	**100**
Total	**Frequency**	**23**	**12**	**1**	**26**
	%	**63**	**34**	**3**	**100**

It can be observed from Table 3.6 above that the majority of supervisors respondents 8 (80%) replied that the performance appraisal system of MoFED is participatory which encourages employees to take part in the appraisal practice, where as (20%) of the same respondents replied that the opposite, i.e. the system does not allow employees to participate.

From the above Table, it can be seen that the majority of non-supervisor respondents 15 (55%) replied that the performance appraisal system allows employees to participate in the appraisal practice. A significant number of non-supervisory respondents 10(40%) replied that the system does not allow employees to play a part in the appraisal practice but among the 26 non-supervisory respondents 1 (5%) replied that he/she does not know whether the performance appraisal system of MoFED is participatory or not.

Here, although most figures indicate that it is quite safe to conclude that the performance appraisal system at MoFED is participatory. The fact that 12 (34%) of respondents shows that there is more to do on this aspect.

In an interview with the nature of the performance appraisal of the organization, it is said that the performance appraisal system of MoFED is participatory. Since the appraisal system and the corporate strategic plan of the organization are interconnected, according to the interviewee, one cannot be successful without the support of the other. Further, the interrelationships that exist between the two enable workers to play a great role in the success of the appraisal system which further determines the success for the overall corporate strategic plan of the organization.

Table 7: Respondents' response on the transparency aspect of performance appraisal system

For supervisors only		Yes	No	I don't know	Total
Did you let your employees to see their result after evaluating their performance?	f	10	-	-	**10**
	%	100	-	-	**100**
		Always	Sometimes	I don't know	Total
How often do you let your employees to see their result?	f	6	4	-	**10**
	%	60	40	-	**100**
For Non supervisors		Yes	No	I don't know	Total
Are you allowed to see your result?	f	18	8	-	**26**
	%	70	30	-	**100**
		Always	Sometimes	I don't know	Total
How often are you allowed to see your result?	F	14	9	3	**26**
	%	55	34	11	**100**

The above Table shows the degree of transparency level of performance appraisal system. Table 7 indicates that all 10 (100%) supervisor respondents answered that they let their employees to see their appraisal result which is filled by their immediate supervisor. In the same Table, supervisory respondents were asked whether their employees allow them to see their appraisal results and the majority of them 6 (60%) reacted that they always let their subordinates to see their result after each evaluation period, where as the remaining 4(40%) respondents said that they do not always allow subordinates to see their appraisal result. These facts show that the practice of letting employees to see their appraisal result in the organization is not consistent.

From the above Table, it can be observed that the majority 18 (70%) of non-supervisory respondents suggested that they are allowed to see their appraisal result by their immediate supervisor, while 30% of non-supervisory respondents replied that they are not allowed to see their appraisal result. In the same Table, under item no 4, non-supervisory respondents were also asked concerning how often they are allowed to see their result, and most of them 14 (55%) suggested that they have seen always after every evaluation while significant number 9 (34%) of non-supervisory respondents responded that they are allowed to see their result sometimes. 3 (11%) of respondents did not know how often they are evaluated.

When we compare the above two analyses, there is a difference between the supervisors and non-supervisors response concerning the transparency of the appraisal system. As it can be observed from the first analysis, all supervisors let their subordinates to see their appraisal result, but when we see the responses given by non-supervisory respondents even if the majority agreed that they have the privilege to see their result a significant number of

non-supervisory respondents suggested that they are not allowed to see their appraisal result. Therefore, it can be generalized that the appraisal system of MoFED is transparent, but from the analysis one can understand that there is also a possibility of not letting employees to see their appraisal result.

In an interview with the performance appraisal expert of the organization the expert confirmed that the performance appraisal system of MoFED is transparent. This is to mean that supervisors and subordinates evaluate employees' performance in cooperation. Therefore, it can be said that the performance appraisal system of MoFED is transparent.

