EMPLOYEES PERCEPTION TOWARD PERFORMANCE APPRAISAL SYSTEM PRACTICE OF COMMERCIAL BANK OF ETHIOPIA

By
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ADDIS ABAB, ETHIOPIA
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APPROVED BY BOARD OF EXAMINERS

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List of Abbreviations and Acronyms

CBE- Commercial Bank of Ethiopia
PA – Performance Appraisal
PAS-Performance Appraisal System
PMS-Performance Management System
HRT-Human Resource Transaction
HR-Human Resource
HRM-Human resource management
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ABSTRACT

Performance appraisal seems to be one of the most important tools in Human Resource Management. Organizations design appraisal systems to assess and enhance employee’s performance, develop their competence and distribute rewards. Because of this, it is now viewed as a mechanism for developing and motivating people hence the general consensus among performance appraisal researchers and practitioners that assessment of appraisal reactions is important. For instance, it is frequently argued that in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions. The key to experience this positive reaction is an answer to the question 'are employees satisfied with the performance appraisal system?' The purpose of this paper is to evaluate employee satisfaction as the most important reactions with performance appraisal systems. The aim is to analyze findings in the light of existing literature theories. The knowledge from the theoretical part of this paper combined with the results of the research can be useful for managers/supervisors who deal with employees and for HR professionals who make decisions based on appraisal results. The research was based on the questionnaires distributed to the sample of 250 respondents from commercial bank of Ethiopia 14 branches under Addis Ababa districts. The respondents were asked both open ended questions which they provided their own answers to and closed ended questions which they provided answers based on the researchers options. With the use of the SPSS software, the data analyzed showed that employees clearly understood the criteria used for appraisal assessment. The findings from the study also suggested that the appraisers may not have direct or adequate knowledge of the job specification of employees in other to give a profound assessment and also the type of appraisal system in place gave the appraiser a greater influence over the final results. Moreover, they are eager to solve the problems of the workers, yet that employees should be immediately communicated supported with the performance appraisals system and the supervisor should try to provide with the proper training on not only how to use the assessment tool, but also how to acquire the necessary skills to conduct fair and accurate performance appraisals system within is expected much of it.

Key words: performance appraisal, human resource management, human resource professionals, organizational design, profound assessment, job specification
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

In today’s competitive business world, it is understood that organizations can only compete with their rivals by innovating, and organizations can be innovative by managing their human resources well. The human resource system can become more effective by having a valid and accurate appraisal system used for rating performances of employees (Armstrong, 2003; Bohlander & Snell, 2004). Unfortunately, the number of organizations using an effective performance appraisal system (PAS) is limited (Hennessey & Bernadin, 2003).

Perceptions of employees about the targets, outcomes and uses of performance appraisal (PA) results would be beneficial depending on a number of factors. For example, employees are more likely to be receptive and supportive of a given PA programmers if they perceive the process as a useful source of feedback which helps to improve their performance (Mullins, 2007). Employees are likely to embrace and contribute meaningfully to a given PA scheme if they perceive it as an opportunity for promotion, and as an avenue for personal development opportunities, a chance to be visible and demonstrate skills and abilities, and an opportunity to network with others in the organization. On the other hand, if employees perceive PA as an unreasonable attempt by management to exercise closer supervision and control over tasks them (employees) perform, various reactions may result. PA will be effective if the appraisal process is clearly explained to, and agreed by the people involved (Anthony et al., 1999). Without adequate explanation or consultation, PA could turn counterproductive.

In addition, staff motivation, attitude and behavior development, communicating and aligning individual and organizational aims, and fostering positive relationships between management and staff are essential for successful appraisal (Armstrong, 2003). In order to obtain accurate PA information, raters must provide objective and unbiased ratings of employees. Due to difficulty in developing an accurate performance checklist, managers’ subjective opinions are frequently
called for. Many organizations use some combination of subjective and objective assessment for actual PA. Yet, there are numerous problems in actual assessment of employee performance (Corbett & Kenny, 2001).

The existence of such problems suggests that PAS may be fraught with biases or errors, resulting in compromised evaluations of employees’ accomplishments and capabilities. And the PAS of the institution of study might not be an exception. For a PAS to be perceived as fair, it must be free of bias. It is known that appraisal errors can harm perceptions of pay system fairness by confusing the relationship between true performance differences (Miceli et al., 1991). The importance of effective PA in organizations cannot be over emphasized as appraisals help develop individuals, improve organizational performance and feed into business planning. An understanding of the phenomenon, therefore, in every sector of human Endeavour is imperative.

1.2 Statement of the Problem

Understanding fairness in performance appraisal processes and practices is extremely important for organizations because of its relationship with employees’ satisfaction and organizational commitment. Perceptions of employees about the targets, outcomes and uses of performance appraisal (PA) results would be beneficial depending on a number of factors. For example, employees are more likely to be receptive and supportive of a given PA program if they perceive the process as a useful source of feedback which helps to improve their performance (Mullins, 2007).

Employees are likely to embrace and contribute meaningfully to a given PA scheme if they perceive it as an opportunity for promotion, and as an avenue for personal development. The performance appraisal can be used as an effective managerial decision tool. Reviewing the performance appraisals, many decision and actions are taken by the management such as giving rewards to the employees in the form of promotions for having good performance ratings or may be punishing employees having bad performance ratings.

On the other hand, if employees perceive a PA as an unreasonable attempt by management to exercise closer supervision and control over tasks they (employees) perform, various reactions
may result. In this regard, the organizations must assure that the performance appraisal process is fair and it concludes the fair results about the performance of the employees.

Performance appraisal system also enables organizations to achieve their organizational goals through improved employee performance by establishing more transparent and vivid link between employee achievements and overall business results. It contributes to better understanding of the common goals and shared values in the domain of organizational culture, as well as to all other aspects and organizational dimensions, resulting in employee satisfaction. Thus, the condition of an organization’s being effective or ineffective is mainly dependent on its human resource management in general and employees’ perception of performance appraisal system practice, in particular.

The most important variable to be considered in line with the performance appraisal system or practice of an organization is the perception of employees. Perceptions of employees about the targets, outcomes and uses of performance appraisal system in general and performance appraisal in particular would be beneficial depending on a number of factors. One factor that may affect employees’ perceived performance management effectiveness is their attitude towards performance evaluation which on the other hand affects their work performance.

More recent evidence reveals that Commercial Bank of Ethiopia (CBE) has realized importance of customers’ satisfaction on sustainable performance of the organization. In this respect the bank is undertaking various business development efforts aimed at achieving service excellence and in turn introduced performance appraisal system as measuring factor to accomplish the efforts yet a lot may done.

However, challenges are facing the proper implementation of the program from the beginning due to the fact that employees have not perceived it as intended. This has clearly reflected in customer dissatisfaction and achieving less performance than target planned annually, semi annually and quarterly as a result of poor quality service and employees perceived work performance, despite the effort exerted to minimize it (CBE informer 2014/2015). These
problems are mainly manifest on employee’s perception toward work performance, performance evaluation and effective implementation of the program.

From work performance perspective, employees in the bank perceive the quarterly cascaded target as it is not achievable. As a result they have not seen putting considerable effort to achieve their target. Since their work performance does not meet the target, performance evaluation rate of majority of employee is below expectation.

They also complain that the result of performance evaluation has not effect on their career development. This on the other hand may affect their perception of effective implementation process of the program. Thus, concerning employee perception toward performance appraisal system in terms of work performance, performance evaluation and its effective implementation, there is no research based evidence in commercial bank of Ethiopia.

Hence, this study is intended to fill these gaps and give feedback about the employees’ perceptions towards the performance appraisal system practices being employed in commercial bank of Ethiopia.

### 1.3 Research Questions

The study attempts to seek to answer for the following basic and critical research questions;

- What is the purpose of performance appraisal system in the bank?
- What is the performance appraisal methods applied in the bank?
- How do employees perceive the performance appraisal system used by the bank?
- What Appraisal system adopted in the bank?

### 1.4 Objectives of the Study
The main objective of the study is to investigate, why and how performance appraisal system is practiced in Commercial bank of Ethiopia and determines the employees’ perception toward performance appraisal system practice in the bank.

Specifically, the objectives of the study include the followings:

- To determine the purpose of performance appraisal system in the bank.
- To identify the performance appraisal methods mostly used the bank?
- To the perception of the employee on the largely on the performance appraisal system practiced by the bank.
- To assess the perception of the employees on performance appraisal system practiced by the bank; and
- Determine how, performance appraisal process is carried out in the bank

1.5 Significance of the Study

The finding and recommendations of this study help the concerned Bank of Ethiopia’s mangers, especially human resource managers and strategic planners to understand and acknowledge the importance of knowing an impact that employees’ perception has on performance Appraisal system and its outcomes in implementing performance appraisal system.

Moreover, this study contributed a little towards better understanding of the application of some fundamental theoretical concepts of performance appraisal system and its effects on employee’s performance. The finding of this study also adds to the existing body of knowledge in respective field of areas. It might appear as a source of information or stepping stone to researchers and other interested bodies to conduct similar research in the field.

Nobody likes performance appraisals- neither the manager doing the evaluating, nor the employee being evaluated. Clearly evaluations are front - runners for being the most maligned of corporate processes and yet they should be a good thing. After all, doesn’t everyone need and deserve to know where they stand? The findings of this research will therefore; Help commercial bank of Ethiopia to rate the performance of their employees and compensate each accordingly. Inform the general public on the importance of performance appraisal for improved service delivery and to an organization as a whole. Improve and build upon the current appraisal system used by Commercial Bank of Ethiopia.
1.6 Scope of the Study

Different scholars have tried to define performance appraisal system in many different ways. Despite the short definition given to performance Appraisal system, it is vague to precisely define it. So the subject matter by itself is difficult to study it well within specified time period. Therefore the scope of the study was limited to the investigation of employee’s perception to performance appraisal system practice in Commercial Bank of Ethiopia. CBE has more than one thousand branches segmented into more than 11 districts, with more than twenty five thousand, (25,000) employees across the country. But this study targeted fourteen selected branches from four districts under the domain of Addis Ababa districts. The exceeding number of respondent to take in that is heavy to determine due to impossibility to address all branches and a little baffles to operating at all corner however the researcher used target population are 1000 and 250 questioner are distributed that is out of the four districts of Addis Ababa and 14 branches to encompass in representing merely 250 employees. this is more of depend on Rating Scales Method (the rating scales method is a performance appraisal method that rates employees according to defined factors (dependent and independent variables) spotted from the semi closed, closed, and open questionnaires.

