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SCHOOL OF GRADUATE STUDIES

MASTERS OF BUSINESS ADMINISTRATION

**PERFORMANCE APPRAISAL PRACTICE AND PROBLEM IN
COMMERCIAL BANK OF ETHIOPIA: CASE OF SELECTED
BRANCHES UNDER WEST ADDIS ABABA DISTRICT**

BY:

DESALEGN KASSAYE

JUNE, 2018

ADDIS ABABA, ETHIOPIA

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DESALEGN KASSAYE

ID: SGS/0072/2008B

ADVISOR:

Dr. AFEWORK GETACHEW

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

JUNE, 2018

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APROVED BY BOARED OF EXAMINERS

_____	_____	_____
Dean, Graduate studies	Signature	Date
_____	_____	_____
Research advisor	Signature	Date
_____	_____	_____
Internal examiner	Signature	Date
_____	_____	_____
External examiner	Signature	Date

STATEMENT OF DECLARATION

I, the undersigned, declare that this thesis entitled “*Performance Appraisal Practice and Problem in Commercial Bank of Ethiopia: Case of selected branches under West Addis Ababa District*” is the outcome of my own effort and study. All sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the research advisor. This study has not been submitted for any degree in this University or any other University.

Researcher’s Name

Date

Signature

CERTIFICATE

This is to certify that the research entitled " **Performance Appraisal Practice and Problem in Commercial Bank of Ethiopia: case of selected branches under west Addis Ababa district**", submitted to St. Mary's University, for the award of Master of Business Administration (MBA) and this research work carried out by Mr. Desalegn Kassaye under my guidance and supervision. Therefore, I hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Main Advisor's Name

Date

Signature

Afewerk Getachew (PhD)

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Abstract

Human resources are among the fundamental resources available to any organization. Performance appraisal is part of human resources management which a formal system of periodic review and evaluation of an employee's job performance. This study, therefore, was conducted to assess Performance Appraisal Practice and Problem in Commercial Bank of Ethiopia case of selected branches under west Addis Ababa district. The researcher has used descriptive research method. The data collection tools were interview and questionnaire. The research has been designed as a case study. Both primary and secondary data were used in the research. A survey questionnaire with five point Likert scale was a main tool for gathering primary data about Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district. A total of 80 employees have been taken as a sample randomly and branches were selected using stratified sampling methods based on their grade level. researcher distributed structured close ended questionnaire for CSO's and structured interview questionnaires for the concerned body, HRD to collect the relevant data. The study found out that the CBE uses graphic rating scales to measure employee's job performance appraisal on quarterly base. The bank does not follow formal appraisal process that is developed by scholars in the field. The performance standards of the bank addresses issues such as quantity, quality, timelines, cost effectiveness and strategic relevance but it fails to address stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time. CBE also faces huge problems on its performance appraisal practice, most of them are rater's error like regency, halo/horns, situational influence etc and the remaining is the problem of the system. The appraisal result in CBE focused only for making promotions. Performance review discussion does not take place in the bank unless an employee comes up with grievances. Generally, the outcome of the research confirmed that the performance appraisal score have problems and weaknesses that need to be improved. Since it needs improvement, possible recommendations are outlined at the end of this paper.

Key words: Performance appraisal, Performance standards, and Human resource development

Abbreviations/Acronyms

CBE:	Commercial Bank of Ethiopia
CSO:	Customer Service Officer
HRM:	Human Resource Management
HRD:	Human Resource Development
PAS:	Performance Appraisal System
PMES:	Productivity Measurement and Evaluation System
WAAD:	West Addis Ababa District

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CHAPTER ONE

1. INTRODUCTION

In the introductory chapter aims at giving the reader a clear view of the background of the study, the problem of the statement, research questions, objectives of the study, significance of the study, scope , limitation of the study and organization of the research report.

1.1 Background of the study

Management is the process of efficiently achieving the objectives of the organization with and through people. To achieve its objective, management typically requires the coordination of several vital components that we call functions (DeCenzo and Robbins, 2010).

There are several important human resource management practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance, rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At companies with effective human resource management, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community Noe, Bary, G.Raymond A, John R.Holleneck and Patrick M.Wright (2008).

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements (Armstrong, 2006). Performance appraisal is the systematic process of weighting and measuring of employee Performance against standards set or predetermined goals and these standards are obtained by the help of job analysis. Performance appraisal means evaluating an employee current and or past performance relative to his or her performance standards (Desseler, 2013).

Appraisal process starts from establishing performance standards with employees, communicates expectations, measure actual performance, compare actual performance with standards, discuss the appraisal with the employee and finally initiate corrective action. Five approaches exist for doing appraisals: employees can be appraised by comparative approach, attribute approach, behavioral approach, result approach and quality approach. No one approach is always best; each has its strengths and weaknesses (Noe. etal, 2008).

According to DeCenzo and Robins (2010) the appraisal process faced many problems. Mistakes made by raters are a major source of problems in performance appraisal. There is no simple way to completely eliminate these errors, but making raters aware of them through training is helpful. Ratter errors are based on the feelings and it has consequences at the time of appraisal. Some of the mistakes are recency effect, central tendency, leniency, strictness, and rater bias, horns and halo effect. So, as per preliminary investigation of the student, the researcher is concerned no one has exerted his effort about studies Performance appraisal practice and problem in banking sector in general and commercial bank of Ethiopia in particular. The majority of the studies were done in training and development and other HRM aspects. Therefore, the researcher considers this gap and tried to analyze Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district.

1.2 Statement of the problem

Performance appraisal system is applied in the organizations to identify the skilled and best Performers employee of the organization to increase their salary and other benefits and to increase productivity of employee by providing necessary training to fill deficiency gap which ultimately enable employee to be satisfied from the job, but sometimes most of employees neither satisfied from the performance evaluation nor from the job. Effective appraisal practice requires that the supervisor set performance standards and it also requires that employees receive training feedback and incentives required to dominate performance deficiencies. (Desseler, 2013).

Based on the researcher observations in different web sites and in the university library even if there are a lot of researches that have been done regarding assessments of employee performance appraisal, however, there is less attention given to Performance appraisal practice and problem in commercial bank of Ethiopia. Commercial bank of Ethiopia included the issues of performance appraisal on its employee Performance management system.

In commercial bank of Ethiopia manual employee performance management system has been stated that performance appraisal should conduct quarterly. Commercial Bank of Ethiopia placed performance appraisal as the bases for its strategic operational excellence and business growth, which are the ultimate results of the Bank. Consequently, it has been allocating huge sums of money in its budgetary allocation towards the implementation of employee performance appraisal through oracle software enterprise resource planning(ERP) system in order to meets its organizational and personal target since the personal targets is linked with organizational targets. Consequently, in order to clearly identify the practical problem, the researcher has undertaken a preliminary interview with Manager-HR Business at west Addis Ababa district on “is the performance appraisal system generating the expected outcome on the bank`s performance and attainment of its vision?”. The result was, therefore, evident that there existed performance gap that needs to be filled through research. This study, therefore, sought to help bridge this gap by identifying Performance appraisal practice and problem in commercial bank of Ethiopia, which helps to reconcile the gap between what should happen and what is happening – between desired targets or standards and actual levels of performance. Hence, the aim of this study is to assess Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district. In detail this study has been assess problems, methods, process etc. that the company uses in appraising employee performance.

1.3 Research questions

The major question for this study was; what are the Performance appraisal practice and problem in commercial bank of Ethiopia Case of selected branches under west Addis Ababa district looks like? To give research based answer for this major research question the researcher has tried to answer this question by listing down it into the following specific questions.

1. What are the basic performance appraisals methods used by commercial bank Ethiopia?
2. What are the procedures and process that commercial bank of Ethiopia use to conduct performance appraisal?
3. What standards does commercial bank of Ethiopia use to evaluate an employees' performance?

4. What are the major Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district?

1.4 Objective of the study

1.4.1 General objective

The general objective of the study is to examine Performance appraisal practice and problem in commercial bank of Ethiopia the Case of selected branches under west Addis Ababa district particularly in selected branches.

1.4.2 Specific objectives

In order to describe Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district, the researcher has been conducted the following specific objectives;

1. To identify basic performance appraisal methods use commercial bank of Ethiopia in west Addis Ababa district.
2. To examine the procedures and processes that commercial bank of Ethiopia in west Addis Ababa district used to conduct performance appraisal.
3. To see the standards that commercial bank of Ethiopia in west Addis Ababa district. Use to evaluate an employees' performance.
4. To find out the major Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district.

1.5 Definition of Terms

In this part the researcher has lists definition of terms from theoretical perspective and practical definition of terms given by the researcher.

1.5.1 Conceptual Definition of terms Human resource Management (HRM) - is utilization of human resources to achieve Organizational objectives. Human resource management (HRM) is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees. (Mandy etal, 1999).

Performance Appraisal (PA) - is a method of evaluating the behavior of employees in the work spot, normally including both quantitative and qualitative aspects of job-performance (Rao, 2004).

Performance Management (PM) - is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (SmitherW.James, 2009).

1.5.2 Operational definition of terms Managerial employees – are employees of the bank that work on the position that starts from a customer service manager, branch manager, district manager, directors vice president up to the president.

Clerical employees- are employees of the bank that work in various positions (*i.e.* CSO-maker/checker, SCSO- accountant, SCSO- auditor, KYC- analyst and SCSO- cashier).

Non clerical employees- are employees of the bank that work on positions from grade I-VI (like janitors, messengers, securities, cash office boys/girls etc.

1.6 Significance of the study

The findings of the this study is also very important to a diverse number of stakeholders.

The major benefits of this study are the following;

1. It serves as a stepping stone for those who want to make further study on this topic.
2. Help students in the field and practitioners as a reference material to get deep insight with regard to performance appraisal practice as well as theory.
3. Inform the bank any gaps in its practice of performance appraisal and help to make the necessary adjustment.
4. Helps employees of the bank to know about how they are evaluated and to identify purposes of the performance appraisal of the bank are.

1.7 Scope of the study

For a reason of time constraint; that is fairly expected to occur, due to wide geographical coverage of the branches, homogeneity of the contents of the jobs and job description and uniformity of the appraisal format. Hence, the study has covered those permanent employees with at least a minimum of one year of experience working at commercial bank of Ethiopia case of selected branches under west Addis Ababa district and eight selected branches located at the capital city- Addis Ababa only. The research targets on customer service officer's maker/checker (CSO) who does have non managerial positions.

1.8 Limitations of the study

The researcher encountered the following limitations:

A major problem encountered by the researcher during information collection process is the shortage of access to information. Difficulty of gathering information from all CBE branches, case of selected branches under west Addis Ababa district, and lack of documentation of employee performance appraisal system in the bank and also limitation of the study in which is in-depth investigation of problem, has to be conducted over an extended period of time. However, due to the time and budget constrains the thesis has to relay on a limited time frame. Moreover, there is no sufficient researches are conducted as far as the researcher is reviewed. Thus, it is difficult to obtain adequate data from published articles; journals concerning the issues. As a result, this study considers from the employees point of view about Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district.

1.9 Organization of the research report

Chapter one: Introduction

Provide an overview of the study and presents statements of the problem, the research objectives and questions, significance of the study, limitation and organization of the study.

Chapter Two: Review of Related Literature

Include theoretical literature review of performance appraisal, the empirical literature review and the conceptual framework developed from reviewing different literature and articles in the area of study.

Chapter Three: Methodology and Design

With comprise research approach and method, the source of data, the population of the study, sampling technique and sample size, method of data collection and method of data analysis has been discussed.

Chapter Four

Presentation on how data has been analyzed as well discussion on the research findings by relating it to the literature review.

Chapter Five

Present a brief summary of the study and the main findings, conclusions with regards to the new knowledge derived from the research and recommendations on Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district.

CHAPTER 2

2. REVIEW OF RELATED LITERATURE

2.1 Overview of performance appraisal

Competitiveness in many of today's industries is based on the effectiveness of human assets- on the ability of employees to create, to apply their skills and accumulated knowledge, to work effectively together, and to treat customers well. Yes, physical and financial assets are often essential, but in many instances, creativity and human resourcefulness are more important as "differentiators" and as sources of long-term competitive advantage. Perhaps this is the case in many industries (Harvard, 2006).

The importance of human assets in business competition explains why every company and every manager needs a system for making the most of the company's people resource. Everyone benefits when an organization has effective performance management:

1. Shareholders observe better results, because the human assets of the organization are top-notch and working in unison toward key goals.
2. Managers are more successful, because their subordinates are doing the right things well.
3. Employees experience greater job security, career advancement, and fatter paychecks, thanks to outstanding performance (Harvard, 2006).

