



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

**ASSESSMENT OF THE EFFECTIVENESS OF PERFORMANCE APPRAISAL**

**FROM THE PERCEPTION OF EMPLOYEES**

**IN THECASE OF DASHEN BANK S.C**

**BY**

**AYNALEM DENEKE HABTEMICHAEL**

**(ID SGS/0459/2007A)**

JUNE 2016

ADDIS ABABA

**ASSESSMENT OF THE EFFECTIVENESS OF PERFORMANCE APPRAISAL  
FROM THE PERCEPTION OF EMPLOYEES IN THE CASE OF DASHEN BANK**

**S.C**

**BY**

**AYNALEM DENEKE HABTEMICHAEL**

**(ID SGS/0459/2007A)**

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

**JUNE 2016**

**ADDIS ABABA**

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

**SCHOOL OF GRADUATE STUDIES**

**FACULTY OF BUSINESS**

**ASSESSMENT OF THE EFFECTIVENESS OF PERFORMANCE APPRAISAL**

**FROM THE PERCEPTION OF EMPLOYEES IN THE CASE OF DASHEN BANK**

**S.C**

**BY**

**AYNALEM DENEKE HABTE MICHAEL**

**(ID SGS/0459/2007A)**

**APPROVED BY BOARD OF EXAMINERS**

---

**Dean, Graduate Studies Signature & Date**

---

**Advisor Signature & Date**

---

**External Examiner Signature & Date**

---

**Internal Examiner Signature & Date**

## **DECLARATION**

I hereby declare that this submission is my own work prepared under the guidance of ZemenuAynadis (Ass. Professor). It contains neither material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

---

Student Name & ID

---

Signature & Date

**ENDORSMENT**

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

\_\_\_\_\_  
Advisor Signature

\_\_\_\_\_  
Date

## **ACKNOWLEDGMENTS**

Above all, it is the Almighty God who makes things to happen for the good of me and gave me the strength and patience to overcome those obstacles that were found in front of my path. To my family members in particular my parents, for their constant encouragement and understanding. I would like to thank my advisor, who was always been there for me when I needed guidance. To my colleagues who gave me their inspiring ideas, suggestions and moral supports which have become an integral part of this paper, and respondents of my survey, who gave up their time to help me complete my research.

## LIST OF TABLES

<b>Table number</b>	<b>Description</b>	<b>Page No</b>
Table 2.1	Purposes of performance appraisal	14
Table 2.2	Difference between performance management and performance appraisal	15
Table 2.3	Common Performance Rating Errors	19
Table 3.1	Sample Size	26
Table 3.2	Reliability Statistics	28
Table 4.1	Demographic characteristics of respondents	30
Table 4.2	Employees perception about Performance Appraisal system	33
Table 4.3	Employees perception about purpose of Performance Appraisal	35
Table 4.4	Presence Elements of effective performance appraisal	37
Table 4.5	Performance Appraisal as a valuable tool in Developing Employees	40
Table 4.6	Performance Appraisal Practice of the bank as a Motivating tool	41

## List of Figures

<b>Figure number</b>	<b>Description</b>	<b>Page No</b>
Figure 2.1	Elements of Appraisal Effectiveness by Piggot-Irvine	23
Figure 3.1	Employees' Perception as to the use of Performance Appraisal by the Bank	32



## TABLE OF CONTENT

Acknowledgements .....	VI
List of tables .....	VII
List of Figures.....	VIII
Abstract .....	XI
Chapter 1: Introduction .....	1
1.1 Background of the Study .....	1
1.2 Statement of the Problem .....	3
1.3 Research Questions.....	4
1.4 Objective of the Study.....	4
1.5 Significance of the Study .....	5
1.6 Scope of the Study .....	5
1.7 Limitation of the Study .....	5
1.8 Organization of the Study.....	6
1.9 Ethical Consideration .....	6
Chapter 2: Literature Review .....	7
2.1 Introduction .....	7
2.2 Performance Appraisal .....	7
2.3 Purpose of performance appraisal .....	13
2.4 Performance Appraisal and Performance Management .....	14
2.5 Employee Perception about performance appraisal .....	16
2.6 Benefits of performance appraisal .....	18
2.7 Errors in the performance appraisal .....	18
2.8 Critics of performance Appraisal .....	20
2.10 Empirical Findings .....	21
2.9 Conceptual frame work.....	23
<b>Chapter 3: Research Methodology</b> .....	<b>24</b>
3.1 Description of research area ... ..	24
3.2 Research approach and design ... ..	24
3.3 Sampling technique .....	24
3.4 Sampling Size .....	24
3.2 Method of data collection .....	26

3.5 Research Instrument.....	27
3.6 Validity and Reliability .....	27
3.7 Method of data analysis.....	29
3.8 Response rate .....	29
<b>Chapter 4: Data Presentation, Analysis and Interpretation.....</b>	<b>30</b>
4.1 Response Rate .....	30
4.1 Demographic Characteristics of Respondents.....	30
4.2 Employees Perception with regards to the use of Performance Appraisal by the Bank .....	32
4.3 Perception on the Performance Appraisal System and the purpose it serves .....	33
4.3 Elements of Effective Performance Appraisal of the bank.....	37
4.5 Performance appraisal as a valuable tool in Developing Employees.....	40
4.6 Performance appraisals of the bank as Motivating Tool for employees .....	41
Chapter 5: Conclusion and Recommendation .....	43
5.1 Conclusion .....	43
5.2 Recommendations .....	45
Reference .....	47
Annex One: Survey .....	52

## ABSTRACT

*The purpose of this study was to assess the effectiveness of the performance appraisal system from the perception of employees in Dashen Bank S.C. The study used descriptive research methods and used mixed research approach. The areas the research focused on is how an effective performance appraisal is carried out and staff's opinion on how it affects their contentment in their roles. The researcher has investigated what the main features of effective performance evaluation are and how employee behaviors and attitudes towards Performance Appraisal can affect the structure. Primary and secondary data were used. The analysis was done by the help of SPSS and presented using descriptive statistics. The scope of the study was limited to seven branches and head office within Addis Ababa. In terms of measuring whether the performance appraisal process in the organization is effective, the researcher looked into whether the process includes fundamental elements of an effective appraisal according to the literature. The elements that were discussed are fairness, employee-manager relationship, and accurate feedback, rewards linked to appraisal, clearly defined goals, confidentiality and mutually set goals. The findings reveal that the respondents are dissatisfied with the current performance appraisal practice of the organization, its fairness and un biasness of the system, the seriousness and subjectivity of leaders to review performance appraisal, satisfaction with feedback, the relevance of performance feedback, the alignment of feedback with the actual achievement, the existence of appeal process and how it is actual put into practice. On the basis of the findings, the researcher recommends that there should be a direct link between performance appraisal and the reward system and training and development of the bank, and also in order to improve the motivation of employees and to change the negative attitude toward the system. The experience gained in the assessment could be used to make similar surveys in other human resources activities.*

*Key words: Perception, Fairness, Motivation, and Elements of Effective Performance Appraisal*

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

Human Resource Management is becoming more and more important in the strategy of a company and is seen as extremely vital for strategic success. ‘Strategic Human Resources is the strategic management of human resources aligned with the organization’s intended future direction. It is concerned with longer-term people issues and macro concerns about structure, quality, culture, values, commitment and matching resources to future need’. The role HR practices play in organizational performance is increasingly becoming more important, as it is known that the way an organization manages its people can influence its performance since Good employees are a major asset to an organization and are also a source of competitive advantage Many HR departments are taking more of a strategic view and ensuring its procedures are in line with the goals of the business. Strategic HRM is more so how Human Resources can affect the organizations performance and how improving the HR strategies in the organization will improve the company as a whole. It is concerned with the strategic choices associated with the workforce in companies and are inevitably connected to the performance. Strategic HRM is critical to the company’s survival and success (Boxall& Purcell, 2003).

Only recently, the potential role of HRM in improving an organizations performance has been realized. HRM practices can develop the performance of an organization by contributing to employee satisfaction (Zakaria, Zainal & Nasurdin, 2012). Among the HR practices that have been studied, performance appraisal is arguably one of the more crucial ones in terms of organization performance and appears to be an indispensable part of any HRM system (Shrivastava and Purang, 2011). ‘The success, survival and competing power of organizations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organization’s appraisal mechanism’ (Abdulkadir, Isiaka&Adedoyin, 2012).

Performance appraisal is one of the most crucial human resource tool and a vital part of every organization. Nonetheless, the procedure continues to create dissatisfaction among subordinates and can often be seen as ineffective and unfair. Bretz, Milkovich and Read (1992) indicated that perceived fairness of the appraisal system has emerged as the most important issue to be faced by managers.

The assessment of employees' performance is one of the most common practices in almost every organization, and so performance appraisal is an essential procedure for the better performance of employees and the organization itself (Karimi, Malik & Hussain, 2011).

'Organizations need to eliminate performance appraisals that are an exercise in going through the motions. They need to take time to question the way things are always done and build a performance appraisal methodology that is fair and effective' (Pritchard, 2007, p.260).

The areas the research focused on how an effective performance appraisal is carried out and staff's opinion on how it affects their contentment in their roles. The researcher has investigated what the main features of effective Performance Evaluation are and how employee behaviors and attitudes towards Performance Appraisal can affect the structure in a selected private bank Dashen bank S.C .

## **1.2 Statement of the Problem**

Effective performance appraisal depends upon well-defined standards of accomplishment that are measured in accordance with a systematic approach that eliminates or severely reduces subjectivity (Caruth, et al., 2009). If an employee performance appraisal system is implemented and maintained improperly, it would become a burden rather than a helpful tool and can create serious problems for the organizations (Glendinning 2002; Hazard 2004 as referred in Biron, et al., 2011).

Many businesses regularly use performance appraisal scores to determine the distribution of pay, promotions, and other rewards; however, few organizations attempt to evaluate how employee perceptions of performance appraisal fairness impact employee attitudes and performance (Swiercz, Bryan, Eagle, Bizzotto&Renn, 2012).

The topic the researcher is conducting is on how effective performance appraisals systems are according to the employees who are being appraised at Dashen Bank SC. The existing practices of performance Appraisal of the bank give more attention to performance appraisal which is implemented to evaluate employees semi-annually. This has created discontent among employee who say that their efforts are unfairly judged and voice their grievance on the criteria used to measure the accomplishment of the intended job. Employees' commitment and dedication are battered due to management's lack of support and acknowledgment of their contributions for the success of organization and this is evident from the fact that some key professionals have left the bank. From the discussion made with staffs of the bank, the researcher was able to find out, Employees are discouraged by the existing performance appraisal practices because of the attitude of line managers toward them especially during evaluation periods, the high tendency of the subjectivity of the measurements, lack of fair, objective and continuous assessment of the employees' effort and lack of coordination in providing motivational factors (financial and non-financial). Frustration in the rewarding and promotional policies makes them dissatisfied to exert more effort and to aspire for better future together with the bank. This is evident from the fact that some key professionals have resigned from the bank. For this reason, these observed shortcomings have become the basis for the need to conduct this research.

### **1.3 Research Questions**

The overall aim of this study was to look at the performance appraisal system from employees' point of view. Do they feel it is an effective tool and does it do what it is intended to do? Throughout the literature it is evident that many academics feel performance appraisal is not as practicable as it is made out to be and has several flaws. The research has looked at the performance appraisal system within the organization and how the staffs that are appraised feel about the system and whether they believe it is effective in managing their performance by answering the following questions.