1.7 Organization of the Study

This research work comprises five consecutive chapters. The first chapter contains introduction which includes background, problem statements, research question, and objectives of the study, significance of the study and scope of the study. Chapter two illustrates review of relevant literature on concepts performance appraisal and performance management, why performance appraisal is need, the human relations department and performance, steps, designs, and rules of performance appraisals, on avoiding performance appraisals, advantage and disadvantage of performance appraisal, types and on how to conduct performance appraisals. The third chapter deals with research design and methodology, sample and sampling techniques used. The fourth chapter covers the data analysis and interpretations. Chapter five on the other hand, presents the major findings, limitations and recommendations.
2.1 The Concept of Performance Appraisal

Performance appraisal (PA) is a formal system of review and evaluation of individual or team task performance. A critical point in the definition is the word *formal*, because in actuality, managers should be reviewing an individual’s performance on a continuing basis. PA is especially critical to the success of performance management. Although performance appraisal is but one component of performance management, it is vital, in that it directly reflects the organization’s strategic plan. Although evaluation of team performance is critical when teams exist in an organization, the focus of PA in most firms remains on the individual employee. Regardless of the emphasis, an effective appraisal system evaluates accomplishments and initiates plans for development, goals, and objectives.

Performance appraisal is the process used to assess employees' performance often times against some agreed work goals to enable organizations take some decisions. Performance appraisal is a formal process of supplying employees with an unambiguous feedback based on their work performance (Carroll & Schneier, 1982 cited in Dobbins, Cardy & Platz Vieno, 1992) but can also occur in an informal and sometimes highly biased form in any organization (Fletcher, 1997). Performance appraisal is believed to have originated from American but has been modified to suit the UK market (see Beer et al, 1978). An effective performance appraisal should seek to understand why goals have been / not been achieved to throw more light on the employee's capabilities and by so doing understand what training/ development the employee requires (Anderson, 1991). Performance appraisal is, "the formal assessment and rating of individuals by their managers at, usually, an annual review meeting" (Armstrong, 2006, p.9).
2.2 A Brief Overview of Performance Management

In the late 1980s and 1990s, organizations started implementing combined practices aimed at building a culture of performance which involved using strategies that were believed to enhance employees' input towards the overall success of the organization referred to as 'performance management' (IPM, 1992). However the majority of these practices (e.g. goal setting, assessment and review) were already being used by organization but as individual practices (Armstrong & Baron, 2005).

Armstrong (1998) sees performance management as a combined and well planned method used to further improve the success of an organization by increasing employees' performance and developing the abilities of teams and individual employees however Fletcher (1993a cited in Armstrong & Baron, 1998) sees it as a method used by organizations to invent and share their vision with the employees by enabling them appreciate their own part towards achieving the organizations vision and in so doing help to manage and improve the performance of both the employees and organization whereas Hendry, Bradley & Perkins (1997) believe it is an efficient method used to enhance the performance of individuals and teams to realize the goals of the organization. The definitions above indicate that performance management is a tool used by organizations to achieve organizational aims by effectively managing the performance of employees and the organization as a whole.

Some features of performance management include: different forms of appraisals (e.g. 360- degree appraisal, peer appraisal, self appraisal); reward strategies (e.g. performance related pay, competence related, contribution related pay); coaching and mentoring; career management/ succession planning and personal development plans.

2.3 Why Appraise Performance?

Performance appraisal (PA) systems are lightning rods for controversy. Some think they are indispensable. Others argue that they are ineffective at best and actually operate in most cases to the organization’s detriment.

Among the critics is quality guru W. Edwards Deming, who labeled performance appraisal systems a “Deadly Disease” in organizations, and claimed that they “leave people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are
inferior”1. Professor Samuel Culbert argues that appraisers and appraisees alike find the PA process unpleasant and dysfunctional 2, and that PA causes low morale, reduces teamwork, and creates obstacles between managers and ratees3. Researchers Clint Longenecker, Henry Sims, and Dennis Gioia4 have found that raters often allow ulterior motives to color their appraisals of subordinates. Advocates, however, argue that PA systems are useful and necessary. According to Dick Grote (1998), a consultant who works extensively in this area, argues that employees are hungry for feedback on how they are doing and where they stand, and that organizations and managers owe that to their employees’. Thus, they are required to answer the following questions:

1) Why do we have a PA system in our organization; that is, what purposes is it intended to serve?

2) What evidence do we have, or could we get, that our PA system is delivering on those intended purposes?

3) What are the various costs of our PA system?

4) Are there other ways we could achieve the objectives behind our PA system? I will offer some thoughts on each of those questions.

1. Why do we have a PA system in our organization? What purposes is it intended to serve?

There are a number of purposes that formal PA systems might serve. They can provide employees with information about how they are perceived in the organization – where they stand. They can provide developmental feedback on the strengths the employee should capitalize on and the weaknesses where improvement may be required. PA systems are useful for documenting performance, good or poor, to provide information and justification for compensation, promotion, and sometimes termination or other disciplinary decisions. They can also be used for HR system improvement, including such things as validation studies for personnel selection techniques or the evaluation of training programs and recruitment sources. According to Fletcher,( 1997)

2. Why evidence do we have, or could we get, that our PA system is delivering on the intended purposes?
It would be possible, for any of the PA purposes I have listed, to generate evidence bearing on whether or not the PA system facilitates progress toward goals, as well as the benefits (or costs) of that progress. For instance, employees could be surveyed to determine the extent to which they believe that PA has provided them with accurate, thorough, useful, and fair information about where they stand in the organization and about their relative strengths and weaknesses. They could also be asked about the amount of value they attach to that information. Managers could be surveyed to determine what they see as the benefits, tangible or intangible, organizational or personal, of getting that information into their employees’ hands.

3. What are the various costs of our performance appraisal system?

Obviously, there are financial costs, the most substantial probably being the cost of all the time it takes for managers to think about, prepare for, and conduct individual PA interviews with all of the appraised employees. Less obvious, but potentially very real, are the psychological costs described by W. Edwards Deming (1993) (disappointment, feelings of inferiority, etc.) and mentioned in the introductory paragraphs of this article. Culbert outlined other costs, such as low morale and reduced willingness to engage in teamwork that could lead to actual dollar costs as well. It might be difficult to measure some of these costs.

4. Are there other ways we could achieve the objectives behind our performance appraisal System?

I think at least some of the PA purposes I have described could be served just as well by other methods with smaller downside risks. Managers could be charged with discussing individually with employees what their (the employees’) goals and aspirations for the future are. If the manager gave frank assessments of how realistic those goals and aspirations are, and what would likely be required of the employee to achieve them, that would seem to directly address the purpose of letting people know where they stand.

2.4 The Performance Appraisal Process

2.4.1 Role of Human Resource Management
According to Armstrong (1998) the following are the steps followed in the performance appraisal planning process:

I. Planning Performance
   
   Key steps in planning process
   
   1. Ensure that the position description is current. A review of the position description should be done every year. If duties in the position have changed that do not warrant a reclassification, revisions should be made and forwarded to the Human Resources Department as an Updated Position Description. The employee should also review their position description and be prepared to provide you with feedback regarding changes.
   
   2. Identify the essential job functions. This refers to the duties that must be carried out by the position basically the reason the position exists. Have the essential functions changed? Do some need to be added? These essential functions can be used as a guide to setting performance expectations.
   
   3. Develop performance expectations.
   
   4. Develop goals and objectives.
   
   5. Identify applicable performance factors. The UCR performance appraisal form includes seven performance factors and the option to include “other” performance factors not listed. It should be determined which factors are applicable to the position being appraised and those that need to be added.

II. Planning for Performance —Setting Expectations and Goals
Understanding the mission and goals of the University and your organization provides a context in which to develop performance standards and goals. It gives you a framework and a direction. Of primary importance, is the employee’s ability to see how their performance expectations and goals are linked to the mission of the department?

Setting Expectation

What is a Performance Expectation?

- A description of the results expected for the fully satisfied performance of a job
function/task.

- Defines “how well” each function or task must be performed.
- Provides a benchmark against which to evaluate work performance.

**When Should Performance Expectations be Set?**

- When an employee is hired
- When responsibilities are changed or added
- When clarification of responsibilities is needed

A *performance expectation should be:*

- Derived from mission, goals and values
- Mutually understood
- Developed collaboratively, if appropriate
- Descriptive of how a job is to be performed
- Descriptive of fully satisfactory performance
- Expressed in measurable/observable terms
- Reasonable and attainable

*III Setting Goals*

- Performance needs improvement

*IV. Managing and Coaching Performance*

Performance management is a year round process which means meetings should be held with employees throughout the year to discuss and reassess the employees’ progress toward achieving goals and performance objectives. Listed below are some of the tools that can be used to capture performance.

*V. Observation*

It is recommended that managers observe their employees with the intent of documenting behaviors related to performance. Look for:

- **Trends in performance**
  - Is it steadily improving or declining?
Does the individual have “peaks and valleys” – spurts of excellent performance followed by extended periods of mediocre performance?

- **Critical incidents:** Outstanding successes or failures Performance events that stand out from typical behavior

VI. Documentation Structured Diary

Experts in performance management recommend that managers spend 30 minutes a week documenting employee performance. Document performance in behavioral terms, rather than inferential or judgmental. List the performance expectations and goals for the appraisal cycle and space to document date, skills exhibited, results of behavior, and other comments.

**Unstructured Diary:** Informal documentation of performance events. For example, jot down notes about employee behavior in your Day timer.

**Work Samples:** Maintain copies of work that illustrate the performance dimensions being measured.

**Employee Fact File:** A file where notes about performance events and work samples can be maintained. Remember, this file could be viewed by others if necessary.

**Appraising Performance**

The Performance Appraisal Process

1. The employee will complete the self-appraisal.
2. Gather the documentation you have regarding performance.
3. Write the appraisal.

To prepare for writing the performance appraisal, gather the following information: Self-appraisal information, The employee’s job description, The goals and objectives from the previous performance appraisal (if available), Agreed upon expectations for performance, Your structured or unstructured diaries of employee performance events. Solicit information from others that know the employee’s work such as a co-supervisor or Department Head. The primary rater should be the employee’s primary supervisor.

**Appraising Poor Performance**

Armstrong (1998) while most of us think of the performance appraisal as an annual event, there are other times when it is appropriate to conduct a performance appraisal session.
Primarily, this is when an employee is exhibiting poor performance or training/coaching is needed. When completing the annual performance review, if an employee is receiving rating of “needs improvement” or “unacceptable” on a particular performance factor, it is important to insure that it is truly the performance of the employee that is causing the less than satisfactory results. Be sure to examine the job itself and the context in which the job is being performed.

**Writing the Appraisal**

Write supporting comments for performance factors using third person statements.

**Appraisal Forms / Self-Appraisal Form:** Should be used when the standard comprehensive performance appraisal form is being used. **Self-Appraisal Form – Narrative Option** should be used when the narrative comprehensive performance appraisal form is being used.

**Performance Appraisal Form – Standard Comprehensive Version**

Requires ratings on six performance factors to be used for all staff, two additional factors for those with supervisory/leadership duties, and space to include two performance factors that may be specific to the position.