In order to check whether employees are giving what is expected of them for their organization or to gain the necessary competitive advantage organizations need to conduct performance appraisal. This study has given answer for different issues that are raised with regard to performance appraisal practice. Different scholars define performance appraisal more or less in a similar way. Performance appraisal is one of the most important human resource practice. Appraisal is one part-but an important part of the larger system of performance management.

There are different approaches to measure employee's performance; comparative, attribute, behavioral, result and the quality approach. Performance standards are used when it is not possible to set time-based targets. Standards are sometimes described as standing or continuing objectives.

Some of the problems that affect performance are rater bias, rater error, situational influence, and change over time and identifying performance measures and criteria for evaluating performance.

There are different reasons for conducting performance appraisal like compensation, documentation, motivation, human resource planning, recruitment and selection etc. effective performance appraisal programs need to have job related criteria, performance expectation, standardization, trained appraisers, open communication and complying with the law. Appraisals can be conducted by supervisors, peers, subordinates, self, customers and 360- degree feedback. To overcome problems in performance appraisal reducing rater errors and bias is one of the option. In most organization performance appraisal conducted twice or once in a year. Traits, behaviors and task outcomes are most commonly rated by appraisers.

2.2 Definitions of performance appraisal

Performance is often defined simply in output terms – the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it. The Oxford English Dictionary confirms this by including the phrase ‘carrying out’ in its definition of performance: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken. High performance results from appropriate behavior, especially discretionary behavior, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results. The concept of performance has been expressed by Brumbrach (1988 as cited in Armstrong 2006) as follows: Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.

This definition of performance leads to the conclusion that when managing performance both inputs (behavior) and outputs (results) need to be considered. It is not a question of simply considering the achievement of targets, as used to happen in ‘management by objectives’ schemes. Competency factors need to be included in the process. This is the so-called ‘mixed model’ of performance management, which covers the achievement of expected levels of competence as well as objective setting and review (Armstrong 2006).

Performance appraisal is a formal method for assessing how well an individual employee is doing with respect to assigned goals. Its ultimate purpose is to communicate personal goals, motivate good performance, provide constructive feedback, and set the stage for an effective development plan (Harvard 2006).

As per Greg and Kenneth (2009) performance appraisal is the process of measuring what employees contribute to the organization. It is the necessary but difficult part of managing others. Indeed, for many managers, performance appraisal is near the top of the list of undesirable duties. What makes this task so tough? One reason managers dislike performance appraisal is the difficulty of capturing all areas of contribution. Employees contribute in a number of different ways, and it is often hard to accurately evaluate their efforts with a numerical score. Another reason is that many employees seem to feel that performance ratings are biased. They see the process as sometimes unfair. A starting point for thinking about performance measure is to consider ways in which evaluations can be inaccurate.

Performance appraisal is the specific and formal evaluation of an employee to determine the degree to which the employee is performing his or her job effectively. Some organizations use the term performance appraisal for this process, while others prefer to use different terms such as performance evaluation, performance review, annual review, employee appraisal, or employee evaluation. The outcome of this evaluation is some type of score or rating on a scale. These evaluations are typically conducted once or twice a year (Angelo and Ricky 2008).

Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals (Paul and Laurel 2010).

Performance appraisal (PA) is often considered one of the most important human resource practices (Boswell and Boudreau, 2002; Judge and Ferris, 1993) and is one of the more heavily researched topics in work psychology (Fletcher, 2001). PA has increasingly become part of a more strategic approach to integrating HR activities and business policies and is now a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001).

2.3 Performance appraisal as part of performance management

Performance management is often conflated with performance appraisal and vice versa. Performance appraisals are concerned with individual performance, whereas performance management looks at individual, team, and organizational performance. The appraisal may be just another HR technique used by an organization, while performance management attempts to link the appraisal process to the wider values and objectives of the firm (Foot and Hook, 2008 as cited on David and Geoffrey 2009). However, appraisals constitute an integral part of the performance management process (David and Geoffrey 2009).

As per Armstrong (2006) it is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. In contrast, performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future.

Performance appraisal has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers. It has been perceived by many commentators such as Townley (1989 as cited by Armstrong 2006) as solely a means of exercising managerial control. Performance appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time-consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. As Armstrong and Murlis (1998) assert, performance appraisal too often degenerated into 'dishonest annual ritual' (Armstrong, 2006).

2.4 Performance appraisal methods

We can manage performance by focusing on employee attributes, behaviors, or results. In addition, we can measure performance in a relative way, making overall comparisons among individuals' performance. Finally we can develop a performance measurement system that incorporates some variety of the preceding measures, as evidenced by the quality approach to measuring performance (Noe.etal, 2008).

2.4.1 The comparative approach

The comparative approach to performance measurement requires the rater to compare an individual's performance with that of others. This approach usually uses some overall assessment of an individual's performance or worth and seeks to develop some ranking on the individuals within a work group. At least three techniques fall under the comparative approach: ranking, forced distribution, and paired comparison (Noe. etal, 2008).

2.4.1.1 Ranking

Simple ranking requires managers to rank employees within their departments from highest performer to poorest performer (or best to worst). Alternation ranking, on the other hand, consists of a manager looking at a list of employees, deciding who the best employee is, and crossing that person's name off the list. From the remaining names, the manager decides who the worst employee is and crosses that name off the list and so forth (Noe. etal, 2008).

2.4.1.2 Forced Distribution

The forced distribution method also uses a ranking format, but employees are ranked in groups. This technique requires the manager to put certain percentage of employees into predetermined categories. Such performance ranking takes several forms. Most commonly, employees are grouped into three, four, or five categories usually of unequal size indicating the best workers, the worst workers, and one or more categories in between. Forced distribution method forces managers to distinguish between employees, which avoids an entitlement mentality for pay, rewards, and developmental activities. Even if a manager's employees are all above average performers, the manager is forced to rate some employees as "Not Acceptable"(Noe. etal. 2008).

2.4.1.3 Paired comparison

The paired comparison method requires managers to compare every employee with every other employee in the work group, giving an employee a score of 1 every time he or she is considered the higher performer. Once all the pairs have been compared, the manager computes the number of times each employee received the favorable decision (that is, counts up the points), and this becomes the employee's performance score (Ibid).

2.4.1.4 Evaluating the comparative approach

The comparative approach to performance management is an effective tool in differentiating employee performance; it virtually eliminates problems of leniency, central tendency, and strictness. This is especially valuable if the results of the measures are to be used in making administrative decisions such as pay raises and promotions. In addition, such systems are relatively easy to develop and in most cases easy to use; thus, they are often accepted by users (Ibid).

One problem with these techniques, however, is their common failure to be linked to the strategic goals of the organization. Although raters can evaluate the extent to which individuals' performance support the strategy, this link is seldom made explicit. In addition, because of the subjective nature of the ratings, their actual validity and reliability depend on the raters themselves. Some firms use multiple evaluators to reduce the biases of any individual, but most do not. At best, we could conclude that their reliability and validity are modest (Ibid).

2.4.2 The attribute approach

The attribute approach to performance management focuses on the extent to which individuals have certain attributes (characteristics or traits) believed desirable for the company's success. The techniques that use this approach define a set of traits-such as initiative, leadership, and competitiveness- and evaluate individuals on them (Ibid).

2.4.2.1 Graphic rating scales

The most common form that the attribute approach to performance management takes is the graphic rating scale. List of traits is evaluated by a five-points (or some other number of points) rating scale. The manager considers one employee at a time, circling the number that signifies how much of that trait the individual has.

Graphic rating scales can provide a number of different points (a discrete scale) or a continuum along which the rater simply places a check mark (a continuous scale).

These appraisals consisted of supervisors' rating subordinates on a number of undefined dimensions such as volume of work, quantity of work, job knowledge, dependability, and cooperation (Noe .etal, 2008).

2.4.2.2 Mixed-standard scales

Mixed-standard scales were developed to get around some of the problems with graphic rating scales. To create a mixed-standard scale, we define the relevant performance dimensions and then develop statements representing good, average, and poor performance along each dimension. These statements are then mixed with the statements from other dimensions on the actual rating instrument.

Note that mixed-standard scales were originally developed as trait-oriented scales. However, this same technique has been applied to instruments using behavioral rather than trait- oriented statements as a means of reducing rating errors in performance appraisal (Noe.etal, 2008).

2.4.2.3 Evaluating the attribute approach

Attribute-based performance methods are the most popular methods in organizations. They are quite easy to develop and are generalize across a variety of jobs, strategies, and organizations. In addition, if much attention is devoted to identifying those attributes relevant to job performance and carefully defining them on the rating instrument, they can be as reliable and valid as more elaborate measurement techniques (Noe etal, 2008).However; these techniques fall short on several of the criteria for effective performance management. There is usually little congruence between the techniques and the company's strategy. These methods are used because of the ease in developing them and because the same method (list of traits, comparisons) is generalize across any organization and any strategy. In addition, these methods usually have very vague performance standards that are open to different interpretations by different raters. Because of this, different raters often provide extremely different ratings and rankings. The result is that both the validity and reliability of these methods are usually low (Noe. etal, 2008).

2.4.3 The behavioral approach

The behavioral approach to performance management attempts to define the behaviors and employee must exhibit to be effective in the job. The various techniques define those behaviors and then require managers to assess the extent to which employees exhibit them (Noe, 2008).

2.4.3.1 Critical Incidents

The critical incidents approach requires managers to keep a record of specific examples of effective and ineffective performance on the part of each employee. However, many managers resist having to keep a daily or weekly log of their employees' behavior. It is also often difficult to compare employees because each incident is specific to that individual (Noe.etal, 2008).

2.4.3.2 Behaviorally anchored rating scales

A behaviorally anchored rating scale (BARS) builds on the critical incidents approach. It is designed to specifically define performance dimensions by developing behavioral anchors associated with different levels of performance (Noe.etal, 2008).

To develop BARS, we first gather a large number of critical incidents that represent effective and ineffective performance on the job. These incidents are classified into performance dimensions, and the ones that experts agree clearly represent a particular level of performance are used as behavioral examples (or anchors) to guide the rater. The manger's task is to consider an employee's performance along each dimension and determine where on the dimension the employee's performance fits using the behavioral anchors as guides. This rating becomes the employee's score of that dimension (Noe.etal, 2008).

2.4.3.3 Behavioral observation scales

A behavioral observation scale (BOS) is a variation of BARS. Like a BARS, a BOS is developed from critical incidents. However, a BOS differs from BARS in two basic ways. First, rather than discarding a large number of the behaviors that exemplify effective or ineffective performance, a BOS uses many of them to more specifically define all the behaviors that are necessary for effective performance (or that would be considered Ineffective performance). Instead of using, say, 4 behaviors to define 4 levels of performance on a particular dimension, a BOS may use behaviors (Noe.etal, 2008).

A second difference is that rather than assessing which behavior best reflects an individual's performance, a BOS requires managers to rotate the frequency with which the employee has exhibited each behavior during the rating period. These ratings are then averaged to compute an overall performance rating (Ibid).

A direct comparison of BOS, BARS, and graphic rating scales found that both managers and employees prefer BOS for differentiating good from poor performers, maintaining objectivity, providing feedback, suggesting training needs, and being easy to use among managers and subordinates (Ibid).

2.4.3.4 Organizational behavior modification

Organizational behavior modification (OBM) entails managing the behavior of employees through a formal system of behavioral feedback and reinforcement. This system builds on the behaviorist view of motivation, which holds that individuals' future behavior is determined by past behaviors that have been positively reinforced. The techniques vary, but most have four components. First, they define a set of key behaviors necessary for job performance. Second, they use a measurement system to assess whether these behaviors are exhibited. Third the manager or consultant informs employees of those behaviors, perhaps even setting goals for how often the employees should exhibit those behaviors. Finally, feedback and reinforcement are provided to employees (Noe et al, 2008).

2.4.3.5 Assessment centers

Although assessment centers are usually used for selection and promotion decisions, they have also been used as a way of measuring managerial performance. At an assessment center, individuals usually perform a number of simulated tasks, such as leaderless group discussions, in-basket management, and role playing. Assessors observe the individuals' behavior and evaluate their skill or potential as managers (Noe et al, 2008).

