



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

**PRACTICES AND CHALLENGES OF EMPLOYEES'
PERFORMANCE APPRASAL OF OROMIA
INTERNATIONAL BANK S.C**

By:

BLEN AMARE

DECEMBER, 2016

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY’S UNIVERSITY, SCHOOL OF
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Declaration

I hereby declare that this paper is my own work towards the masters in Business Administration and that, to the best of my knowledge, it contains no Material previously published by another person no material which has been accepted for the award of any other degree of the University, except where due acknowledgement has made in the text.

Name

St. Mary's University, Addis Ababa

Signature

January, 2017

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ABBREVIATION AND ACRONYMS

OIB - Oromia International Bank.

PA - Performance appraisal.

MOB – Management by objective.

S.C – share Company.

ABSTRACT

Performance evaluation helps organizations to identify who is doing his/her job well and who is not. This helps organizations to make work related decisions and helps employees to realize their potential in carrying out their work. The general objective of the study was to evaluate the practices and challenges of performance evaluation at Oromia International Bank. In order to obtain information regarding the current states of the situation, descriptive survey method was used. The population for the study was 1067 and the sample size was 291. Selection of the respondents was made by using purposive sampling method. As instrument of data gathering Interview and questionnaires were used for the study. Out of 291 questionnaires distributed 245 were retrieved from respondents. The data were analyzed by using SPSS software version 20. Among the main findings of the study was that OIB did not make its employees participate when performance evaluation standards are made, lack of commitment of immediate supervisors in completing the evaluation form and failure to give feedback after evaluation is conducted. It is recommended in the study that evaluators should give feedback to employees so they could improve their performance, employees should participate in the designing of the standards and evaluators should fill the evaluation forms on time.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Performance evaluation is one part of performance management. It helps to assess the performance of employees on a continual bases (Bachee, 1931). According to Jacobs, R.Kafry,D.and Zedeck,S.(1980), adopting this technique will help organizations to distinguish the more efficient workers from the less efficient workers and to discriminate among strength and weaknesses an individual has across many job elements. The basic assumption is that employees differ in their contribution to the organization because of individual performance and that supervisors are actually able and willing to distinguish between employees (Reinke, 2003).

The introduction of globalization has forced companies to perform their job better than other companies; in order to do these corporations have to assess how they are doing in the business on continual bases. In order to improve the quality and type of services they are delivering to both their internal customers i.e. their employees and external customers i.e. peoples that are buying services from their organizations are forced to carry out performance evaluation followed by accurate and timely feedback. This can change the behavior of employees in a way that organizations as well as the individuals are profiting (Tziner,A,Murphy,KR& Cleveland,J.N, 1992).

The practice of evaluation is a very ancient art. As Dulewicz (1989) noted that there is a basic human tendency to make judgment about who is working with as well as about oneself. In the 1950s in the United States, the potential usefulness of appraisal as a tool for motivation and development was gradually recognized. The general model of performance appraisal as it is known today began from that time. Performance appraisal was introduced as a distinct and formal management procedure at the time of World War II. In the view of Apekey (2006), performance appraisal in contemporary times gives supervisors and employees the opportunity to review the performance of the latter against set performance standards. This is to help organizations identify their strengths and weaknesses in order to enable the supervisors to design or recommend a specific program that would help employees improve upon their performance.

During earlier times performance appraisal was used as a confidential rating of employees used for promoting or punishing employees. At present performance appraisal is used for developing employees, motivating and building better relationship among superiors and subordinates. This has a great contribution in improving job performance.

Performance evaluation is useful to make a good managerial decision if it only provides accurate data on employee performance. Since rating accuracy is a critical aspect of the appraisal process problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees which in turn, leads to wrong administrative decisions that can highly affect the life of the employees.

1.2. Statement of the Problem

Performance appraisal has become a critical part of human resource management in most organizations. If properly conducted it will give institutions numerous advantages such as giving employees the opportunity to learn from their weaknesses in the past and to know what their strengths are. This will motivate them to be active participants in the process of evaluation and serves as a tool to enhance employee's interest in being part of the organization in the future.

Most of the time performance evaluation results do not effectively give us an idea about the ability of the employees. The gap could emerge out of the subjective nature of the evaluation criteria's used, lack of skills and knowledge of the raters, the subjectivity, favoritism and bias of the raters, lack of continuous documentation and inability to provide feedback as to the results of performance evaluation. Although it is a standard routine to undertake performance appraisal of employees at the bank practice and challenges of performance evaluation was not given enough attention at Oromia International Bank.

Therefore, this study is intended to identify the practices and challenges of employee's performance evaluation at Oromia International Bank S.C.

1.3. Basic Research Questions

This Study attempts to answer the following basic research questions:

1. What are the performance appraisal processes at OIB?
2. What are the main reasons for conducting performance appraisals at OIB?
3. What are the main challenges associated with the conduct of performance appraisal at OIB?
4. How are employees' performance affected by the performance system at OIB?

1.4. Objectives of the Study

The objectives of the study are classified into general and specific objectives.

1.4.1. General Objective

The general objective of the study is examining the practices and challenges of performance appraisal at Oromia International Bank S.C.

1.4.2. Specific Objectives

1. To examine the performance appraisal processes and procedures at OIB.
2. To identify the main reasons for conducting performance appraisal at the OIB.
3. To determine the main challenges associated with conducting performance appraisal at the OIB.
5. To evaluate how employees performance is affected by the performance system at the bank.

1.5. Significance of the Study

The study is considered to be significant for the following reasons:

1. It provides the necessary information for planners, managers and other concerned groups to realize the magnitude of the challenge so as to enable them take immediate remedial actions.
2. It helps in prioritizing the existing problems of employee's performance evaluation so as to give emphasis the challenge of employee's performance evaluation.
3. It provides recommendation that would mitigate the existing problems.
4. The findings may serve as a stepping stone for those who have an intention for further study in the field.
5. It enable readers to know how performance evaluation is conducted at OIB and help the management to have a better understanding about the type of challenges exist in the evaluation process. This can help the bank to solve the existing challenges.

1.6. Scope of the Study

The study was conducted at Oromia International Bank head quarter at Bole branch. It is delimited to the data obtained from the ratees using questionnaires and interview in the bank. The research, therefore, covers employees of the bank specifically the management and clerical workers.

1.7. Limitation of the Study

Doing this study the researcher has faced with the following limitations: -The carelessness of respondents in completing the questionnaire and failure to answer all questions, lack of time due to the fact that the researcher had to work alongside doing the research and problems related to methodology as the study uses purposive sampling the finding of the study cannot be generalized to the entire population.

1.8. Definition of Key Terms

- **Employees:** –refers to clerical workers.
- **Process:** – how work is done within an organization.
- **Raters:** - employees who are participating in measuring or evaluating employee's performance.
- **Ratees:** - employees whose performance is going to be evaluated by raters.

1.9. Organization of the Study

This study is organized into five chapters. The first chapter deals with the introductory part, the second chapter deals with the view of related literature, and the third chapter deals with the methodology. It gives highlights on the research design, research population, sample and sampling procedures, sources of data, data gathering instruments and the data analysis. It provides a brief outline on the organizational profile of the Oromia International Bank S.C. The fourth chapter comprises the data analysis and interpretation. The fifth chapter embraces summary of the major findings, conclusions drawn and recommendations seek to curve the problem under study. Questionnaire and interview items are annexed at the end of the research paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter deals with the review of related literature concerning the practices and challenges of performance evaluation at the Oromia International Bank S.C. Accordingly, the whole of this chapter is devoted to the concepts of performance evaluation, the methods of conducting performance evaluation. Both the traditional and the modern methods that, explain the purpose of performance appraisal system, the process that has to be followed in conducting performance appraisal and also the challenges faced in conducting performance evaluation. This part of the research is used as a spring board to the analyses part of the research.