**Performance Appraisal Form – Narrative Option:** Focuses on essential functions, goals, and major projects.

**Performance Appraisal Form – Update Version:** Special conditions apply – see form for instructions.

**Supplemental Performance Feedback Form:** Supervisors may solicit performance information from other sources so long as the source is knowledgeable of the employee’s work performance. Employees should be made aware during the planning stages of the performance appraisal process, of the other sources that will be contacted concerning their performance.

The sources contacted should also be made aware that their feedback may be used in the performance appraisal, and if so, they will be identified as the source.

**UCR Individual Development Plan (IDP):** A form used to facilitate an organized approach to improve professional skills and the productivity of the department.

**Creating Development Plans**

**Creating Individual Development Plans**

Using the information from the employee’s self-appraisal form and your own observations, determine the developmental opportunities that will assist the employee not only in achieving short-term goals, but long-term career goals as well. The greatest employee
development comes from managers taking time to develop employees through mentoring, assigning interesting projects and identifying improvement areas.” Managers’ interest in their employees’ development is also a strong motivator. The key to the successful development plan is the follow-up that occurs after the plan has been agreed upon.

**Purpose of the Individual Development Plan**

The Individual Development Plan (IDP) is an organized approach to professional development activities and programs that are designed to improve the employee’s professional skills and the department’s productivity. This is a joint process, both in design and execution, in that supervisors are more familiar with the department’s future directions and the employee is more aware of specific, individual needs and aspirations.

**Developing the Individual Development Plan**

The following process is a model. The process involves the following steps:

1. Prepare the Individual Development Plan at the conclusion of the employee’s evaluation period.

2. Involve the employee in the design of the IDP. You may want to do this early in the process, when you have only identified major areas where development should take place and let the employee propose the more specific ways to accomplish this. Or, you may prefer to have the employee design the plan and then jointly review and refine the content.

3. Consider each area of the employee’s performance from the following perspectives and determine which should be developed in the upcoming evaluation period: Strengths that, if enhanced, will contribute to the overall mission of the organization and increase productivity, New skills that will be needed in the upcoming evaluation period, Areas of performance/skills that need to be improved, The above constitute the purpose of the development activity.

4. Determine the appropriate learning methods and resources that will be needed.

5. Once the learning methods and resources have been selected, define the measures or criteria that will be used to determine if the targeted learning has been accomplished.

6. The supervisor and the employee sign the IDP to document mutual agreement with it and commitment to completing it. Clarify responsibilities with the employee.

7. Set up a reporting system so that the employee’s progress can be gauged at any time and adjustments can be made to the plan as needed.
Developmental Activities

Each employee’s development plan is unique based on their individual needs and career opportunities. Listed below are a few of the developmental activities that you may want to considered?

Conducting the Performance Appraisal Meeting

Performance appraisals are most productive when they are collaborative, both people are prepared ahead of time and there have been discussions about performance throughout the year. The performance appraisal meeting should be a two-way conversation.

Setting the Tone is prepared – know the objectives and goals of the meeting.

Time and place – choose quiet, private spot limited interruptions. Put the employee at ease by acknowledging that these sessions can cause anxiety but the purpose is to improve performance and to gather information on how you can help in these efforts.

2.4.2 Role of Supervisor in the Performance Management Process

Several people share the responsibility for coaching, development and feedback throughout the Performance Management Process it does not rest with any one individual. Rather, various individuals maintain responsibilities as outlined below.

Supervisor’s Role in the Performance Management Process:

Planning: According to Martin & Bartol (1986) argues

❖ Explain to the employee how s/he helps the department attain its goals.
❖ Work with the employee to define key result areas, goals, and performance standards.
    Make sure s/he understands the job duties and expectations.
❖ Explain the competencies; what is expected from the employee and why.
    Let the employee know they are responsible for taking an active role in managing and assessing his/her performance throughout the year.

Coaching:

❖ Provide frequent informal coaching. Point out the good work that the employee is doing.
    Help employees with performance deficiencies to meet expectations.
 Identify ways that the employee can develop and improve, and work with the employee to create development plans. Ask the employee for suggestions, in order to encourage taking an active role.

 Promptly communicate new opportunities and changes that affect the employee’s work. Identify observable actions that the employee should take so that suggestions are concrete and can be implemented.

 Make informal notes (perhaps on a calendar) when the employee does a good job, follows through on development plans, or has problems doing so. These notes will help the supervisor with Periodic Reviews and the completion of the performance management process.

 Keep track of praise or complaints from customers regarding an employee’s work.

Review:

 Put together all saved notes or documents about the employee’s performance and assess their performance on job duties and behaviors.

 Ask the employee for feedback about how s/he performed during the year. Comments from the employee may remind the supervisor of particular instances of good or poor performance, as well as any extenuating factors.

 Complete performance appraisal, then discuss ratings and comments with the employee.

Supervisor’s Role

 Have a thorough understanding of the work involved – the critical functions and key tasks.

 Review job description to ensure that information is accurate and up to date.

 Keep in mind the performance planning process involves a relatively equal partnership between supervisor and employee. They negotiate together, because they share a common interest – success. according to Armstrong(1997)

 Since the supervisor may be more expert in the “big picture” issues his/her responsibility is to discuss how the employee supports the organizational needs of the department or division and fits with other employees in the unit.

 Know what constitutes “successful performance” and effectively communicate this. Because the employee is an expert in the job, it is the employee who should, by and large, generate the criteria used to gauge success, with the supervisor’s involvement.
Identify priority areas, if appropriate, among the core and job-specific competencies that will be emphasized in the evaluation.

Communicate how the results of the employee’s work contribute to the department’s, division’s or university’s goals.

Ask the employee what information, resources, tools, training and supervision is needed.

2.4.3 Employee’s Role

- Have a thorough understanding of the work involved – the critical functions, key tasks.
- Review job description to ensure that information is accurate and up to date.
- Understand what constitutes “successful performance” of the core competencies related to the job.
- Come prepared to share and discuss your personal objectives and the measures of success related to each objective.
- Understand how the results of your position contribute to the departments, divisions, or university’s goals and objectives.
- Communicate what information, resources, tools, training and supervision is needed.
- Ask questions to clarify information and inform the discussion. according to Armstrong (1997)

2.5 Steps of Performance Appraisal

According to Armstrong (1997) the following are the steps of performance appraisal

1. Define performance management and describe the importance of performance management. Performance management is a goal-oriented process that is directed toward ensuring that organizational processes are in place to maximize productivity of employees, teams, and ultimately, the organization. Whereas performance appraisal is a one-time event each year, performance management is a dynamic, ongoing, continuous process.

2. Define performance appraisal and identify the uses of performance appraisal. Performance appraisal is a system of review and evaluation of an individual’s or team’s job performance. Performance appraisal data are potentially valuable for use in numerous human resource functional areas, including human resource planning, recruitment and selection, training and development, career planning and development, compensation programs, internal employee relations, and assessment of employee potential.
3. Discuss the performance appraisal environmental factors. Legislation requires that appraisal systems be nondiscriminatory. Unions have traditionally stressed seniority as the basis for promotions and pay increases. A firm’s corporate culture can assist or hinder the process.

4. Describe the performance appraisal process. The identification of specific goals is the starting point for the PA process and the beginning of a continuous cycle. Then job expectations are established with the help of job analysis. The next step involves examining the actual work performed. Performance is then appraised. The final step involves discussing the appraisal with the employee.

5. Identify the various performance criteria (standards) that can be established. The most common appraisal criteria include traits, behaviors, task outcomes, goal achievement, and improvement potential.

6. Identify who may be responsible for performance appraisal and the performance period. People who are usually responsible for performance appraisal include immediate supervisors, subordinates, peers, groups, the employee, customers; and for the 360-degree feedback evaluation method, perhaps all of the above.

7. Identify the various performance appraisal methods. Performance appraisal methods include 360-degree feedback evaluation, rating scales, critical incidents, essay, work standards, ranking, forced ranking, forced distribution, behaviorally anchored rating scales, and results-oriented approaches.

8. List the problems that have been associated with performance appraisal. The problems associated with performance appraisals include appraiser discomfort, lack of objectivity, halo/horn error, leniency/strictness, central tendency error, recent behavior bias, personal bias (stereotyping), manipulating the evaluation, and employee anxiety.

9. Explain the characteristics of an effective appraisal system. Characteristics include job related criteria, performance expectations, standardization, trained appraisers, continuous open communication, performance reviews, and due process.

10. Describe the legal implications of performance appraisal. It is unlikely that any appraisal system will be totally immune to legal challenge. Characteristics are more legally defensible.
11. *Explain how the appraisal interview should be conducted.* A successful appraisal interview should be structured in a way that allows both the supervisor and the subordinate to view it as a problem-solving rather than a fault-finding session.

**2.6 Uses of Performance Appraisal**

For many organizations, the primary goal of an appraisal system is to improve individual and organizational performance. There may be other goals, however. A potential problem with PA, and a possible cause of much dissatisfaction, is expecting too much from one appraisal plan. A properly designed system can help achieve organizational objectives and enhance employee performance. In fact, PA data are potentially valuable for virtually every human resource functional area. According to Armstrong and Baron, (2005)

**2.6.1 Human Resource Planning**

In assessing a firm’s human resources, data must be available to identify those who have the potential to be promoted or for any area of internal employee relations. Through performance appraisal it may be discovered that there is an insufficient number of workers who are prepared to enter management. A well-designed appraisal system provides a profile of the organization’s human resource strengths and weaknesses to support this effort.

**2.6.2 Recruitment and Selection**

Performance evaluation ratings may be helpful in predicting the performance of job applicants. For example, it may be determined that a firm’s successful employees (identified through performance evaluations) exhibit certain behaviors when performing key tasks. These data may then provide benchmarks for evaluating applicant responses obtained through behavioral interviews.

**2.6.3 Training and Development**

Performance appraisal should point out an employee’s specific needs for training and development. By identifying deficiencies that adversely affect performance, T&D programs can
be developed that permit individuals to build on their strengths and minimize their deficiencies. An appraisal system does not guarantee properly trained and developed employees.

2.6.4 Carrier Planning and Development

*Career planning* is an ongoing process whereby *an individual* sets career goals and identifies the means to achieve them. On the other hand, *career development* is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Performance appraisal data is essential in assessing an employee’s strengths and weaknesses and in determining the person’s potential. Managers may use such information to counsel subordinates and assist them in developing and implementing their career plans.

2.6.5 Compensation Programs

Performance appraisal results provide a basis for rational decisions regarding pay adjustments. Most managers believe that you should reward outstanding job performance tangibly with pay increases. Vein, Dobbins et al (1990) believe that *the behaviors you reward are the behaviors you get*. Rewarding behaviors necessary for accomplishing organizational objectives is at the heart of a firm’s strategic plan. To encourage good performance, a firm should design and implement a reliable performance appraisal system and then reward the most productive workers and teams accordingly.

2.6.6 Internal Employee Relations

Performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff, and transfer. For example, an employee’s performance in one job may be useful in determining his or her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate.