2.4.3.6 Evaluation of the behavioral approach

The behavioral approach can be very effective. It can link the company's strategy to the specific behavior necessary for implementing that strategy. It provides specific guidance and feedback for employees about the performance expected of them. Most of the techniques rely on in-depth job analysis, so the behaviors that are identified and measured are valid. Because those who use the system develop the measures, the acceptability is also

often high. Finally, with a substantial investment in training raters, the techniques are reasonably reliable (Noe. etal, 2008).

The major weaknesses have to do with the organizational context of the system. Although the behavioral approach can be closely tied to a company's strategy, the behaviors and measures must be constantly monitored and revised to ensure that they are still linked to the strategic focus. This approach also assumes that there is "one best way" to do the job and that the behaviors that constitute this best way can be identified. (Noeetal,2008).

2.4.3.7 The Results Approach

As per Noe.etal, (2008) the results approach focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to organizational effectiveness. The researcher examined two performance management systems that use results: management by objective and the productivity measurement and evaluation system.

2.4.3.8 Management by objectives (MBO)

Management by objectives (MBO) is popular in both private and public organizations. The original concept came from the accounting firm of Booz, Allen, and Hamilton and was called a "manager's letter." The process consisted of having all the subordinate managers write a letter to their superiors, detailing what their performance goals were for the coming year and how they planned to achieve them(Noe etal, 2008).

In an MBO system, the top management team first defines the company's strategic goals for the coming year. These goals are passed on to the next layer of management, and these managers define the goals they must achieve for the company to reach its goals. This goal-setting process cascades down the organization so that all managers set goals that help the company achieve its goals. These goals are used as the standards by which an individual's performance is evaluated (Noe .etal, 2008).

2.4.3.9 Productivity measurement and evaluation system (PMES)

The main goal of PMES is to motivate employees to higher levels of productivity. It is a means of measuring and feeding back productivity information to personnel.

PMES consists of four steps. First, people in an organization identify the products, or the set of activities or objectives, the organization expects to accomplish. The organization's productivity depends on how well it produces these products.

At a repair shop, for example, a product might be something like "quality of repair." Second, the staff defines indicators of the products. Indicators are measures of how well the products are being generated by the organization. Quality of repair could be indicated by (1) return rate (2) percentage of quality- control inspections passed. Third, the staff establishes the contingencies between the amount of the indicators and the level of evaluation associated with that amount. Fourth, a feedback system is developed that provides employees and work groups with information about their specific level of performance in each of the indicators. An overall productivity score can be computed by summing the effectiveness scores across the various indicators (Noe. etal. 2008).

2.4.3.10 Evaluation of the result approach

The results approach minimizes subjectivity, relying on objective, quantifiable indicators of performance. Thus, it is usually highly acceptable to both managers and employees. Another advantage is that it links an individual's results with the organization's strategies and goals. However, objective measurements can be both contaminated and deficient contaminated because they are affected by things that are not under the employee's control, such as economic recessions, and deficient because not all the important aspects of job performance are amenable to objective measurement. Another disadvantage is that individuals may focus only on aspects of their performance that are measured, neglecting those that are not.

2.4.4 The Quality Approach

- i. Thus far we have examined the traditional approaches to measuring and evaluating employee performance. Two fundamental characteristics of the quality approach are a customer orientation and a prevention approach to errors. Improving customer satisfaction is the primary goal of the quality approach. Customers can be internal or external to the organization. A performance management system designed with a

strong quality orientation can be expected to Emphasize an assessment of both person and system factors in the measurement system.

- ii. Emphasize that managers and employees work together to solve performance problems.
- iii. Involve both internal and external customers in setting standards and measuring performance.
- iv. Use multiple sources to evaluate person and system factors. Statistical process control techniques are very important in the quality approach. These techniques provide employees with an objective tool to identify causes of problems and potential solutions. These techniques include process-flow analysis, cause-and-effect diagrams, Pareto charts, control charts, histogram, and scatter grams (Noe et al. 2008).

2.4.5 Evaluation of the quality approach

The quality approach relies primarily on a combination of the attribute and results approaches to performance measurement. However, traditional performance appraisal systems focus more on individual employee performance, while the quality approach adopts a systems- oriented focus. Many companies may be unwilling to completely abandon their traditional performance management system because it serves as the basis for personnel selection validation, identification of training needs, or compensation decisions. Also, the quality approach advocates evaluation of personal traits (such as cooperation), which are difficult to relate to job performance unless the company has been structured into work teams (Noe. et al. 2008).

2.5 Standards of performance appraisal

A performance standard can be defined as a statement of the conditions that exist when a job is being performed effectively. Performance standards are used when it is not possible to set time-based targets. Standards are sometimes described as standing or continuing objectives, because, their essential nature may not change significantly from one review period to the next if the key task remains unaltered, although they may be modified if new circumstances arise (Armstrong and Baron 2003)

As per Armstrong (2009) the criteria for reviewing performance should be balanced between:

- i. Achievements in relation to Objectives;
- ii. The level of knowledge and skills possessed and applied (competences or technical competencies);
- iii. Behavior in the job as it affects performance(competencies);
- iv. The degree to which behavior upholds the core values of the organization;
- v. Day-to-day effectiveness.

The criteria should not be limited to a few quantified objectives as has often been the case in traditional appraisal schemes. In many cases the most important consideration was the job holders' day-to-day effectiveness in meeting the continuing performance standards associated with their key tasks. It may not be possible to agree meaningful new quantified targets for some jobs every year. Equal attention needs to be given to the behavior that has produced the results as to the results themselves (Armstrong 2009).

Realistic, measurable, clearly understood performance standards benefit both the organization and the employee. It is important to establish standards before the work is performed so that all involved will understand the level of accomplishment expected (Mathis and Jackson 1994).

As per Mathis and Jackson (1994) Standards often are established for the following:

- i. Quantity of output.
- ii. Quality of output.
- iii. Timelines of result.
- iv. Manner of performance.
- v. Effectiveness in use of resources.

2.6 Performance appraisal process

As per DeCenzo (2010) performance appraisal process includes the following six steps.

1. Establish performance standards with employees.
2. Communicate expectations.
3. Measure actual performance.
4. Compare actual performance with standards.

5. Discuss the appraisal with the employee.
6. If necessary, initiate corrective action.

2.6.1 Establish Performance Standards

The appraisal process begins with establishment of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction and, more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are articulated in ambiguous phrases that tell us little, such as "a full day's work" or "a good job." What is a full day's work or a good job? A supervisor's expectations of employee work performance must be clear enough in her mind so that she was able to, at some later date, communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards (DeCenzo, 2010).

2.6.2 Communicate Expectations

Once performance standards are established, it is necessary to communicate these expectations; employees should not have to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and without employee input. Communication is a two way street: mere information transfer from supervisor to employee is not successful communication (DeCenzo 2010).

2.6.3 Measure Actual Performance

The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent

performance as it was mutually set in the first two steps of the appraisal process (DeCenzo. etal, .2010).

2.6.4 Compare Actual Performance with Standards

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal (DeCenzo .etal. 2010).

2.6.5 Discuss the Appraisal with the Employee

As we mentioned previously, one of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities—evaluation of another individual’s contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences (DeCenzo. etal. 2010).

2.6.6 Initiate Corrective Action if Necessary

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as “putting out fires,” whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow (DeCenzo.etal, 2010).

2.7 Problems affecting performance appraisal

The main problems that arise in conducting performance reviews are:

1. Identifying performance measures and criteria for evaluating performance;
2. Collecting factual evidence about performance;
3. The existence of bias on the part of managers;
4. Resolving conflict between reviewers and the people they review;
5. Defensive behavior exhibited by individuals in response to criticism.

There are no easy answers to these problems, no quick fixes. It is wise never to underestimate how hard it is for even experienced and effective managers to conduct productive performance review meetings. It was the facile assumption that this is a natural and not too difficult process that has bedeviled many performance appraisal schemes over the years. This assumption has certainly resulted in neglecting to provide adequate guidance and training for reviewing managers *and*, importantly, those whom they review (Armstrong 2006).

Basically, the performance evaluation process is seen as a simple process whereby a supervisor or manager only needs to observe the work performance of their staff and give feedback on their performance from time to time. In reality, this process is not that simple. The supervisor or manager as well as the staff often have different opinions on performance evaluation. Some of the factors that lead to the failure of the performance evaluation process, according to Bohlander, (2001), are:

- ✓ The supervisor or manager does not have enough information on employees' real work performance.
- ✓ The standard of measuring performance is not clear.
- ✓ The supervisor or manager does not have the skills to evaluate employee performance.
- ✓ The supervisor or manager is not prepared to evaluate employee performance, as he or she does not want to be seen as a judge who is giving

out an unfair sentence.

- ✓ Employees do not receive constant performance feedback.
- ✓ The supervisor or manager is not sincere during the performance evaluation process.
- ✓ Performance evaluation is not focused on employee development.
- ✓ The supervisor or manager uses language that is unclear to the employees during the performance evaluation process.
- ✓ Employees feel that the organization does not allocate enough resources for performance rewards.

The explanations above are able to influence the effectiveness of the performance evaluation process and create a gap in the relationship between supervisor and staff. Performance evaluation activities are also often referred to as an annual activity and focus more on employees' annual salary movement. The disagreement that exists and the misunderstanding of performance evaluation have caused the performance evaluation process to fail. Therefore, support from the top management is important in order for performance evaluation to succeed so that the organization was able to compete in the market (Khulida, 2009).

As per Greg Stewart and Brown (2009) the following are common problems with performance appraisal measures: rater errors and bias, situational influences, and change over time.

2.7.1 Rater errors

Research suggests that raters commit a number of errors when they rate employee performance. Rating error occur when raters provide assessments that follow an undesirable pattern or when the rater does not properly account for factors that might influence assessments.

Central tendency error: a rating error that occurs when raters give almost all employees scores in the middle of the scale (Greg and Brown 2009).

Contrast error: a rating error that occurs when raters unknowingly allow comparisons among employees to influence ratings (Greg and Brown 2009).

Similar to me: is the error that the rater makes when he/she judge those who are similar to him/her more highly than those who are not (Noe et al. 2008).

Halo error: a rating error occurs when raters allow a general impression to influence ratings on specific dimension of performance.

Horns error: works in the opposite direction to halo error: one negative aspect results in the rater assigning low ratings to all the other aspects (Noe et al. 2008).

Recency error: a rating error that occurs when raters place too much emphasis on performance observed right before the measure is taken.

Primacy error: a rating error that occurs when raters place too much emphasis on performance observed at the beginning of the measurement period (Greg and Brown 2009).

Frame of reference training: training that focuses on building consistency in the way different raters observe and evaluate behaviors and outcomes (Greg and Brown, 2009).

2.7.2 Rater Bias

Substantial problems occur when rater errors operate in such a way that people with certain characteristics are consistently rated lower than others. Consistently providing lower ratings to people with certain characteristics, such as women and minorities is known as rater bias (Greg and Brown, 2009).

2.7.3 Situational influence

Factors that affect performance but that are outside the control of the employee being rated. Research suggests that subjective ratings are frequently contaminated and deficient because raters fail to account for situational influences. However, it is at least possible for raters to adjust subjective evaluations to control for situational factors. Situational influences present a greater problem for objective, outcome-oriented performance measures (Greg and Brown 2009).

2.7.4 Changes over time

Another problem with measurement is that performance may not be consistent across time. Performance can vary over time because of differences in motivation. For example, an incentive such as bonus may motivate employees to achieve high performance for a short period. Measuring this short-term achievement may result in an assessment that is quite

different from an assessment that reflects typical performance on most days (Greg and Brown 2009).

2.8 Why organizations conduct performance appraisal?

As just noted, most managers may be unhappy with various facets of the performance appraisal process, but most would agree that they are nevertheless very important (Angelo and Ricky 2008). One reason why appraisals are so important to organizations is that they provide a benchmark for assessing the extent to which recruiting and selection process are adequate.

Performance appraisal is also important because it is-or at least should be fundamentally linked to an organization compensation system. In theory, organizations prefer to provide greater rewards to higher-performing employees and lesser rewards to lower-performing employees. To provide this compensation on a fair and equitable basis, however, it is important that the organization can differentiate between its higher and its lower performing employees. Managers want to know that they are giving the appropriate rewards to employees for appropriate reasons. Performance appraisal plays a big role in this process (Angelo and Ricky, 2008).