2.1. Theoretical Literature

2.1.1. The Performance Appraisal Process

The performance appraisal process consists of six inter-related steps are as follows:

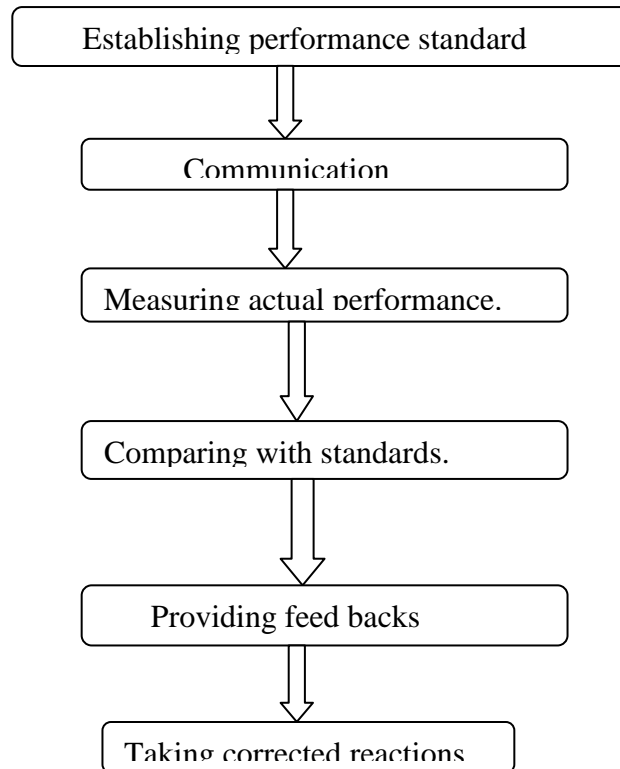


Figure 2.1: The PA process.

Source: <http://appraisals.naukrihub.com>

2.1.2. Establishing Performance Standards

In order to effectively evaluate the actual performance of employees setting standard is important. The standards made have to be related to the strategic objectives of the organization. According to Apekey (2006) performance appraisal must meet certain legal requirements such as reliability, fairness and validity. Having performance standards will help organizations to judge their performance without any controversy as successful or unsuccessful. To do this the standards should be clear, understandable and measurable.

2.1.3. Communicating the Standards

The standards set have to be communicated to employees. This helps them to know on what bases the management is evaluating their performance. This has a great role in informing employees what they are expected to do and for evaluators on what bases they should evaluate employee's performance. It also gives employees the opportunity to exchange a few words on the achievability of the standards set to ask questions if there is anything unclear.

2.1.4. Measuring the Actual Performance

Measuring the actual performance of employees is a continuous process. It involves monitoring how employees are doing their tasks throughout the year. On this stage we have to select suitable techniques of measurement. It keeps records continuously on their performance and also important to effectively measure the actual performance of our employee's. Longenecker (1997), pointed out that to increase the effectiveness of evaluation process and regular performance feedback.

2.1.5. Comparing the Actual Performance with the Desired Performance

Comparing the actual performance with the desired performance enable organizations to know the negative deviation of the employees from the standards set. Having this information will enable organizations to correct the path that employees are following in order to achieve organizational goals.

2.1.6. Discussing Results

At this level of appraisal the results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus with the employees on individual bases. Since the aim of discussing the result is to solve problems faced and motivating employees to perform in a better way. We have to make sure employees get them with a positive attitude (Amstrong, 2006). Employees want ongoing performance feedback to reinforce appropriate actions and to be in a position to make adjustments when their performance needs improvement (Longenecker, 1997).

2.1.7. Decision Making

The last step of the evaluation process is to take decisions which can either improve performance of the employees, take the required corrective actions or the related human resource decisions such as rewards, promotions, demotions, transfers etc.

2.2. Concepts of Performance Appraisal

Performance appraisal has been defined by many scholars in different ways. Campbell, D. and Lee, C. (1988), has defined performance appraisal as the process of identifying, evaluating and developing the work performance of employees in the organization so that organizational goals and objectives are more effectively achieved while at the same time benefiting employees in terms of recognition, receiving feedback, creating work needed and offering career guidance . The major aim of performance evaluation is not only checking past performances but also predicting the capacity of employees in the future by measuring their job related behaviors (Armstrong M, et al, 2006).

Performance appraisal is not only the means of assessing what employees do within a specific period of time but it also enables organizations to know how employees are behaving at their work place. Knowing the behavior of employees at work place enables organizations to fulfill the psychological agreement between organization and individuals. It can enable organizations to work effectively by reducing dysfunctional behavior at work place like absenteeism employees turnover, dissatisfaction.

Performance appraisal is a process by which an organization measures and evaluates an individual employee's behavior and accomplishments for a finite period (Devries et al, 1981). Performance appraisal is a process but this process of evaluation has to be completed within a specific period of time.

According to Aswathappa (2002), Performance appraisal is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations and society benefit.

Beach (1965) defined performance appraisal as the systematic evaluation of the individual with respect to his/ her performance on the job and his/her potential for development. According to Patterson (1987), appraisal or performance review is a method by which the job performance of an employee is evaluated in terms of quality, quantity, cost and time by the corresponding manager or supervisor.

Douglas et al. (1985), performance appraisal is a systematic review of employee's meaningful job behavior to respect their effectiveness in meeting their job requirements and responsibilities. Performance appraisals are essential for career and succession planning. Performance appraisals are important for staff motivation, attitude and behavior development, communicating organizational aims, and fostering positive relationships between management and staff.

From the given definition of performance appraisal one can understand that performance evaluation is a system designed to measure the performance of employees against pre-set standards. It involves providing feedback to the employees so that the result of the appraisal would be used to predict the promotion potential of the candidate in the future. It can be used as a base for administrative decisions and developmental purposes.

2.3. Performance Appraisal Methods

There are different performance appraisal methods. These methods elaborate how management in organization is expected to set standards of performance evaluation and develop ways to measure and evaluate the performance of employees. In general, these methods are classified in to two: the traditional and the modern methods. Some of the methods are discussed as follows:

2.3.1. Traditional Methods

The traditional methods are the old methods of performance evaluation. In this case performance of an employee is evaluated by looking at the personal behavior of the employee (Ashima , 2013). These methods are only concentrated on the past performance (Jafari et al, 2009). This means if a person has a good behavior at his/her work place then he/she has a higher chance of getting a higher performance appraisal score. The traditional methods consist of ranking, graphic rating scales, critical incidence and narrative essay method. These methods are discussed as follows:

2.3.1.1. Ranking Method

This is a method in which performance evaluators rank employees upon their past performance from the best to the worst. Because of its simplicity to apply using this method can help the organizations to perform evaluation in a fast and transparent manner. But this method is criticized for three reasons: first it does not use absolute standard when evaluating employee's performance; this makes it difficult for employees to know whether they are performing good or not. Since their performances do not only depend on how they act but also how their fellow workers execute their job. Second applying this method on a large work force is unmanageable. Third to determine the strengths and weakness of workers is difficult (Wayne, 1992).

2.3.1.2. Graphic Rating Scales

This method consists of several numeric scales representing job related performance creations such as dependability, initiative, and attendance, attitude etc (Brackenn et al, 2001). The employee is rated by identifying the score that best define his or her performance for each trait (Dessler and Gary, 2011). This method is easy to use and to construct at a lower cost. It also

helps the organizations to evaluate every job covering large number of employees. This method is also criticized for the susceptibility of rater's to bias and giving equal weight for all criteria.