Performance Standards/Criteria

This question is designed to know whether the criterion's involved on the appraisal form of MoFED is clear and job related or not.

Table 8: Respondents' answer on the performance standards or criteria

Did you believe the criteria involved on the appraisal form are clear and job related?		Yes	No	I don't know	**Total**
Supervisors	f	9	-	1	**10**
	%	90	-	10	**100**
Non supervisors	f	20	4	2	**26**
	%	77	15	8	**100**
Total	**F**	**29**	**4**	**3**	36
	%	**80**	**11**	**9**	100

It can be observed from the Table above that the majority of 9 (90%) supervisor respondents did recognize that the criteria involved in the performance appraisal form are clear and job related, whereas the remaining 1 respondent from the same employee category replied that he/she has no

idea whether the criteria included in the appraisal form are clear and job related or not.

Table 4.8 above shows that the highest number of non-supervisory employees 20 (77%) replied that the criteria implicated in the performance appraisal form of MoFED are job related and clear, while a significant number of respondents 4 (15%) replied that the opposite i.e., the criteria indicated on the appraisal form are not clear ad job related. The remaining non-supervisor respondents, 2 (9%) suggested that they are not aware of whether the criteria shown on the appraisal form are job related and clear or not.

From the above two analyses, the majority 29(80%) of respondents confirmed that the criteria involved on the appraisal form are clear and job related.

When we compare the two analyses there is a big difference between the supervisors and non-supervisory respondents' responses for the same question. This difference in response comes from their nature of duties and responsibilities. Since supervisors are highly involved with appraisal system of the organization they know much about the nature of criteria included in the form than the non-supervisor respondents. However, here one can raise a question: "What causes the difference?" According to the interview with HR expert, the difference comes not only from the nature of their role in the organization rather it also arises on the part of the employees from not being well informed about the temperament of criteria involved on the appraisal form.

Who should appraise employees' performance?

Here under are list of choices for (respondents are allowed to choose more than one)

A. Immediate supervisor

B. Colleagues

C. Subordinates

D. The employee himself/herself

Table 9: Respondents opinion on who should evaluate employees' performance

In your opinion, who should evaluate an employees' performance?		A	B	C	D	A & B	A & C	A & D	A& E	A, C& D	A, D& E	Total
Supervisors	f	4	-	-	-	-	1	5	-	-	-	**10**
	%	40	-	-	-	-	10	50	-	-	-	**100**

Table 9 shows the opinions of respondents on who should evaluate employees' performance. The highest 5 (50%) number of supervisory respondents suggested that it will be better to employ both immediate supervisor and employee self appraisal. A significant 4 (40%) number of the same respondents also proposed that immediate supervisors can be good employee performance evaluators. The remaining 1 (10%) supervisory respondent equally suggested that immediate supervisors and subordinates can be employee performance raters. Therefore, the majority of the respondents agreed that both immediate supervisor and employee self appraisal are better to evaluate employees' performance.

Performance Appraisal and Communication

Supervisory respondents were provided three related questions to know whether they tell their employees what is expected from them, to know whether supervisors observe and record employees' performance regularly and to know how often they observe and record employee performance.

Table 10: Supervisor respondents' response on telling employees about their duties and responsibilities

For Supervisors only		Yes	No	I don't know	**Total**
Did you clearly tell your employees under you; what is expected from them (job description)?	Frequency	9	-	1	**10**
	%	90	-	10	**100**
Did you observe and record your employees' performance regularly?	Frequency	4	6	-	**10**
	%	40	60	-	**100**
		Daily	Weekly	Monthly	**I don't know**
How often?	Frequency	4	-	6	-
	%	40	-	60	-

Table 10 indicates the responses of supervisors on whether they tell their employees their duties and responsibilities. Accordingly, 90% of the supervisory respondents clearly tell their subordinates what are expected of them. The remaining 1 respondent replied that he/she does not know whether he/she told his/her employees what is expected of them. This information can reveal that there is a practice of informing subordinates about their job description by supervisors.