Performance appraisal is also important for legal reasons. Organizations must be able to demonstrate that their promotions, transfers, terminations, and reward allocations are based on merit (or the lack thereof), as opposed to some discriminatory factor such as gender or race. Performance appraisal, therefore, is the mechanism by which the organization can provide this documentation. Managers must be able to rely on performance appraisal information to demonstrate that all of their important employment related decisions have been based on the actual performance of those affected by the decisions. Without proper performance appraisal, an organization is subject to concerns or charges that there is at least the impression that promotions and other rewards may be based in a factor or factors other than actual performance (Angelo and Ricky, 2008).

Performance appraisal also plays an important role in employee motivation and development. Most people want to know how well they are doing so that they can correct their deficiencies, capitalize on their strengths, and improve their overall contributions to their jobs. Again, performance appraisal provides this information to employees. An individual who is told that he or she is doing well on three dimensions of his or her job performance but needs to improve on a fourth dimension recognizes how managers see him

or her and knows where to allocate additional developmental work and effort in the future (Angelo and Ricky 2008).

Finally performance appraisal provides valuable and useful information to the organization's human resource planning process. For example knowing the distribution of qualified employees within the organizational system is an important factor for managers to know. And performance appraisal helps provide this information to managers (Angelo and Ricky 2008).

Schuler (1995) condensed such purposes into two general categories: evaluative and developmental. The **evaluative category** includes:

- vi. Performance measurement, which establishes the relative value of an individual's contribution to the company and thus provides information that, can be used in decisions on layoffs, terminations, and promotions.
- vii. Compensation, which determines appropriate pay for performance and equitable salary and bonus incentives based on merit or results.
- viii. Motivation, which is the end result of an effective evaluation.

The **developmental category** includes:

- i. Management development, which identifies and prepares individuals for increased responsibilities and thus provides a framework for future employee development.
- ii. Identification of potential, which identifies candidates for promotion.
- iii. Feedback, which informs employees of the organization's standards and how their performance measures up.
- iv. Human resource planning, which audits management talent and evaluates the present supply of human resources for replacement planning.
- v. Communications, which provides a format for dialogue between superior and subordinate and improves understanding of personal goals and concerns. This can also have the effect of increasing the trust between the rater and ratee.

- vi. Performance improvement, which encourages continued successful performance and strengthens individual weaknesses to make employees more effective so that organizations can successfully implement strategies such as quality enhancement.
- vii. Legal compliance, which establishes the validity of employment decisions made on the basis of performance based information and provides a defense for management actions such as selection, demotion, or termination.

2.9 The characteristics of an effective performance appraisal program

The basic purpose of a performance appraisal system is to improve performance of individuals, teams, and the entire organization. The system may also serve to assist in making administrative decisions such as pay increases. In addition, the appraisal system must be legally defensible. Although a perfect system does not exist, every system should possess certain characteristics. An accurate assessment of performance should be sought that permits developing a plan to improve individual and group performance. The system must honestly inform people how they should stand with the organization. The following factors assist in accomplishing this purpose (Mondy.etal 1999).

2.9.1 Job related criteria

Before any appraisal is conducted, the standards by which performance is to be evaluated should be clearly defined and communicated to the employee. These standards should be based on job-related requirements derived from job analysis and reflected in the job descriptions and job specifications. When performance standards are properly established, they help translate organizational goals and objectives into job requirements that convey acceptable and unacceptable levels of performance to employees (Bohlander etal. 2001).

There are four basic considerations in establishing performance standards: strategic relevance, criterion deficiency, criterion contamination, and reliability (Bohlander. etal, 2001).

2.9.1.1 Strategic relevance

Strategic relevance refers to the extent to which standards relate to the strategic objectives of the organization.

2.9.1.2 Criterion Deficiency

A second consideration in establishing performance standards is the extent to which the standards capture the entire range of an employee's responsibilities. When performance standards focus on a single criterion (e.g. sales revenues) to the exclusion of other important but less quantifiable performance dimensions (e.g. customer service), then the appraisal system is said to suffer from criterion deficiency.

2.9.1.3 Criterion Contamination

Just as performance criteria can be deficient, they can also be contaminated. There are factors outside an employee's control that can influence his or her performance. A comparison of performance of production workers, for example, should not be contaminated by the fact that some have newer machines than others do. A comparison of the performance of traveling salespeople should not be contaminated by the fact that territories differ in sales potential.

2.9.1.4 Reliability

Reliability refers to the stability or consistency of a standard, or the extent to which individuals tend to maintain a certain level of performance over time. In rating, reliability may be measured by correlating two sets of ratings made by a single rater or by two different raters. For example, two managers may rate the same individual and estimate his or her suitability for a promotion. Their ratings could be compared to determine inter-rater reliability. The criteria used for appraising employee performance must be job related. The uniform guidelines and court decisions are quite clear on this point. More specifically, job information should be determined through job analysis. Subjective factors, such as initiative, enthusiasm, loyalty, and cooperation, are obviously important. Unless they can be clearly shown to be job related, however, they should not be used (Monday et al 1999).

2.9.2 Performance expectations

Managers and subordinates must agree on performance expectations in advance of the appraisal period. Evaluating employees using criteria that they know nothing about is not reasonable. The establishment of highly objective work standards is relatively simple in

many areas, such as manufacturing, assembly, and sales. For numerous other types of jobs, however, this task is more difficult. Still, evaluation must take place, and performance expectations, however elusive, should be defined in understandable terms (Monday et al, 1999).

2.9.3 Standardization

Employees in the same job category under the same supervisor should be appraised using the same evaluation instrument. Also important is that appraisals be conducted regularly for all employees and that they cover similar periods of time. Although annual evaluations are most common, employees are evaluated more frequently by many successful firms. Feedback sessions and appraisal interviews should be regularly scheduled for all employees.

A legal aspect of standardization is formal documentation. Employees should sign their evaluations. If the employee refuses to sign, the manager should document this behavior. Records should also include a description of employee responsibilities, expected performance results, and the way these data was viewed in making appraisal decisions. However, smaller firms are not expected to maintain performance appraisal systems that are as formal as those used by large organizations (Monday et al, 1999).

2.9.4 Trained appraisers

Responsibility for evaluating employee performance should be assigned to the individual or individuals who directly observe at least a representative sample of the worker's job performance. Usually, this person is the employee's immediate supervisor. However, as previously discussed, other approaches are gaining in popularity.

Training in performance appraisal should be an ongoing process to ensure consistency. The training should cover how to rate employees and conduct appraisal interviews. Instructions should be rather detailed and stress the importance of making objective and unbiased ratings (Monday. et al. 1999).

2.9.5 Open communication

Most employees have a strong need to know how well they are performing. A good appraisal system provides highly desired feedback on a continuing basis. A worthwhile goal is highly to avoid surprises during the appraisal interview. Even though the interview presents an excellent opportunity for both parties to exchange ideas, it should never serve

as a substitute for day-to-day communication and coaching required by performance management (Monday. etal, 1999).

2.9.6 Employee access to results

For many appraisal systems that are designed to improve performance, withholding appraisal results would be unthinkable. Employees would be severely handicapped in their developmental efforts in denied access to this information. Also, employee's review of appraisal results allows that to detect any errors that may have been made. An employee may simply disagree with the evaluation and may want to challenge it. Employees who receive a substandard appraisal should be offered needed training and guidance. Supervisors must make an effort to salvage marginal employees. Individuals in this category should, however, be told the specific consequences if their performance does not reach an acceptable level (Mandy. etal 1999).

2.10 Who performs the performance appraisal?

Another important aspect of performance appraisal is the determination of who conducts the appraisal and what information was used. The most common appraisers are supervisors, peers, self-appraisal, subordinates and customers (Angelo and Ricky 2008).

Supervisors are perhaps the most frequently used sources of information in performance appraisal. The assumption underlying this approach is that supervisors usually have the most knowledge of the job requirements and they have the most opportunities to observe employees performing their jobs. At the same time, it should also be recognized that supervisors are not necessarily a perfect source of information (Angelo and Ricky, 2008).

Peers, colleagues, and coworkers represent other potential sources of information for performance appraisal systems. An advantage of using peers in a performance appraisal process is that, by definition, they have expert knowledge of job content and they may also have more of an opportunity than does the supervisor to observe the performance of a given worker on a day-to-day basis. Friendship, group norms, and other personal factors may intervene in this situation. And individuals may see their own performance as being significantly different than others perceive it in the group (Angelo and Ricky 2008).

A third source of information in the performance appraisal process is **subordinates** of the individual being appraised. Subordinates are an especially important source of information when the performance of their own manager is being evaluated, and this information is

perhaps most useful when the performance appraisal is focused on the manager's leadership potential (Angelo and Ricky 2008).

Another source of information in a performance appraisal process is **self-evaluation**. In many professional and managerial situations, individuals may frequently be asked to evaluate their own performance. The rationale for this approach is that, more than any other person in the organization, an individual is in the best position to understand his or her performance at an appropriate level. Of course, the biggest negative aspect of using self-rating is the tendency on the part of many people to inflate their own performance (Angelo and Ricky 2008).

A final source of information in the performance appraisal system is customers. The inclusion of customers might be accomplished through techniques such as having customers fill out feedback forms or respond to mail surveys whenever they use the services of an organization. The advantage of this method is that customers are the lifeblood of an organization and it is very helpful to managers to know the extent to which customers feel that employees are doing a good job. On the other hand, this method may be expensive and may be able to tap only certain aspects of an employee's job (Angelo and Ricky 2008).

One important detail for any manager to recognize is each source of performance appraisal information is subject to various weaknesses and shortcomings. As a result, many organizations find it appropriate and effective to rely on different information sources when conducting performance appraisal. **360-degree feedback** is an approach to performance appraisal that involves gathering performance information from people on all sides of the manager—above, beside, below, and so forth (Angelo and Ricky 2008).

2.11 Overcoming problems in performance appraisal

To alleviate the problems listed above in the problems of performance appraisal part of the literature review by Armstrong (2006) even if they cannot guarantee to eliminate them the approaches are to:

1. Ensure that the criteria for evaluating performance cover agreed objectives (quantified wherever possible), competences based upon proper role analysis and measures of day-to-day effectiveness, preferably stated as standards of performance.
2. Monitor performance throughout the year in relation to performance plans and agreed objectives, performance standards and behavioral requirements (competencies). Ensure that

there is feedback at the time based upon evidence and record any critical incidents as they occur to assist in an overall assessment of performance.

3. Take steps to minimize bias (blue-eyed boy/girl syndrome), although gender, racial or other bias is difficult to eliminate. If the review process does not involve the delivery of judgments in the form of performance ratings, bias may not appear so obviously but it can still exist in subtle ways. Mentors and training can alert individuals to the risk of bias and assessments can be monitored by the manager's manager and HR.
4. Ensure that both managers and their staff understand the positive nature of the process. Train managers in the virtues of building on positives as well as how to make constructive criticisms (not more than two or three at a time) that are based on fact and not opinions about the employee's personality traits.
5. Encourage a positive approach by managers so that, by using constructive criticism rather than attaching blame, they can reduce defensive behavior. Briefing for all those involved on the benefits of the process to both parties should also help. Getting individuals to assess their own performance (self-assessment, as discussed later in this chapter) is another way of reducing defensive behavior.

There are at least three things you can do to minimize the impact of appraisal problems such as bias and central tendency. First, be sure to be familiar with the problems as just discussed. Understanding the problem can help you avoid it (Dessler, 1994).

Second, choose the right appraisal tool. Each tool, such as the graphic rating scale or critical incident method, has its own advantages and disadvantages. For example, the ranking method avoids central tendency but can cause ill feelings when employees' performances are in fact all actually "high" (Dessler, 1994).

Third, training supervisors to eliminate rating errors such as halo, leniency, and central tendency can help them avoid these problems (Dessler, 1994).

2.11.1 Reducing rater errors

One of the problems that happen in appraising employee's performance is rater error. To minimize this problem (Noe .etal 2008) suggested two approaches to reducing rating errors. Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors. These programs consist of having the participants view videotaped vignettes designed to elicit rating errors such as "contrast."

They then make their ratings and discuss how the error influenced the rating. Finally, they get tips to avoid committing those errors. This approach has been shown to be effective for reducing errors, but there is evidence that reducing rating errors can also reduce accuracy.

Rater accuracy training, also called frame-of-reference, attempts to emphasize the multidimensional nature of performance and thoroughly familiarize raters with the actual content of various performance dimensions. This involves providing examples of performance for each dimension and then discussing the actual or "correct" level of performance that the example represents. Accuracy training seems to increase accuracy, provided that in addition the raters are held accountable for ratings, job-related rating scales are used, and raters keep records of the behavior they observe (Noe et al, 2008).