2.3.1.3. Critical Incident Method

Critical incident method indicates the significant act by an employee exceeding or failing any of the requirements of his/her job (Sudhir, 2001). It keeps records of unusual employee's work related behavior and compares it with the employee at prearranged times (Dessler & Garry, 2011).

Applying this method can help the evaluators to assess employees based on their actual job behavior and such type of evaluation helps evaluators to easily identify the strength and weakness of an employee. This makes the process of giving feedback very easy. So the contribution of this method towards the improvement of subordinates is very high.

There are some challenges organizations could face in applying this method. The first challenge is time. Analyzing and summarizing regularly collected data require longer time (Torrington & Hall, 1995). The second challenge is since the method requires, the manager to keep a written record of both highly favorable and unfavorable actions in an employee's performance during the entire rating period, gathering information about critical incidents via a survey is difficult (Dessler and Gary, 2011).

2.3.1.4. Narrative Essay

This is the simplest type of traditional rating system (Wayne, 1992). The rater describes in written form the strengths, weaknesses and potentials of employees along with suggestions for improvement. If this method is applied properly it plays an important role in filling information gaps about the employee's performance and provides comprehensive feedback to subordinates regarding their performance.

The major challenge of applying this method is that, the effectiveness of the essay approach depends on the supervisor's ability to write, Some supervisors do not express themselves well in writing resulting in a poor description of employee performance (Mathias & Jackson, 2004). Since different essays touch on different aspects of each employee's performance making

comparisons between individuals and departments are impossible. For this reason it is difficult to use information that we get by using this method for personnel decisions.

2.3.2. Modern Methods

These methods were developed to improve the traditional methods. It tries to eliminate shortcomings of the old methods. The modern methods that are used for judging the performance of employees includes 360 degrees feedback, behaviorally anchored rating scale (BARS), management by objectives (MBO), the assessment center process, 720 degree performance appraisals method.

2.3.2.1. 360 Degrees Feedback

360 degrees feedback are the systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance (Ward, 1995). This method acknowledges that the manager is not the only source of performance appraisal information. So it generates performance data on an individual from their team members or colleagues in other parts of the organization, supervisors, subordinates, customers, self and team (Mathias & Jacksons, 2004). In the organizations applying these method employees will gain a more understanding about how interactions they are making every day could affect people whom they are interacting with. Not only this but also serve as an excellent tool for the development of employees as it forces them to be care full when performing their task every day (Jafari et al ,2009).

Applying 360 degrees feedback is costly, difficult to maintain confidentiality, when findings are differed from group to group it is difficult to interpret the findings Jafari et al (2009).

2.3.2.2. Behaviorally Anchored Rating Scale (BARS)

The major aim of this method is providing a set of scales that is defined in a precise behavioral manner (Harris, 1997). This scales combines major elements from the critical incident and graphic rating scale approaches in that the appraiser rates the employee based on items along a continuum but the points are examples of actual behavior on the job rather than general

descriptions or traits (Wayne, 1992). BARS is significant because it has clear standards as the critical incidents along with the scale that help to clarify what is meant by extremely good performance, average performance, etc. (Grobler et al, 2005). Behaviorally anchored rating scale also compares what the employee does with possible behaviors that might be shown on the job and this has a great contribution to overcome rating errors (Mathias and Jackson, 2004).

Harris (1997) argued that developing BARS is time consuming since each job requires separate BARS scale than the other methods. Wayne (1992) also argued that BARS require considerable efforts to develop, yet there is little research evidence to support the superiority of BARS over the other types of rating systems.

2.3.2.3. Management by Objectives (MBO)

MBO is a process that converts organization objectives into individual objectives (Torrington and Hall, 1995). This method consists of three main processes: the first is setting objectives. Since these goals are agreed upon they serve as standards by which the employee's results can be evaluated (Werther and Wehrich, 1975). The second step is, executing the objectives and performance feedback (Wu B, 2005). By using this method organizations could execute and measure performance. It gives a clear understanding to employees about the roles and responsibilities that is expected of them (Wehrich, 2000).

The shortcomings of management by objectives method are possibility of missing integrity and quality, difficulty of appraisers to agree on objectives and its lack of applicability to all jobs.

2.3.2.4. The Assessment Center Process

The primary purpose of this method is evaluating managerial skills and abilities. This method is most of the time used to select managers and supervisors (Gaugler et al, 1987). It puts candidates through a series of group and individual exercises, interviews, and tests designed to simulate the conditions of a supervisory or managerial job and determines if they have the skills and abilities necessary to perform the job (Byham, 1986).

Assessment center process has a flexible methodology, a better capacity to predict future progress and performance and give a great assistance in promoting decisions and in identifying employees development needs (Moses & Byham, 1977). According to Howard, & Bray, (1988) using assessment center process to measure employee's performance needs a large staff and longer time.

2.3.2.5. 720 Degree Performance Appraisals Method

720 degree performance appraisal method is the most recent appraisal method that has been introduced in new economy companies. This method gives the employee a lot of feedback generally from five to eight people to provide the employee with an all-round assessment of his or her on the job performance (Mondy & Wayner, 2008). 720 Degree Performance Appraisal Method is 360 degree twice. This provide for two round of feedback. By using this method organizations can be able to create a synergetic work environment with a better analysis and improved feedback from different dimensions reduces the appraisal barriers like prejudice, bias and discrimination. Since customer feedback is valued, better customer service and satisfaction can be obtained: It also builds transparency and feeling of treated justly.

The shortcomings of applying 720 degree performance appraisal are the time needed to process the evaluation and the large amount of money needed to carry out the appraisal twice.

2.4. Purpose of Performance Appraisal System

Performance appraisals are one of the most important requirements for a successful business and human resource policy (Keressler, 2003). Performance appraisal data are important to make decisions and to justify them for their objectivity, equity and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate and helps the line managers to decide who will be promoted (Michael, 1987).

As Ivancevich (2004) has indicated, the quality expert W.Edwards Deming argued that performance appraisal is fundamentally flawed because of the following reasons:

They nourish short term performance and deflect attention from long term planning; they leave rates bitter and desolate. Feeling unfit for work because they are afraid to present a divergent point of view, they are also detrimental to teamwork because they foster rivalry and fear among themselves. They focus on the end product, not leadership to help people, the measures used to evaluate performance are not meaningful because supervisors and subordinates are pressured to use numbers and the actions discourage quality because people concentrate on meeting numbers; They won't take time to improve a design if their goals involve quantity and deadlines. He argued that performance appraisal nourishes fear, encourages short-term thinking, stifles teamwork, and is not better than lotteries. He criticized performance appraisal as a deadly disease, and advocates the elimination of performance appraisal.

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

From the perspectives of the organization, performance appraisals serve three basic goals: Evaluation, coaching and development goals. The evaluation goals are primarily designed to give feedback to subordinates. They know where they stand in order to develop valid data for pay and promotion decisions and provide a means of communicating these decisions to help the managers in making discharge and retention decisions to provide a means of warning subordinates about unsatisfactory performance. On the other hand the coaching and development goals are to be used to counsel and coach subordinates so that they will improve their performance and develop future potential and commitment to the larger organizations through discussion of career opportunities and planning. In order to motivate subordinates thorough recognition and also strengthen supervisor-subordinate relations in order to diagnose individual and organizational problems. Individuals want feedback about themselves. The feedback can be obtained through performance appraisal interview.