Supervisors' respondents were provided an open ended question which asks the benefit of telling employees about their job-description and lists the following major advantages:

- Employees can have a clear understanding of the quality and quantity of work expected of them by avoid confusion.

- It helps employees to accomplish the task assigned to them on time and clearly.

- It makes employees clear about their job.

- It helps as an input while evaluating employee performance.

But the majority 6 (60%) of respondents replied that they have no the habit of observing and recording employees performance regularly. This fact illustrates that most supervisors do not observe and record employee's performance regularly on a diary. An interview with one supervisor at MoFED reveals that he/she observes and records employees' performance but it is not on a regular manner, whereas the remaining 4 (40%) respondents replied that they regularly observe and record employees' performance. Among these, 10 respondents and 4 (40%) respondents replied that they regularly observe and record their employees' performance daily, while equal number of respondents replied that they did it once in a month.

Non-supervisory respondents were provided the following three related questions as shown below in the table.

Table 11: Non-supervisor respondents' knowledge on performance expectations

For non supervisors only		Yes	No	I don't know	Total
Did your supervisor clearly tell you what you are expected to do?	Frequency	18	8	-	**26**
	%	70	30	-	**100**
Did your supervisor observe your performance regularly?	Frequency	20	4	2	**26**
	%	77	16	7	**100**
		Daily	weekly	monthly	I don't know
How often does your supervisor observe your performance?	Frequency	4	13	7	2
	%	15	50	26	9

Table 11 above shows non-supervisor respondents' knowledge on performance expectations. Most respondents 18 (70%) of non-supervisory respondents replied that they are told by their supervisor their job specification. From this fact, one can notify that there is a regular practice of clearly informing employees about their job. Among the 26 respondents, 8(30%) replied that they are not told by their supervisor what their job description is.

Majority of non-supervisory respondents 20 (77) % replied that their supervisors regularly observe their job performance. The next 4 (16%) respondents respond that supervisors do not regularly observe their

performance. The remaining 2 (7%) respondents replied that they do not know whether supervisors observe their performance or not.

When we compare supervisors 6(60%) and non-supervisors 9 (16%) respondents respectively, there is no regular observation and recording practice of employees' performance in the organization. The facts illustrates that there is no regular practice of observing and recording employees performance at MoFED.

Among the 26 non-supervisory respondents, the majority 13 (50%) responded that supervisors observe their job performance once in a week, whereas 4 (15%) respondents replied that their job performance are observed by supervisors on a daily manner. The remaining 7 (20%) respondents responded that they don't know when supervisors observe their job performance. When we compare respondent's response from the above Table, it can be understood that the responses are in conflict; so it is very difficult to answer or to conclude the how often aspect of supervisors observation on employees' performance.

Appraisal Feedback

Supervisory and non-supervisor respondents were provided with the question shown on the Table. Non-supervisory respondents were asked to cross check supervisor's response.

Table 12: Sample respondents' response on feedback provision

For Supervisors only		Yes	No	I don't know	Total
Did you provide employees feedback on their performance?	Frequency	8	1	1	10
	%	80	10	10	100
For non-supervisors only					
Did your supervisor provide you a continuous feedback on your	Frequency	13	13	-	26
	%	50	50	-	100

Table 3.12 indicates respondents' response on feedback provision. The majority 9 (90%) of supervisory respondents replied that they provide a continuous performance feed back to their employees. 1 (10%) respondent replied that he/she does not provide employees a continuous feedback on their performance; the remaining 1 respondent replied that he/she has no idea whether he/she provides a continuous feedback to employees. From this fact, one can understand that almost all supervisors provide their employees performance feedback.

From the same Table above, the highest 13 (50%) non-supervisory respondents replied differently which is in conflict with the supervisors responses. They replied that their supervisor does not provide them a continuous performance feedback. 13 (40%) respondents replied that their supervisor provides them feedback on their performance on a continuous manner. From the above two (supervisors and non-supervisor employees) analysis, we can understand that out of the 43 respondents, the majority 29 respondents witnessed that there is a practice of providing employees

feedback on their performance. Therefore, the questionnaires indicate that there is practice of employee feedback on their performance.