2.12 How often should appraisal be done?

When and how often should employee performance be evaluated is a question that deserves careful consideration. Brumback and Vincent (1970) as cited by Chris write that informal counseling should occur continuously. The manager or the appraiser should discuss an employee's work as soon as possible after he has judged it. He should use good work as an opportunity to provide positive reinforcement and use poor work as a basis for training. According to Brumback and Vincent in most organizations employees are formally evaluated once a year, in others twice a year. New employees are rated more frequently than the older ones e.g. three and six months (Chris 2011).

For most people, objectives cannot be accomplished by a performance appraisal given only once a year. Therefore, it is recommended that reviews be conducted three to four times a year for most employees. It is also not in the interest of the organization for performance appraisal to be conducted once in a year because it would be difficult for the appraiser to know what happened throughout the year and be able to remember them (Chris, 2011).

Formal performance evaluations are usually prepared at specific intervals. Although there is nothing magic about the interval, in most organizations, they are made either annually or semiannually. In high-tech organizations, however, the speed of change mandates that a performance period be shorter-perhaps three or four months. The need is to link performance communication to the actual work cycle. Discussions of accomplishments can then keep pace with new goals and priorities. In the current business climate, it may be well for all firms to consider monitoring performance often. Changes occur so fast that employees need to look at objectives and their own role throughout the year to see if they

need to be altered. A study by Hewitt associates found that companies conducting multiple performance reviews had better results in terms of total shareholder return, return on equity, sales growth, and cash flow (Mandy .etal. 1999).

2.13 Performance review meetings

The performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role: coaching and providing support and guidance (Armstrong 2006).

There should be no surprises in a formal review if performance issues have been dealt with as they should have been – as they arise during the year. Traditional appraisals are often no more than an analysis of where those involved are now, and where they have come from. This static and historical approach is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, to develop their capabilities by establishing a self-managed learning agenda and to reach agreement on any areas where performance needs to be improved and how that improvement should take place. This process also helps managers to improve their ability to lead, guide and develop the individuals and teams for whom they are responsible (Armstrong, 2006).

The most common practice is to have one annual review (65 per cent of respondents to the 2004 CIPD survey). Twice-yearly reviews were held by 27 per cent of the respondents. These reviews lead directly into the conclusion of a performance agreement (at the same meeting or later). It can be argued that formal reviews are unnecessary and that it is better to conduct informal reviews as part of normal good management practice to be carried out as and when required. Such informal reviews are valuable as part of the continuing process of performance management.

But there is everything to be said for an annual or half-yearly review that sums up the conclusions reached at earlier reviews and provides a firm foundation for a new performance agreement and a framework for reviewing performance informally whenever appropriate (Armstrong 2006).

2.14 What to evaluate?

What aspect of a person's performance should an organization evaluate? In practice, the most common sets of appraisal criteria are traits, behaviors, and task outcomes (Monday etal 1999).

2.14.1 Traits

Many employees in organizations are evaluated on the basis of certain traits such as attitude, appearance, initiative, and so on. However, many of the traits commonly used are subjective and may be either unrelated to job performance or virtually impossible to define. In such cases, the result may be inaccurate evaluations and legal problems as well (Mondy etal, 1999).

2.14.2 Behaviors

When an individual's task outcome is difficult to determine, a common procedure is to evaluate the person's task-related behavior. For example, an appropriate behavior to evaluate for a manager might be leadership style. For individuals working in teams, developing others, teamwork and cooperation, or customer service orientation might be appropriate.

Desired behaviors may be appropriate as evaluation criteria because of the belief that if recognized and rewarded, they were repeated. In addition, firms pay people salaries for behaving in certain ways that produce results. People don't do traits; they do behaviors (Monday etal. 1999).

2.14.3 Task Outcomes

If ends are considered more important than means, task outcomes become the most appropriate factor to evaluate. This approach is encouraged when a goal-oriented process is used. A problem exists here if the results are not within the control of the individual or team. Another problem might be a firm's failure to recognize the difference between productivity and quality of output. Overemphasizing productivity may result in such a frenzied work pace that mistakes are passed on to the customer. Total focus on quality may

generate fantastic products but also botched delivery dates. The obvious answer is to balance the requirement for speed with the need to do the job right.

Evaluation criteria are not mutually exclusive. In fact, most appraisal systems are a hybrid of these approaches (Mandy. etal, 1999).

Angelo and Ricky (2008) also said that, although the decisions about what to rate can probably include many factors, three choices are most commonly encountered. All are related to task performance like traits, behaviors, and outcomes.

2.15 Conceptual framework

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). Performance management includes several activities. These are defining performance, measuring performance, and feeding back performance information. First, the organization specifies which aspects of performance are relevant to the organization. These decisions are based on the job analysis. Next, the organization measures the relevant aspects of performance by conducting performance appraisals. Finally, through performance feedback sessions, managers give employees information about their performance so they can adjust their behavior to meet the organization's goals (Noe. etal, 2011).

There are different appraisal methods that affect the appraisal practice positively and negatively like: ranking, forced distribution, paired comparison, graphic rating scales, mixed standard scales, critical incidents, behaviorally anchored rating scales, behavioral observation scales, organizational behavior modification, assessment centers, management by objective, PMES, and quality approach (Ibid).

Standards are sometimes described as standing or continuing objectives, because, their essential nature may not change significantly from one review period to the next if the key task remains unaltered, although they may be modified if new circumstances arise (Armstrong and Baron, 2003).

This framework was developed based on the literature review.



Fig 2.1 conceptual framework of the study which is developed from the above literature

This figure in general shows that performance appraisal is one of human resource practice that is conducted in the performance management system. And the performance appraisal practice takes into consideration the methods used for appraisal, the appraisal process, standards of performance and problems of performance appraisal.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

In this chapter methodology part of the study whereby research approach and method, the source of data, the population of the study, sampling technique and sample size, method of data collection, method of data analysis, Reliability and validity, and ethical issues were discussed.

3.1 Study area

The study was undertaken at the Commercial bank of Ethiopia, case of selected branches under west Addis Ababa district where branches from grade II up to grade IV was targeted for investigation. The area choice is mainly because of its proximity to the researcher and also grade I branches were not include. All the Managers of selected branches and representative employees have been participate in the questionnaire to understand their views on practice and problem of Performance appraisal.

3.2 Research Design and approach

Since, the main objective of this research is investigating Performance appraisal practice and problem in commercial bank of Ethiopia case of selected branches under west Addis Ababa district, the researcher used descriptive research design. Quantitative design used to measure the frequency of various views to achieve the objective of the study. The purpose of using this research design is evaluating objective data consisting of numbers with the aim of achieving high levels of reliability in terms of data analysis. In line with the quantitative approach decided upon, a structured questionnaire administered to all the target respondents. Quantitative methods include reviewing a substantial amount of literature in order to provide direction for the research questions. Quantitative research is based on attempts to apply the methods to facilitate data analysis. Its strength is that it provides data that are easily quantifiable and based on reasonably objective evidence that lends itself to rigorous analysis. Moreover, results can be reduced to numerical statistics and interpreted in short statements.

3.3. Population of the Study and Sampling Method

3.3.1. Population of the Study

According to commercial bank of Ethiopia`s human resource department 2017/2018 data, the total size of the target population for the study is 792(N= 792) employees, where there are one hundred seven (107) branches case of selected branches under west Addis Ababa district and have their own grade depending on their performance – grade four, grade three, grade two and grade one. Due to researcher convenience, time constraint and budget constraint the researcher has selected Eight (8) branches from all the three grades (i.e. grade II Grade III & Grade IV) by considering the grade category of the branches. Accordingly, Addis ketema, Tekilehaymanot, Kolfe, Ayer tena, Sefere-eyor, and Keranyo, Torhailoch and bethel branches were selected purposively representing Grade IV, Grade III and Grade II respectively. Due to the reason that cumulative performance appraisal is computed at the end of the year; the study excluded those employees who have less than one year experience. In addition, staffs of outlying branches were not considering because of the remoteness of data access.

3.3.2. Sampling Method

For the purpose of this study both stratified and simple random sampling methods was deploy. The researcher stratified branches based on their grade level; and each employee at each branch was selected using simple random sampling technique. Simple random sampling preferred as it gives equal chance for the representatives of the population. Furthermore, the respondents are similar in characteristics and there is homogeneity among the respondents.

3.3.3. Sample Size

Among the different methods of the sample size determination, the one which developed by Carvalh (1984) has been used by the researcher to determine the number of respondents to be include in the study for employees. Accordingly, to have as good representative as possible, the researcher use medium sample size (i.e. 80).

Table 3.1 Carvalh sample size determination

Population	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-45000	200	500	800

Source: Carvalh 1984

Note: Given the total population of WAAD, 792, the researcher selected 80 respondents based on Carvalh’s sample determination table.

Table 3.2 Sample unit taken from each Branch

Branch grade	Total population	Sample	Proportion
Grade 4	270	28	35%
Grade 3	132	12	15%
Grade 2	390	40	50%
Total	792	80	100%

Source: CBE HR WAAD, 2018

The researcher has taken grade level of the branch in to account and accordingly, a total number of 28, 12 and 40 questionnaire were distributed to grade 4, 3 and 2 respectively.

Table 3.3 shows that total number of questionnaires distributed to Grade II, III and IV branches.

S.No	Name of participating branches	Grade	No. of questionnaire distributed
1	Addis ketema	4	14
2	Tekilehaymanot	4	14
3	Kolfe	3	6
4	Ayer tena	3	6
5	Sefere-eyor	2	10
6	Keranyo	2	10
7	Torhailoch	2	10
8	Bethel	2	10
	Total		80

Source: CBE HR WAAD, 2018

3.4. Data Sources Type and Instrumentation

3.4.1 Data Sources & Type

The methodologies and their justification for conducting the research have been used primary and secondary sources of data and can be examined as follows.

A primary source of data was chosen because there was the need to obtain information unbiased and original data at first hand from the selected respondents to ensure objectivity with the data analysis within commercial bank of Ethiopia case of selected branches under west Addis Ababa district. Also, secondary source of data was selected to obtain information for literature review of the research work which consists of mainly published text books, company appraisal forms, and various scholarly written journals and articles were consulted extensively structured questionnaire for the respondents prepared for data collection. The questionnaire to be distributed to the respondents has been made by the researcher at the various respective HRD and branch offices. In addition to this, the researcher was analyzed the organization annual report for the last five years.

3.4.2 Data Collection Instrument

For this study, the researcher has planned to collect data using a structured close ended pre coded questionnaire for CSO`s and for a concerned body, HRD. A structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. Questionnaires are data collection instruments that enable the researcher to pose questions to subjects in his/her search for answers to the research questions. The questionnaire was structured in a five point Likert scale (the traditional business research agreement scale) format. Questionnaires have advantages over some other types of surveys because they are cheap, do not require as much effort from the researcher as verbal or telephone surveys, and often have standardized answers that make it simple to compile the questions. Moreover, questionnaire permits a respondent a sufficient amount of time to consider answers before responding.

3.5 Procedure for data collection

Before the distribution of questionnaires for collecting data it was checked by the advisor of the researcher and those persons who have enough knowledge in the area. When the researcher believed that the questionnaire were sufficient to collect the necessary data it was distributed to respondents and then by making the appropriate follow up the researcher himself collected the instruments from the respondents. For the data that was collected through interview with regarding performance appraisal methods, procedures, process, standards and major performance appraisal problems. Before the interview the researcher read/have background information about the topic area. And also the researcher asked the respondents about the time place and condition of making interview. During the interview the interviewer must follow up the respondent, take the response in the form of note if necessary in form of record. After the interview the interviewer have thanked the interviewee for his/her time, cooperation etc.

3.6 Method of Data Analysis

After collecting and sorting all relevant primary data using the data collection tools, quantitative responses were sorted, coded, computed and analyzed using Statistical Package for Social Sciences (SPSS) version 20. Frequency such as percentiles, mean and standard deviation used to analysis an appropriate statistical analysis. The data presented using descriptive tables. Regarding the interpretation for the variables uses on Likert scale: measurement as been used on the basis of survey 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

All the qualitative data collected from key informants was summarized on a continuous basis to ensure completeness. The data collected through interview and different organizational documents were also summarized, coded and presented in a way that communicates the major finding of the study.