2.6.7 Assessment of Employee Potential

Some organizations attempt to assess an employee’s potential as they appraise his or her job performance. Although past behaviors may be a good predictor of future behaviors in some jobs,
an employee’s past performance may not accurately indicate future performance in other jobs. The best salesperson in the company may not have what it takes to become a successful district sales manager, where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behavior, from the assessment of potential, which is future-oriented.

2.7 Performance Appraisal Methods
Managers may choose from among a number of appraisal methods. The type of performance appraisal system used depends on its purpose. If the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method, such as rating scales, may be appropriate. Collaborative methods, including input from the employees themselves, may prove to be more suitable for developing employees. According to Hendry, Bradley & Perkins (1997) the following are methods of performance appraisal

2.7.1 360-Degree Feedback Evaluation Method
The 360-degree feedback evaluation method is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. The 360-degree method is unlike traditional performance reviews, which provide employees with feedback only from supervisors. In this method, people all around the rated employee may provide ratings, including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and internal or external customers.

2.7.2 Rating Scales Method
The rating scales method is a performance appraisal method that rates employees according to defined factors. Using this approach, evaluators record their judgments about performance on a scale. The scale includes several categories; normally 5–7 in number, defined by adjectives such
as; outstanding, meets expectations, or needs improvement. Although systems often provide an overall rating, the method generally allows for the use of more than one performance criterion. One reason for the popularity of the rating scales method is its simplicity, which permits quick evaluations of many employees.

2.7.3 Critical Incidents Method

The critical incident method is a performance appraisal method that requires keeping written records of highly favorable and unfavorable employee work actions. When such an action, a “critical incident,” affects the department’s effectiveness significantly, either positively or negatively, the manager writes it down. At the end of the appraisal period, the rater uses these records along with other data to evaluate employee performance. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the past few weeks or months.

2.7.4 Essay Method

The essay method is a performance appraisal method in which the rater writes a brief narrative describing the employee’s performance. This method tends to focus on extreme behavior in the employee’s work rather than on routine day-to-day performance. Ratings of this type depend heavily on the evaluator’s writing ability. Supervisors with excellent writing skills, if so inclined, can make a marginal worker sound like a top performer. Comparing essay evaluations might be difficult because no common criteria exist. However, some managers believe that the essay method is not only the most simple but also an acceptable approach to employee evaluation.

2.7.5 Work Standards Method

The work standards method is a performance appraisal method that compares each employee’s performance to a predetermined standard or expected level of output. Standards reflect the normal output of an average worker operating at a normal pace. Firms may apply work standards to virtually all types of jobs, but production jobs generally receive the most attention.
2.7.6 Ranking Method
The ranking method is a performance appraisal method in which the rater ranks all employees from a group in order of overall performance. For example, the best employee in the group is ranked highest, and the poorest is ranked lowest. You follow this procedure until you rank all employees. A difficulty occurs when all individuals have performed at comparable levels (as perceived by the evaluator). *Paired comparison* is a variation of the ranking method in which the performance of each employee is compared with that of every other employee in the group. A single criterion, such as overall performance, is often the basis for this comparison. The employee who receives the greatest number of favorable comparisons receives the highest ranking.

2.7.7 Forced Distribution Method
The forced distribution method of performance appraisal requires the rater to assign individuals in a work group to a limited number of categories, similar to a normal frequency distribution. The purpose of forced distribution is to keep managers from being excessively lenient and having disproportionate number of employees in the “superior” category.

2.7.8 Behaviorally Anchored Rating Scale Method
The behaviorally anchored rating scale (BARS) method is a performance appraisal method that combines elements of the traditional rating scales and critical incident methods; various performance levels are shown along a scale with each described in terms of an employee’s specific job behavior.

2.7.9 Results-Based Method
The manager and subordinate jointly agree on objectives for the next appraisal period in a results-based system, in the past a form of management by objectives. In such a system, one objective might be, for example, to cut waste by 10 percent. At
the end of the appraisal period, an evaluation focuses on how well the employee achieved this objective.

### 2.8 Problems in Performance Appraisal

As indicated at the beginning of this chapter, performance appraisal is constantly under a barrage of criticism. The rating scales method seems to be the most vulnerable target. Yet, in all fairness, many of the problems commonly mentioned are not inherent in this method but, rather, reflect improper implementation. For example, firms may fail to provide adequate rater training or they may use appraisal criteria that are too subjective and lack job-relatedness. According to Hendry, Bradley & Perkins (1997) the following are problems of performance appraisal and their solutions.

**Appraiser Discomfort**

Conducting performance appraisals is often a frustrating human resource management task. One management guru, Edward Lawler, noted the considerable documentation showing that performance appraisal systems neither motivate individuals nor effectively guide their development. Instead, he maintains, they create conflict between supervisors and subordinates and lead to dysfunctional behaviors.

**Lack of Objectivity**: A potential weakness of traditional performance appraisal methods is that they lack objectivity. In the rating scales method, for example, commonly used factors such as attitude, appearance, and personality are difficult to measure. In addition, these factors may have little to do with an employee’s job performance.

**Halo/Horn**

A halo error occurs when a manager generalizes one positive performance feature or incident to all aspects of employee performance, resulting in a higher rating.

**Leniency/Strictness**

Some managers are too generous with praise or too hard on a person. Dick Grote, a performance management expert and president of Grote Consulting Corporation, a management consulting firm in Dallas, said, “It is not OK to have performance rated differently from manager to manager because these decisions impact compensation, development and succession
Central Tendency
Central tendency error is an evaluation appraisal error that occurs when employees are incorrectly rated near the average or middle of a scale. This practice may be encouraged by some rating scale systems that require the evaluator to justify in writing extremely high or extremely low ratings.

Recent Behavior Bias
Every employee knows precisely when a performance review is scheduled. Although his or her actions may not be conscious, an employee’s behavior often improves and productivity tends to rise several days or weeks before the scheduled evaluation.

Personal Bias (Stereotyping)
This pitfall occurs when managers allow individual differences to affect the ratings they give. If these are factors to avoid such as gender, race, or age, not only is this problem detrimental to employee morale, but it is blatantly illegal and can result in costly litigation. The effects of cultural bias, or stereotyping, can definitely influence appraisals.

Manipulating the Evaluation
In some instances, managers control virtually every aspect of the appraisal process and are therefore in a position to manipulate the system. For example, a supervisor may want to give a pay raise to a certain employee or the supervisor may just “favor” one worker more than another.

Who should be appraised?
In the past most appraisals have been carried out for 'white collar' employees. However this helps to perpetuate the feeling of 'them and us'. The appraisal of 'blue collar' employees can improve their motivation and can help them to make useful suggestions about how their jobs can operate more effectively. In addition growing interest in flexible working practices, the harmonization of terms and conditions of employment and the growth of new technology have blurred the differences between 'blue'; and 'white collar' workers and many organizations are now extending the benefits of appraisal to all employees.

Who should carry out the appraisal?
In most organizations employees are appraised by their immediate managers on the grounds that those who delegate work and monitor performance are best placed to appraise performance.
Others argue that appraisals carried out at a more senior level allow employees an opportunity to talk with higher management who, in turn, can find out the views and attitudes of more junior staff at first hand.

A better approach may be for employees’ immediate superiors to write and carry out appraisals and for more senior managers to have an opportunity to comment on the report. This enables senior managers to keep a regular check on the progress of staff and to monitor the appraisal system to ensure that reporting standards are consistent.

### 2.9 Appraisal Interview

The appraisal interview is the Achilles’ heel of the entire evaluation process. In fact, appraisal review sessions often create hostility and can do more harm than good to the employee–manager relationship. To minimize the possibility of hard feelings, the face-to-face meeting and the written review must have performance improvement, not criticism, as their goal. The reviewing manager must use all the tact he or she can muster in discussing areas needing improvement. Managers should help employees understand that they are not the only ones under the gun. Rating managers should emphasize their own responsibility for the employee’s development and commitment for support. according to Armstrong (1997)

**Scheduling the Interview**

Supervisors usually conduct a formal appraisal interview at the end of an employee’s appraisal period. It should be made clear to the employee as to what the meeting is about. Employees typically know when their interview should take place, and their anxiety tends to increase if their supervisor delays the meeting. Interviews with top performers are often pleasant experiences for all concerned.

**Interview Structure**

A successful appraisal interview should be structured in a way that allows both the supervisor and the subordinate to view it as a problem-solving rather than a fault-finding session. The manager should consider three basic purposes when planning an appraisal interview:

1. Discuss the employee’s performance. Focus on specific accomplishments
2. Assist the employee in setting goals and personal-development plans for the next appraisal period.
3. Suggest means for achieving established goals, including support from the manager and firm.

**Use of Praise and Criticism**
As suggested at the beginning of this section, conducting an appraisal interview requires tact and patience on the part of the evaluator. Praise is appropriate when warranted, but it can have limited value if not clearly deserved. If an employee must eventually be terminated because of poor performance, a manager’s false praise could bring into question the “real” reason for being fired. Criticism, even if warranted, is especially difficult to give.

### 2.9.1 Conducting the Performance Appraisal Interview
Although the supervisor should provide ongoing performance feedback throughout the evaluation period, the performance assessment and meeting provide an opportunity to formally review and document performance, define job goals, and formalize a professional development plan. The supervisor should expend effort into this process and prepare well for writing the assessment and conducting the meeting with the employee. Following are some TIPS to review in preparation for this meeting: according to Armstrong (1997)

#### 2.9.1.1 Conducting Meeting:
- Schedule the interview with employee in advance, agree on date, time, and place
- Avoid interruptions and distractions
- Allow adequate time. If time expires, schedule a second meeting
- Be prepared with paper, pencil, attendance record, completed forms and other documentation
- Start on a positive note. Establish rapport and explain the process
- Discuss accomplishments and strengths first
- Ask for the employee’s opinion of how the assessment period has gone

#### 2.9.9.2 Assessing Performance Competencies for the Employee:
- Base the assessment on performance throughout the evaluation period. Since you should have been providing on-going feedback, there should be no surprises for the employee.
• Do not use the meeting as a time to punish the employee.