A formal interview were conducted with the HR expert at MoFED and said that the organization makes use of forced distribution appraisal method which uses a normal distribution curve. The interviewee also said that this is because that the organization's performance appraisal system is different, which is highly integrated with the corporate strategic plan. But, the interviewees do not deny that this method of performance appraisal method has its own limitations. The organization's forced distribution method has three range or quota system distributed on the normal curve: outstanding performance zone (15%), satisfactory performance zone (70%) and enhancement zone (15%).

Respondents were also provided to list down the demerits or drawbacks of forced distribution appraisal method, and they list down the following:

- It creates confusion on the part of evaluators as to how to rate an employee.

- It creates dissatisfaction on the part of supervisors because even if all employees score high performance result, the system does not consider all equal performers as equal rather it segregates them on the normal distribution curve.

- Subjectivity: Since the evaluation process is still judgmental, the method is more exposed for subjectivity.

- A possibility of pre-judging the percentage of each scale on the part of raters.

- It forces supervisors to give employees rating they don't deserve.

- It is discriminatory.

However, the interviewee replied that forced distribution is the best appraisal that recognizes employee's performance difference which situates employees in a different performance category. The interviewee also replied that this technique of performance appraisal has its own limitations.

Rater's Problems

Here is the choice provided to supervisors to choose which raters error they mostly faced while evaluating employees.

A. **Halo error** (inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance)

B. **Leniency error** (a tendency to be lenient in their rating by assigning higher rates consistently)

C. **Single criterion** (occurs when employees are evaluated on a single job criterion even if their job is made up of a number of tasks.

D. **Central tendency errors** (a tendency on the apart of some raters to evaluate all employees as average even when performance actually varies)

E. **Similarity error** (the tendency of individuals to rate people who resemble themselves more highly than they rate others)

F. **Recency vs. primary effect** (occurs when a rater evaluate an employee's only recent or past behavior or performance)

Table 13: Sample respondents' response on rater's error

For supervisors only		A	B	C	D	E	F	Total
Which rater problems you face while evaluating your employees?	Frequency	2	5	1	1	-	1	**10**
	%	20	50	10	10	-	10	**100**

The Table above displays respondents' response on raters' error. As you can see from the Table, 50% of supervisory respondents replied that leniency error is greatly faced by most supervisors. This rater error occurs when raters become more lenient in their rating by assigning higher rates consistently. The next 3 (30%) respondents replied that they mostly face halo error which occurs when wrong generalizations is made from one aspect of an individual's performance to all areas of that person's performance. 1 (10%) supervisory respondents suggested that they encounter recency and primary error which occurs when a rater evaluates an employee's only recent or precedent performance. Among the 26 supervisory respondents, 1 (10%) respondents agreed that they face central tendency errors which happen when raters evaluate all employees as average performer. The remaining 1 (10%) respondent agreed that he/she face similarity error which occurs when raters give high mark to employees who resembles themselves and gives low mark to those who does not look like raters.

From the analysis above, even if most supervisors replied that they frequently faced leniency error, it can also be said that other types of raters' error are also common.

In answering to the open ended question respondents also suggested the following solutions to curb the rater's error they faced. These are:

- Making raters aware of the errors through formal training
- Using multi-source assessment techniques-3600 feedback
- Raters should be rational
- Conducting continuous observation and keeping record on employees performance regularly
- Incorporating supervisors' comments
- Involving individuals in the process
- Making jobs more specific and measurable
- Not to be lenient while appraising
- Reading more about such errors and to be aware of them
- Paying attention to the individual performance rather than personalities

Here below are possible choices for the question in Table 14

A. Raters
B. Rates (employees)
C. Appraisal system
D. Both the raters and the rates
E. All

Table 14: Sample respondents' response on sources of performance appraisal problems