2.5. Challenges in the Performance Evaluation

There are three major sources of challenges in performance evaluation. The first challenge is related to System Design and Operation. The second raters' difficulty in Performance Evaluation is inadequate training of raters. The third rates' challenge in Performance Evaluation is rates attempt to create unnecessary impression and work area integration. These are discussed as follows:

2.5.1. System Design and Operating Challenges

Challenges in performance appraisal system emanate from the objectives they are intended to serve, the administrative system in which it is set in, and the forms and procedures that make up the system (Michael, 1987). A performance system can be blamed if the criteria for evaluation are poor, the technique used is bulky, criteria used focus solely on activities rather than results and the evaluation may not be well received (Junlin and Guoqing, 2006).

Since performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be modified to match employees and organizational characteristics and qualities.

In order to designing an effective appraisal system strong commitment from top management is essential. Organizations need to have a systematic framework to ensure that performance appraisal is "fair" and "consistent" (Deborah and Brain, 1997). According to Deborah and Brains' study of "Designing effective performance appraisal system", the system made should help to create a motivated and committed workforce, have a framework to provide appropriate training for supervisors, raters, and employees, a system for frequent review of performance, accurate record keeping, a clearly defined measurement system and a multiple rater group to perform the appraisal.

2.5.2. Raters' Challenges in Performance Evaluation

In order to conduct performance evaluation of employees having a well designed system is not enough. Challenges can arise if the raters are not cooperative and well trained (Ivancevich

,2004). Lack of training can lead to a series of problems in completing performance evaluations including problems with standards of evaluation, halo effect, leniency, central tendency, recency of events error, contrast effects, personal bias (Ivancevich, 2004).Some of them are discussed as follows:

2.5.2.1. Halo Effect

Halo error is a tendency to rate high or low on one quality which in turn influences the rater to give a similar rating on other qualities (Decenzo and Robbins, 1993). According to Cleaveland,et al,(1989) halo error is perhaps the most pervasive error in performance appraisal as raters who commit this error assign their ratings on the basis of global impressions of rates. In their opinion, an employee is rated either high or low on many aspects of job performance because the rater thinks he or she knows that the employee is high or low on some specific aspects.

2.5.2.2. Similarity Error

This happens when evaluators rate other people in the same way that the evaluators perceive themselves, that is evaluators who see themselves as aggressive may evaluate others by looking for aggressiveness thus, those who show this characteristic tend to benefit while others are penalized and evaluators who see themselves as punctual may evaluate others by looking for punctuality (Decenzo and Robbins, 1993).

2.5.2.3. Central Tendency

This problem happens when evaluators gives average or around the middle of the scale for all qualities. According to Beardwell and Holden, (1997) raters who are vulnerable to the central tendency error are those who continually rate all employees as average. In this case, if a manager rates all subordinates as very good on a scale of good to excellent.

There will be no reason for employees to improve their performance. The major point in conducting performance evaluation is making differentiation among poor performers and good performers and if evaluator continues giving the same evaluation results for all types of performances then there will be no reason for other employees to improve their skill. This will

create a huge disaster in organizations that use results of performance evaluation for salary increment purposes. This is why it is described by many literatures as the most common and the most serious kind of error.

2.5.2.4. Recency

This type of error occurs when evaluators are influenced by the recent behavior of employee; for example, let's say most of the time Mr. "x" use to come to work at three o'clock when he should have come at two o'clock, but during evaluation period he changes his behavior and started to show up at his work place at two o'clock .Evaluators have given him good performance result by looking at his presence for a few days. This is what we call falling to recognize the most commonly demonstrated behaviors during the entire evaluation period. Giving higher performance evaluation results for employees who were refusing to follow orders from his/her boss when he/she should have created negative image on other employees who were following the order of their boss.

2.5.2.5. Leniency

This is rating an employee higher than the expected norm or average. Being overly loose in rating perspective, the study implied that the prevalence of deliberate inflation of performance ratings may hinder organization's effort to use performance ratings effectively for development, motivational or administrative purposes. For example, employees from different departments with similar work experience and qualifications may be rated differently by their supervisors, in part because these supervisors differ on how much they tend to inflate performance ratings on the basis of such variables as documentation of work behaviors and appraisal visibility. This inconsistency in ratings may reduce subordinates' trust and confidence in the procedural and distributive fairness of the performance appraisals system resulting in lower work motivation and performance (M.S. Susan Taylor, et.al. 1995).

2.5.2.6. Horn Effect

The horn effect occurs when a manager perceives one negative aspect about an employee or his or her performance and generalizes it into an overall poor appraisal rating (Arnold and Pulich , 2003). This can create a negative feeling on employees. No matter how they try to work hard if the management or the rater find one mistake they know their performance will be lower for this reason instead of trying to improve their performance level they will do nothing. This makes employees to lose faith in the appraisal system and the dissatisfaction will force them to live the organization for good.

2.5.3. Ratee's Challenges in Performance Evaluation

An attempt made by ratee's to create unnecessary impression and work are ingratiation is one of the major challenges in performance evaluation process. According to Mark Cook (1995), there are three fundamental types of ingratiating behaviors such as Job-focused ingratiation, Supervisor-focused ingratiation and Self-focused ingratiation. Job-focused ingratiation- In this case employees or ratee's claim credit for things they have done and for the things they have not done. They claim credit for what the group has done, arriving at work early to look good, and working late to look good. Supervisor-focused ingratiation - In this case rate's take interest in the supervisor's private life. They will be kind to the supervisor. They show willingness to help the supervisor. They compliment the supervisor on his/her look and they agree with the supervisor's ideas no matter what. Self-focused ingratiation - Ratee's present themselves to the supervisor as a polite and friendly person. They work hard when results will be seen by the supervisor. They make sure the supervisor know that they are trying to do a good job.

The other problem created by the ratee's is defensiveness and resistance to evaluations. Most of the time employees view their performance much more positively than did their supervisor. For this reason they will be disappointed unless the supervisor gives them a high score.

According to (Michael et al, 1988) employees may develop defensive mechanisms and resistance in performance ratings to defend against threats to their self esteem by blaming their unsatisfactory performance on uncontrollable events. They may question the appraisal system itself or decrease its importance. They may lower the source of the data. They may say sorry and

promise to do better in the hope of limiting their exposure to negative feedback or they may agree willingly to the feedback while privately denying its validity or accuracy. The defensiveness that results may take the form of open hostility and denials or may be masked passively and outside compliance.

Therefore, based on the theoretical understanding gained from the literature, the researcher has tried to assess the practices and the challenges that were faced by Oromia International Bank in conducting performance evaluation.

CHAPTER THREE

THE RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methods and procedures used to conduct the study. This includes the research design, data sources and sampling techniques used in the study. The data gathering instruments and data analysis are included. In addition to this a document analysis method was also employed to analyze data associated to performance evaluation records. The review of related literature was also used to enrich the study.

3.1. The Research Design and Approach

In order to describe the practices and the challenges of performance appraisal at Oromia International Bank S.C, descriptive research design was employed. Descriptive research is used to obtain information concerning the current status of the phenomena to describe “what exists” with respect to variables or conditions in a situation. Quantitative data was collected from staff members using self-administered questionnaires. And qualitative data was collected through interviews from managers and raters. These instruments were chosen because of their ability to collect the primary data accurately.

The study focuses on revealing the current practices and challenges of performance evaluation at Oromia International Bank S.C. To this effect a descriptive survey method was employed on the assumption that it helps to gather a sufficient data related to the subject under study. This section of the study revealed sources of data, how study areas were identified and how samples were selected.