1. What is the perception of the employees regarding the purpose of the performance appraisal system?
2. What elements of effective performance appraisal exist in the organizations system?
3. Is performance appraisal practice of the bank a valuable tool in developing the employees of the bank?
4. Does the performance appraisal practice of the bank motivate employee to work harder and improve performance?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The general objective of the research was to assess the effectiveness of performance appraisal from the perspective of employees.

#### **1.4.2. Specific Objective**

The specific objectives of the study are the following

1. To identify the perception of employees about the purpose of performance appraisal
2. To identify which elements of effective performance appraisal are present in the company.
3. Examine if Performance Appraisal is a valuable tool in developing employees.
4. To identify if the employees feel Performance Appraisal practice of the bank is an effective management tool in motivating them to work harder and improve performance.

### **1.5. Significance of the Study**

This study will pave the way for the identification and implementation of performance appraisal system that should be installed and practiced in order to support the realization of organization and employee performance expectation and make the bank more vigilant in tracing pitfalls in the process that inhibit the development of employees as well as the bank itself.

It can also help the bank as a resource material to effectively manage the performance of employees and improve their productivity; select the appropriate strategies for enhancing employee performance, focusing on results and continuous improvement, and motivating their work force to higher levels of quality. It also helps to spot out unfruitful practices in performance evaluation that foster de-motivation in employee's behavior and introduce new practices for better performance. The results of this study will also have greater contribution to the human resource practitioners that will design and administer the performance appraisal system. Moreover, it can be serving as a reference document for future researchers who will be interested.

### **1.6. Scope of the Study**

The research is conceptually limited to give more emphasis for the investigation of the effectiveness of Performance Appraisal of Dashen Bank SC and the perception of employees in motivating them to do better and it focused on clerical and non-clerical employees located in Addis Ababa, grade "A" branches due to accessibility. The concentration of the permanent employees in Addis Ababa is large compared to other branches in different locations.

### **1.7. Limitation of the Study**

The research under study concentrated on how effectively the employee performance appraisal system is implemented from the view point of the employees. The following are some of the limitations encountered.

- The study only focused in Addis Ababa.
- Confidentiality of company's records constrained me to support my research by information gathered through self-observation.
- Limited research exposure of the researcher.



### **1.8. Organization of the Study**

The study paper comprised of five chapters. The first chapter focused on general idea on the background, objectives of the study, research questions, and statement of the problem, significance of the study, methodology of the study, and describes briefly the delimitation (scope) and limitation of the study; and the organization of the paper. The second chapter dealt with review of related literature and the theoretical framework of the subject matter to reinforce the study by discussing the relevant literature from different materials written by various scholars in the field of Human Resource Management and performance management. The third chapter was devoted on the methodology to the research. The fourth chapter concentrated on the major empirical findings from the investigation into performance appraisal effectiveness from the perception of the employees where in the data gathered are analyzed and interpreted by using tables and SPSS. Finally, the fifth chapter finalized the study by giving summarization of findings, conclusions and recommendations based on the research findings.

### **1.9. Ethical Issues**

Ethical conduct states that it is the responsibility of the researcher to assess carefully the possibility of harm to research participants, and to the extent that it is possible, the possibility of harm should be minimized (Bryman& Bell, 2007, p.128).

When carrying out research it is important that participants are aware of why it is being carried out, and what will be done with the information they provide. If this is not made clear, the information given may not be entirely truthful or accurate. It is important to inform respondents that participants' identities will not be shared and that there is full confidentiality. It is also important that in quantitative research, investigators must be completely objective and try not to influence a study with their own values and perceptions (Burns et al, 1993).

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

Throughout this chapter, the researcher has investigated the background of the research area. It looked at the Performance Appraisal. It also looked at the most important features of the performance appraisal system and what elements are essential in implementing a successful appraisal system. It then reviewed the purpose and benefits of Performance Appraisal systems and how they can develop an organization's workforce into a high performing labor force. As this study looks at employees' perceptions, the literature review also looked at how effective Performance Appraisal can be of value to them and also how ineffective Performance Appraisals occur.

#### **2.1 Performance Appraisal**

Performance can be defined as what is expected to be delivered by an individual or a set of individuals within a timeframe. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered. (Kumari& Malhotra, 2012, p.78).

Armstrong (2006) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting.

Performance appraisal is not just about rating employees, Meenakshi (2012) identified that organizations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching. (Hillman, Schwandt&Bartz, 1990, p.20).

Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager-subordinate dialogue and formal assessment of unsatisfactory performance. However, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. From carrying out the performance appraisal, management then have to

make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990).

According to Obisi (2011, p.92), Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organization carries out some form of performance appraisal either on its own or as part of their performance management system.

### **2.1.1 Performance Appraisal Today**

In recent years, performance appraisals have been used in organizations for numerous reasons, as opposed to the historical method it was used for, making administrative decisions. According to Cleveland, et al (1989) there are four main uses for Performance Appraisal in organizations today. These are Between Individual Comparisons, Within Individuals Comparisons, Systems Maintenance and Documentation. Between individuals relates to comparison of individuals in terms of performance, Within Individuals concentrates on identifying and developing individuals strengths and weaknesses. Systems Maintenance can mean using Performance Appraisal as a source to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Linking Performance Appraisal to the business goals of the company has been seen as an innovative way of focusing employees' actions to the priorities of the business. The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland et al, 1989; Wiese & Buckley, 1998).

Throughout the vast amount of journal articles and research on performance appraisal, there is a substantial view that while performance appraisal seems like a great tool and should be of huge benefit to every organization, they can be moderately ineffective and so have taken a lot of criticism. Lawler (2012) discusses how a lot of literature poses the idea of dismissing performance appraisal completely, but he believes that Performance Appraisal is a vital procedure for effective talent management. He recommends that the way forward for Performance Appraisal is not to eliminate it but to work on making it an effective tool. The key is to make them part of a complete performance management system, which includes goal setting, development, compensation actions, performance feedback and a goals-based appraisal of performance (Lawler, 2012 p 195).

## **2.1.2 Effective Performance Appraisal**

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee (Mustapha & Daud 2012 p.158). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

### **2.1.2.1 Key features of Effective Appraisal**

According to Piggot-Irvine's terms, effectiveness refers to when performance appraisal interactions are non-controlling, non-defensive, supportive, educative and yet confidential. Effective appraisal, therefore, is supported by a relationship of respect and has results directly linked to improved work performance. Also, information of appraisals process should be clear, objective, and have high integrity and ultimate goal of deep development.

Elements of Appraisal Effectiveness by Piggot-Irvine

- Clear guidelines,
- Based on objective and informative data,
- Well-resourced with training and Time,
- Mutual respect
- Beyond the superficial, on-going and in-depth,
- Integrated development and accountability,
- Trust,
- An educative process,
- Independent from disciplinary aspects, and
- Transparent and confidential

In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003). From her studies, she found that for performance appraisal to be effective the system should be confidential, informative, have clear guidelines and be educative. In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of

the workplace (Piggot-Irvine, 2003). As previously mentioned Rankin & Kleiner (1988, p.14) believed that effective performance appraisals have six key factors. These six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programmes should tie personal rewards to organizational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Ensuring that the performance appraisal ties in with organizational goals is pivotal to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Barrett, 1967).

Performance Appraisal is intended to gather crucial information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organization wholly (Rahman & Shah, 2012). Effective managers recognize performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They may use performance appraisals to motivate, direct and develop subordinates (Wiese & Buckley, 1998, p244).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially.

The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the

performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003).

Folger (1987 as cited by Roberts 2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behaviour and rater – ratee conflict which could be caused by the appraisal (Jordan, 1990).

Pettijohn, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

Piggot-Irvine (2003) notified that „these values cannot just be “turned on” for appraisal. In order to have effective appraisal, the process must be embedded in a wider culture where the values shape part of the fabric of the everyday life of the workplace“. Essentially, top of the organization needs to model the values to their subordinates.

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee' (Mustapha &Daud, ). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin &Kleiner, 1988).

### **2.1.3 Appraisal Ineffectiveness**

One of the major causes of ineffective performance appraisal is the dislike that both the appraiser and appraisee have towards the process. Performance Appraisal is one of the most emotionally charged procedures in management (Swan, 1991). Almost every executive has dreaded performance appraisals at some time or other. They hate to give them and they hate to receive them (Sims et al 1987). Many managers and supervisors are unwilling to make accurate evaluations of subordinates because they do not want them to be hurt. Where the consequence of a low evaluation is termination, no pay increase, an unpleasant work assignment, or no promotion, managers are reluctant to be precise (Kearney, 1978). Watling (1995) highlights the importance of giving appraisals based on facts, not just feelings and suggests the best way to do this is by measuring performance by surveys, on the job observation, peer group feedback and results against targets. This is important to consider in establishing what an effective performance appraisal is. The appraisal will not be accurate if the manager carrying out the appraisal is having difficulty in giving feedback honestly and truthfully. Because of the emotional variability involved in such processes, accuracy is something which will seldom be achieved. But is this a vital element for management, as it has been shown that executives giving appraisals have ulterior motives and purposes that surpass the mundane concern with rating accuracy (Sims et al, 1987). One manager surveyed by Sims et al (1987) felt that accurately describing an employee's performance is really not as important as generating ratings that keep things going. Some other reasons for managements manipulation of the feedback in an appraisal setting is that they have to work with these people and do not want to create tension or hostility, also the element of there being a physical document from the appraisal recorded permanently on the employees record meant that the appraiser may soften the language used.

Unfair procedures used in performance appraisals create job dissatisfaction. A Performance appraisal system should be fair and must provide accurate and reliable data (Karimi et al, 2011). Therefore it is important that performance management systems are fair to staff so that the organization can reap the benefits.

So many Performance Appraisal systems are solely used as a procedure to determine whether a promotion or raise will be given or as a way of communicating to staff what their role is. But instead of being used as a form of judgments, performance appraisal should be used for the benefit of both the employee and the organization. Continuous assessment could possibly be used as a retention tool and as a system of determining what skills the organization has and what ones it is lacking.

## **2.2. Purposes of Performance Appraisal System**

The universal application of the use of performance appraisal in an organization is necessary to capitalize on its human resource (Prowse, P. & J. Prowse, 2009).

Performance appraisal is conducted for two basic purposes: administrative and developmental (Youngcourt, et al. 2007). Top-down and control-oriented style of performance management was the conventional purpose of appraisal (Vance et al., 2006).

Appraisal is for administrative purpose when an individual's performance is evaluated as basis for his or her promotion, pay increase, transfer or reassignment, and termination. Performance appraisal on this objective must be carried out in such a manner as to tell the difference between individuals or assess individuals against a measuring system.

On the other hand, appraisal is for developmental purposes when evaluation is done for soliciting information to further individual's improvement in his or her performance or as a basis for improving the function of the organization as to recruiting, selecting, placing, and training of its employees. Decisions for administrative purpose need information on what happened, while decisions for developmental purpose need information on how the outcome occurred (Gomez-Mejia et al., 2010; Youngcourt et. al., 2007).