What are the sources of performance appraisal problem(s) in your organization?		Raters	Rates(employees)	Appraisal system	Both raters and	All	**Total**
Supervisors	Frequency	2	1	4	1	2	**10**
	%	20	10	40	10	20	**100**
Non supervisors	Frequency	7	11	8	-	-	**26**
	%	29	40	31	-	-	**100**

Table 14 indicates the reply of respondents on sources of performance appraisal problems. The majority 4 (40%) supervisory respondents answered that the sources of most appraisal problems is mostly the appraisal system by itself. Among the 10 respondents, 2 (20%) replied that raters are the source for the appraisal problem. 2 (20%) respondents suggested that all the above listed sources are the causes for the appraisal problems occurred at MoFED. 1 (10%) respondent suggested that rates are the causes for the appraisal problem. The remaining one respondent replied that both rate and raters are the root causes of such problems. The above fact shows supervisors have doubt on the system.

But the majority 11 (40%) non-supervisory respondents replied that rates are the reasons for the appraisal problem. 8 (31%) respondents answered that the appraisal system as a cause of performance appraisal problem. The remaining 7 (29%) said that raters are major causes for the problems.

When we see Table 3.14, the total analysis indicates that the appraisal system of MoFED is the root cause of appraisal problems which is followed by raters.

Different literatures indicate that performance appraisal problems can be caused by three factors: raters, rates, and the appraisal system by itself.

Post Appraisal Meeting

Post appraisal meeting aims at discussing on the appraisal result with employees by managers after evaluations.

Table 15: Supervisory respondents' response on post appraisal meeting

For Supervisors only		Yes	No	I don't know	Total
Did you hold a post appraisal meeting with your employees to discuss on the employees' appraisal results?	Frequency	6	4	-	**10**
	%	60	40	-	**100**

The above Table displays the reply of respondents on post appraisal meeting. As can be observed from the Table, 60% of supervisory respondents replied that they hold post appraisal meeting with their employees to discuss on employee performance, while the rest (40%) respondents suggested that they do not hold a post appraisal meeting with their employees. This fact indicates that there is a post appraisal meeting practice to discuss employees' performance. But the high degree of response (40%) in failing to hold meeting indicates that there is a gap in conducting a post appraisal meeting with employees. This number should not be neglected and the organization should conduct post appraisal meetings to discuss employees' performance. This explanation can be further supported by the HR expert response at MoFED. The HR expert said that there is a post appraisal meeting, where

line and senior supervisors and employees come together to discuss on the employees performance. As replied by the HR expert to the interview, both the employees' strength and weakness in achieving the individual work plan is raised and discussed.

Table 16: Non-supervisory respondents' response on post appraisal meeting

For non- supervisors		Yes	No	I don't know	**Total**
Have you ever formally discussed with your supervisor on your performance result?	Frequency	18	7	1	**26**
	%	69	27	4	**100**

Table 16 point out non-supervisory respondents' response on post appraisal meeting. The highest number of respondents (69%) agreed that employees have the chance to formally discuss with their supervisors on the performance appraisal result which is filled by the line supervisor. 27% of the respondents replied that they do not formally discuss with their supervisors on matters related to performance appraisal method. The remaining 1 (4%) respondent replied that he/she does not know whether there was a formal discussion on employee's performance result. Here, one can understand that at MoFED, there is a culture of discussion on employees performance result.

When we observe the supervisor's response in Table 15 and the non-supervisors response in Table 3.16, we can perceive that the appraisal system is open for employees to talk about on every aspect of their performance. The appraisal system of MoFED has also an appealing procedure.