2.9.9.3 Discussing with the Employee Achievements against Targets

• Set goals to: - improve performance in targeted areas - build on strengths - develop the employee’s knowledge, skills, and abilities - align the employee’s work with the needs of the department
• Make notes to yourself that focus on the achievements and/or areas for improvement for the individual
• Tell the employee what information you used to determine performance. Stick to observed behavior, and data available to both you and the employee
• Focus on development. Problem solve with the employee on how improvements can be made, and keep the discussion positive and future-oriented to the extent possible. Allow sufficient time to carry out goals.
• Identify specific areas for improvement in a way that shows the employee where changes should be made to meet expectations or could be made to achieve even better results. Be candid.
• When suggesting areas for improvement, discuss methods and objectives; do not judge. Make sure the employee understands the problem area.
• Ask the employee for suggestions on what he or she might do differently in the future
• Stay on track and minimize unrelated topics/people

2.9.9.4. Utilizing Communication and Active Listening Skill

• Practice what you will say and how you will say it
• Be aware of how you feel and your verbal and nonverbal communication. Maintain a professional, businesslike decorum
• Present your assessment. Provide positive and corrective feedback. Be specific and use examples.
• Ask questions to gain understanding
• Listen to the employee and be open to his or her explanations. Accept his or her feelings but don’t get diverted by excuses.
• Set specific goals. Build on the employee’s strengths. Obtain agreement on major appraisal points. Build an action plan for accomplishment. End by Expressing the Employee’s Value and Contributions
• Summarize the discussion and expectations and end on a positive note.
• Ask employee for comments/ suggestions
• Thank the employee for participation during the process
• If appropriate encourage the employee to take steps to improve job performance
• Give the employee a day or more to respond and sign the assessment. If the employee refuses to sign the document, state that on the form, sign and date it.
• If the employee refuses to take a copy, state that on the copy and retain it in the HR file.

Questions that employees have about their performance:
1. How am I doing?
2. What can I do to improve?
3. Do I have a chance for advancement or pay increase?
4. What will be expected of me before the next formal assessment?
5. How will my work be assessed during that time?
6. What kind of help or attention can I expect from my supervisor?
7. What changes are likely in our department or organization in the months ahead, and how will they affect me?
This chapter presents the methodology that was employed 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, variables of the study, instrumentation, and measurement of variables, reliability and validity test.

3.1 Research Design

According to Singh (2006), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing the evidences and reporting the findings. With the view to address its objectives, the study has employed quantitative methods. According to Creswell (2003) the quantitative survey research design is vital to create quantifiable causes and affect relationship between the variables of the study. Christensen (2005) noted that quantitative survey is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Therefore, the quantitative method has used by considering all employees of the organization and questionnaires have distributed to respondents.

In the quantitative research design of the study, the statistical methods that have employed includes: descriptive statistics-to count the frequency of response. After the required data have collected, it will be analyzed by using statistical package for the social sciences (SPSS) version 20.

3.2. Population and Sampling Techniques

The study is conducted in commercial bank of Ethiopia and target population of this study is employees of the bank working at fourteen selected branches under the domain of Addis Ababa districts. This is determined due to impossibility to address all branches and districts of the bank as CBE is operating at all corner of the country with more than 11 districts and 1000 branches.
which encompass more than 25,000 employees. Under the domain of Addis Ababa district there are four districts; North Addis district, South Addis district, East Addis district and West Addis district. Each district has branches under their own domain. Therefore, as per the data obtain from human resource transaction (HRT) department of CBE on June 2016, the total target populations of the study are 1000 taken from fourteen branches under Addis Ababa district. (This number does not include non clerical employees).

3.2.1 Sampling Method

The study employed both cluster sampling and simple random sampling technique. Cluster sampling employed because the population of the study covers a large geographical area (over all Ethiopia) and it is difficult to identify the sampling frame. Their geographical distribution is also scattered. The research instrument used to collect primary data was both a structured questionnaire and as a supplement to the questionnaire, the close ended questions method was also adopted to decode some of the information that could not be accessed using the questionnaire. To assure the reliability and validity of the instruments used; the researcher adopted by modifying standardized instrument from three previous studies by: Vignaswaran (2005), zelalem bayissa (2007) and Gallato (2012) which all of this study had reported an acceptable reliability and validity of the instrument. To ensure the practical applicability of the instrument in the study area, the researcher made some few wording modification for simplicity of understanding for terms of the adapted instrument.

In the first part of the questionnaire, 5 items with different label are included and they are dealing about different demographic characteristics of the respondents such as gender, age, level of education, marital status, employment position and work experience in current position in the organization.

The second and third 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. Specifically, the second part of the questionnaire includes closed-ended items aimed to measure the employees’ perception of performance appraisal system. On the other hand, the questionnaire includes closed-ended items aimed to measure the employee’s perception of PAS practice in the form of work performance, performance evaluation and effectiveness of PAS. Therefore, the instrument includes a total of 33 items.

According to Field (2005) also, whenever it is impossible to access the entire population, it is possible to collect data from sample. Therefore, four districts under Addis Ababa districts has selected from eleven cluster of all district of the bank. And simple random sampling technique was employed to determine the target population. Again, fourteen branches has selected from these districts by simple random sampling technique to determine a target population of the study. These have done in such away to ensure that biasness is removed or is minimized and a fair representation is obtained as much as possible.

It is impossible to collect data on the whole population, considering the size, as well as the time, available to the researcher. According to Field (2005), whenever it is impossible 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. Accordingly, in this study to make the sample more representatives, 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 will be

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

Where

$$N= \text{Population}$$
n= Sample size

E= level of precision (error term which is 5% i.e. at 95% confidence interval)

Therefore from above target population i.e. 1000 taken the sample size have calculated as follows;

\[
n = \frac{1000}{(1+1000(0.05))^2} \times \frac{1000}{4.04} = 250
\]

At a confidence level of 95% the sample size of employees selected for analysis can be 250 employees, which is 25% (250/1000=.50) of the total target population. Generally the sampling frame of the study has designed as in the following table.

Table 3.1 cluster sampling design form

<table>
<thead>
<tr>
<th>Districts</th>
<th>No of branches taken to determine target population</th>
<th>No of employees taken from branches (target population)</th>
<th>Sample size (32% of target population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Addis district</td>
<td>4</td>
<td>300</td>
<td>67</td>
</tr>
<tr>
<td>South Addis district</td>
<td>3</td>
<td>250</td>
<td>48</td>
</tr>
<tr>
<td>East Addis district</td>
<td>4</td>
<td>300</td>
<td>52</td>
</tr>
<tr>
<td>West Addis district</td>
<td>3</td>
<td>150</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>1000</td>
<td>250</td>
</tr>
</tbody>
</table>

3.3 Source and Method of Data Collection

3.3.1 Source of Data
To address the research objectives both primary and secondary source of data are utilized. To organize the primary data, the researcher used structured questioners and close ended questions. Whereas, secondary data are obtained by investigation of related document from publications i.e. books, journals, Articles, and Abstracts, and from unpublished source i.e. website, annual and quarterly report of the bank under consideration and other material found in the library.

### 3.3.2 Method of Data Collection

To address the research objectives the main data collection method that employed in this study are mainly focused on the primary source of data. Basically, the data collected through self-administrated survey questionnaires. To collect primary data questionnaire distributed to the sample size determined above in order to get their perception toward performance appraisal of the organization in terms of work performance, performance evaluation and effectiveness of PAS. Therefore the questionnaires designed in such away it can deeply grasp individuals’ perception that there is no best way to investigate perception than this method because perception is all about attitude. Secondary data collected from records, annual reports and other documents of the bank that are essential for the study.

### 3.4. Procedures of Data Collection

Owing to the fact that different level of the society has different expectations and needs, the idea of choosing respondents from different backgrounds most certainly generate more reliable outcomes toward employee’s perception of performance appraisal system.

To collect data though questionnaire, there are procedures to be followed. At the first step the consent of the respondent to respond the questionnaire asked. After being sure that they have interest to fill questionnaire handed over them with appreciation. After all, the questionnaire collected by checking the completeness of each question. Again appreciation was followed

### 3.5 Reliability Test of Instruments
To confirm whether the adapted instrument is understood or not by the respondent a pilot reliability test were conducted. A total of 20 questionnaires were distributed to the respondents the participant for this pilot test was selected from each business process based on their easily accessibility to the researcher. Then the returned 20 pilot instrument were coded and a Cronbach’s Coefficient Alpha test was employed by SPSS version 20.00. Thus, the SPSS output is summarize: *Source: Own survey data, 2015*

As it is shown in table 3.2 above, the overall and inter item Cranach’s alpha value of all the dependent and independent variables of the study achieve the minimum requirement of reliability analysis (i.e. a>.70). Thus, based on this finding the researcher concludes that the pilot test of the instrument is reliable to apply in the current study.

### Table 3.2 Pilot Reliability test of Instruments

<table>
<thead>
<tr>
<th>No</th>
<th>Variables of the study</th>
<th>No of Respondent</th>
<th>No of items</th>
<th>Overall Cronbach Alpha</th>
<th>Inter item Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perception of PAS</td>
<td>20</td>
<td>13</td>
<td>.883</td>
<td>.857 - .885</td>
</tr>
<tr>
<td>2</td>
<td>Work Performance</td>
<td>20</td>
<td>10</td>
<td>.848</td>
<td>.794 - .856</td>
</tr>
<tr>
<td>3</td>
<td>Performance evaluation</td>
<td>20</td>
<td>8</td>
<td>.770</td>
<td>.782 - .887</td>
</tr>
<tr>
<td>4</td>
<td>Effectiveness of PAS</td>
<td>20</td>
<td>8</td>
<td>.851</td>
<td>.826 - .895</td>
</tr>
<tr>
<td></td>
<td>Overall item</td>
<td>39</td>
<td></td>
<td>.874</td>
<td>.774 - .895</td>
</tr>
</tbody>
</table>

### 3.6 Measurement of variables of The Study
The research instrument consists of question statements designed to measure the variables of the study. So that the adapted instrument were organized so as to measure employees perception of performance Appraisal system practice, in the form of work performance, performance evaluation and effectiveness of performance management system and the alignment of each questionnaire are discussed below.

**Work performance**: items were developed to measure the level of employee work performance. Among the items illustrated in appendix ‘A’ part, six item was adapted from vignaswaran (2005), there meaning four items are also Gallato (2012). Still by modifying it from performance appraisal to performance appraisal system. All these items are regarding with the overall work performance of employees of the organization understudy. Example, ‘I internationally expend a great deal of effort in carrying out my job’, “I often perform better than what can be expected” and others too as illustrated in the appendix part.

**Performance appraisal**: A total of 8 items were developed to measure the overall aspects of employee performance evaluation process of the bank; All 8 items illustrated in appendix ‘A’ part was adapted from Zelalem Bayissa (2007). All these items are deals with the performance appraisal process, Examples of items ‘in my opinion the performance appraisal system in CBE is serving its purpose ’, ‘the performance appraisal in CBE helped me to improve my job performance, and ‘the performance evaluation criteria used in the organization is capable of measuring my true performance, and others as illustrated in the appendix.

**Effectiveness of PAS**: A total of 8 items were designed to measure the employees’ perception toward effectiveness of PMS. Among the 8 items illustrated in appendix ‘A’ part, the five items was adopted by own modification. whereas the remaining three items were adopted from previous sources. Examples of items are such as ‘I think PAS is effective for that there is ongoing feedback in the bank, I will put great effort to effectively implement PAS, I am striving with great effort to implement PAS program and the others.