Desler (2011) gives four reasons to appraise subordinate's performance. First, from a practical point of view, most employers still base pay and promotional decisions on the employee's appraisal. Second, the appraisal lets the boss and subordinate develop a plan for correcting any deficiencies, and to reinforce the things the subordinate does right. Third, appraisals should serve a useful career planning purpose. They provide an opportunity to review the employee's career plans in light of his or her exhibited strengths and weaknesses. Fourth, appraisals play an integral role in the employer's performance management process.

In addition, Grubb (2007) states that there are at least four reasons offered in support of performance appraisal: first, it promotes the organizational efficiency and effectiveness; second, it enhances individual employee's performance and satisfaction; third, it simplifies administrative proceedings; and lastly, it ensures that management retains control of its employees' behaviors and attitudes.

Moreover, performance appraisal exists in organizations because every organization does it (Ikramullah et al., 2012). It has been a tradition and a scientific management (Vallance, 1999). Lastly, performance appraisal is there because people have been conditioned to believe it works. If people are confident that an appraisal system is working effectively, it



motivates them to perform better for the reason that people themselves trust that a good result at the end of the evaluation process will provide them with good rewards or incentives. Thus, performance appraisal is the best way to manage people.

Table 2.1 Some Purposes of Appraisal Source: Grubb (2007)

<p><b>Organizational</b></p> <p>Set and Measure Goals</p> <p>Measure Individual Performance</p> <p>Give Feedback</p> <p>Get Performance Improvement</p>	<p><b>Administrative</b></p> <p>Award Pay Increases</p> <p>Promotion Screening/Decisions</p> <p>Career Advancement</p> <p>Downsize/Layoff Decisions</p> <p>Legal Documentation</p>
<p><b>Individual</b></p> <p>Motivate/Provide Recognition</p> <p>Coaching and Mentoring</p> <p>Counsel Problem Performers</p> <p>Development/Training Needs</p>	<p><b>Control</b></p> <p>Management Direction</p> <p>Employee Control</p>

### 2.3 Performance Appraisal and Performance Management

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. Performance Management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). Walters (1995) defined Performance Management as the ‘process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization’. Williams (2002) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organization, helping each individual employee to understand and recognize their part in contributing to them, and thereby managing and improving the performance of both individuals and the organization.

Performance appraisal plays a central role in Performance Management Systems; it is normally the vehicle behind which the organizational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the development of the individual (Fletcher, 2004). When a part of performance management, appraisal is much more tightly linked with the larger business environment. De Nisi and Griffen (2008) state that Performance management refers to 'a general set of activities which are carried out by the organization to improve employee performance'. Although performance management is typically reliant on performance appraisals, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities (De Nisi & Griffen, 2008). Performance Management has been seen to be more successful and brings a lot of benefits to an organization. A study carried out by Fletcher and Williams (1996) in 9 UK organizations showed that features of performance management lead to organizational commitment and in particular, job satisfaction.

Performance management systems are effective when they are based on goals that are jointly set and are driven by an organization's business strategy (Lawler, Benson & McDermott, 2012). Performance appraisal from a social-psychological perspective as opposed to the traditional tool for measurement is becoming more popular, viewing performance appraisal as a communication and social process.

Armstrong and Baron (1998) expressed the differences between performance management and performance appraisal as following:

Table 2.2 Difference between Performance Management and Performance Appraisal

Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values and behaviours as well as objectives
Often linked to pay	Less likely to be a direct link to pay
Bureaucratic- complex paperwork	Documentation kept to a minimum
Owned by the HR department	Owned by line managers

## **2.4. Employee Perception about Performance Appraisal**

The main aim of performance appraisal system is evaluating personnel fairly. But, because people operate these systems, total objectiveness cannot be guaranteed. Many managers fail to comply with these systems in the organization and employees perceive that their managers are not concerned about them and do not appreciate their work.

Perceptions are affected by the object being perceived. One of the basic characteristics of human perception is selective organization. Perception is selective or in other words, only some of the characteristics of an object or event affect a given individual while others are ignored or are of no effect (Reitz, 1977). Perceptions are organized in that individual stimuli are perceived to be related to each other in recognizable or familiar pattern. Youngcourt et al., (2007) contends that employees perception about their performance appraisal system forms part of a larger examination of the effectiveness of the appraisal system of the organization.

In a study about employees perception of a performance appraisal system, finding shows that the perception is affected by subjectivity and influenced by some major errors. It shows that the results have a serious managerial implication for training, motivation and provision of resources for effective performance appraisal (Boachie-Mensah and Seidu, 2012).

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 1981). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer&Liden, 2001). A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, but it is reasonable to suppose that employees' reactions to the appraisal system could have just as much influence on the success of an appraisal system (Cawley, Keeping & Levy, 1998). An organization might develop the most precise and sophisticated appraisal system, but if the system is not recognized by the staff, its effectiveness will be limited.

Fletcher (2004) listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being.

According to Cawley et al (1998) subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

Meyer et al. (1997) posits that perception of fairness exemplifies organizations 'commitment to its employees. Often, managers perceive performance appraisals as a yearly event. In reality Kolb and associates (1995) stress that appraisal is a process that begins long before the appraisal interview and consists of reviewing legal requirement; translating organizational goal into individual objective or requirements; setting clear expectations for job performance and communicate both training and coaching that they require to meet the expectations; supplying adequate supervision, feedback, and coaching throughout the years; acknowledging employee accomplishments and diagnosing employee's relative strength and weaknesses and presenting all of these objectively during the appraisal interview to establish performance goals and development, plan with the employee, which include an action plan for improved performance or further education and the efficient future use to the employees' abilities.

Boachie-Mensah & Seidu (2012) advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognize it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an opportunity to network with others, but if employees perceive Performance Appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won't welcome the scheme as easily.

Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting.(Bacal, 1999).

## **2.5 Benefits of Performance Appraisal**

An effective performance appraisal system will bring benefits to the staff member being appraised, the manager completing the appraisal and the organization as a whole.

For the Organization, benefits include (Fisher, 1995):

- Improved Performance due to effective communication, increased sense of cohesiveness and better management-staff relationships
- Training and Development needs identified more clearly
- A culture of kaizen – continuous improvement
- Competitive Advantage in the Market place
- Employee Satisfaction as a sense that employees are valued is spread

For the staff being appraised, the benefits include (Sudin, 2011)

- Enhanced relationships with line managers
  - Increased job satisfaction
  - A better understanding of expectations
- Greater knowledge of strengths and weaknesses

For the Manager carrying out the appraisal, the benefits include (Fisher, 1995)

- Better relationship with employees – trust.
- Stronger knowledge of what is going on in the organization
- Better knowledge of employees – knowing their individual strengths and weaknesses
- Facilitate management in decisions including pay rises, promotions, redundancies etc.

## **2.6. Errors in the Performance Appraisal**

A variety of errors occur in the appraisal process when criteria and incentives associated with rating accuracy are not clearly specified during the rating process. Rater errors described in Table 2.2 affects all stages of the appraisal process particularly at the final stage after the rating have been actually recorded (Jackson & Schuler, 2006).

**Table 2.3 Common Performance Rating Errors**

Halo and Horn	A tendency to think of an employee as more or less good or bad is carried over into specific performance ratings. Or stereotypes based on the employee's sex, race, or age affect performance ratings. In either case, the rater doesn't make meaningful distinctions when evaluating specific dimensions of performance. All dimensions of performance are rated either low (horn) or high (halo).
Recency	A rater may ignore employee performance until the appraisal date draws near. When the rater searches for clues about performance, recent behaviors or results are more salient, so recent events receive more weight than they should.
Leniency	All employees are rated higher than they should be rated. This happens when managers aren't penalized for giving high ratings to everyone, when rewards aren't part of a fixed and limited pot, and when dimensional ratings aren't required.
Strictness	All employees are rated lower than they should be. Inexperienced raters who are unfamiliar with environmental constraints on performance, raters with low self-esteem, and raters who have themselves received a low rating are most likely to rate strictly. Rater training that includes a reversal of supervisor-incumbent roles and confidence building can reduce this error.
Central Tendency	All employees are rated as average, when performance actually varies. Raters with large spans of control and little opportunity to observe behavior are likely to use this —play-it-safe strategy A forced distribution format requiring that most employees be rated average also may create this error.
Contrast Effects	When compared with weak employees, an average employee will appear outstanding, when evaluated against outstanding employees, an average employee will be perceived as a low performer
Primacy	As a cognitive shortcut, raters may use initial information to categorize a person as either a good or a bad performer. Information that supports the initial judgment is amassed, and un-confirming information is ignored.

Source: Jackson & Schuler (2006)

Moreover, subordinates relying on performance keep all parties working as a unit. The members of the organization, including the leader, adopt a supportive attitude in which they share one another's needs, values, aspirations, goals, and expectations. Performance appraisals are generally not very popular in organizations. Ironically, they are valuable tools for maintaining and improving performance. At the organizational level, some appraisal systems are outdated and cumbersome and seem to measure only that which can be qualified. On the personal level, some managers resent the time consumed by appraisal and feel uncomfortable sitting in judgment upon another person (Kolb et al., 1995).

There are at least three reasons why managers are reluctant to conduct evaluation of performance. First, they are generally uncomfortable discussing performance weaknesses with subordinates. Second, many employees tend to become defensive when their weaknesses are pointed out. Instead of accepting feedback as constructive and a basis for improving performance, employees challenge the evaluation by criticizing the manager or redirecting the blame on someone else. Finally, employees tend to have inflated assessment of their own performance.

Berr (1985) claims that, when performance and potential are good, when superior and subordinate have an open relationship, when promotions or salary increases are abundant, and when there is plenty of time for preparation and discussion, performance appraisal is easy to do. The difficulties managers and subordinates experience in the appraisal interview may be traced to the quality of their relationship, to the manner and skill with which the interview is conducted, and to the appraisal system itself, that is, the objectives the organization has for it, the administrative system in which it is embedded, and the forms and procedures that make up the system.

## **2.7 Critics of Performance Appraisal**

Both researchers and management have worked for many years to try to find better ways to improve performance in organizations, however managing and evaluating performance is still a major challenge for the majority of managers today (Armstrong, 1994).

Throughout the literature, there are many authors who feel that Performance Appraisal is a waste of time. Grint (1993, P.64) stated that rarely in the history of business can such a system have promised so much and delivered so little.

According to Redman and Wilkinson (2009) the critics of performance appraisal believe it is an expensive process, that it can cause conflict between the appraiser and appraisee, is not

hugely valuable and might also be debilitating the development of employee performance. Carroll and Schneier's (1982) research established that Performance Appraisal ranks as the most unpopular managerial activity.

One thing that is common with the critics of Performance Appraisal is that they do not have a suggestion as to what should replace it, what can be introduced as an alternative.

Instead of eliminating Performance Appraisal, organizations need to work on improving their system and make sure that it is effective. They need to reinvent, update and renew their performance appraisal procedures so that they are more compatible with the organization and its environment.

Wiese & Buckley (1998, p.256) state that often, the goal of the rater is not to evaluate the performance of the employee, but to keep the employee satisfied and not to deleteriously influence employee morale. This can lead to confusion as the goals of the manager and the organization are conflicting. If the manager is concerned with his own image and doesn't want to give negative rating then this is differing from what the organization wants. It is vital that when trying to find ways to improve Performance Appraisal in organizations that they look at making sure the Performance Appraisal system is used as it was intended to be and teaching this to the management involved.