3.7 Validity and reliability

3.7.1 Validity

Validity is the extent to which the research findings accurately represent what is really happening in the situation (Hughey and Mussnug, 1997). Validity is the most important attribute of assessment system. It is concerned with the extent to the evaluation measures the performance it is intended to measure. The clarity of criteria, standards, data collection procedures and the competency of the evaluators all affect validity. Validity is a measure of the truthfulness of measuring instruments. In additions the questionnaires were distributed and collected by the researcher in person. And also, interview conducted with concerned senior personnel's from human resource department

3.7.2 Reliability

Reliability refers to the extent to which the data collection techniques were yield consistent findings. To assure this, questions regarding the methods, process, standards and problems have been asked both in the questionnaire and the interview presented to employees as well as a senior human resource personnel.

To ensure that the factors identified were consistent, and reliable, a Cronbach's alpha was calculated for the overall scale and for each individual variable. A commonly accepted Cronbach's alpha is 0.7, although a value of 0.6 can be accepted during exploratory research (Hair et al, 1995). So, the study results indicate reliable overall Cronbach's Alpha of 0.806 and each variable has a Cronbach's Alpha that ranges from 0.709 to 0.806 and indicates high internal reliability.

Table 3.4 Cronbach's alpha reliability statistics of the questionnaire

Measures	Cronbach's Alpha value	No. of items
Performance appraisal methods	.780	12
Performance appraisal process	.801	7
Standards of performance appraisal	.795	7
Major performance appraisal problems	.709	10
general issues in performance appraisal	.806	16

Source: Questionnaire 2018

3.8 Ethical consideration

First of all willingness of Commercial bank of Ethiopia employees' and management was asked to conduct the research. After the researcher got consent; respondents were confirmed that the information gathered was used only for academic purpose. And also, the researcher guaranteed anonymity and confidentiality of information collected from the individual participants and the organization data obtained in the form of documents and operational manuals through both data collection instrument.

CHAPTER 4

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with analysis, interpretation and discussion of the data collected through questionnaire and interview. Responses for measures on the questionnaire are summarized and presented using tables. From 80 questionnaires distributed, all questionnaires were collected.

4.1 Demographic profile of respondents

In this part sex, age, educational background, experience and position title of the respondents were analyzed and interpreted

Table 4.1 Demographic information of the respondents by Table

SEX		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	50	62.5	62.5	62.5
	Female	30	37.5	37.5	100.00
	Total	80	100.00	100.00	
AGE GROUP		Frequency	Percent	Valid Percent	Cumulative Percent
	<25	24	30.0	30.0	30.0
	25-35	46	57.5	57.5	87.5
	36-45	10	12.5	12.5	100.00
	Total	80	100.00	100.00	
EDUCATIONAL STATUS		Frequency	Percent	Valid Percent	Cumulative Percent
	Degree	44	55.0	55.0	55.0
	Masters & above	36	45.0	45.0	100.00
	Total	80	100.00	100.00	

POSITION		Frequency	Percent	Valid Percent	Cumulative Percent
	CSO	80	100.0	100.0	100.0
	Total	80	100.00	100.00	

EXPERIENCE		Frequency	Percent	Valid Percent	Cumulative Percent
	1-5 YEARS	56	70	70	70
	6-10 YEARS	24	30	30	100.00
	Total	80	100.00	100.00	

Source: Questionnaire 2018

As can be seen from table, among the total respondents 50(62.5%) of them were Male and the remaining 30(37.5%) were Female. Since employees of the bank are composed of both sexes this study has got representation from both sexes.

In addition, 57.5% of the respondents fall in the age group of 25-35 years old and also 30% of the respondents fall below the age of 25 and the remaining 12.5% of the respondents were between the ages 36-45. Generally, as can be observed in reality many employees in commercial bank of Ethiopia are youngsters and this study has got the participation of majority young employees which are under the age of 35.

Regarding to Educational background of respondents, 44(55%) of the respondents have first degree and 36(45%) of the respondents have master's degree and above qualification. This data shows that employees at all levels of educational qualification were represented fairly in this study as per the distribution of educational qualification in the population of the study (As per the data from the HR -business).

Regarding to the position of the respondents, all respondents are CSO- Maker/Checker because the study is presented by the respondents who have CSO position and worked at least one.

Based on the data collected from questionnaire, the largest portion of the respondents 56(70%) fall within the range of 1-5 years of service in commercial bank of Ethiopia and the remaining 24(30%) of the respondents have 6-10 years of experiences. But all respondents

have experience greater than or equal to one year. Since, commercial bank of Ethiopia conducts performance appraisal every Three month (Quarterly) this indicates that all participants have enough understanding about the bank performance appraisal practice and this gives them an opportunity to reflect their opinion on the achievement obtained by commercial bank of Ethiopia performance appraisal system by comparing the previous and current appraisal score.

Table 4.2 Performance appraisal methods

S.N	Questions	Mean	Std .Devation
1.1	The rater rank employees within their departments from highest performers to poorest performers (ranking).	1.84	.786
1.2	Employees are ranked in groups that include best workers, worst workers and one or more categories in between.	2.23	.980
1.3	The rater compares every employee with every other employee in the work group	1.99	.974
1.4	List of traits evaluated by a five points (or some other numbers of points) rating scale. Appraisal consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc.	4.15	.797
1.5	The rater uses behavioral oriented statements representing good, average, and poor performance along each dimension.	2.01	1.163
1.6	The rater keeps record of specific examples of effective and ineffective performance on the part of each employee. (Critical incidents).	2.74	1.492
1.7	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance.	2.03	1.072
1.8	The rater manages the behavior of employees through a formal system of behavioral feedback and reinforcement.	2.03	.957

1.9	Individuals usually perform a number of simulated tasks such as leaderless group discussion, role playing etc. (assessment centers).	2.13	1.118
1.10	Subordinate managers write a letter to their superiors, detailing what their performance goals were for the coming year & how they planned to achieve & managers give feedback through the rating period (MBO).	1.93	.791
1.11	The rater measure and feedback productivity information to personnel to motivate employee to higher level of productivity (PMES).	2.19	1.137
1.12	Managers and employees work together to solve performance problems. Use multiple sources to evaluate person and system factors. Involve both internal & external customers in setting standards and measuring performance (quality approach) Employees are ranked in groups that include best workers, worst workers and one or more categories in between.	2.30	1.011

Source: Questionnaire 2018

The mean value of 1.84 and std. Deviation 0.786 indicates that majority of the respondents shown disagreement rater rank employees within their departments from highest performers to poorest performers (ranking).

The mean value of 2.23 and std. Deviation of 0.980 indicates that majority of the respondents shown disagreement on Employees are ranked in groups that include best workers, worst workers and one or more categories in between.

The Mean value of 1.99 and std. Deviation of 0.974 indicates that majority of the respondents shown disagreement on the rater compares every employee with every other employee in the work group.

The mean value of 4.15 and std. Deviation of 0.797 indicates that in commercial bank of Ethiopia, List of traits are evaluated by five points rating scale in which appraisal Consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc. or Graphic rating scale is the method used for evaluating employee's performance. The performance evaluation form of commercial bank of Ethiopia divides the result into five categories like 4.51-5.00(if the performer consistently meets and sometimes exceeds expectation by at least 50% of the expectation set for the target.), 3.51-4.50(if the performer consistently meets and sometimes exceeds expectation by at least 25% of the expectation set for the target.), 2.51-3.50 (if the performer consistently meets 100% of

the expectation set for the target.), and 1.50-2.50(if the performer consistently meets 60-9% of the expectation set for the target.) and 1-1.5(if the performer consistently meets less than 60% of the expectation set for the target.). The net result is by multiplying the result by the weight and dividing to the total weight.

Many employees in organizations are evaluated on the basis of certain traits such as attitude, appearance, initiative, and so on. However, many of the traits commonly used are subjective and may be either unrelated to job performance or virtually impossible to define. In such cases, the result may be inaccurate evaluations and legal problems as well (Mondy. etal 1999).

The mean value of 2.30 and std. Deviation of 1.011 indicates that majority of the respondents shown disagreement on Managers and employees work together to solve performance problems, use multiple sources to evaluate person and system factors. Involve both internal & external customers in setting standards and measuring performance (quality approach) Employees are ranked in groups that include best workers, worst workers and one or more categories in between.

Table 4.3 Performance appraisal process

S.N	Questions	Mean	Std .Deviation
2.1	The appraisal process begins with establishment of performance standards in accordance with the organization strategic goals.	3.28	1.093
2.2	Clear performance criteria (standards) are set before preceding the performance appraisal process.	2.72	1.018
2.3	The performance appraisal process communicates performance expectation of the organization to employees before measuring actual performance.	2.57	0.990
2.4	The appraiser try to measure employee actual performance by using personal observation, statistical reports, oral reports and written reports before comparing actual performance with standards.	3.43	1.003
2.5	Performance appraisal process taking place in the organization exactly evaluate the employees performance against pre-determined performance standards.	2.41	1.239
2.6	The performance appraisal procedure & process of the bank allows employees to receive feedback about their job performance.	2.51	1.201
2.7	Corrective actions identified finally to make necessary adjustment to gaps on the result of evaluation.	2.53	0.940

Source: Questionnaire 2018

Mean of 3.28 and std. Deviation of 1.093 indicates that majority of the respondents agree that the appraisal process begins with establishment of performance standards in accordance with the organization strategic goals.

Mean of 2.72 and std. Deviation of 1.018 shows that Clear performance criteria (standards) are set before preceding the performance appraisal process. In investigating whether the bank uses clear performance criteria (standards) that are set before preceding the performance appraisal process, most of the respondents were disagreed. This indicates that the performance criteria (standards) of the bank are not clear and not set before preceding the performance appraisal process.

Mean of 2.57 and std. Deviation of 0.990 the result indicates majority of the respondents were disagreed with the performance appraisal process of the bank does not communicate performance expectation of the organization to employees before measuring actual performance. Therefore, the process of performance appraisal which is communicates expectation is not taking place in commercial bank of Ethiopia.

The Mean value of 3.43 and std. Deviation of 1.003 Shows that the appraiser try to measure employee actual performance by using personal observation, statistical reports, oral reports and written reports before comparing actual performance with standards. This indicates that majority of the respondents were agreed on the above stated statement.

Mean of 2.41 and std. Deviation of 1.239 shows that Most of the respondents were disagreed with performance appraisal process taking place in the organization exactly evaluate the employee's performance against pre-determined performance standards.

Mean of 2.51 and std. Deviation of 1.201 indicates that performance appraisal procedure & process of the bank allows employees to receive feedback about their job performance. Therefore, this indicates that the performance appraisal procedure and process of the bank does not allow employees to receive feedback about their job performance.

Table 4.4 Standards of performance appraisal

S.N	Questions	Mean	Std .Devation
3.1	I know that a standard of performance appraisal addresses quality such as accuracy, appearance, usefulness, or effectiveness.	3.41	1.229
3.2	I know that standard of performance appraisal addresses quantity like how much the employee or work unit is expected to produce.	3.26	1.144
3.3	I feel that standard of performance appraisal addresses timelines or how quickly, when or by what date the employee or work unit is expected to produce the work.	3.42	1.040
3.4	I understand that standards of performance appraisal addresses cost effectiveness or cost control.	3.36	1.021
3.5	I am sure that standards of performance appraisal consider strategic relevance or address the extent to which standards relate to the strategic objective of the organization.	3.26	1.229
3.6	I believe that performance appraisal of the organization achieves, stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time (reliability).	2.21	.867
3.7	I can tell that there is/are no clearly identified standard.	2.15	1.020

Source: Questionnaire 2018

The Mean value of 3.41 and std. Deviation of 1.229 indicates that Majority of the respondents agree on the point a standard of performance appraisal addresses **quality** such as accuracy, appearance, usefulness, or effectiveness.

The Mean value of and std. Deviation of 1.144 shows that majority of the respondents show agreement with standard of performance appraisal addresses **quantity** like how much the employee or work unit is expected to produce.

The Mean value of and std. Deviation of 1.040 indicates that majority of the respondents shows agreement with the states inquiry. Thus; we can understand that standard of performance appraisal of the bank consider timelines.

The Mean value of 3.36 and std. Deviation of 1.021 shows that majority of the respondents agree that standards of performance appraisal addresses cost effectiveness or cost control. This response points out those performance appraisal standards of the bank take into consideration cost effectiveness or cost control.

The Mean value of 3.26 and std. Deviation of 1.229 indicates most of the respondents are sure that standards of performance appraisal consider strategic relevance or address the extent to which standards relate to the strategic objective of the bank.