321

The HR expert told the researcher on the formal interview that if an employee has a complaint on his/her appraisal result, he/she can discuss first with the line supervisor who filled the appraisal form. If the line supervisor is unable to solve the employee's complaint or appeal then the employee can appeal his/her case to the senior supervisor or to the division manager. If the employee does not still get satisfied, he/she can submit the appeal to the HRM department for resolution. The human resource department then thoroughly discusses the case and tries to make justice. But if an employee still believes that he/she is not happy with the HRM decisions, he/she can further submit his/her appeal to the President. This is how the performance appraisal result appealing procedure at MoFED looks like.

Table 17: Non-supervisory respondents' answers on the use of their performance appraisal results

Have you ever experienced training, promotion or demotion because of your performance appraisal result?		Yes	No	I don't know	**Total**
Non-Supervisors	Frequency	11	15	-	**26**
	%	42	58	-	**100**

The above Table exhibits non-supervisory respondents' answers on the use of their performance appraisal results. From Table 17, it can be seen that 15 (58%) of non-supervisory respondents did not experience training, promotion or demotion because of their performance appraisal result, while the remaining 11 (42%) of respondents replied that they have experienced training, promotion or demotion because of their performance appraisal result. Therefore, based on the above analysis we can conclude that the performance appraisal result at MoFED is not mostly used in determining training, promotion or demotion decisions.

Table 18: Sample non-supervisory respondents' opinion on the performance appraisal system

For non-supervisors only		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Do you think the performance evaluation of MoFED is fair?	Frequency	-	3	8	15	-	26
	%	-	11	31	58	-	100
Are you satisfied with the appraisal system of MoFED?	Frequency	-	4	7	15	-	26
	%	-	15	27	58	-	100

Table 3.18 indicates sample non-supervisory respondents' opinion on the performance appraisal system. The majority (58 %) of respondents replied that the performance appraisal system of MoFED is fair. 31% of respondents suggested that they are in dilemma to say whether the performance evaluation system is fair or not. 11% respondents confirmed that the system is unfair.

The second item of Table 18 shows that the 15(58%) respondents were satisfied with the appraisal system. 27% respondents replied that they are undecided to express their satisfaction or dissatisfaction about the appraisal system. 15% of respondents replied that they are not-satisfied with the appraisal system. Therefore, it is very difficult to conclude whether employees' are satisfied or not on the appraisal system of the company.

How the Performance Appraisal System at MoFED is managed?

A performance appraisal system of any organization has to be managed continuously to achieve the intended purpose of the organization.

A formal interview with the HR expert at MoFED revealed that there is a mechanism of checking the performance appraisal system of the organization. At the end of each year, with the responsibility of the HRM department, the performance appraisal system of MoFED is evaluated using a performance appraisal system checklist. As said by the interviewee, this practice helps them to know whether the performance appraisal system meets the intended purpose or not. If there is a discrepancy between the planned and actual performance of the system, corrective actions will be initiated and implemented. As replied by the interviewee, a normal curve system is also used to check whether the ratings given by supervisors are evenly distributed or not.

Major Findings, Conclusions and Recommendations

Major Findings

Based on the analysis under chapter three, the following major research findings were drawn:

- The majority 34 (84%) of respondents at MoFED know about the performance appraisal system objectives/purpose. Therefore, this indicates that the HR department is doing well in informing employees about performance appraisal system objectives/purposes.

- 15 (58%) of non-supervisory respondents does not experienced training, promotion or demotion because of their performance appraisal result.

- From both respondents, most respondents 23 (63%) replied that performance appraisal system of MoFED is participatory which encourages employees to take part in the appraisal practice.

- All 10 (100%) supervisory respondents replied that they let their employees to see their appraisal result.

- The majority number of respondents 29 (80%) confirmed that the criteria involved on the appraisal form are clear and job related.

- 13 (37%) of both respondents confirmed that performance appraisal is conducted twice a year.

- The majority (50%) of respondents witnessed that there is a practice of providing employees feedback on their performance.

- The highest 5 (50%) number of supervisory respondents suggested the use of both immediate supervisor and employee self appraisal as performance raters.

- The great number 6 (60%) of supervisory respondents replied that they have no the habit of observing and recording employees performance regularly.