## **2.9 Empirical literature Review**

Even though there are extensive empirical studies in relation to employees' perception of performance appraisal system, these section presents the most related empirical finding from related literatures. The study conducted by Saeed & Shahbaz (2011) on employees' perceptions about the effectiveness of performance appraisal in the case of Pakistan, in the study a total of 150 questioners were distributed of which 137 completed responses (representing 91.33% of response rate) were used for data analysis. The finding of the study indicates that employees perception about the effectiveness of performance appraisal is high with mean= 4.02 and SD= .515 and the level of work performance and affective organizational commitment is also high with mean of 4.12 & 4.36 and standard deviation of 0.846 & 0.791 respectively. Whereas, turnover intention is low with mean= 3.15 and SD= 1.205. This finding indicates the sampled employees are satisfied with the existing performance appraisal system; in turn, work performance and affective organizational commitment is increased, whereas, turnover intention is minimized. Vignaswaran (2005) a study conducted in Peninsular Malaysia on the relationship between performance appraisal satisfaction and employee outcomes. A total of 900 questionnaires were distributed, of which



311 returned and used for data analysis (representing 33% of response rate). The descriptive finding of the study indicates that the level of employees' satisfaction with performance appraisal is low with mean= 3.35 and SD= 0.69, the level of work performance is higher with mean= 3.85 and SD= 0.49, the level of affective organizational commitment is low with mean=3.11and SD=0.61 and the level of turn over intention is also low with mean =3.16 and SD=0.96. Warokka et al., (2012) carried out a study on organizational justice in performance appraisal system and work performance. In this analysis data were collected from 151 sampled respondents. The descriptive finding of the study indicates that performance appraisal satisfaction is moderate with mean= 3.49 and SD= 0.76 and the level of work performance is also moderate with mean=3.70 and SD=0.46. Alwadael (2010) carried out a study on employees' perception of satisfaction with performance appraisal of electricity and water authority in kingdom of Bahrain and data were collected from 258 sample respondent. The descriptive finding of the study indicates that performance appraisal satisfaction is low with mean= 2.66 and SD= 1.14. This finding indicates that employees are dissatisfied in the existing performance appraisal system. From these researches, it can be concluded that if employees are satisfied with the existing performance appraisal system; in turn, work performance and affective organizational commitment is increased, whereas, turnover intention is minimized. Therefore, this study attempts to find out if the above outcomes found in different literatures are true in the case of Dashen Bank SC Addis Ababa region.

## 2.10 Conceptual Frame Work

Based on the above conceptual literature reviewed the researcher will try to find out if elements of effective performance appraisals are present.

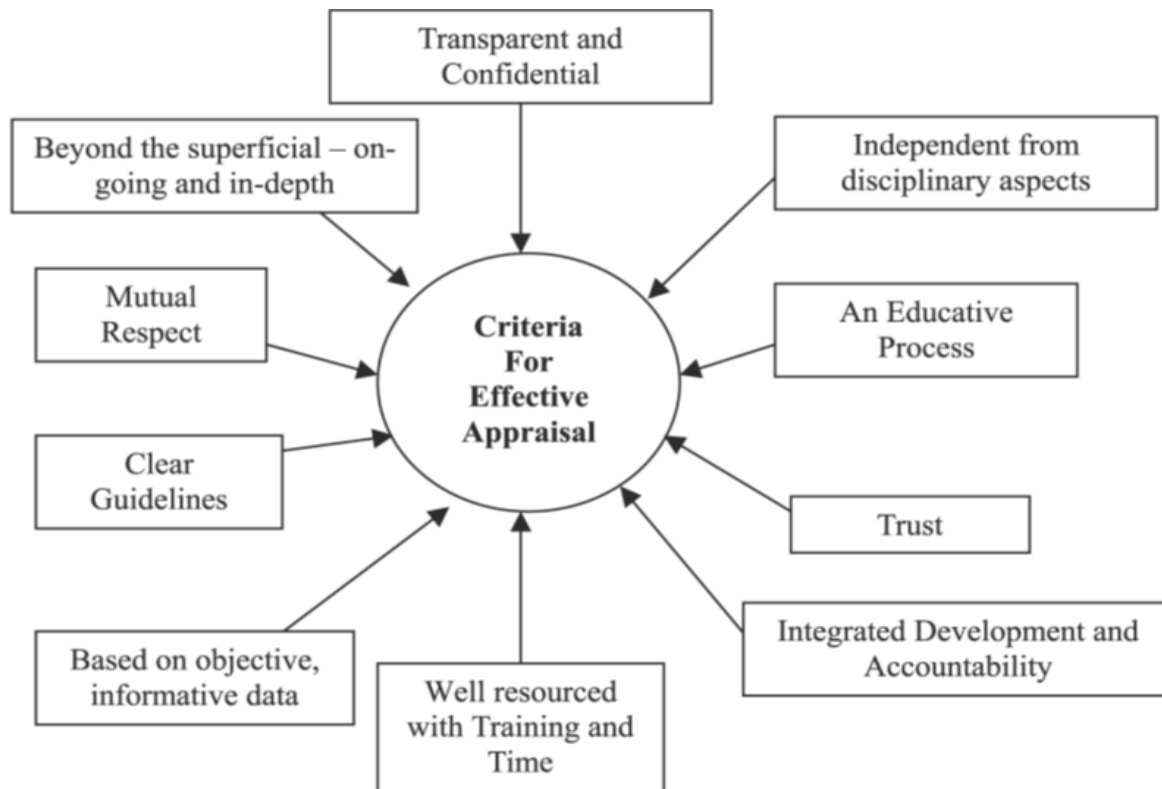


Figure 2.1: Elements of Appraisal Effectiveness by Piggot-Irvine (2003, p.173)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter presents the methodology that was used to collect and analyze the data required to describe the participants and answer the research questions. The discussion includes the research design, population/sample, source and method of data collection, instrumentation, and reliability and validity test and data analysis according to the objectives of the study.

#### **3.1. Description of Study Area**

Dashen Bank S.C was established on September 20, 1995 E.C. the first founding members were 11 businessmen and professional that agreed to combine their ambitions and financial resources and expertise to form this new private bank. As per the annual report of Dashen Bank for the year ended June 30 2015, the paid up capital of the bank has reached to 1.2billion birr that raised the primary capital of the bank to birr 2.38 billion.

Headquartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 156 Area Banks, five dedicated Forex Bureaus, 220 ATMs and 873 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 480 banks.

Dashen Bank SC is one of private bank that contributing its share for the development of the country's economy. The bank employed more than Four Thousand five hundred employees which are spread over major towns in the country. One of the most challenging but rewarding job for such kind service render company with wide diverse workforce is managing the performance to achieve its goals and objective. Thus, the bank established human resource department to meet objectives of organizations and gave priority and emphasis to manage its human resource in an effective, efficient, economical manner and in line with labor related laws of the country.

#### **3.2 Research Approach and Design**

To gather the necessary data to examine performance appraisal effectiveness from the perception of the employee, the researcher used aa mixed research approach and descriptive research design. As we know descriptive studies, they are designed to obtain data that describe the characteristics of the topic of interest in the research. The objective of descriptive study is to represent an accurate profile of persons, events or situations.

In descriptive research, the research problem is structured and well understood (Ghauri and Grønhaug, 2005). Whereas Cross-sectional research is a study of sample observations or of a population in which a researcher makes her/his study and get result for a short period of time or on a single occasion. Cross-sectional studies concern with a particular phenomenon (or phenomena) at a particular time. These studies often take the survey strategy and may also use qualitative method (Saunders et al., 2009). According to Bryman & Bell, by research strategy, we simply mean a general orientation to the conduct of business research. There are two separate clusters of research strategy, those are qualitative and quantitative research.

Qualitative method is mostly used in inductive research where emphasis is on the generation of a theory that is based upon research observation. Analysis of the qualitative research is based upon the words and statements and mostly in textual form. Quantitative research is subject to a very low level of biasness in the interpretation from the researchers as statistical tools are used for analysis of the results and Quantitative research are more generalizable.

### ***3.3 Sampling technique***

Total numbers of employees employed at Dashen bank S.C, according to the data obtained as of 2014/2015, are 4,597 that are distributed throughout the country working on a full time basis including short and long term contract employees. The numbers of permanent employees in Addis Ababa City branches have a total population of 1,466 as per the information gathered from HR department. Hence, the target population for the study is comprised of 177 bank professionals who have at least one year service in the bank and at least their job performance rated twice by the supervisors. The sampling method that was employed in this study is both stratified and simple random sampling. To ensure that as much as possible biasness is removed or is minimized and a fair representation is obtained, the population of the study was stratified in to eight major target group based on the geographical locations of the organization. The branches included Bole, Kera, Tana, Lideta, A/Andinet, Golla, Megenagna and Main Branch.

### **3.4. Sample size**

According to Field (2005), whenever it is possible to access the entire population, it is possible to collect data from sample and use the behavior within the sample to infer things about the behavior of the population. Field also states that the bigger the sample size, the likely it reflect the whole population. Accordingly, in this study to make the sample more representative, the sample size of the study is determined using the formula adopted from kreijcie and Morgan's (1970).

Thus, the formula used to calculate the sample size is

$$n = \frac{N}{1+N(e)^2}$$

Where N= is the total population

n= is the sample from the population

e= is the error term, which is 5% (i.e. at 95% confidence interval)

Using the above formula the simple size of the study is determined as

Table 3.1:- Sample size

Branch	Total Population	Sample Size (55% of the population)
Kera	39	23
Main Branch	44	24
Lideta	32	18
Golla	44	24.
Bole	44	24.
Megnagna	40	22
A/Andinet	35	20
Tana	40	22
Total	318.00	177.00

$$n = \frac{N}{1+N(e)^2}$$

$$\frac{318}{1+318(0.05)^2} = 177 = \frac{177}{318} = 55\%$$

### **3.5 Method of Data Collection**

Throughout the study, the researcher has utilized both types of primary and secondary data. Primary source of data, directly related to the purpose, was collected through well developed, structured and verified scale questionnaire. Secondary data, indirectly relating to the purpose, gathered from published reference materials such as books on the field and related fields, journal articles, research papers conducted on topic under study, and the bank's different minutes and database. Existing empirical findings and reliable literature review were used to get and in-depth understanding of the effectiveness of performance appraisal form the employees perception and its outcome on their performance and motivation. Knowledge was generated from the secondary sources and this helped me to build a guide in conducting this study. These sites are full and rich in knowledge for academicians and business entities.

### **3.6 The Research Instrument**

The primary data used to collect the data questionnaire to assure the reliability and validity of the instruments used; the researcher adopted standardized instrument from previous studies by Vignaswaran (2005), Gallato (2012) & Yuceli (2012), which all of this study had reported an acceptable reliability and validity of the instrument. The bank's performance appraisal practice assessed based on questionnaire which is adopted from a toolkit developed by Armstrong (2009a, p. 331), Hume (2000, p. 6) and Armstrong (2009b, p. 1021). To ensure the practical applicability of the instrument in the study area, the researcher made some few wording modification for simplicity of understanding of term of the adapted instrument. The first part of the questionnaire, dealing about different demographic characteristics of the respondents such as gender, age, level of education, employment position, branch stationed and work experience in current position. The second part of the questionnaire consists of question statement aimed to measure the variables of the study using five-point Likert Scale (1=strongly disagree, 2= Disagree, 3= Neutral, 4= agree and 5= strongly agree). Thus, the respondents were requested to select their own choice of the five point Likert scale alternatives in order to specify their level of agreement or disagreement on each statement. This part consisted a total of 40 questions aimed at answering the research objectives. Therefore, the instrument includes a total of 40 items.