### 3.7 Reliability Test of the Main Study

The reliability measures to whish extent the instrument is without bias (error free) and offers consistent measurement across time and across the various in the instrument (Cavana et al., 2001). Inter item consistency is a test of consistency of respondents answers to all the items in a
measure. According to Cavana et al., (2001) the most popular test of inter item consistency reliability is the Cronbach’s coefficient alpha, which is used for multipoint scaled items. Several authors such as Alwadaei (2010), Filed (2005), and Kothari (2004), state that even though, there is no predetermined standard; an instrument that provides a reliability coefficient of 0.70 is usually considered as a reliable instrument. Hence, in this study the internal consistency for all items of the instrument was tested using Cronbach’s alpha method. Therefore, as indicated in table 3.3 below, the inter item internal consistency for employees perception of PAS instrument indicates that the Cronbach’s alpha value ranged from .898 to .921, the cronbach’s alpha value for work performance instrument ranged from .847 to .871, the cronbach’s alpha value for performance evaluation instruments ranged from .654 to .839, and the cronbach’s alpha value for effectiveness of PAS is ranged from .626 to .810. The reliability score of all 39 scaled items is 0.800.

Table 3.3 Summery of Reliability test

<table>
<thead>
<tr>
<th>No</th>
<th>Variables of the study</th>
<th>No of Respondent</th>
<th>No of items</th>
<th>Overall Cronbach Alpha</th>
<th>Inter item Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employees’ perception of PAS</td>
<td>230</td>
<td>13</td>
<td>0.912</td>
<td>0.898 - 0.921</td>
</tr>
<tr>
<td>2</td>
<td>Work performance</td>
<td>230</td>
<td>10</td>
<td>0.769</td>
<td>0.847 - 0.871</td>
</tr>
<tr>
<td>3</td>
<td>Performance evaluation</td>
<td>230</td>
<td>8</td>
<td>0.786</td>
<td>0.654 - 0.839</td>
</tr>
<tr>
<td>4</td>
<td>Effectiveness of PAS</td>
<td>230</td>
<td>8</td>
<td>0.736</td>
<td>0.626 - 0.810</td>
</tr>
<tr>
<td></td>
<td>For all items</td>
<td>39</td>
<td></td>
<td>0.800</td>
<td>0.626 - 0.921</td>
</tr>
</tbody>
</table>

Source- own survey Data, 2015

Therefore; since, the cronbach’s alpha score for all items (0.700) is above acceptable level of alpha (i.e. 0.70), the instruments employed in this study was reliable
3.8 Validity Test

Validity is the extent to which data accurately reflects what they are meant to reflect. There are some factors which can affect the validity of data, for example, if a respondent is in a haste to complete the questionnaire, the validity of this response could be affected; also misinterpretation of questions by the respondents will also affect validity.

According to Creswell (2003) there are three forums of validity: (1) content validity, (2) concurrent validity and (3) construct validity. Koigi (2011) states that among the three forms of validity, content and construct validity are the most sophisticated and rigorous types of validity and the most recommended types of validity for social studies. Even though the adapted instrument is valid by itself, to further re-examine, the researcher tested the validity of the instruments in the following manner.

To measure the validity of the instrument, the researcher employed the factor analysis using the Eigen-value and factor loading matrix of each item of the instruments. The factor loading of items are evaluated using the criteria of Eigen value. A factor having Eigen-value greater than one has been selected to assure the validity of the instrument.

Straub (1989) also suggested that the instrument with Eigen-value greater than one and factor loading exceeded the .50 cut-off value is valid. Therefore; the SPSS output of the factor analysis of each items of the study is illustrated as follows;

Table 3.4 Summery of Validity test

<table>
<thead>
<tr>
<th>No</th>
<th>Variables of the study</th>
<th>Items</th>
<th>Factor analysis</th>
<th>Eigen value</th>
<th>Factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employees perception of PAS</td>
<td>13</td>
<td></td>
<td>1.19</td>
<td>0.63</td>
</tr>
<tr>
<td>2</td>
<td>Work performance</td>
<td>10</td>
<td></td>
<td>1.332</td>
<td>0.60</td>
</tr>
<tr>
<td>3</td>
<td>Performance evaluation</td>
<td>8</td>
<td></td>
<td>1.009</td>
<td>0.66</td>
</tr>
<tr>
<td>4</td>
<td>Effectiveness of PAS</td>
<td>8</td>
<td></td>
<td>1.093</td>
<td>0.56</td>
</tr>
</tbody>
</table>

Source: Own survey data, 2015

3.9 Methods of Data Analysis
In this study, both qualitative and quantitative techniques were used in analyzing data, the qualitative data is obtained through reading books and videos, whereas, the quantitative data is obtained through structured questionnaire administered to employees of CBE under Addis Ababa district. The data gathered through questionnaire were coded, entered into computer and analyzed and presented in the form of tables using SPSS version 20 software and Microsoft excel 2007. The data were analyzed according to the objective and hypothesis of the study. In general analysis was performed by descriptive statistics.

**Descriptive analysis:** is used to summarize the demographic characteristics of the respondent and to know the level of employee perception of performance appraisal based on the response for each item score of each variable. According to Zaidaton & Bagheri (2009).
RESULTS AND DISCUSSIONS

4.1 Respondents Data Analysis Review

This part put down and forwarded the respondent responses in a very quiet comprehensive way and to review the row data. In the former principal reviews we have attempted to see that "An opportunity for the individual and those concerned with their performance - most usually their line manager - to get together to engage in a dialogue about the individual's performance, development and the support required from the manager" Peruse this the researcher have to cross check this case and have presented to each of the respondent on how the Performance appraisal system (PAS) is practiced in the bank that out of the total randomly selected 15 respondent agree merely 17 people strongly agree 45 people are neutral and the rest less than half of the respondent divided in strongly disagree 123 and the rest are disagree. This obviously shows that however Performance appraisal system (PAS) is practiced in the bank still there are high anticipation even yet it is under practice.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>50</td>
<td>19.5</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>124</td>
<td>48.2</td>
<td>49.6</td>
<td>69.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>44</td>
<td>17.1</td>
<td>17.6</td>
<td>87.2</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
<td>6.6</td>
<td>6.8</td>
<td>94.0</td>
</tr>
<tr>
<td>strongly agree</td>
<td>15</td>
<td>5.8</td>
<td>6.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>97.3</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.1 some respondents view on the Performance appraisal system (PAS) practice*

In line to the view of the respondent it lead as to analysis that performance appraisal system designation is attainable but in practice there are yet the weak spot raises the managers measure employs not at their actual performance, it most of the time depends up on relations they have with to come over. According to Dick Grote (1998) that the organization shall aware of the purposed intended to serve ,the cost of handling each employee, what can be the performance appraisal system on how it is delivered in to account that this shall be principally rehearsed in the bank. Besides, for APA improves and changes employees’ performance, however, this come via
process that the bank is responsible on following up especially the awareness on the managers shall be assessed well to have a better practice.

This have been seen to be compared on how the respondent response factor in to analysis with the principle in line with Armstrong (1998) sees performance appraisals as a combined and well planned method used to further improve the success of an organization by increasing employees' performance and developing the abilities of teams and individual employees. The researcher similarly have presented either Performance Appraisal System helping in planning employee’s performance to critically determine the extent to the require value that only seven respondent are strongly agree, 38 people strongly agree and equal respondent are neutral. In additional to this 137 respondent have disagreed and the respite is left on which 30 strongly disagree. Therefore, as to the researcher analysis the bank yet shall considered with energetic inspiration to assessed its path in to a combined and well planned method used to further improve the success of an organization of the by increasing employees' performance and developing the abilities of teams and individual employees.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>7</td>
<td>2.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>38</td>
<td>14.8</td>
<td>15.2</td>
</tr>
<tr>
<td>Neutral</td>
<td>38</td>
<td>14.8</td>
<td>15.2</td>
</tr>
<tr>
<td>Agree</td>
<td>137</td>
<td>53.3</td>
<td>54.8</td>
</tr>
<tr>
<td>strongly agree</td>
<td>30</td>
<td>11.7</td>
<td>12.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>97.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.2. perception of employees on planning performance appraisal programs

Three necessitate to be Performance Appraisal System provides scope for reflection and assessment of the employee’s personality factors and attributes required for their performance in the actual job and there could do with employee’s expression on their developmental needs and lead by supervisors aiming at strengthening mutual sympathetic and relationship between supervisors and Employees in joist of this the foremost of the respondent is the bank practicing agree this and strongly agree that is 151 and 31 and the rest have 21,36,11 accordingly laid to strongly disagree, neutral, and disagree with this.
Table 4.3. Performance in the actual job and scope for reflection and assessment of the employee’s

In the analysis, however, on getting close to a scope to measure by any index is psychologically and very subjective matter to get it tangible equally within each respondent principally the bank shall wake up instance with making strong visualization on the employee future as it is implicated by the respondent in analysis at least so as to rearrange personality factors and attributes required for their performance in the actual job and there could do with employee’s expression on their developmental needs and lead by supervisors aiming at strengthening mutual sympathetic and relationship between supervisors and Employees in joist of this the foremost.

For obvious reason Performance Appraisal System helps employees to gain insights into their strengths and weaknesses as it is affirmed by "regularly record an assessment of an employee's performance, potential and development needs. The appraisal is an opportunity to take an overall view of work content, loads and volume, to look back on what has been achieved during the reporting period and agree objectives for the next" (ACAS, p.3). In case of the commercial bank of Ethiopia this is practices as to respondent that around two hundred that is 123 and 69 respondent have an affirmative response label agree and strongly agree 31 strongly disagree respondent 8 disagree the rest 19 are neutral. This implicates to analysis that the weak spot raises the managers measure employs not at their actual performance, it most of the time depends up on relations they have with. Therefore, this shall be principally rehearsed. Besides, APA improves and changes employees’ performance, however, this come via process that the
bank is responsible on following up. So this shall be strengthen on the bank however this is not to mean there is starting on this by the bank like that of timely reviewing performance standards. Some few respondents have even commented that the bank performance appraisal is not with any kind of reward and penalties. simply it is designed for formality purpose for the time being

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>8</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>31</td>
<td>12.4</td>
<td>12.4</td>
<td>15.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>19</td>
<td>7.6</td>
<td>7.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Agree</td>
<td>123</td>
<td>49.2</td>
<td>49.2</td>
<td>72.4</td>
</tr>
<tr>
<td>strongly agree</td>
<td>69</td>
<td>27.6</td>
<td>27.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.4. Respondent view on whether employee performance, potential and development needs are assessed and rewardingly recorded

Performance Appraisal System helps employees in discovering their potential for preparing themselves to take up future likely roles of higher level and as to the case to the bank this is provided well via different discussion on the expectations, attainment, failures, constraints and improvements and the discussions are of high quality and conducted with care as it is confirmed by the respondent that 106 agree, 54 strongly agree, 33, 46 strongly disagree, disagree but 11 respondent have kept back to be neutral on this. What has this indicated is the bank is expected to have follow up the steps so as to manipulate the maximum potential of the employee as W. Edwards Deming (1993) Some organizations attempt to assess an employee’s potential as they appraise his or her job performance. Although past behaviors may be a good predictor of future behaviors in some jobs, an employee’s past performance may not accurately indicate future performance in other jobs.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>Percent</th>
<th>V.Perc</th>
<th>C.Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>33</td>
<td>13.2</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td></td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>strongly agree</td>
</tr>
<tr>
<td>----------------</td>
<td>----------</td>
<td>---------</td>
<td>-------</td>
<td>----------------</td>
</tr>
<tr>
<td>disagree</td>
<td>32</td>
<td>12.8</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>70</td>
<td>28.0</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td>19</td>
<td>7.6</td>
<td>7.6</td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>81</td>
<td>32.4</td>
<td>32.4</td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>48</td>
<td>19.2</td>
<td>19.2</td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.5: Respondent view on performance appraisal system helps employees in discovering their potential for preparing themselves. Here the researcher have indirectly and technically to crack either Supervisors spends time for Employees performance up grading so as to identify the reviews of extant work on performance appraisal have indicated that there are certain requirements and behaviors required of the supervisor that are essential towards its success in the commercial bank. Martin & Bartol (1986) argues that it is imperative that supervisors' are aware of the essential behaviors and significance of performance appraisal as an element of performance management since supervisor's behavior strongly affects how employees view the appraisal and the organization in general. The respondent respond shows employees work via a self-appraisal in reviewing, reflecting and analyzing the factors affecting their performance is less as a result with very narrow difference that 81 agree 48 strongly agrees 32, 70 strongly disagree and disagree and the rest 19 respondents are set aside to be neutral.