3.1.1. Data Sources

Data are obtained from both the primary and the secondary sources. The primary data were obtained by conducting interview and the administration of questionnaires to employees and the management bodies. The secondary data were collected from sources such as books, journals and the internet.

3.1.2. Sample Size and Sampling Techniques

This part of the study showed the entire groups of persons who have the character that interest the research have participated. This population was chosen by the researcher because of its ability in obtaining the relevant information from them.

3.1.2.1. Sampling Techniques

A purposive sampling technique was used in obtaining information for the research. In purposive sampling, the researcher selected key individuals who could give the required information for the study. This method has the ability to gather adequate information from employees who has the knowledge about the practice of the performance appraisal process within, smaller amount of time and fewer burdens on the researcher.

3.1.3. Sample Size

The sample size is a given fraction drawn out of the population to represent them. The sample size is also dependent up on time, budget available and the necessary degree of precision. The samples were selected from the total population of 1067 employees of the Bank excluding the clerical workers. 291 peoples were selected by using the Taro Yamane (1973) method. As follows:

$$N_y = N / (1 + Ne^2) \text{ -----where } N = \text{total population}$$

e = error level percent confidence interval or alpha level i.e. 0.05

$$\begin{aligned} N_y &= 1067 / (1 + 1067 (0.05)^2) \\ &= 1067 / (1 + 2.67) \\ &= 290.7 \end{aligned}$$

The choice of the employees was conducted by using purposive sampling method because the sample was taken from employees who were available. In this budget year there were a total of 1067 employees (448 females and 619 males) out of this total population 291 were randomly selected (187 male and 104 female) employees were selected. Out of which 12 were managers.

3.2. Data Gathering Instruments

Questionnaires and unstructured interview were prepared for the data collection. All the items of the instruments were made as relevant as possible to the study problem.

3.2.1. Designing the Questionnaire

Questionnaires were used to obtain information about the thought, feelings, beliefs, values, perceptions, personalities and behavioral intentions of research participants (Johnson and Christensen,2004). The questionnaire is the most widely used technique for obtaining information from subjects in relatively economical manner ,this method has the same questions for all subjects and can ensure anonymity (Mc Milan and Schumacher, 2006).Furthermore, it is useful to collect factual information desired(Best and Kahn, 2006).

A total of twenty five close ended question items (Two on the business strategy, four questions were related to performance standards that are associated with employees job and ability, three questions were about communication, four on evaluation techniques used by the bank , three questions were about how the bank compares the actual performance of employees with desired performance, four questions were connected to how feedback is given to employees at the end of the evaluation period, five questions were about how the bank teak corrective actions. Three open ended question on the practices and challenges of performance evaluation were prepared and distributed to employees. Out of the total of 291 questioners 245 employees properly completed the questionnaire.

3.2.2. Unstructured Interview

In order to obtain information from managers interview method was used. Using unstructured interview format has a great ability in obtaining an in -depth information to obtain answers to carefully phrased questions on the topic. This method gives the researcher an opportunity to make face to face contact with the interviewees. This enables the interviewer to clarify the questions for the interviewees.

On this study three unstructured interview items on practices and challenges of employee's performance evaluation were designed for the management.

3.3. Pilot Study

The purpose of the pilot study was to assess the relevance of the instruments designed to collect data for the study. To find out ambiguities omissions and misunderstandings of each item. Copies of the instruments were given to study/thesis advisor and two for graduate students of management department at St. Mary’s University. They were asked to give their reaction on each item of the instruments. Using the relevant comments and suggestions from the professionals, some corrections were made. After the refinement of the instruments. Pilot study was conducted on the human resources department of Oromia International Bank S.C head office. A total of fifteen subjects had participated in the pilot study. Questioners were distributed to employee’s i.e. clerical workers. After the pilot study was conducted, both reliability and validity analyses were established. For example in investigating the overall feature of the questionnaires, Cronbach alpha reliability was calculated using the SPSS software version 20.

The reliability coefficient for the practices and challenges of performance evaluation was found as follows:-

Table 1. Reliability Statistics for the business strategy

<i>Cronbach's Alpha</i>	<i>N of Items</i>	
.417	2	2

Table 2. Reliability Statistics for performance standard: related to employees job and ability

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.503	4

Table 3. Reliability Statistics for questions relate to Communication

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.497	3

Table 4. Reliability Statistics for evaluation

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.523	3

Table 5. Reliability Statistics for comparing the actual performance with desired performance

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.617	3

Table 6. Reliability Statistics for corrective action

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.626	4

Table 7. Reliability Statistics for corrective action

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.612	5

In order to improve the reliability all the items of the instruments were made as pertinent as possible to the study problem. Based on the pilot study's results and professionals' feedback the content validity of the instrument was checked as follows:

- The items were thoroughly inspected.
- The content validity of the instruments, the order of the questions, omissions, vague items and terminologies were improved and made the items measure what they purported to measure.

3.4. Procedures of Data Collection

The procedure followed to collect data for the main study was similar to that of the pilot study. Before administering the final instruments for data collection at Oromia International Bank S.C head quarter, a short training was given to research assistants on how to conduct the questioner

survey. The researcher also established an appropriate rapport with the subject to facilitate situations for the research activity. All the respondents were informed about the purpose of the study and how to complete the questionnaires. During the administration of the questionnaire chances for clarification of any question were given. All interviews were done by the researcher.

The data collection through the interview was conducted by speaking to the respondents face to face. Before conducting the interview, necessary understanding was established with respondents by creating a conducive atmosphere and explaining clearly to them what the purpose of the interview was. The respondents were also assured that responses were kept in absolute confidentiality. They were also assured that they were held responsible for the research outcome and reported only as part of the entire group responses.

3.5. Method of Data Analysis

The data collected through the survey questionnaires were coded, organized and analyzed using statistical package for social sciences (SPSS) version 20. In order to analyze the data descriptive statistics were used. Descriptive statistics including frequency and percentages were used to report the profiles of participants and to provide a comparative representation of the findings for the research questions.

CHAPTER FOUR

DATA ANALYSE AND INTERPRETATIONS

The results and discussion of the findings were organized by using descriptive statistics, such as frequency, percentage and mean. The data obtained through interview and questionnaires were analyzed by using quantitative and qualitative method. The quantitative data gathered through questionnaires were analyzed by using computer software known as Statistical Package for Social Science (SPSS version 20). The data obtained through interview were analyzed qualitatively.

4.1. General Information about the Respondents

A total of 291 questionnaires were distributed out of which 245 were filled and returned to the researcher. Beside the data were collected, Interview was conducted face to face and recorded and transcribed for the purpose of analysis.

Table 8:- Characteristics of the respondents/Subjects

No	Status		Respondents/Subjects		
			Employees/clerical workers	Managers/raters	Total
1	Sex	Male	155	12	167
		Female	78	-	78
		Total	233	12	245
2	Age Range	Under25	36	-	36
		25-34	67	4	71
		35-44	122	6	126
		45-54	10	2	12
		55 and above	-	-	-
		Total	233	12	245
3	Years of Experience	0-2	44	-	44
		2-4	77	8	85
		4-6	66	4	70
		6-8	46	-	46
	Total	233	12	245	

4.2. Data Analysis

Table 9:- Employee's Awareness of the banks business strategy (N= 245)

No	Statements	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	Employees in OIB know well the business strategy of the bank.	34	13.5	106	42.1	54	21.4	51	20.2	-	-
2	Performance evaluation standards made by OIB are related to the strategic objective of the bank.	10	4	152	60.3	26	10.3	48	19	9	3.6

As it shown in Table 3, 13.5% of the respondents strongly agreed that they know the business strategy of the bank. 42.1 % of the respondents agreed, 21.4 % of the respondents were not sure, 20.2 % of the respondents disagree. As a result, it can be concluded that majority of respondents agreed that they know the strategic objective of the bank. This is a good thing because when employees have known and understand the strategic objective of the bank they will do their job in a way that will enable them to achieve those goals.