### 3.7 Validity and Reliability

#### 3.7.1 Pilot Reliability Test of the Instrument

To confirm whether the adapted instrument is understood or not by the respondent a pilot reliability test was conducted. A total of 30 questionnaires were distributed to the respondents the participant. Then the returned 30 pilot instrument were coded and a Cranach's Coefficient Alpha test was employed by SPSS version 20.00. Thus, the SPSS output is summarized in table.

Table 3.2 Reliability statistics for effectiveness of performance appraisal from the Perception of employee

Item of the study	No of respondent	No of items	Cronbach's alpha
Perception of employees about purpose of performance appraisal	30	18	0.731
Presence of the Elements of effective performance appraisal	30	12	0.861
Use of performance appraisal as tool in developing employees	30	3	0.878
The banks performance appraisal practice as a motivating tool for the employees	30	7	0.911
Overall items	30	40	0.850

As it is shown in the table above, the overall and inter item Cranach's alpha value of all the variables of the study achieve the minimum requirement of reliability analysis (i.e.  $\alpha > .70$ ). Thus, based on this finding the researcher concludes that the pilot test of the instrument is reliable to apply in the current study.

Reliability is assessment of the extent to which a question, instrument or measure gives safe results. Cronbach's alpha is a measure of reliability which assesses the extent to which a group of questions are asking for the same basic underlying information (Gorard, 2004).

Therefore, the research conducted the Cronbach's alpha reliability test and it is found that: 73.1% for Perception of employees about purpose of Performance Appraisal, 86.1% for presence of Elements of effective Performance Appraisal, 87.8% for Performance Appraisal as a tool in developing employees and 91.1% banks Performance Appraisal practice as a Motivating tool for the employees.

### ***3.8 Method of data analysis***

To analyze the data collected from the questionnaires, the researcher used SPSS. SPSS is a system for statistical analysis and helps to display findings by creating charts and tables. It is one of the most widely used computer software packages for analysis of quantitative data for social scientists

.In order to achieve the findings and results for the study, the researcher used descriptive analysis to summarize the data. This method has employed both numerical and graphical methods. Graphical methods are known for recognizing patterns in the data, while the numerical methods of analysis are acknowledged for giving precise measures. The analysis used consists of graphs, and tables to outline the responses received which was examined and discussed. The reasons for using this procedure are to make it easier for the reader to compare and understand the findings. In the analysis the response for each specific statement are compared using the mean.

### **3.9 Response Rate**

Out of the 177 questionnaires distributed to the eight sampled strata, 170 responses are returned. From the total returned responses, 7 of them are uncompleted. Thus, only the 170 complete responses are employed in the analysis.



## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter emphasizes on the analysis of data and discussion on the findings of the study in relation to effectiveness of performance appraisal. The findings of the study are analyzed based on the specific objectives

#### 4.1. Demographic characteristics of the respondents

Table 4.1 Demographic Characteristics of Respondents

		Frequency	%	Valid %	Cumulative %
<b>Gender</b>	Male	95	55.9	55.9	55.9
	Female	75	44.1	44.1	100
	Total	170	100	100	
Marital Status	Single	110	64.7	64.7	64.7
	Married	60	35.3	35.3	100
	Total	170	100	100	
<b>Age Group</b>	<25	9	5.3	5.3	5.3
	25-34	146	85.9	85.9	91.2
	35-44	11	6.5	6.5	97.6
	>45	4	2.4	2.4	100
	Total	170	100	100	
<b>Educational status</b>	First degree	170	100	100	100
	2 <sup>nd</sup> degree				
	Total	170	100	100	
<b>Number of year served</b>	<2	25	14.7	14.7	14.7
	2-5	67	39.4	39.4	54.1
	5-10	66	38.8	38.8	92.9
	11-15	12	7.1	7.1	100

	>15	-			
	Total	170	100	100	
<b>Current position of employees</b>	Customer Service Agent	97	57.1	57.1	57.1
	Supervisory level	49	28.8	28.8	85.9
	Auditor	23	13.5	13.5	99.4
	Non clerical	1	0.6	0.6	100
	Total	170	100	100	

As shown in the above table, the number of male respondents are 95 (55.88%) whereas 75 (44.12%) of them were female. This shows that majority of the respondents are comprised of Male respondents. With regard to marital status of the respondents, the survey obtained that 110(64.71%) of them are single whereas the remaining 60 (35.29%) are married employees who participated in this research. The data obtained on qualification of the participants reveal that 170(100%) of the participants holds first degree. As for the age of the respondents the data reveals that the majority are composed of age group ranging from 25-34 years which accounted for 146(85.9%). Followed by age groups 35-44 which accounted for 6.5%, 18-25 which accounted for 5.3% and 45 and above which accounted for 2.4% of the respondents respectively.

Regarding the years of work experience of the respondents, it is found that 25 (14.7%) have work experience less than two years, comparable to this number 67(39.4%) of them claim to have years of service between 2 and 5 years and 66(38.8%) of them also have service year that that fall in between 5 and 10 years. The small share that is 12(7.1%) of the respondents fall under the year experience 11-15 years. Therefore the majority of my respondents lies in the service years between 5 and 10 years. The respondents' current position in the bank that is 98(57.65%), 49(28.82%) and 23(13.53%) are found to be Customer service agents, supervisory levels and auditors, respectively

#### 4.2 Employees perception with regards to the use of performance appraisal by the bank

The next item on the questionnaire inquired into what the employees perceive the bank uses the performance appraisal for and six options were provided to the respondents which include performance appraisal is used to determine training and development needs, used to determine targets for future performance, to review performance, to determine upgrading and promotion and as a basis for disciplinary actions to be taken. The following graph summarizes the response of the respondents.

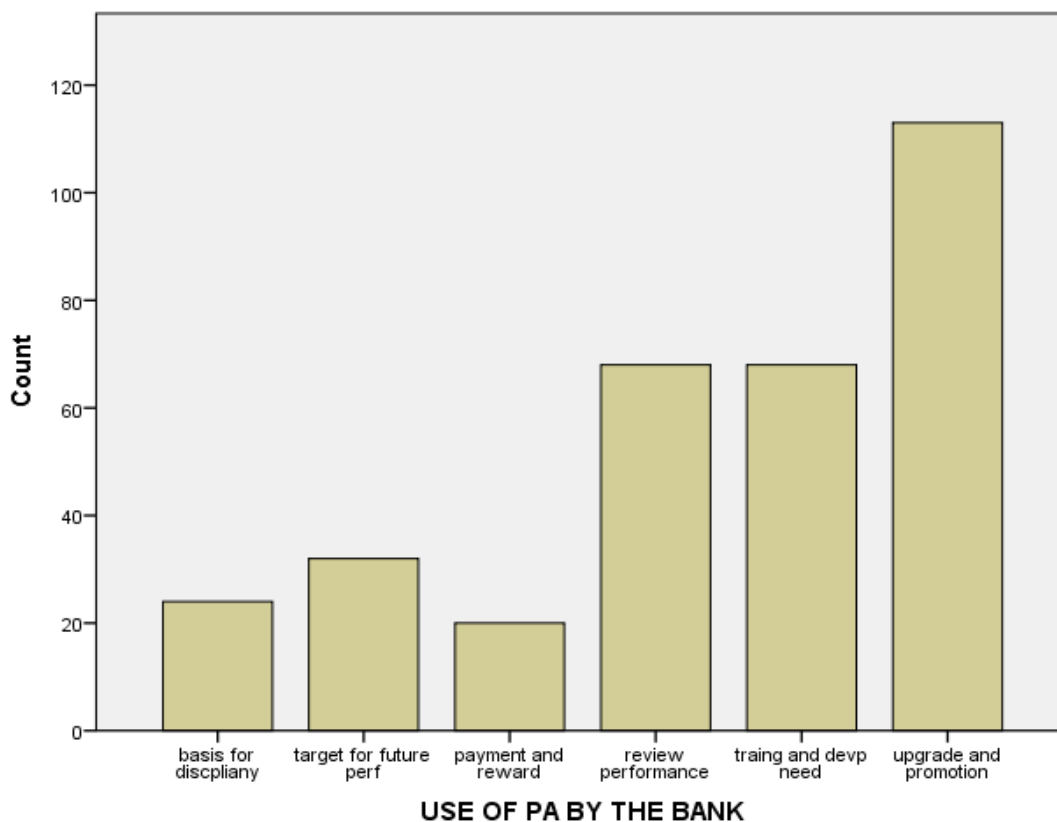


Figure 4.1. Employees' Perception of the use of Performance Appraisal by the Bank

Performance Appraisal can be used for numerous reasons, the above 6 elements are the most common aims of performance appraisal. Fisher (1995) states the objectives of Performance Appraisal are to review past performance, to assess training needs, to set targets for future performance and to help with disciplinary and other administrative decisions. A major part of the respondents (58.8%) surveyed selected to upgrading and promotion as what the company aims to achieve through the use of the performance appraisal system.

The next most selected aim was determining training and development needs, with 42.4% of respondents agreeing that this is what the organization are striving to achieve. 39.4% of employees selected that their organization used performance appraisal to review performance. The least selected aim of the bank by the respondents were that Performance Appraisal is used to determine disciplinary action and a basis for payment and rewards which accounted for 12.4% and 12.9% respectively. The above numbers can tell us that the organization mainly uses the performance appraisal for its administrative purposes.

### 4.3. Perception on the Performance Appraisal System and the purpose it serves.

In this part the descriptive analysis is performed to assess the perceptions of the respondents with regard to the performance appraisal system. In doing so; the items for measurement of employee perception of performance appraisal practice are summarized.

Table 4.2 Perception of Employees about Performance Appraisal

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	The current performance appraisal is fair and unbiased	5	2.9	57	33.5	54	31.8	46	27.1	8	4.7	170	100	2.97	0.95
2	Performance appraisal is valuable to me as well as to my organization	-	-	15	8.8	50	29.4	79	46.5	26	15.3	170	100	3.6824	0.8386
3	I am satisfied with the way the performance appraisal system is used to evaluate and rate my performance	18	10.6	54	31.8	58	34.1	37	21.8	3	1.8	170	100	2.7235	0.7509
4	Performance appraisal process has helped me find out my level of performance	15	8.8	37	21.8	64	37.6	38	22.4	16	9.4	170	100	3.0176	0.0832
5	My supervisor takes my performance appraisal review seriously	11	6.5	58	34.1	43	25.3	55	32.4	3	1.8	170	100	2.8882	0.07935
6	I am satisfied with the way my organization provides me with feedback	17	10	47	27.6	52	30.6	43	25.3	11	6.5	170	100	2.9059	0.08354

7	If I don't agree with the performance appraisal score there is an appeal process	8	4.7	39	22.9	36	21.2	73	42.9	14	8.2	170	100	3.2706	0.0808
8	I believe the performance evaluation report reveals my true performance	19	11.2	59	34.7	50	29.4	36	21.2	6	3.5	170	100	2.7118	0.7935
9	The banks performance evaluation system is reliable.	7	4.1	56	32.9	58	32.9	40	23.5	9	5.3	170	100	2.9294	0.07443
10	I think the current performance appraisal system is a waste of time and used only for formalities	15	8.8	19	11.2	45	26.5	50	29.4	37	21.8	170	100	4.4059	0.4817
11	It is highly subjective and lacks transparency	10	5.9	36	21.2	31	18.2	53	31.2	40	23.5	170	100	3.4529	.09405

Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting(Bacal, 1999).