- 50% of supervisory respondents replied that leniency error is greatly faced by most supervisors.

Conclusions

The following conclusions were drawn based on the finings under chapter three:

- The performance appraisal system objective of MoFED is known by all staff members working at MoFED. Therefore, one can conclude

that MoFED is doing a favorable work on informing employees about performance appraisal system objectives.

- The majority of employees at MoFED do not experience training, promotion or demotion due to their performance appraisal result. This indicates that performance appraisal results are not used for training, promotion or demotion purposes.

- The performance appraisal system of MoFED is participatory and transparent which enables employees to play a role in the system. Supervisors at MoFED always allow their employees to see their appraisal result.

- The criteria involved in the performance appraisal system of Ministry of Finance and Economic Development (MoFED) are job related and clear.

- Performance appraisal is conducted twice a year. Formal performance appraisal is conducted once in a year at MoFED with a mid-year supporting performance evaluation that has no rating.

- Most supervisors do not have the habit to observe and record employee performance regularly. From this one can conclude that there is no good habit of observing and recording employee performance regularly.

- At MoFED there is a practice of providing employees feedback on their performance. This indicates that MoFED is giving employees feedback on their performance regularly.

- MoFED makes use of a forced distribution appraisal method in which rating of employees' performance is distributed along a bell shaped curve.

- Leniency error (a tendency to be lenient in their rating by assigning higher rates consistently) is greatly faced by most supervisors at MoFED.

Recommendations

Effective performance appraisal system plays a vital role in the overall performance of an organization. To achieve such a role, performance appraisal system organizations should pay due attention not only in the crafting stage but also in the implementation stage. A performance appraisal system that is designed through an active involvement of all staff members of an organization can be easily achieved. This is because every member of the organization knows it and agrees on the goal and purpose of the system. A performance appraisal system which is not designed through the involvement of staff members could not achieve the required purpose as it was intended.

Up on the findings and the conclusions of the study the researcher forwards the following recommendations:

- The HRM department did a lot in informing employees about the performance appraisal system objectives of the organization. The organization has to keep informed employees about every aspect of the performance appraisal system which includes purpose/objectives of the performance appraisal system of the organization, timing of the performance evaluation, the procedures and policies of the appraisal

system, etc. Such activities can create a good working environment in which both supervisors and employees know before what is expected of them.

- As replied by the majority in the analysis part of the performance appraisal, the result of employees is not seen when it is used for training need identification, or promotion and demotion. The results were used for the annual salary increment and bonus provision. Literatures witnessed that the purpose of performance appraisal is also developmental. Therefore, it is recommended that the organization has to clearly identify the general purpose of the performance appraisal system. This is because if raters know that the evaluation result is used for annual salary increment and bonus; raters will tend to be lenient in their evaluation. This practice will have economic implication. The higher the rating, the higher will be the financial outlet of the company at the end of each year.

- The organization currently uses a generic appraisal form for all workers. This has to be changed and modified depending on the level of workers. Different employees who have different position in an organization should have a varying appraisal format.

- The organization currently uses a multi-source appraisal method in which employee 'self-appraisal, line-supervisors and senior-supervisors play their part which is good. However, here the organization has to inform employees the use of such appraisal system which further helps them to have a common understanding of the appraisal system since this kind of appraisal technique has its own advantages and limitations.

- Supervisors at MoFED have to develop the habit to observe and record employee performance regularly. This practice helps supervisors to be free from the recency and primary effect of rater's error.

- Supervisors' at MoFED provide their employees feedback on their performance. The organization has to ensure the continuity of this practice. Supervisors have to tell their employees what they need to improve for further achievement.

- Leniency error is common at MoFED. Such types of error can be minimized by making raters to be aware of the nature of error or problem. Therefore, the organization has to prepare training for raters or formal meeting to create awareness on rater's error. In general, the organization has to provide raters a training that lets them know how to conduct an objective performance evaluation.

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