In answering whether Performance evaluation standards made by OIB are related to the strategic objective of the bank? 4 % of the respondents strongly agreed that the performance evaluation standards made by the bank are related to the strategic objective of the bank 60.3 % of the respondents agreed 10.3% of the respondents were neutral, 19.6 % of the respondents disagree and 3.7 % of them strongly disagreed. As a result, it can be concluded that majority of respondents agreed on the standards made by the bank are related to the strategic objective of the bank. Having evaluation standard that is in line with the strategic objective of the bank will enable the bank to achieve its strategic objective within a short period of time.

Table 10:- Employees opinion regarding performance standard of the bank (N= 245)

No	Statements	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	The standards made by the bank are achievable.	10	4.01	154	61.1	70	27.8	10	4	-	-
2	The standards made by the bank are understandable.	41	16.3	120	47.6	73	29	10	4	-	-
3	The standards made by the bank have the capacity of evaluating my job.	7	2.8	118	46.8	90	35.7	29	11.5	-	-
4	The standards made by the bank take in to consideration the ability of employees.	-	-	95	37.7	81	32.1	61	24.2	8	3.2

In answering the question the standards made by the bank are achievable. 4.01 % of respondents strongly agreed that standards made by the bank are achievable 61.1% of the respondents agreed whereas 27.8% of the respondents were neutral and 4 % of the respondents disagree. As a result, it can be concluded that majority of respondents agreed on the standards made by the bank are achievable. When organizations made standards that are achievable employees will be motivated to do whatever is expected from them so that they could score higher evaluation score than other employees.

In answering if the standards made by the bank are understandable. 16.3% of the respondents strongly agreed that standards made by the bank are understandable, 47.6 % of respondents agreed, 29% of the respondents were neutral and 4% of the respondents disagree. As a result, it can be concluded that majority of respondents agreed on the standards made by the bank are

understandable. When employees understand the rules or criteria's they are expected to fulfill they will do what they have to do in a short amount of time.

Four the question the standards made by the bank have the capacity of evaluating my job. 2.8 % of respondents strongly agreed that standards made by the bank have the capacity to evaluate their job 46.8 % of respondents agreed, 35.7% of the respondents were neutral and 11.5 % of respondents disagree. As a result, it can be concluded that majority of respondents agreed on the capacity of the standards made to evaluate their job.

In answering the question the standards made by the bank take in to consideration the ability of employees. 37.7 % of the respondents agreed that the standards made by the bank take in to consideration the ability of employees. 32.1 % of respondents were neutral, 24.2 % of respondents disagreed that the standards made by the bank has no ability to evaluate their performance, 3.2 % of respondents strongly disagree. As a result, it can be concluded that majority of respondents agreed.

Table 11:- Responses for questions related to the Process of Communicating Performance evaluation standards (N= 245)

No	Statements	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	Performance standards are communicated to all employees of the bank.	42	16.7	112	44.4	70	27.8	10	4	10	4
2	Employees have the opportunity to ask questions if there is anything unclear regarding the performance evaluation standard.	10	4	57	22.6	31	12.3	121	48	26	10.3
3	Employees have the chance to challenge performance evaluation standard if they feel it is not achievable.	-	-	26	10.3	81	32.1	116	46	21	8.3

In answering the question performance standards are communicated to all employees of the bank. 16.7 % of respondents strongly agreed that Performance standards are communicated to all employees of the bank. 44.4 % of the respondents agreed, 27.8 % of respondents were neutral, 4 % of the respondents strongly disagree and another 4% disagreed. As a result, it can be concluded that majority of respondents agreed. From the interview the researcher has find out that employees will be informed on what criteria's they will be evaluated at the time of employment.

For the question employees have the opportunity to ask questions if there is anything unclear regarding the performance evaluation standard. 4 % of respondents strongly agreed employees have the chance to challenge performance evaluation standard if they feel it is not achievable, 22.6 % of them agreed, 12.3 % of respondents were neutral, 48% of respondents strongly

disagree and another 10.3 % strongly disagreed. As a result, it can be concluded that majority of respondents disagreed.

For the question employees have the chance to challenge performance evaluation standard if they feel it is not achievable. 10.3 % of respondents agreed employees have the chance to challenge performance evaluation standard if they feel it is not achievable 32.1 % of respondents were neutral , 46 % of respondents disagree and another 8.3 % strongly disagreed. As a result, it can be concluded that majority of respondents disagreed.

Table 12:- Responses to questions related to the process of evaluation (N=245)

No	Statements	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	I have the opportunity of participating in the design of performance evaluation format.	-	-	70	27.8	32	12.7	96	38.1	46	18.3
2	Raters are qualified to evaluate employee's performance.	-	-	65	25.8	75	29.8	104	41.3	1	0.4
3	Raters are influenced by their personal bias when they evaluate employee's performance.	9	3.6	97	38.5	66	26.2	62	24.6	10	4
4	The performance evaluation format used in the Organization is capable of measuring performance of employees.	34	13.5	69	27.4	94	37.3	38	15.1	9	3.6

For the question I have the opportunity of participating in the design of performance evaluation format. 27.8 % of the respondents agreed 12.7 % of the respondents were neutral, 38.1 % of respondents disagree and another 18.3 % strongly disagreed. For this reason it can be concluded that oromia international bank do not give an opportunity of participation in the designing of the performance evaluation format to its employees rather the designing of the evaluation form is left to the human resource specialists of the bank.

According to Michael Beer (1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation.

For the question raters are qualified to evaluate employee's performance. 25.8 % of respondents agreed, 29.8 % of respondents were neutral ,41.3 % of respondents disagreed and 4% strongly disagreed . As a result, it can be concluded that majority of respondents disagreed on the qualification of raters.

When giving response to the question raters are influenced by their personal bias when they evaluate employee's performance. 3.6 % of respondents strongly agreed, 38.5 % of respondents agreed, 26.2 % of respondents were neutral, 24.6 % disagreed, and 4% of them strongly disagreed that raters are influenced by their personal bias when they evaluate employee's performance. As a result, it can be concluded that majority of respondents agreed that raters are influenced by their personal bias when they evaluate employees performance.

In answering if the performance evaluation format used in the Organization is capable of measuring the performance of employees.13.5% strongly agreed, 27.4% agreed, 37.3% were neutral, 15.1% of them disagree and 3.6% of them strongly agreed.

Table 13:- Comparing the actual performance with desired performance (N= 245)

No	Statement	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	The bank Compares the actual performance of employees with the desired performance.	44	17.5	121	48	39	15.5	30	11.9	10	4
2	Performance appraisal is helpful to develop personal skill.	26	10.3	139	55.2	33	13.1	9	3.6	37	14.7
3	The appraisal system helps to identify the strength and weakness of the employee.	32	12.7	106	42.1	45	17.9	33	13.1	28	11.1

In answering the question the bank compares the actual performance of employees with the desired performance. 17.5 % of the respondents strongly agreed, 48 % of the respondents agreed, 15.5 % of the respondents were neutral 11.9 % disagreed, 4 % of them strongly disagreed. As a result, it can be concluded that majority of respondents were agreed.

Comparing the actual performance of employees with the desired performance will help organization to identify the strong and weak pointes of their workers and to provide training.