The mean score of the respondents for the level of performance appraisal satisfaction (perception) for 10 items scored a mean value greater than 3.among these, one items is high,, that is, 'item no 17 I think the current performance appraisal is a waste of time and used only for formalities' a mean value of 4.4059 Whereas, the respondent level of performance appraisal satisfaction were moderate for the remaining items, the mean score ranging from a maximum of 3.68 to a minimum of 3.02 for 'item no 2 performance appraisal is valuable to me as well as to the organization" and item no 4 Performance appraisal has helped me find out my level of performance' respectively. For the items that reported a moderate value it shows that the employees value performance appraisal as valuable instrument. From the above numbers it can be said that most employees of the organization believe that the company uses performance appraisal as only a formality and not to serve the purpose it is set out to perform.

Table 4.3 Employees Perception about the Purpose of Performance Appraisal

No	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	The employee may be entitled for additional pay if he / she gets the highest performance evaluation score	29	17.1	56	32.9	24	14.1	43	25.3	18	10.6	170	100	2.7941	0.07443
2	Performance is measures based on complying rules not outcomes of individuals	6	3.5	37	21.8	35	20.6	84	49.4	8	4.7	170	100	3.3	0.075
3	Performance evaluation of the bank is a source of conflict between subordinates and supervisors	3	1.8	27	15.9	39	22.9	80	47.1	21	12.4	170	100	3.5235	0.0738
4	The performance appraisal process communicates performance expectations of the bank in each level	5	2.9	35	20.6	61	35.9	54	31.8	15	8.8	170	100	3.2294	0.0747
5	The performance appraisal system applies similar formats and techniques to evaluate all jobs in similar grades and levels			11	6.5	62	36.5	71	41.8	26	15.3	170	100	3.6588	0.0625
6	The performance results I received has helped me to improve my performance	9	5.3	55	32.4	40	23.5	56	32.9	10	5.9	170	100	3.0176	0.0801
7	Performance results provides basis for pay decisions and promotions in the bank	20	11.8	29	17.1	67	39.4	45	26.5	9	5.3	170	100	2.9647	0.0813

It is evident from literature that Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer&Liden, 2001). The respondents level of Performance Appraisal satisfaction is low for the remaining eight statements, with the mean score ranging from a maximum of 2.96 to a minimum of 2.71 for ‘item no 16 performance is a basis for pay decisions and promotions in the bank and ‘item no 8 I believe the performance evaluation reports my true performance’ respectively. From a practical point of view, most employers still base pay and promotional decisions on the employee’s appraisal. Second, the appraisal lets the boss and subordinate develop a plan for correcting any deficiencies, and to reinforce the things the subordinate does right. Third, appraisals should serve a useful career planning purpose. They provide an opportunity to review the employee’s career plans in light of his or her exhibited strengths and weaknesses. Fourth, appraisals play an integral role in the employer’s performance management process. From the above point it can be said that the employees do not perceive that the organization is using the appraisal tool to meet the purposes it is intended to meet. This is supported by the items that reported a low mean score value which show that the employees do not perceive that the company use the appraisal results for pay or promotional decision, the performance evaluation results doesn’t show their actual performance, the demotivation of the employees emanate from the fact that the organization does not use the performance appraisal for its intended purpose and only carried out for formalities and the companies promotional and pay decisions are susceptible to subjective judgment of the appraisers.

The performance Appraisal of the bank is subject to one of the performance Appraisal errors that is the central tendency error where by all employees are rated as average, when performance actually varies. Raters with large spans of control and little opportunity to observe behavior are likely to use this method i.e play-it-safe strategy. This is shown from the item under item no 5 ‘The performance appraisal system applies similar formats and techniques to evaluate all jobs in similar grades and levels.

#### 4.4 Elements of effective performance appraisal that exist in the bank

The following questions were presented to respondent to find out whether elements of effective performance appraisal exist in the selected bank Dashen Bank S.C and their responses are summarized in the table below.

Table 4.4-Existence of Elements of Effective Performance Appraisal

No	ITEM	SDA		DA		NT		AG		SA		TOTAL		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	The evaluation is done on the basis of pre-established performance standards	6	3.5	26	15.3	46	27.1	82	48.2	10	5.9	170	100	3.3765	0.0718
2	The evaluation process of the bank is fair, objective, and reasonable	16	9.4	67	39.4	54	31.8	30	17.6	3	1.8	170	100	2.5118	0.9497
3	I am clear with my duties and job responsibilities	-	-	6	3.5	22	12.9	103	60.6	39	22.9	170	100	4.0294	0.0543
4	My performance is fairly measures based on the agreement I made with my superiors at the beginning of my assignments	4	2.4	52	30.6	46	27.1	59	34.7	9	5.3	170	100	3.1	0.075
5	Performance evaluation of the bank is transparent and confidential	10	5.9	29	17.1	54	31.8	64	37.6	13	7.6	170	100	3.2412	0.078
6	The banks strategies goals are aligned with my personal objectives	2	1.2	42	24.7	47	27.6	64	37.6	15	8.8	170	100	3.2824	0.0747
7	In the performance appraisal form job related contents are fairly included	2	1.2	39	22.9	38	22.4	87	51.2	4	2.4	170	100	3.3059	0.0683
8	The standards that are used to evaluate my jobs are clearly explained to me by my supervisor	10	5.9	64	37.6	32	18.8	59	34.7	5	2.9	170	100	2.9118	0.0795
9	I assess my own performance before performance review discussions	12	7.1	47	27.6	34	20	75	44.1	2	1.2	170	100	3.0471	0.0786



10	There is a two way communication with my superior during the performance review discussions	11	6.5	47	27.6	47	27.6	60	35.3	5	2.9	170	100	3.0059	0.072
11	Superiors provide me with a continuous feedback and guidance	8	4.7	56	32.9	40	23.5	49	28.8	17	10	170	100	3.0647	0.0843
12	My organization seems more engaged in providing feedback for good performance than criticizing the poor ones	11	6.5	51	30	44	25.9	48	28.2	16	9.4	170	100	3.0412	0.0848

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003).

In the above table the respondents were presented with series of question in query to find out whether the bank performance appraisal system includes elements of effective Performance Appraisals which include clear guideline, objective and informative data, resourced with time and training, transparent and confidential, independent from disciplinary action, two way communications, educative process, trust and mutual respect.

The mean score of the respondents for which elements of effective Performance Appraisal are presents, 9 items scored a mean value greater than 3.among these, one items score is high, that is, 'item no 3 I am clear with my duties and responsibilities' with a mean value of 4.0294. Whereas, the respondent perception of presence of the elements of effective Performance appraisal were moderate for the remaining items, the mean score ranged from a maximum of 3.37 to a minimum of 3.04 for 'item no 1 the evaluation is done on the basis of pre-established performance standards and 'item no 12 My organization providing positive feedback for good performance than criticizing poor ones' respectively. However, the presence of elements of effective Performance appraisal is low for two items that is, (a) 'item

no 2 the evaluation process of the bank is fair, objective and reasonable with mean score of 2.51 and (b) 'item no 8 the standards used to evaluate my job are clearly explained to me by my supervisor with a mean score of 2.91.

The above analysis demonstrates that the organization performs its performance appraisal based on pre-established standards which fulfill one of the elements of effective performance appraisal that is clear guideline. For the question raised with regards to knowledge of what is expected from the employees almost all of the respondents have a clear understanding of what is expected of them. One of the major elements of effective performance appraisal, i.e. two way communication between supervisor and employee showed a mean value of 2.91 which can indicate that most of the employees do not understand the standard against which they are evaluated against. And it is evident from the various literatures that employees' involvement in the appraisal system determines the acceptance of the system as an effective tool in managing their performance and their openness to accept the results and feedbacks provided after the appraisal is done.

From the above analysis it can be generalized that most of the elements of performance appraisal are not present within the organization. The performance appraisal are not based on objective and informative data, it is not beyond superficial and educative process as it is done only for formalities and it is not integrated, developmental and accountable as the process is subject to appraiser subjectivity. Although some elements are present which include pre-established standards, independent from disciplinary actions, confidentiality, and employee-manager relationship.

#### 4.5 Performance Appraisal is a valuable tool in developing employees

Table 4.5 Performance Appraisal as a Valuable Tool in Developing Employees

n	Items	SDA		DA		NT		AG		SA		TOTAL		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	There are good promotional opportunities for employees within the bank based on the performance review	22	12.9	75	44.1	42	24.7	20	11.8	11	6.5	170	100	2.5471	0.08178
2	The acknowledgment I get for my accomplishments has made me exert more efforts on my job	18	10.6	43	25.3	50	29.4	49	28.8	10	5.9	170	100	2.9412	0.08414
3	My organization is good at providing recognition for good performers	26	15.3	51	30	32	18.8	48	28.2	13	7.6	170	100	2.8294	0.09329

The mean score specification the respondents level of performance appraisal as a valuable tool for developing employees, the respondents response were low for all the three statements, the mean score ranged from a maximum of 2.94 to a minimum of 2.55 for ‘item no 2 The acknowledgment I get for my accomplishments has made me exert more efforts on my job’ and ‘item no 1 There are good promotional opportunities for employees within the bank based on the performance review respectively.

The overall response for the three items indicates a mean value of 2.77. The higher the mean score, the more that respondent agreed with the statement and vice versa. The mean score= 2.77 indicates that the employees do not believe that performance appraisal is a valuable tool for developing them and they are dissatisfied towards the current performance appraisal practice.

Boachie-Mensah & Seidu (2012) advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognize it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an

opportunity to network with others, but if employees perceive Performance Appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won't welcome the scheme as easily.it can be generalized that the employees do not perceive the performance appraisal as a tool for personal development and only used as a mechanism to close supervise their performance.