The Mean value of 3.21 and std. Deviation of 0.867 the result indicates majority of the respondents were disagreed that performance appraisal of the organization achieves, stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time (reliability). This indicates that the performance appraisal practice of the bank lacks reliability or it does not achieve stability, consistency or the extent to which individuals tend to maintain a certain level of performance over time.

The Mean value of 2.15 and std. Deviation of 1.020 the result indicates most of the respondents disagree with the statement that says "I can tell that there is/are no clearly identified standard." This data indicates that the bank does not have clearly identified standards

Apart from the questionnaire response the result of interview with one of the HR- business was as follows. The appraisal process begins with establishing clear performance standards. Managers/Customer service manager would fill the evaluation form and get it approved by human resource department .Then; it was given to the staffs to look the result, put his/her comment and sign on it. Then, branches and departments send filled appraisal forms to human resource department. Finally, the human resource department looks and accepts any grievances from employees but the department doesn't take any corrective action still. This implies that the organization does not have formally structured performance appraisal process with regard to the theory standards of performance appraisal. In this section respondent were asked to put their level of agreement on issues concerning performance standards.

Table 4.5 Major performance appraisal problems

S.N	Questions	Mean	Std .Deviation
4.1	The supervisor or manager does not have enough information on employee's real work performance.	3.20	1.118
4.2	The supervisor or manager does not have the skills to evaluate employee performance.	2.55	1.066
4.3	Performance evaluation is not focused on employee development.	3.22	1.124
4.4	The rater consistently provides lower rating to people with certain characteristics, such as women and minorities (rater bias).	2.73	1.122
4.5	The rater evaluate factors that affect performance but that are outside the control of the employee being rated.(situational influence)	3.36	1.009
4.6	I feel that the rater take into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure, (change overtime).	2.52	1.078
4.7	I observe that the rater most of the time influenced by specific dimension of performance (halo/horns).	3.41	1.015
4.8	I observe that the rater depends more on the recent actions than the distant ones when he/she evaluates employees.	3.22	1.048
4.9	I feel that supervisors rate employees similarly in all dimensions of performance.	2.65	1.056
4.10	Most of the time, I understand that performance appraisal in my organization mainly depends on attitude, appearance, and personality.	2.65	.942

Source: Questionnaire 2018

The Mean value of 3.20 and std. Deviation of 1.118 the result indicates that supervisor or manager does not have enough information on employee's real work performance. Responses regarding the above statement were agreed. Since most of the respondents agree, the supervisor or manager of Commercial bank of Ethiopia does not have enough information on employee's real work performance.

The Mean value of 2.55 and std. Deviation of 1.066 indicates that most of the respondent disagreed with statement supervisor or manager do not have the skills to evaluate employees' performance. This indicates that most of the respondents believe that the supervisors or managers of commercial bank of Ethiopia have the skills to evaluate employees' job performance.

The Mean value of 3.22 and std. Deviation of 1.124 shows that most of the respondents believe or agreed that performance evaluation of the bank is not focused on employee development. Therefore, this data indicates that the performance evaluation practice of the case bank does not focus on employee development.

The Mean value of 2.73 and std. Deviation of 1.122 indicates that most of the respondents disagree this indicates that the rater does not consistently provide lower rating to people with certain characteristics, such as women and minorities (rater bias is not a problem in the case bank).

The Mean value of 3.36 and std. Deviation of 1.009 shows responses regarding the statement The rater evaluate factors that affect performance but that are outside the control of the employee being rated (situational influence) were agree. This response indicates that situational influence is one of the problems that affect the performance appraisal practice of Commercial bank of Ethiopia.

The Mean value of 2.52 and std. Deviation of 1.078 implies that majority of the respondents show disagreement on the stated enquiry. This data implies that the rater take into consideration short term achievement or failure rather than looking the performance of the employee throughout the evaluation period.

The Mean value of 3.41 and std. Deviation of 1.015 implies that majority of the respondents observe that the rater most of the time influenced by specific dimension of performance (halo/horns). This data indicates that the halo/horns error is one of the problems that affect commercial bank of Ethiopia performance appraisal practice.

The Mean value of 3.22 and std. Deviation of 1.048 the result shows that Employees of Commercial bank of Ethiopia observes that the rater depends more on the recent actions than the distant ones when he/she evaluates employees. Therefore, recency is one of the problems that were happening in the bank performance appraisal practice.

The Mean value of 2.65 and std. Deviation of 0.942 infer that most of the time performance appraisal does not depend on attitude, appearance, and personality.

As per the response from the interview major problems that affect performance appraisal practice of the bank are subjectivity, raters focus on recent actions, raters conduct appraisal for formality only and the raters does not have direct knowledge about the appraisal. This implies that even if the bank has policy or guideline regarding appraisal practice the real practice faces the aforementioned problems.

Table 4.6 Questions that raise general issues in performance appraisal

S.N	Questions	Mean	Std .Deviation
5.1	The performance appraisal system of the bank have purpose	3.76	.715
5.2	Your organization collects information through performance appraisal and practically uses it to make personnel decisions for such things as raises, promotion, termination, and layoff.	2.65	1.114
5.3	Commercial bank of Ethiopia. Prefer to provide greater rewards to higher performing employees and lesser rewards to lower performing employees, (compensation).	3.61	1.073
5.4	The purpose of performance appraisal in Commercial bank of Ethiopia is basically to identify and prepare individuals for increased responsibilities.	2,28	.930
5.5	The HR department follows up seriously the training needs identified during appraisals.	2.27	.967
5.6	The appraisal data are used by the HR department for other development decisions like job-rotation, job enrichment and the like.	2.45	1.20

5.7	The standards for appraising employees' performance are based on job-related requirements derived from Job analysis and reflected in the job description and job specification.	2.07	.924
5.8	Employees of Commercial bank of Ethiopia That are found in the same job category under the same supervisor are evaluated using the same evaluation instrument.	3.35	.994
5.9	Appraisers gate training on how to rate employees & conduct appraisal interviews.	2.46	1.113
5.10	Employees of Commercial bank of Ethiopia are allowed to see their performance appraisal results.	4.26	.442
5.11	Employees allowed appealing appraisal results they consider inaccurate or unfair through a formal policy.	3.11	1.102
5.12	My supervisor provides a continuous feedback on my performance.	2.50	.856
5.13	The appraisal system encourages open communication between each appraiser-appraise pair through performance review discussion.	2.70	1.048
5.14	Performance review discussions are taken seriously by managers and sufficient time is spent in these discussions.	2.56	1.134
5.15	The number times appraisal conducted in Commercial bank of Ethiopia are enough.	2.12	.972
5.16	There is no any performance review discussion in Commercial bank of Ethiopia.	2.61	1.096

Source: Questionnaire 2018

The Mean value of 3.76 and std. Deviation of 0.715 Majority of the respondents agreed the performance appraisal system of the bank has purpose.

The Mean value of 2.65 and std. Deviation of 1.114 shows that commercial bank of Ethiopia does not practically uses the appraisal information collected to make personnel decisions such as raises, promotions, termination and layoff.

The Mean value of 3.61 and std. Deviation of 1.073 indicates that majority of the respondents were agree that the bank uses appraisal results to make compensation decisions.

The Mean value of 2.28 and std. Deviation of 0.930 indicates that most of the respondents disagree with this stated survey. This indicates that the purpose of performance appraisal in the bank does not try to identify and prepare individuals for increased responsibilities.

The Mean value of 2.27 and std. Deviation of 0.967 indicates that the HR-department follows up seriously the training needs identified during appraisals". Majority of the respondents disagree with this stated survey. Similarly most of the respondents disagree that, the HR department follows up seriously the training needs identified during appraisals. This indicates that the human resource department of the bank does not follow up seriously the training needs identified during appraisal.

The Mean value of 2.45 and std. Deviation of 1.20 refers disagreement regarding the statement the appraisal data are used by the HR department for other development decision like job- rotation, job enrichment and the like." But a response shows that disagree. Since most of the respondents disagree appraisal data is not used for development decisions like job-rotation, job enrichment and the like.

The Mean value of 2.07 and standard Deviation of 0.924 shows that the standards for appraising employees' performance are not based on job-related requirements derived from job analysis and does not reflected in the job description and job specification.

The Mean value of 3.35 and std. Deviation of 0.994 indicates most of the respondents agree that employees of commercial bank of Ethiopia that are found in the same job category under the same supervisor are evaluated using the same evaluation instrument.

The Mean value of 2.46 and std. Deviation of 1.113 indicates that appraisers of the bank do not get training on how to rate employees and conduct appraisal interviews or it can be said that the appraisers are not trained well.

The Mean value of 4.26 and std. Deviation of .442 indicates that majority of the respondents agree that, employees of commercial bank of Ethiopia are allowed to see their performance appraisal results.

The Mean value of 3.11 and std. Deviation of 1.102 shows responses regarding the statement on Employees allowed appealing appraisal results they consider inaccurate or unfair through a formal policy. Results they show agreement with inaccurate or unfair through a formal policy. This data revealed that employees of the bank are not allowed to appeal appraisal results they consider inaccurate or unfair through a formal policy.

The Mean value of 2.50 and std. Deviation of 0.856 indicates most of respondents disagree that, my supervisor provide a continuous feedback on my performance. This data indicates that employees of the bank do not get continuous feedback on their performance.

The Mean value of 2.70 and std. Deviation of 1.048 indicates most of the respondents disagree, the appraisal system does not allow the presence of open communication between appraiser and appraisee at time of performance review.

The Mean value of 2.56 and std. Deviation of 1.134 infer that the performance review discussions of the bank does not taken seriously by managers and sufficient time is not spent in these discussions.

The Mean value of 2.12 and std. Deviation of 0.972 indicates that the number of times appraisal conducted in commercial bank of Ethiopia is not enough or conducting appraisal quarterly in a year in the commercial bank of Ethiopia is not sufficient.

The Mean value of 2.61 and std. Deviation of 1.096 indicates there is absence of performance review discussion in the case bank.

CHAPTER 5

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this chapter, major findings are going to be summarized and the subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed to better enhance the organization performance appraisal practice.

5.2 Summary of major findings

As per the data gathered through questionnaire and interview the summary of major findings are presented in this section as follow.

Majority of the respondents agree that list of traits are evaluated by five points rating scale. They also believe that appraisal consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc.

Respondents indicated that the appraisal process begins with establishment of performance standards in accordance with the organization strategic goals. But the performance standards are not clear. The performance appraisal process does not communicate performance expectation of the organization to employees before measuring actual performance. The appraiser try to measure employee actual performance by using personal observation, statistical reports, oral reports and written reports before comparing actual performance with standards. The appraisal process does not compare actual performance with standards, discuss appraisal with the employee and initiate corrective action.

It is also found that the bank have properly identified standards for performance appraisal that addresses quality, quantity, timelines, cost effectiveness and strategic relevance. But most of the respondents do not believe that the performance appraisal of the bank achieves stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time. In other word it lacks reliability.

In relation to major performance appraisal problems the analysis has indicated that managers does not have enough information on employee's real work performance, performance evaluation is not focused on employee development, the rater evaluate factors that affect performance but that are outside the control of the employee being rated, the rater does not consider change over time, the raters most of the time influenced by specific

dimension of performance and the rater depends more on recent actions than the distant ones. Additional findings indicate that performance appraisal practice of the bank is more of subjective and raters conduct appraisal for formality only. On the other hand the analysis also indicated that the raters have sufficient skills, the absence of rater bias, supervisors does not rate employees similarly in all dimensions of performance and appraisal in the case bank does not depend on attitude, appearance, and personality.

Most of the respondents agree that peers, subordinates, customers and 360 degree feedback are not common appraisers of performance commercial bank of Ethiopia.

Most of the respondents said that the Bank performance appraisal have purpose; that is to make promotional decisions only. But most of the respondents believe that the appraisal result is not used for personnel decisions like termination and layoffs, does not prepare individuals for increased responsibilities, the HR department does not follow up training needs identified through appraisal and it is not used for developmental decisions.

On the subject of characteristics of effective performance appraisal, most of the respondents agree that: employees have access to results, employees allowed to appeal allowed to unfair appraisal results and there is standardization in using appraisal forms.

Apart from this appraisers does not get sufficient training, absence of performance expectation and standards does not depend on job description and job specifications.

Respondents indicated that the performance review discussions conducted only when an employee come up with grievance. Most of the respondents also indicated that supervisors do not provide continuous feedback and the absence of open communication. According to the data most of the employees believe that conducting appraisal quarterly is not sufficient to effectively measure employees' performance.