The bank gives value by performance management since supervisor's behavior strongly affects how employees view the appraisal and the organization is higher because 167 have agree, 31 strongly agree, though the rest which there summation is almost quarter of the total respondent
are left out to admitted this that 33 disagree, only 4 kept neutral and the rest 15 are strongly disagreed.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>15</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>33</td>
<td>13.2</td>
<td>13.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>1.6</td>
<td>1.6</td>
<td>20.8</td>
</tr>
<tr>
<td>Agree</td>
<td>167</td>
<td>66.8</td>
<td>66.8</td>
<td>87.6</td>
</tr>
<tr>
<td>strongly agree</td>
<td>31</td>
<td>12.4</td>
<td>12.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.7 Respondent view on performance management by supervisor's behavior strongly affects how employees view the appraisal and the organization

The respondent have approved employee’s tasks are define not as such desirable so that their performance can be clearly defined and measured that 160 agree and 34 strongly agree however the few respond are still unconvincing about this yet as it justify for 14, 12, 40 are left to neutral, strongly disagree and disagree.

But the anti clock to this the respondent have shown that employees tasks are clearly defined PAS and perhaps similar to this the objectives of PAS are consider to not hitherto clear to the entire employees as it is shown in table 8 and 9 the reverse endorsement is specified that 123 disagree 21 strongly disagree and 30 set neutral for they may not doubt on it and 32 strongly agree and the rest 44 only agree.
<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>21</td>
<td>8.4</td>
<td>8.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>123</td>
<td>49.2</td>
<td>49.2</td>
<td>57.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>30</td>
<td>12.0</td>
<td>12.0</td>
<td>69.6</td>
</tr>
<tr>
<td>Agree</td>
<td>44</td>
<td>17.6</td>
<td>17.6</td>
<td>87.2</td>
</tr>
<tr>
<td>strongly agree</td>
<td>32</td>
<td>12.8</td>
<td>12.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.8 and 4.9: Respondent view on performance appraisal tasks and objectives of PAS

In another vein, Dobbins et al (1990) stated that discontents with performance appraisal process will most likely result in employee turnover, reduced motivation and a sense of unfairness; also using performance appraisal outcome to distribute rewards might be difficult. Therefore employees have a clear consideration of what is expected from them regarding their performance in this banking organization. This look as if glowing moved out in the commercial bank is existing in the research by the respondent that 145 agree, 37 strongly agree, 13 neutral and 18 strongly disagree and 37 disagree within the subject.
Table 4.10: Employees consideration on performance appraisal

Rewards and encouragements outweigh the threats and criticism in this bank. Periodic orientation programs on PAS are conducted and toughly practiced. Via HRM Personnel Department follow up work on training needs as identified through appraisals it is confirmed by the respondent that 101 disagree, 59 strongly disagree, 23, 56 strongly agree, agree but 11 respondent have kept back to be neutral on this. The bank should take an immediate action in a line with performance appraisal system i.e. putting rewards, promotions, trainings, scholarships, bonus, and other things that shall be cared from the bank that this might be achieved by taking further experiences from the landmark banks of the world according to Armstrong (1998)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>18</td>
<td>7.2</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>37</td>
<td>14.8</td>
<td>14.8</td>
<td>22.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>12</td>
<td>4.8</td>
<td>4.8</td>
<td>26.8</td>
</tr>
<tr>
<td>Agree</td>
<td>146</td>
<td>58.4</td>
<td>58.4</td>
<td>85.2</td>
</tr>
<tr>
<td>strongly agree</td>
<td>37</td>
<td>14.8</td>
<td>14.8</td>
<td>100.0</td>
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<td>Total</td>
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<td>100.0</td>
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</tbody>
</table>

Table 4.11: Respondent view on rewards and encouragements

PAS provides an opportunity for supportive superior-subordinate communication to facilitate the employee’s job performance. 177 have agree, 21 strongly agree, though the rest
which there summation is almost quarter of the total respondent are left out to admitted this that 33 disagree, only 9 kept neutral and the rest 10 are strongly disagreed.

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<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tr>
<td>strongly disagree</td>
<td>10</td>
<td>4.0</td>
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<tr>
<td>Disagree</td>
<td>33</td>
<td>13.2</td>
<td>13.2</td>
<td>17.2</td>
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<td>Neutral</td>
<td>9</td>
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<td>3.6</td>
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<tr>
<td>Agree</td>
<td>177</td>
<td>70.8</td>
<td>70.8</td>
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<td>strongly agree</td>
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<td>250</td>
<td>100.0</td>
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Table 4.12: Respondents view on managers-employees communication

How much does the to the question on managers take special efforts to be objective and unbiased while making their comments on lesser performance specified that 121 disagree 23 strongly disagree and 30 set neutral for they may not doubt on it and 32 strongly agree and the rest 44 only agree. Managers could be charged with discussing individually with employees what their (the employees’) goals and aspirations for the future are. If the manager gave frank assessments of how realistic those goals and aspirations are, and what would likely be required of the employee to achieve them, that would seem to directly address the purpose of letting people know where they stand according to Armstrong and Baron,(2005)
Table 4.13 Respondent views on objectives of performance appraisals

There is a great deal of criticism in this bank determining the promotion and less promoting pursue in the PAS divided almost parallelism to the respondent that 35 strongly agree, 75 agree, 8 left neutral 98 strongly disagree and the rest 34 disagree. Performance appraisals are most productive when they are collaborative, both people are prepared ahead of time and there have been discussions about performance throughout the year. The performance appraisal meeting should be a two-way conversation according to Fletcher,( 1997)

Table 4.14: criticism in this bank determining the promotion

Managers show confidence and trust in employees show supportive behavior towards employees Managers share information with the employees to the extents the PAS works the way it is designed to work and managers devote sufficient time to performance review discussions as to the respondent that 45 strongly agree, 55 agree, 10 left neutral 56 strongly disagree and the rest 84 disagree. In principle Managers shall Review job description to ensure that information is accurate and up to date, understand what constitutes “successful performance” of the core competencies related to the job, come prepared to share and discuss your personal objectives and the measures of success related to each objective, understand how the results of your position contribute to the departments, divisions, or university’s goals and objectives according to Armstrong(1997) but the organization supervisors in the bank depends on personal relationship rather than following the procedural principle as to the respondent that
this way of work tradition can lead the bank in to an implications of wrecked result to performance.

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<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<th>Cumulative Percent</th>
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</thead>
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<td>56</td>
<td>22.4</td>
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<tr>
<td>Disagree</td>
<td>84</td>
<td>33.6</td>
<td>33.6</td>
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<tr>
<td>Neutral</td>
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<td>4.0</td>
<td>4.0</td>
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<tr>
<td>Agree</td>
<td>55</td>
<td>22.0</td>
<td>22.0</td>
<td>82.0</td>
</tr>
<tr>
<td>strongly agree</td>
<td>45</td>
<td>18.0</td>
<td>18.0</td>
<td>100.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
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</table>

Table4.15: Respondents view on the manager confidence and trust and supportive behaviors

4.2 Open Ended Questions Analysis

As it have been have discussed that it is essential to have an effective performance appraisal system. Consequently it shows that if appraisals would not be aware of their true performance level in bank for clear reason. This could affect their opportunity for advancement in their jobs in the future. It can also affect employees’ moral as good appraisal results motivate employees to work even harder.

However, the bank is yet out of the tradition than lead by the principles of appraisal performance system, inaccurate ratings results in frustrated employees, inappropriate rewards and punishment. The findings further suggest the commercial bank has undergo from some of the problems associated with performance appraisal.

Attention must be paid to improving the system in terms of training raters and setting clear goals for the betterment of the employees’ and the service in general.

This is essential as the commercial bank plays a vital role in providing services to the country economy. If employees are not performing at the required levels, good service delivery will not be possible.

The only way to determine whether they are performing at required level is if the system produces accurate and valid results.
Findings suggest that supervisors and managers need to become acquainted with the organization’s purpose and objectives. It will help them to feel more a part of the process and amplify their desire to contribute more.

Hence they would be performing at their best and would not require raters to grade leniently or grade based on perceptions. The reason being, is that they would see employees performing at their best so there will be no need for bias.

The questioner as it aims was on how the Employees' will be more satisfied with their appraisal session when they receive extensive work related feedback, the criteria used for evaluation is related to their job to make on the discussion includes ways to improve their performance and how shall the managers goes the PAS to stream simply that this have shown there are still what requires further job on the regaining of the structural clarity, training designations as a whole some in the commercial bank to be more to the point the respondent also have commented the following points: The PAS designation is attainable but the weak spot raises the managers measure employs not at their actual performance, it most of the time depends up on relations they have with. Therefore, this shall be principally rehearsed. Besides, APA improves and changes employees’ performance, however, this come via process that the bank is responsible on following up.

So this shall be strengthen on the bank however this is not to mean there is starting on this by the bank like that of timely reviewing performance standards. Some few respondents have even commented that the bank performance appraisal is not with any kind of reward and penalties simply it is designed for formality purpose for the time being.

The bank should take an immediate action in a line with performance appraisal system i.e. putting rewards, promotions, trainings, scholarships, bonus, and other things that shall be cared from the bank that this might be achieved by taking further experiences from the landmark banks of the world. Besides, the bank should continuously providing awareness towards the value of conducting performance appraisal to the entire realm of the concerned bodies.

The bank shall not occupy its employee by over stated activities. They also commented the bank shall work on creating motivation on the value of being performing so as the other employee
would have the weakness of getting part of it. And the manager has to be by the system/PAS/
that the measurement parameters have to be clear and easily understandable.