#### 4.6 Performance Appraisal Motivates Employees to work harder.

Table 4.6 Performance Appraisal practice of the bank as a Motivating Tool

n	Items	SDA		DA		NT		AG		SA		Total		Mean	SD
		F	%	F	%	F	%	F	%	F	%	F	%		
1	The performance evaluation of the bank is designed to motivate me to achieve my goals and improve my performance.	19	11.2	49	28.8	48	28.2	43	25.3	11	6.5	170	100	2.8706	0.08532
2	The current performance appraisal system used adequately measures my true performance.	10	5.9	76	44.7	48	28.2	35	20.6	1	0.6	170	100	2.6529	0.06843
3	The feedback I receive on how I do my job is highly relevant in motivating me to perform better	6	3.5	27	15.9	53	31.2	74	43.5	10	5.9	170	100	3.3235	0.07158
4	The banks superiors are willing to invest on employees development, motivation and satisfaction based on performance review results	9	5.3	52	30.6	55	32.4	46	27.1	8	4.7	170	100	2.9529	0.07593
5	Both praise and appreciation are regularly given to me for the good work in have done	16	9.4	66	38.8	40	23.5	29	17.1	19	11.2	170	100	2.8176	0.08935
6	The advancement and growth opportunity within the bank motivates me to perform better	15	8.8	73	42.9	31	18.2	41	24.1	10	5.9	170	100	2.7529	0.08419
7	Employees achievement are publicized throughout the bank	12	7.1	61	35.9	41	24.1	42	24.7	14	8.2	170	100	2.9119	0.08461

The success of feedback depends on the acceptance of the performance appraisal process. The source of the feedback must be perceived by the recipient as being trustworthy, credible, reliable, objective and properly motivated. The satisfaction with the performance appraisal is an indication of the degree to which subordinates are satisfied with the process and the feedback they have received (Dechav 2010). From the above seven statements, one item score was high with a mean value of 3.32 'item no 3 the feedback I receive on how I do my job is highly relevant in motivating me to perform better'. This can be interpreted that feedback is a relevant factor in motivating employees. The remaining six items score low mean values ranging from maximum of 2.95 and minimum of 2.65 'item no 4 The banks superiors are willing to invest on employees development, motivation and satisfaction based on performance review results' and 'item no 2 The current performance appraisal system used adequately measures my true performance' respectively. From the low mean scores it can be said that employees do not perceive the system as a motivating tool. It is evident that there is a direct link between feedback and motivation from the above statement. If the Performance Appraisal can be implemented to meet its purpose, it can increase employee motivation through the feedback process and may provide an evaluation of working conditions and it can improve employee productivity, by encouraging the strong areas and modifying the weak ones. But the above point can be achieved only when the source of the feedback is perceived by the recipient as being trustworthy, credible, reliable, objective and properly motivated. From the above point it can be said that there is no direct link between feedback and motivation. This means that the employees do not perceive that the feedback received are trustworthy, credible, reliable and objective and they are not motivated by the tool and the growth and promotional opportunities it brings about.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1 CONCLUSION

- ❖ In terms of measuring whether the performance appraisal process in the organization is effective, the researcher looked into whether the process included fundamental elements of an effective appraisal according to the literature. The elements that were discussed are fairness, employee-manager relationship, and accurate feedback, rewards linked to appraisal, clearly defined goals, confidentiality and mutually set goals. Looking at the organizations performance appraisal in terms of the above elements, it is evident that some of the elements exist within the company's namely pre-established standards, confidentiality and employee-manager relationship. But the other elements of effective performance appraisal are not present in the organization.
- ❖ Employees surveyed stated that their pay, benefits and promotion are not based on the performance appraisal. Employees are not involved in setting goals, and it is evident that staff participation in the appraisal procedure has a major consequence on employee satisfaction and their acceptance of the performance appraisal. The standards pre-set are not objective(measurable) but subject to subjectivity of appraiser which makes accountability of appraisers hard and thepre-established standards used to evaluate the employees are not clearly explained to employees by their respective supervisors.
- ❖ The standards set to evaluate the employees are not communicated to the employees which raised conflict between the appraisers and the appraised at the time of Performance Appraisal as there is not pre-determine set goals or outcomes that are put in place.
- ❖ It is evident from the above analysis that the employees do not perceive that the system is performing what it is supposed to, it has lead them to be dissatisfaction and de motivation to exert the necessary effort. As it is evident that majority of the employees sampled believed that the organization uses Performance Appraisal as a formality rather that what it is actually intended for. Promotion of employees are not based on individual out comes rather based on the subjective belief of the appraiser in charge

- ❖ The organization does not associate pay and promotions decisions against performance review results which supports the other question raised that the companies uses the Performance Appraisal system as only a formality. Performance evaluation done in order to promote employees does not use objective measure to differentiate between good performers who deserve the promotion against poor performers who get promoted using subjective measures/determinations.
- ❖ Employees perceive the current Performance Appraisal system as a waste of time and it is conducted for fulfillment of formalities. It is not properly installed and integrated with other human resource functions in order to properly measure and improve employees' performance.
- ❖ Thus; from this finding it can be generalized that, the respondents are dissatisfied with the current Performance Appraisal practice of the organization, its fairness and un biasness of the system, the seriousness and subjectivity of leaders to review performance appraisal, satisfaction with feedback, the relevant of performance feedback, the alignment of feedback with the actual achievement, the existence of appeal process and how it is actual put into practice, and the provision of positive feedback for good performers than criticizing the poor ones. Therefore, such remarked areas of dissatisfaction are the good indicators and the root causes for employees' negative perception regarding to the performance appraisal practice of their organization.
- ❖ It can be said from the above findings that the performance appraisal system of the bank is ineffective since the employees do not perceive that the organization embeds most of the elements of effective performance appraisal and they are dissatisfied with the current performance appraisal practice of the bank which they believe is only used a formality and not to serve the purpose it is intended for which has lead them to be dissatisfaction and de-motivation to exert the necessary effort to perform their duties.

## **5.2 RECOMMENDATION**

- ❖ There should be a direct link between performance appraisal and the reward system in order to improve the motivation of employees and to change the negative attitude towards the system the bank should design a transparent and well equipped performance management system which answers for the existing gaps in the current human resource activities.
- ❖ The bank should design the appraisal system so that there should be direct communication between the appraiser and the appraised (performance management) to identify the weakness and strength of the employees when the evaluation is being conducted so that the employees can grow professionally.
- ❖ The performance appraisal should be performed weekly or monthly so as to measure the real impact of employees performance in terms of measurable items/quantifiable terms/ like efficiency, profit of the bank, utilization of resource, It should not only be done twice a year based on subjective determination of what the appraiser thinks the employee has performed.
- ❖ Performance Appraisal should not be based on certain criteria's rather they should be based on responsibilities assigned to specific goals and tasks and their contribution to the profit of the bank. The standards used to evaluate performance should be reviewed to measure the true performance of the employees.
- ❖ The standards set forth in the performance appraisal forms should be designed to be rational and objective so as to avoid bias that arise due to subjectivity. The bank should put in place through which any injustice done by appraisers should be held accountable against unfair evaluation results given to employees.
- ❖ Banks should train appraiser to understand the duties the employees are evaluated against, they should be well aware of the tasks before they can evaluate if it has been performed or not.



- ❖ Instead of using the Performance Appraisal systems solely as a procedure to determine whether a promotion or raise will be given or as a way of communicating to staff what their role is and being used as a form of judgment, performance appraisal should be used for the benefit of both the employee and the organization. Continuous assessment could possibly be used as a retention tool and as a system of determining what skills the organization has and what ones it is lacking.
- ❖ The performance appraisal process should set specific goals to be achieved between supervisors and subordinates so that the evaluation can be based on pre-set requirements. Performance appraisal should be based against individual outcomes and not on set rules and procedures.
- ❖ The bank should understand what the employees being appraised look for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being. by considering the above points in designing/upgrading its performance appraisal it could get the best outcomes from its employees

## REFERENCE

- Abdulkadir, D., Isiaka, S. & Adedoyin, S. (2012). 'Effects of Strategic Performance Appraisal, Career Planning and Employee Participation on Organizational Commitment: An Empirical Study'. *International Business Research*, 5(4), 124-133.
- Armstrong, M, and Baron, A. (2003) *Performance Management the New Realities*, London, Chartered Institute of Personnel and Development, CIPD House.
- Armstrong, M. (2006) *Performance Management: Key Strategies and Guidelines, 3rd Edition*, London Kogan Page.
- Armstrong, M. (2009) *Armstrong's Handbook of Human Resource Management Practice*, London, Kogan Page Limited.
- Armstrong, M. (1994) *A handbook of HRM practice 10th Edition*, London
- Amie Farrell (2013), An investigation into Performance Appraisal effectiveness from the perception of Employees in an Irish Consumer Services Company.
- Bacal, R. (1999) *Performance management*, New York: McGraw-Hill.
- Berr, S. (1985), *Wisconsin studies of the measurement prediction of teacher effectiveness*: New York: Dimbar Publications.
- Boachie-Mensah, F.O., & Seidu, P. (2012). 'Employees' Perception of Performance Appraisal System: A Case Study'. *International Journal of Business & Management*, 7(2), 73-88.
- Barrett, R.S., (1967), *Performance Rating*, Science Research Associates, Inc: Chicago, IL.
- Bellows, R.M., & Estep, M.F. (1954), *Employment Psychology: The Interview*, Rinehart: New York, NY
- Boxall, P. & Purcell, J., (2003) *Strategy and Human Resource Management*. Basingstoke, England: Palgrave Macmillan.
- Bretz, R.D., Milkovich, G.T., and Read, W. (1992), 'The Current State of Performance Appraisal Research and Practice: Concerns, Directions, and Implications', *Journal of Management*, 18, 2, 321– 352. v7 n2 p73.
- Cawley, B, Keeping, L, & Levy, P (1998). 'Participation in the Performance Appraisal Process and Employee Reactions: A Meta-Analytic Review of Field Investigations', *Journal Of Applied Psychology*,
- Carroll, S & Schneier C. (1982), Performance appraisal and review systems: The identification, measurement, and development of performance in organizations, Illinois: Scott. 83(4), 615-633.

- Cleveland, J. N., Murphy, K. R., Williams, R. E. (1989). "Multiple uses of performance appraisal: prevalence and correlates" *Journal of Applied Psychology*. 74(1): 130.
- Dechev, Z. (2010), *Effective Performance Appraisal – A study into the relation between employer satisfaction and optimizing business results*.
- Dessler, G. (2008), *Human Resource Management*. 11th edition, Upper Saddle River: Pearson Education Inc.
- DeNisi, A. & Pritchard, R. (2006) 'Performance Appraisal, Performance Management and Improving Individual Performance: A Motivational Framework', *Management and Organization Review*. 2(2): 253– 277.
- De Nisi, A. & Griffin, R. (2008) *Human Resource Management*. 8th ed. Boston: Houghton Mifflin Company.
- Dipboye, R. L. and Pontbriand, R. (1981) 'Correlates of employee reactions to performance appraisals and appraisal systems', *Journal of Applied Psychology* 66, 248-251.
- Erdogan, B., Kraimer, M.L., and Liden, R.C. (2001), 'Procedural Justice as a Two-Dimensional Construct: An Examination in the Performance Appraisal Context'. *The Journal of Applied Behavioural Science*, 37, 2, 205– 222.
- Fletcher, C (2004) *Appraisal and Feedback, Making Performance Review Work*. London: Chartered Institute of Personnel and Development.
- Fisher, M. (1995) *Performance Appraisals*. London: Kogan Page Limited.
- Fletcher, C. & Williams, R. (1996) 'Performance Management, Job Satisfaction and Organisational Commitment', *British Journal of Management*, Vol 7.
- Grint, K. (1993) 'What is wrong with performance appraisals? A critique and a suggestion', *Human Resource Management Journal*, 3(3): 61-77.
- Grubb, T. (2007). *Performance Appraisal Reappraised: It's Not All Positive*. *Journal of Human Resource Education*.
- Hillman, L., Schwandt, D. & Bartz, D. (1990) 'Enhancing Staff Members' Performance through Feedback and Coaching', *Journal of Management Development*, Vol. 9 Iss: 3, pp.20-27.
- Hume, D. A. (2000) *Improving Employee Performance, Motivation and Pay: Through Reward Management*, New Delhi, Maya Publishers Pvt. Lid.
- Ikramullah, M., B. Shah, et al. (2012). "Purposes of Performance Appraisal System: A Perceptual Study of Civil Servants in District Dera Ismail Khan Pakistan." *International Journal of Business and Management*