5.3 Conclusion

Since performance appraisal is one of the human resource management practices that help employers to know what their employees are doing and to measure their contribution to the organization, this study have gone through different steps to reach these last stages. Based on the major findings stated above, the following conclusion has been reached and the recommendation will follow.

Performance appraisal practice of the bank shows that the appraisal process begins with establishing clear performance standards; it does not follow performance appraisal processes set by different scholars. The performance standards of the bank address quality, quantity, timelines, cost effectiveness and strategic relevance issues. However the performance appraisal practice of commercial bank of Ethiopia lack reliability or it is not able to maintain certain level of performance over time.

Even if the bank's performance appraisal practice have some strengths on its standards and absence of rater bias, but there are lots of problems like subjectivity, situational influence, halo/horns etc.

The purposes of performance appraisal in the bank are to make promotion decisions. But the appraisal result is not used to make administrative and developmental decisions. Appraisers do not get sufficient training, absence of performance expectation and standards do not depend on job description and job specifications.

Employees of the bank have access to results, allowed to appeal unfair appraisal results and there is standardization in using appraisal forms. Apart from this Performance review discussions conducted only when an employee come up with grievance.

Supervisors (managers) do not provide continuous feedback for employees and there is absence of open communication. In addition conducting appraisal quarterly in a year is not sufficient to effectively measure employees' performance.

5.4 Recommendation

- The performance standards of the bank address most of the requirements. It addresses quality of output, quantity of output, timelines of results, cost effectiveness and strategic relevance. Therefore the bank needs to keep up on addressing these issues in the future again for its success. And it has to work on reliability by making the standards clear and creating awareness on employees and supervisors.
- The finding shows that commercial bank of Ethiopia performance appraisal practice is challenged by a lot of problems like: performance evaluation not focused on employee development, situational influence, not considering change over time, halo/horns, recency, subjectivity, conducting appraisal for formality and raters lack information.
- Since most of the problems belong to the category rater error the appropriate solution to alleviate these problems are consecutive rater error training and rater accuracy training. Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors. These programs consist of having the participants view videotaped vignettes designed to elicit rating errors such as "contrast." They then make their ratings and discuss how the error influenced the rating. Finally, they get tips to avoid committing those errors. Rater accuracy training, also called frame-of-reference, attempts to emphasize the multidimensional nature of performance and thoroughly familiarize raters with the actual content of various performance dimensions. Accuracy training seems to increase accuracy, provided that in addition the raters are held accountable for ratings, job-related rating scales are used, and raters keep records of the behavior they observe.
- To minimize the problem of subjectivity the bank need to Ensure that the criteria for evaluating performance cover agreed objectives (quantified wherever possible), competences based upon proper role analysis and measures of day-to-day effectiveness, preferably stated as standards of performance.
- To solve the problem performance evaluation is not focused on employee development the bank needs to use appraisal results for identifying training needs, job rotation, job enrichment and increased responsibilities.

- As per the value statement of the bank "The customer is commercial bank of Ethiopia lifeline." Since customers are lifelines of the bank they have to participate by filling at least some comments on each employees' performance, who have direct contact in giving service to the customers. Branch manager's evaluation form is filled by their supervisors at head office but employees who have day to day work related contact with them does not say anything about their performance. Since employees (subordinates) have knowledge on the day to day performance of managers they have to participate in evaluating them.
- Organize commercial bank of Ethiopia actions conduct performance appraisal for different purposes like performance measurement, compensation, motivation, management development, identification of potential, feedback, human resource planning, communications, performance improvement, termination, layoff, job rotation, legal compliance etc. But the purposes of performance appraisal in CBE are: to pay bonus, to give annual salary increment and to make promotion decisions. To improve its performance appraisal practice the bank needs to use the results beyond the aforementioned three purposes. Therefore the bank should use appraisal result to make most of administrative and developmental decisions.
- If commercial bank of Ethiopia. Needs to have effective performance appraisal practice the criteria/standards should be job related, managers and subordinates should agree on performance expectations in advance of appraisal period and appraisers should get training. Training in performance appraisal should be an ongoing process to ensure consistency.
- The training should cover how to rate employees and conduct appraisal interviews. But the bank needs to keep up on its good practice like standardization, employee access to results and due process.
- Commercial bank of Ethiopia needs to have performance review discussion that is conducted at least on the appraisal periods with all employees.

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Appendices

Appendix A

Questionnaire

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTERS OF BUSINESS ADMINISTRATION

This questionnaire is designed for preparing a thesis on Performance Appraisal Practice and Problem in Commercial Bank of Ethiopia:

Case of selected branches under west Addis Ababa district

Dear respondents: -

The outcome of the study was used in order to suggest possible solutions for problems identified while conducting the study. I would like to, kindly, request you to spend some time to fill the questionnaire as frankly and reasonably as possible. Your participation in this survey is highly appreciated. I confirm that, the information you provide was consumed for academic purpose only and was kept confidential.

Thank you for your cooperation!!

Directions

No need to write your name.

Answer by making a \surd or 'X' mark

Part I - Demographic profile of the respondents

Sex: Male Female

Age: Below 25 25-35 36-45 46-55 Above 55

Educational Background:

Diploma First Degree Master's degree and above

Your present position

CSO-MAKER /CHECKER

5. Years of experience (in present organization)

1-5 YEARS 6-10 YEARS 11-15 YEARS 16-20 YEARS

ABOVE 20 YEARS

PART II - Questions on performance appraisal

Please read each statement in this part carefully and show the extent of your agreement on the statements by putting "√" or "X" mark in the boxes using the following rating scales

(likert scales):- Strongly agree (SA)=5, Agree(A)=4, Neutral(N)=3, Disagree(D)=2, and Strongly disagree(SD)=1.

Questions related with performance appraisal methods.

S.N	Questions	SD	D	N	A	SA
1.1	The rater rank employees within their departments from highest performers to poorest performers. (Ranking).					
1.2	Employees are ranked in groups that include best workers, worst workers and one or more categories in between.					
1.3	The rater compares every employee with every other employee in the work group.					
1.4	List of traits evaluated by a five points (or some other numbers of points) rating scale. Appraisal consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc.					
1.5	The rater uses behavioral oriented statements representing good, average, and poor performance along each dimension.					
1.6	The rater keeps record of specific examples of effective and ineffective performance on the part of each employee, (critical incidents).					
1.7	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance.					
1.8	The rater manages the behavior of employees through a formal system of behavioral feedback and reinforcement.					

1.9	Individuals usually perform a number of simulated tasks such as leaderless group discussion, role playing etc. (assessment centers).					
1.10	Subordinate managers write a letter to their superiors, detailing what their performance goals were for the coming year and how they planned to achieve and managers give feedback through the rating period.(MBO)					
1.11	The rater measure and feedback productivity information to personnel to motivate employee to higher level of productivity (ProMES).					
1.12	Managers and employees work together to solve performance problems. Use multiple sources to evaluate person and system factors. Involve both internal & external customers in setting standards and measuring performance (quality approach).					

Please indicate any suggestion that you think important with question 1.

Questions related to the process of performance appraisal

S.N	Questions	SD	D	N	A	SA
2.1	The appraisal process begins with establishment of performance standards in accordance with the organization strategic goals.					
2.2	Clear performance criteria (standards) are set before preceding the performance appraisal process.					
2.3	The performance appraisal process communicates performance expectation of the organization to employees before measuring actual performance.					
2.4	The appraiser try to measure employee actual performance by using personal observation, statistical reports, oral reports and written reports before comparing actual performance with standards.					
2.5	Performance appraisal process taking place in the organization exactly evaluate the employees performance against pre-determined performance standards.					
2.6	The performance appraisal procedure & process of the bank allows employees to receive feedback about their job performance.					
2.7	Corrective actions identified finally to make necessary adjustment to gaps on the result of evaluation.					

Please indicate any suggestion that you think important with question 2.

Questions related to standards of performance appraisal

S.N	Questions	SD	D	N	A	SA
3.1	I know that a standard of performance appraisal addresses quality such as accuracy, appearance, usefulness, or effectiveness.					
3.2	I know that standard of performance appraisal addresses quantity like how much the employee or work unit is expected to produce.					
3.3	I feel that standard of performance appraisal addresses timelines or how quickly, when or by what date the employee or work unit is expected to produce the work.					
3.4	I understand that standards of performance appraisal addresses cost effectiveness or cost control.					
3.5	I am sure that standards of performance appraisal consider strategic relevance or address the extent to which standards relate to the strategic objective of the organization.					
3.6	I believe that performance appraisal of the organization achieves, stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time (reliability).					
3.7	I can tell that there is/are no clearly identified standard.					

Please indicate any additional suggestion that you think important with question 3.

4. Questions about performance appraisal problems

S.N	Questions	SD	D	N	A	SA
4.1	The supervisor or manager does not have enough information on employee's real work performance.					
4.2	The supervisor or manager does not have the skills to evaluate employee performance.					
4.3	Performance evaluation is not focused on employee development.					
4.4	The rater consistently provides lower rating to people with certain characteristics, such as women and minorities (rater bias).					
4.5	The rater evaluate factors that affect performance but that are outside the control of the employee being rated.(situational influence)					
4.6	I feel that the rater take into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure, (change overtime).					
4.7	I observe that the rater most of the time influenced by specific dimension of performance (halo/horns).					
4.8	I observe that the rater depends more on the recent actions than the distant ones when he/she evaluates employees.					
4.9	I feel that supervisors rate employees similarly in all dimensions of performance.					
4.10	Most of the time, I understand that performance appraisal in my organization mainly depends on attitude, appearance, and personality.					

Please indicate any suggestion that you think important with question 4.

Questions that raise general issues in performance appraisal

S.N	Questions	SD	D	N	A	SA
5.1	The performance appraisal system of the bank have purpose					
5.2	Your organization collects information through performance appraisal and practically uses it to make personnel decisions for such things as raises, promotion, termination, and layoff.					
5.3	Commercial bank of Ethiopia. Prefer to provide greater rewards to higher performing employees and lesser rewards to lower performing employees, (compensation).					
5.4	The purpose of performance appraisal in Commercial bank of Ethiopia is basically to identify and prepare individuals for increased responsibilities.					
5.5	The HR department follows up seriously the training needs identified during appraisals.					
5.6	The appraisal data are used by the HR department for other development decisions like job-rotation, job enrichment and the like.					
5.7	The standards for appraising employees' performance are based on job-related requirements derived from Job analysis and reflected in the job description and job specification.					
5.8	Employees of Commercial bank of Ethiopia. That are found in the same job category under the same supervisor are evaluated using the same evaluation instrument.					
5.9	Appraisers gate training on how to rate employees & conduct appraisal interviews.					
5.10	Employees of Commercial bank of Ethiopia are allowed to see their performance appraisal results.					
5.11	Employees allowed appealing appraisal results they consider inaccurate or unfair through a formal policy.					

5.12	My supervisor provides a continuous feedback on my performance.					
5.13	The appraisal system encourages open communication between each appraiser-appraise pair through performance review discussion.					
5.14	Performance review discussions are taken seriously by managers and sufficient time is spent in these discussions.					
5.15	The number times appraisal conducted in Commercial bank of Ethiopia are enough.					
5.16	There is no any performance review discussion in Commercial bank of Ethiopia.					

Please indicate any suggestion that you think important with question 5.

Appendix B

St. Mary's university

School of graduate studies

Masters of Business Administration

This Interview Questionnaires is designed to West Addis Ababa District HR – Business on Performance Appraisal Practice and Problem in Commercial Bank of Ethiopia:(CASE OF SELECTED BRANCHES UNDER WEST ADDIS ABABA DISTRICT)

1. What is the pioneer employee performance appraisal evaluation method of your organization (CBE)?

2. What efforts you make sure your employees are in the right career path that would allow them to meet their personal as well as organizational goals?

3. The targets in the present appraisal form are truly reflecting the employee's real worth to his personal target or the organization as whole?

4. What criteria / target must be added or from the existing appraisal form to enhance effectiveness of appraisal system?

5. Is the appraisal format the same in all levels of organization irrespective of the nature of the jobs?

6. Do you allow your employees/subordinates to view their appraisal results and express your comments or freely discussions on rating results?

7. What are the challenges or gaps that the employee needs to address?

8. What standards does commercial bank of Ethiopia use to evaluate an employees' performance?

9. What measure undertaking with regards to the employees who perform below meet expectation?

10. Is there any compensation, reward or promotion attached to employee's achievement of their performance /meet their expected targets?

Thank you for your cooperation!!!