CHAPTER FIVE
SUMMARY OF MAJOR FINDINGS, CONCLUSIONS
AND RECOMMENDATIONS
The research was designed to determine whether the performance appraisal system in commercial bank of Ethiopia is providing valid evaluations. The commercial bank as the other banks were criticized for being wholly foreign owned. In 1931 the Ethiopian government purchased the *Abysinian Bank*, which was the dominant bank, and renamed it the ‘Bank of Ethiopia’ – the first nationally owned bank on African continent (Belay, 1990: 83; Befekadu, 1995: 234). Eventually this gate open to the establishment of the commercial bank of Ethiopia up to the presently.

**5.1. Summary of major Findings and conclusions**

Whether a bank have ten employees or ten thousand or more, it is critical using a performance appraisal system put your employees on the track to increased productivity and keep them there. With increased visibility of company goals, employees will understand what is important to the company's bottom line and direct their efforts to be focused on what is necessary to make your company successful.

The commercial bank have so to work on for the visibility of its goal that employees further more understand what is important to the company's bottom line and direct their efforts to be alert on what is necessary to make the company flourishing path with supplementary trainings to cope up the bank way of working with performance appraisal achievement scheme.

The researcher believes that training is essential and that it brings about increased accuracy in the appraisal. This precisely can be summarized in four major findings that are attempts to be stated in very clarity as fellow

*The purpose of performance appraisal system in the bank not clear that bank should take an immediate action in a line with performance appraisal system. Bank performance appraisal is not with any kind of reward and penalties .simply it is designed for formality purpose for the time being.

*The methods of the performance appraisal system in the bank are not clear to the employees.

* To assess the employee the performance appraisal system in the bank is somewhat better with further expected complements.
*The overall performance appraisal process carried out in the bank is not as smoothly as it has to meet the required precedence. Overall the bank didn’t follow the process of performance appraisal at all.

The goals can be used as a guide to ensure those employees are working toward same objectives. This will help the supervisors to be able to better assess staff based on agreed upon goals of the commercial bank of Ethiopia.

5.2 Limitation of the Study

The research was conducted using only qualitative research methodology in the form of open-ended questionnaire due to time constraints.

This limits the number of sample size, because if it is too large it would be difficult for the researcher to analyze. Open-ended questions also lends to the possibility of bias response from the respondents. It is recommended that in the future studies include both qualitative and quantitative methods to assist with the analysis.

The questionnaire was self-administered; hence it may have been influenced due to my experience in the commercial bank of Ethiopia. However, bear in mind that participants from the ministries are those involved in developing and implementing policies hence they would be able to lend valuable input.

Another limitation the researcher encountered was the fact that there were limited scholarly reviews in some areas of the research, mainly that of the importance of linking employee performance goals with organizational goals.

5.3 Recommendations

Providing the above conclusions left in to account it if further recommended as a means of showing that the commercial bank service is adamant about change and wanting improvement in the system, supervisors are provided with the proper training on not only how to use the assessment tool, but also how to acquire the necessary skills to conduct fair and accurate appraisals. The results highlighted the fact that supervisors are grading based on recent events, instead of basing the assessment on entire appraisal period; also they are allowing one activity
element to influence the other. All these issues can be addressed through training, which was also a recommendation by the respondents.

One possible method of training shall include form the clerk up to the top so as to take into considerations is the Frame of Reference (FOR) training, as was explained in chapter 2 of this research. This method has been proven to be the most promising method for improving accuracy of performance ratings. It is done by setting a common conceptualization of performance among raters that serves as a basis for observing and evaluation performance.

Accountability would enhance effectiveness; hence managers need to be held accountable for their actions, so as to ensure that they conduct appraisals free from bias due to companionship and favoritism.

In the event that their rating is challenged, they should be able to show clearly how they arrived in such a grade. Bias appraisals can affect the morale of other hard working employees, resulting in performance appraisal system due to the employee have less understanding on the scientific value and they goes as traditions’ for.

This may therefore lead the employee in to receive the bias appraisals a false sense of security and even decayed work procedures i.e. corruption and less this accustoms less customer satisfaction.

Moreover, the researcher has forwarded to be commented by the respondent to indicate their perspective and analysis on what measures should be taken to improve the performance evaluation system of the bank and the overall response can be seen in brief as fellow:

*The bank should take an immediate action in a line with performance appraisal system i.e. putting rewards, promotions, trainings, scholarships, bonus, and other things that shall be cared from the bank that this might be achieved by taking further experiences from the landmark banks of the world. The bank should take an immediate action in a line with performance appraisal system i.e. putting rewards, promotions, trainings, scholarships, bonus, and other things that shall be cared from the bank that this might be achieved by taking further experiences from the landmark banks of the world. Besides, the bank should continuously providing awareness towards the value of conducting performance appraisal to the entire realm of the concerned bodies.*
Armstrong (1998) sees performance management as a combined and well planned method used to further improve the success of an organization by increasing employees' performance and developing the abilities of teams and individual employees. However, Fletcher (1993a cited in Armstrong & Baron, 1998) sees it as a method used by organizations to invent and share their vision with the employees by enabling them to appreciate their own part towards achieving the organization's vision and in so doing help to manage and improve the performance of both the employees and organization. Hendry, Bradley & Perkins (1997) believe it is an efficient method used to enhance the performance of individuals and teams to realize the goals of the organization.

The definitions above indicate that performance management is a tool used by organizations to achieve organizational aims by effectively managing the performance of employees and the organization as a whole. In our context, the bank uses a balance score card (BSC) as its performance management system. However, employees do not come up with the work procedure because there is a gap in training the importance of it or less attention to get it attentive in the work. This may leave out from failed on the next by providing awareness towards the value of conducting performance appraisal to the entire realm of the concerned bodies. Additionally, the bank should follow the clear method of performance appraisal as stated in the literature.

The bank shall not occupy its employee by over stated activities, the bank shall work on creating motivation on the value of being performing so as the other employee would have the weakness of getting part of it and the manager have to be by the system/PAS/ that the measurement parameters have to be clear and easily understandable.

Finally, the bank should follow the performance appraisal steps to apply the performance appraisal effectively. So the bank should follow the processes to archive the vision of the bank, to develop the performance of the employee, to use performance appraisal and to satisfy employees by the performance appraisal.

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Page (41-46)

1. Questioner distributed to respondants 

1-A- Sex ---------- Age ---------
**B- Position in the bank**

*Former Position*  -------------------------------------  *Duration in the Bank*  ----------

* Current Position  -------------------------------------

**Part II**

The questioner has three parts. Part I is about the personal profile of respondents, Part II companies closed ended questions related to performance appraisal practices, and Part III includes open ended questions.

**Notes on the overall satisfaction across all the above statements of the Questionnaire:**

1) Scoring Scale 5=Strongly Agree, 4=Agree, 3=neutral 2=Disagree, 1=Strongly Disagree.
2) Higher mean score indicates to more favorable perception of employees towards the overall performance appraisal system in the Bank & lower mean score indicates vice versa.
3) M.S=Mean Score, SD=Standard Deviations, Sig.=Significance For onward references as well.
4) The bold figures indicate the highest and lowest mean scores recorded against the given statements

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<th>Neutral /3/</th>
<th>Disagree /2/</th>
<th>Strongly Disagree /1/</th>
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<td>Performance appraisal system(PAS) is practiced in the bank Well</td>
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<td>PAS helps in planning employee’s performance well</td>
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<td>3</td>
<td>PAS provides scope for reflection and assessment of the employee’s personality factors and attributes required for their performance in the actual job</td>
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<td>4</td>
<td>PAS provides scope for employee’s expression on their developmental needs and lead by supervisors</td>
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<td>5</td>
<td>PAS aims at strengthening mutual sympathetic and relationship between supervisors and Employees</td>
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<td>6</td>
<td>PAS helps employees to gain insights into their strengths and weaknesses</td>
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<td>7</td>
<td>PAS helps employees in discovering their potential for preparing themselves to take up future likely roles of higher level</td>
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<td>8</td>
<td>PAS provides an discussion on the expectations, attainment, failures, constraints and improvements</td>
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<td>9</td>
<td>PAS provides scope for communicating the overall</td>
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<td>business goals and plans to the employees</td>
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<td>The PAS report in this bank is used for growth pursue actual achievements</td>
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<td>11</td>
<td>Performance Appraisals review discussions are of high quality and conducted with care</td>
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<td>12</td>
<td>Standards of performance in the bank are too high</td>
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<td>13</td>
<td>Supervisors spends time for Employees performance up grading</td>
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<td>14</td>
<td>Employees work via a self- appraisal in reviewing, reflecting and analyzing the factors affecting their performance.</td>
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<td>15</td>
<td>The bank gives value on priorities by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology</td>
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<td>16</td>
<td>Employee’s tasks are such that their performance can be clearly defined and measured</td>
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<td>Employees tasks are clearly defined PAS</td>
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<td>Objectives of PAS are clearly defined PAS</td>
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<td>Employees take active part in PAS discussions with closed integrity and accountability</td>
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<td>Employees have a clear consideration of what is expected from them regarding their performance in this banking organization</td>
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<td>Rewards and encouragements outweigh the threats and criticism in this bank</td>
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<td>Periodic orientation programs on PAS are conducted and toughly practiced</td>
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<td>23</td>
<td>HRM Personnel Department does follow up work on training needs as identified through appraisals</td>
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<td>24</td>
<td>PAS provides an opportunity for supportive superior-subordinate communication to facilitate the employee’s job performance.</td>
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<td>25</td>
<td>Managers take special efforts to be objective and unbiased while making their comments on lesser performance</td>
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<tr>
<td>26</td>
<td>There is a great deal of criticism in this bank determining the promotion and less promoting pursue PAS</td>
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<tr>
<td>27</td>
<td>Managers show confidence and trust in employees</td>
<td></td>
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<tr>
<td>28</td>
<td>Managers show supportive behavior towards employees</td>
<td></td>
<td></td>
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<td>Managers share information with the employees to the extent</td>
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<tr>
<td>30</td>
<td>The PAS works the way it is designed to work</td>
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Part III

1. What is your general perception on the performance appraisal system of the bank? (focus on the strength and weakness)

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2. What measures should be taken to improve the performance evaluation system of the bank?

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DECLARATION

I, the under designed , declare that this thesis is my original work, prepared under the guidance of Associated Pro.Goitom Abraham All sources of materials used for the thesis have been acknowledged further confirm that the thesis that not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Werede kidanu

-----------------------------------------                              ---------------------------------------------
St .Mary’s university college, Addis Ababa                        Dec, 2016
ENDORSEMENT

This thesis has been submitted to St.Mary’s university college, school of graduate studies for examiners with my approval as a university advisor.

-------------------------------------------                              ----------------------------------------
Advisor                                                                                     signature

St. Mary’s university College, Addis Ababa  Dec, 2016 SMU