When giving response the question if performance appraisal is helpful to develop personal skill. 10.3 % of the respondents strongly agreed, 55.2 % of the respondents agreed, 13.1 % of the respondents were neutral 3.6 % disagreed, 14.7 % of them strongly disagreed. As a result, it can be concluded that majority of respondents agreed.

12.7 % of the respondents strongly agreed that the appraisal system helps to identify the strength and weakness of the employee. , 42.1 % of the respondents agreed, 17.9 % of the respondents

were neutral 13.1 % disagreed, 11.1 % of them strongly disagreed. As a result, it can be concluded that majority of respondents agreed.

Table 14:- The process of giving feedback (N= 245)

No	Statement	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	Employees discuss performance appraisal results with the appraiser.	8	3.2	56	22.2	74	29.4	105	41.7	-	-
2	Employees have the chance to challenge performance rating if they feel it is un fair.	41	16	63	25	79	31.3	36	14.3	25	9.9
3	Raters frequently give feed back to employees about their performance.	7	2.8	38	15.1	76	30.2	107	42.5	16	6.3
4	Data generated through evaluation is used to identify individual problems based on performance results.	59	23.4	34	13.5	113	44.8	38	15.1	-	-

Analysis of the opinion of the respondents revealed out on that majority of respondents 41.7 % disagreed that employees discuss performance appraisal results with the appraiser. While about 3.2 % of the respondents strongly agreed that they discuss performance appraisal result with appraiser, 22.2 % of the respondents agreed and 29.4 % of the respondents were neutral. As a

result it can be concluded that employees don't discuss performance appraisal results with the appraiser.

As it shown on table above 16.3 % of the respondents strongly agreed that they have a chance to challenge the performance rating if they feel it is unfair, 25 % of the respondents agreed, 31.3% of the respondents were neutral 14.3% disagreed 9.9 % of them strongly disagreed. As a result, it can be concluded that majority of respondents were neutral. But from the results found out from interview with the human resources managers. Employees have the chance to make appeal if they have any questions regarding their performance rating and some employees are using this opportunity.

As it shown on table above , 2.8 % of the respondents strongly agreed, 15.1 % of the respondents agreed, 30.2 % of the respondents were neutral 42.5 % disagreed 6.3% of them strongly disagreed. As a result, it can be concluded that majority of respondents disagreed that raters frequently give feed back to employees about their performance.

As Cleaveland, Murphy and Williams (1989) postulated that performance appraisal serves as a means of reinforcement, career advancement, information about work goal attainment and source of feedback to improve performance. But Oromia International bank is not giving feed back to employees on time.

For the question data generated through evaluation is used to identify individual problems based on performance results. 23.4 % of them strongly agreed, 13.5 of them agreed, 44.8 % of them were neutral and 15.1% of them disagreed.

Table 15:- The process of taking corrective actions (N= 245)

No.	Statement	Number of employees									
		Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
		F	%	F	%	F	%	F	%	F	%
1	Results of performance evaluation in OIB are used to warn subordinates about Unsatisfactory performance.	-	-	101	40.1	87	34.5	36	14.3	20	7.9
2	Performance evaluation results are used to counsel and coach subordinates.	15	6	82	32.5	51	20.2	68	27	28	11.1
3	Corrective actions used by the bank help employees to improve their performance and develop future potential.	42	16.7	79	31.3	77	30.6	37	14.7	9	3.6
4	Information collected through performance evaluation in OIB determines pay and promotion decisions.	60	23.8	104	41.3	48	19	32	12.7	-	-
5	The bank gives training for employees who have lower performance result.	-	-	95	37.7	94	37.3	26	10.3	29	11.5

As it is shown on the table above 40.1 % of the respondents agreed that the results of performance evaluation in OIB are used to warn subordinates for their unsatisfactory performance, 34.5 % of the respondents were neutral, and 14.3 % of the respondents disagreed 7.9 % disagreed. As a result, it can be concluded that majority of respondents agreed.

6 % of the respondents strongly agreed 32.5 % of the respondents agreed 20.2 % of them were neutral 27% disagreed 11.1 % strongly disagreed. As a result, it can be concluded that majority of respondents agreed that the results of performance evaluation is used to warn subordinates about unsatisfactory performance.

This finding is confirmed by Mc Gregor's Theory X which postulates that the average person is lazy and has an inherent dislike for work and as a result, people must be coerced, controlled, directed and threatened with punishment if the organization is to achieve its objectives.

16.7 % of the respondents strongly agreed that Corrective actions used by the bank help employees to improve their performance and develop future potential. 31.3 % of the respondents agreed 30.6 % were neutral 14.7 % of them disagreed 3.6 % of them strongly disagreed . As a result, it can be concluded that majority of respondents agreed that the results of performance evaluation is used to counsel and coach subordinates

This finding is supported by, Mathias and Jackson (2004) observed that the manager's role parallels that of a coach. Thus, a coach rewards good performance with recognition, explains what improvement is necessary and shows employees how to improve.

23.6 % of respondents strongly agreed 41.3 % of respondents agreed 19 % were neutral 12.7 % disagreed. As a result, it can be concluded that majority of respondents agreed on information collected through performance evaluation in OIB determines pay and promotion decisions.

This finding was long-established by Patterson (1987) who observed that performance appraisal documents criteria used to allocate organizational rewards and forms a basis for personnel decisions including salary increases.

37.7 % of respondents agreed that the bank gives training for employees who have lower performance 37.3 % of respondents were neutral 10.3 % disagreed 11.5% of respondents strongly agreed. As a result, it can be concluded that majority of respondents agreed that the bank give training for employees who have lower performance result.

One of reasons for conducting performance appraisal is to fulfill the training and development needs of employees. This was supported by Mathias and Jackson (2004) that after evaluators identified the strengths and weaknesses, of employees and the level of training needs, raters can

inform employees about their progress, discuss what areas they need to develop and identify development plans.

From the responses given to the open ended questions by employees about the appraisal process the performance evaluation result is used for the purpose of giving bonuses at the end of the budget year, to develop the personal skills of employees through training and for the purpose of giving promotion. From the interview conducted with the human resources manager of the bank the major reasons for conducting performance evaluation at Oromia International Bank are :- to make employees know where they stand comparing with their fellow workers, to identify employees who needs training and develop their skills and motivating employees by giving them recognitions and reward for their job.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. SUMMARY

The objective of this study is examining the practices and challenges of performance evaluation at oromia International Bank S.C.

The study involves randomly selected clerical employees of the bank working in 2016 G.C and the management of the bank.

In the study attempts have been made to provide answers to the following basic research questions.

- What are the performance appraisal processes at OIB?
- What are the main reasons for conducting performance appraisals at OIB?
- What are the main problems associated with the method of performance appraisal at OIB?
- How are employee performance affected by the performance system at OIB?

In order to deal with these basic research questions, the related literature was reviewed. With the help of questionnaire and unstructured interview guide lines, practices and challenges of performance evaluation at Oromia International Bank S.C. Based on the data obtained through questionnaires and interviews the findings were analyzed and the discussions were made in relation to the existing literature. Based on the analysis, the following major findings were obtained.

- Employees know the business strategy of the bank.
- The performance evaluation standards made by the bank are related to its strategic objective of the bank.
- The standards made by the bank are achievable and understandable.
- The standards made by the bank takes in to consideration the ability of employees and have the capacity to evaluate their performance.
- Employees do not participate in the preparation of performance evaluation standards.