- Jackson, S., & Schuler, R. S. (2003). *Managing human resources through strategic partnership Eight Edition*. Ohio, USA: Thomson South-Western.
- Khan. A. (2007) 'Performance Appraisals Relation with Productivity and Job Satisfaction', *Journal of Managerial Sciences* 1 (2):100-114.
- Karimi, R, Malik, M, & Hussain, S. (2011) 'Examining the Relationship of Performance Appraisal System and Employee Satisfaction', *International Journal Of Business & Social Science*, 2(22): 243-247,
- Kolb, O. D., & Osland, J. (1995). *Organizational Behavior*. Englewood-Cliffs, NJ: Prentice Hall.
- Kumari, N. & Malhotra, R, (2012) 'Effective Performance Management System for Enhancing Growth', *Global Management Journal*, 4(1/2):77-85.
- Longenecker, C. O. & Fink, L. S. (1999), 'Creating effective performance appraisal' *Industrial Management*. Vol. 41(5):18.
- Lawler, E. Benson, G. & McDermott, M. (2012), 'What Makes Performance Appraisals Effective?', *Compensation & Benefits Review*,
- Lawler, E. (2012), 'Performance Appraisals Are Dead, Long Live Performance Management', *Forbes Magazine* 44, 4, pp. 191-200,
- Mustapha, M. & Daud, N. (2012), 'Perceived Performance Appraisal Effectiveness, Career Commitment and Turnover Intention of Knowledge Workers', *International Journal of Business & Social Science*, 3(19), 157-165.
- Meenakshi, G. (2012), 'Multi source feedback based performance appraisal system using Fuzzy logic decision support system', *International Journal on Soft Computing (IJSC)* Vol. 3(1).
- Obisi, C. (2011), 'Employee Performance Appraisal and its implication for Individual and Organisational Growth', *Australian Journal of Business & Management Research*, 1, 9, pp. 92-97,
- Ojokuku, R.M. (2013), 'Effect of Performance Appraisal on Motivation and Performance of Academics in Nigerian Public Universities', *Australian Journal of Business and Management Research*, Vol. 3, No. 03, pp. 20-28.
- Pritchard, C. (2007), 'Retention Success: Strategy 60: Performance Appraisals', 101 *Strategies for Recruiting Success*, *American Management Association International Business Source Complete*
- Poon, J. (2004), 'Effects of performance appraisal politics on job satisfaction and turnover intention', *Personnel Review*, Vol. 33(3) :322-334.

- Piggot-Irvine, E. (2003) 'Key features of appraisal effectiveness', *The International Journal of Educational Management*, Vol. 17(4/5): 170-177.
- Pettijohn, C. E., Pettijohn, L. S., Taylor, A. J., & Keillor, B. D. (2001) 'Are performance appraisals a bureaucratic exercise or can they be used to enhance sales-force satisfaction and commitment?' *Psychology and Marketing* 18(4): 337-364.
- Prowse, P. and J. Prowse (2009). "The dilemma of performance appraisal." *Measuring Business Excellence* Vol. 13(4): 69.
- Roberts, G (2003) 'Employee Performance Appraisal System Participation: A Technique that Works', *Public Personnel Management*, 32(1), 89.
- Rankin, G, & Kleiner, B. (1988) 'Effective Performance Appraisal', *Industrial Management and Data Systems*, Vol. 88(1/2).
- Rahman, W. & Shah, B. (2012) 'The Mediating Effects of Perceived Employee Development on the Relationships between Performance Appraisal and Job Performance in Public Universities of Khyber Pakhtunkhwa, Pakistan' 2, 1, pp. 11-26
- Swiercz, P., Bryan, N., Eagle, B., Bizzotto, V. & Renn, R. (2012) 'Predicting Employee Attitudes and Performance from Perceptions of Performance Appraisal Fairness', *Business Renaissance Quarterly*, 7, 1, pp. 25-46, Business Source Complete, EBSCOhost, viewed 12 January 2013.
- Swan, WS. (1991) *How to do a superior performance appraisal*, New York: Wiley.
- Sudin, S (2011) 'Fairness of and Satisfaction with performance appraisal process', *Journal of Global Management*, 2, 1, pp. 66-83.
- Sims, J. P., Gioia, D. A., & Longenecker, C. O. (1987). 'Behind the Mask: The Politics of Employee Appraisal'. *Academy of Management Executive* 1(3), 183-193.
- Shrivastava, A., & Purang, P. (2011) 'Employee perceptions of performance appraisals: a comparative study on Indian banks' *The International Journal of Human Resource Management*, 22(3), 632-647.
- Saeed, K.M. & Shahbaz, N. (2011). Employees' Perceptions about the Effectiveness of Performance Appraisals. *SIU Journal of Management*, 1(1).
- Wiese, D. & Buckley, M. (1998) 'The evolution of the performance appraisal process'. *Journal of Management History*, Vol. 4 No. 3.
- Watling, B. (1995) *The Appraisal Checklist*, Glasgow: Pitman Publishing.
- Williams, R. (2002) *Managing Employee Performance: Design and Implementation in Organisations*. London: Thomson Learning.

Vallance, S. (1999). "Performance Appraisal in Singapore, Thailand and the Philippines: A Cultural Perspective." *Australian Journal of Public Administration*

Vance, R. J. (2006). *Employee engagement and commitment: A guide to understanding, measuring and increasing engagement in your organization. Society for Human Resource Management (SHRM) Foundation Effective Practice Guidelines.*

Vignaswaran, R., (2005). *The Relationship between Performance Appraisal Satisfaction and Employee Outcome.*

Youngcourt, S. S., P. I. Leiva, et al. (2007). "Perceived purposes of performance appraisal: Correlates of individual- and position-focused purposes on attitudinal outcomes." *Human Resource Development Quarterly*

Yucel, I. (2012). *Examining the relationships among job satisfaction, organizational commitment, and turnover intention. International Journal of Business and Management; 7(20).*

Zakaria, N., Zainal, S., & Nasuridin, A. (2012) 'investigating the role of human resource management practices on the performance of SME: A conceptual framework'. *Journal of Global Management. 3(1), 74-92.*

19<sup>th</sup> Annual report for the year ended June 30, 2015

## **Annex One: Survey**

### **Assessment of the Effectiveness of Performance Appraisal System from the Perception of Employees a case of Dashen Bank S.C.**

I am a student of the St Mary University and am currently studying a Master's in Business Administration. I am writing my thesis on the Effectiveness of Performance Appraisal from the perception of Employees. I have designed this survey on issues related to this topic.

I would really appreciate if you could spend a few minutes of your time filling in this survey. Your answers are very important for the proper analysis of the research. Your answers will be treated confidentially and anonymously. All information obtained from this survey will be treated in the strictest confidence, and will only be available to the researcher and her thesis supervisor. I kindly request for you to complete this questionnaire honestly.

Thank you for your co-operation.

AynalemDeneke

#### ***Part I: Profile of Participants* Directions for filling the questionnaire**

Please put a tick mark () or a cross mark () in the boxes corresponding to your response. Make your response confidential; please don't mention your name or any other identification.

1. Sex: Male Female

2. Your age group in years:

Under 25  25-34  35-44  45 and above

3. Educational status: College Diploma  1<sup>st</sup> Degree  2ndDegree  PHD

4. The number of years you have been serving in this Bank:

< 1year  2-5 year  5-10 year  11-15 year  > 15 year

5. Marital Status:  Single  Married  Divorced  Widowed

6. The position that currently you are working in Dashen Bank:

Non-clerical  Customer Service Agent  Auditors

Supervisory level

7. The Branch in which you are currently working at \_\_\_\_\_

8. In your opinion, what does your organization strive to achieve through Performance Appraisal System. Please select as many as relevant

To determine training and development needs  To determine upgrading and promotion

To determine payment and rewards  To review performance

To set targets for future performance  To provide basis for disciplinary actions

9. This questionnaire is prepared based on a five point Likert scale. Please indicate to what extents do you agree or disagree with the following statements. If the statement strongly matches with your response, choose **5(Strongly Agree)**, if you discreetly agree on the idea, choose **4(Agree)**, if you do not have any response on the point, choose **3 (Neutral)**, if you discreetly disagree with the statement, choose **2 (Disagree)** and if you completely differ with the statement, choose **1 (Strongly Disagree)**.

NO	Items	SD (1)	D (2)	N (3)	A (4)	SA (5)
	<b>Perception of performance appraisal and the purpose it serves</b>					
1	The Current performance appraisal is fair and Unbiased					
2	Performance appraisal is valuable to me as well as to my organization.					
3	I am satisfied with the way the performance appraisal system is used to evaluate and rate my performance					
4	Performance appraisal process has helped me find out my level of performance.					
5	My supervisor takes my performance appraisal review seriously					
6	I am satisfied with the way my organization provides me with feedback					
7	If I don't agree with performance appraisal score, there is an appeal process					



8	I believe the performance evaluation report reveals my true performance					
9	The bank performance evaluation system is reliable.					
10	The employee may be entitled for additional pay if he /she gets the highest performance evaluation score.					
11	Performance is measured based on complying rules Not outcomes of individuals.					
12	Performance evaluation of the bank is source of conflict Between subordinates and supervisors.					
13	The performance appraisal process communicates Performance expectations of the bank in each level.					
14	The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.					
15	The performance result I received has helped me to Improve my performance.					
16	Performance results provides basis for pay Decisions and promotion in the bank.					
17	I think the current performance appraisal system is a waste of time and used only for formalities.					
18	It is a Highly subjective process and lacks transparency.					
NB.if you strongly disagree for the above questions please state your reason						
<b>Presence of Elements of effective performance appraisal (clear guideline, objective and informative data, resourced with time and training, transparent and confidential, independent from disciplinary action, educative process, trust and mutual respect)</b>						
19	The evaluation is done on the basis of pre-established performance standards.					
20	The evaluation process in the bank is fair, Objective and reasonable.					
21	I am clear with my duties and job responsibilities.					

22	My performance is fairly measured based on the agreement I made with my Superiors at the beginning of my assignment.					
23	Performance evaluation of the bank is transparent and confidential.					
24	The bank's strategic goals are aligned with my personal objectives.					
25	In the performance appraisal form, job related contents are fairly included					
26	The standards that are used to evaluate my job are clearly explained to me by my supervisors.					
27	I assess my own performance before performance review discussions.					
28	There is a two way communications with my superiors during performance review discussion.					
29	Superiors provide me with a continuous feedback and guidance					
30	My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones					
NB.if you strongly disagree for the above questions please state your reasons						
<b>Is Performance Appraisal a valuable tool in developing the employees?</b>						
31	There are good promotion opportunities for employees within the bank based on performance review.					
32	The acknowledgment I get for my accomplishments has made me exert more effort on my job					
33	My organization is good at providing recognition for good performers					
NB .If you "strongly disagree" for the above questions please state your reasons						
<b>Does the Performance Appraisal practice of the bank motivate employee to work harder?</b>						
34	The performance evaluation process in the bank is designed to motivate me to achieve my goals and improve my performance.					

35	The current performance appraisal system used, adequately measures my true performance					
36	The feedback I receive on how I do my job is highly relevant in motivating me to perform better					
37	The bank's superiors are willing to invest on employee's development, motivation and satisfaction based on Performance review results.					
38	Both praise and appreciation are regularly given to me for the good work I have done					
39	The advancement and growth opportunity within the bank motivates me to perform better					
40	Employee achievements are publicized throughout the bank.					
NB. If you strongly disagree for the above questions. please state your reasons						

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

.....

.....

.....

Thank you very much!