- Raters are not qualified to evaluate employee's performance.
- Raters are influenced by their personal bias when they carried out the evaluation.
- Performance standards are communicated to all employees of the bank.
- Employees have no opportunity to ask questions if there is anything unclear regarding the performance evaluation standards made by the bank and can't challenge if the standards are not achievable.
- The bank compares actual performance of employees with desired performance.
- Performance evaluation at the bank is helpful to develop personal skill.
- The performance evaluation system at the bank helps to identify the strength and weakness of employees.
- Employees can't challenge if the standards are not achievable.
- Employees do not discuss performance evaluation results with the appraiser.
- Employees can appeal if they are not satisfied with their performance evaluation score.
- The results of performance evaluation are used to warn subordinates about their unsatisfactory performance and to counsel and coach them.
- Corrective actions used by the bank help employees to improve their performance and future potential.
- Performance results determine pay and promotion decisions.
- The bank gives training for employees who have lower performance result.

5.2 CONCLUSIONS

Based on the findings the following conclusions were made:

- Employees are told about what they have to perform at the time of their emplacement. Then their performance is evaluated by their immediate supervisors twice a year. Evaluation forms are distributed to all branches of the bank then after filling the evaluation forms; they return it to the head office. In investigating the performance appraisal system of Oromia international bank, it has been found out that management by objective method is used. On this method in order to carry out evaluation process the first step is to set objective. The second step is to

give a clear understanding to employees about the roles and responsibilities that are expected from them this is done when employees are hired.

- The performance appraisal conducted at the bank is used to evaluate the ability of employees to know who is performing well and who is not performing in a good manner, this could help to identify who needs training, who deserve bones at the end of the year and in the long run the result of performance evaluation will determent the level of salary increment one should get, grade promotion, transfer to another post and demotion are among the objectives of the bank.
- Based on the information gathered through the questionnaire & interview conducted in OIB the challenges of the performance appraisal system in general include:-
 - ✓ Employees do not participate in the preparation of performance evaluation standards.
 - ✓ Lack of qualified Raters to evaluate employee's performance.
 - ✓ Employees are not participated in setting the performance criteria and the weight assigned to performance measurement criteria.
 - ✓ Raters are influenced by their personal bias when the carry out evaluation.
 - ✓ Employees can't challenge if the standards made by the bank are not achievable.
 - ✓ Employees do not discuss performance evaluation results with the appraiser.

If all the above mentioned problems are corrected the appraisal system of the Bank will contribute to the success of the organization. Therefore based on the problems the following recommendations are suggested as helpful to improve the system.

5.3. RECOMMENDATIONS

In view of the findings and the challenges together with the review of related literature the following recommendations are suggested:-

- ✓ The first step the bank should do is making employees to participate in the designing of the appraisal system and criteria and participating employees in the design of the performance appraisal process the weight assigned to the criteria should be revised based on the participants' idea.

- ✓ Evaluators should get training that lets them to know how to conduct evaluation and the purpose of evaluation. This can help them to avoid personal bias and perform evaluation in a good way.
- ✓ Feedback should be given to employees on time. The main objective of evaluation is to improve employees' performance. But employees could not perform better without getting the feedback on time.
- ✓ Discussion should be made after the appraisal is conducted this can help to acquire information concerning the process of performance evaluation. This helps appraises to identify problem areas in both the employee performance as well as the system.
- ✓ The bank should use the 360 degree feedback method. so instead of using the manager as the only source of information applying this method will helps organizations to collect feedback from individuals or groups

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APPENDICES

Appendix A: Questioner to be filled by Rates or Appraises

Objective

The objective of this questionnaire is assessing the practices and challenges of employee's performance evaluation of Oromia International Bank S.C. Your responses are important as you are the practitioners of employee's performance evaluation.

There for, you are kindly requested to fill in this questionnaire. All your responses will be kept in absolute confidentiality. You will not be held responsible for the research outcome. The researcher kindly expresses her thanks in advance for devoting your time and energy to complete this questionnaire.

Thank you!

Part I: Personal Data

Instruction: Answer by making “√” on the tables below so that the researcher will be able to identify your status.

1) Gender :

1	Male	
2	Female	

2) Age : Categories

1	Under 25	
2	25-34	
3	35-44	
4	45-54	
5	55 and above	

3) Number of years working on your current job :

1	0-2	
2	2-4	
3	4-6	
4	6-8	

4) Level of Education:

1	College Diploma	
2	BA/BSC Degree	
3	Master's Degree	

PART II: Opinion survey on the practices of performance Evaluation

Instruction: Based on the extent to which an item indicate your level of agreement with the statements choose one of the options and write “√” in the column of your choice. The numbers have the following meaning:

1= Strongly agree 2 = Agree 3= Neutral 4 = Disagree 5 = Strongly disagree

Business strategy						
NO.	Statements	1	2	3	4	5
1	Employees in OIB know well the business strategy of the bank.					
2	Performance evaluation standards made by OIB are related to the strategic objective of the bank.					

Performance Standard: related to employees job & Ability						
NO.	Statements	1	2	3	4	5
3	The standards made by the bank are achievable.					
4	The standards made by the bank are understandable.					
5	The standards made by the bank have the capacity of evaluating my job.					
6	The standards made by the bank take in to consideration the ability of employees.					

Evaluation						
NO.	Statements	1	2	3	4	5
7	I have the opportunity of participating in the design of performance evaluation format.					
8	Raters are qualified to evaluate employee’s performance.					
9	Raters are influenced by their personal bias when they evaluate employee’s performance.					
10	The performance evaluation format used in the Organization is capable of measuring performance of employees.					

Communication						
NO.	Statements	1	2	3	4	5
11	Performance standards are communicated to all employees of the bank.					
12	Employees have the opportunity to ask questions if there is anything unclear regarding the performance evaluation standard.					
13	Employees have the chance to challenge performance evaluation standard if they feel it is not achievable.					

Comparing the Actual with the Desired Performance						
NO.	Statements	1	2	3	4	5
14	The bank Compares the actual performance of employees with the desired performance.					
15	Performance appraisal is helpful to develop personal skill.					
16	The appraisal system helps to identify the strength and weakness of the employee.					

Feedback						
NO.	Statements	1	2	3	4	5
17	Employees discuss performance appraisal results with the appraiser.					
19	Employees have the chance to challenge performance rating if they feel it is un fair.					
20	Raters frequently give feed back to employees about their performance.					
21	Data generated through evaluation is used to identify individual problems based on performance results.					

Corrective Action						
NO.	Statements	1	2	3	4	5
22	Results of performance evaluation in OIB are used to warn subordinates about Unsatisfactory performance.					
23	Performance evaluation results are used to counsel and coach subordinates.					
24	Corrective actions used by the bank help employees to improve their performance and develop future potential.					
25	Information collected through performance evaluation in OIB determines pay and promotion decisions.					
26	The bank gives training for employees who have lower performance result.					

Part II. Open- ended Questions

- 1) How often is your performance evaluated is a year? _____

- 2) In your opinion, what are the real challenges that you observe regarding performance evolutions practices of your organization ? _____

- 3) Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization? _____

Thank you!

Appendix B: Interview

I. Interview Questions Designed for The Human Resource Manager and Raters of OIB

Part 1: Personal data

- 1.1 . Age: _____
- 1.2 Sex: _____
- 1.3. Level of Education: _____
- 1.4 Years of service: _____
- 1.5. Years of service in this bank _____

Part II: List of interview questions:

- 1) How do you evaluate the performance of employees ?-----

- 2) What are the major reasons for conducting performance evaluation at Oromia international bank?-----

- 3) What are the Challenges faced by Oromia International Bank with regard to the performance evaluation practices? _____

Thank you !