



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

**THE ASSESSMENT OF PERFORMANCE EVALUATION SYSTEM:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

BY:

GENET FEKEDE WOLDE

JUNE 2019

ADDIS ABABA, ETHIOPIA

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

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Acknowledgements

First of all I would like to thank almighty GOD for his blessing. And I would like to express my heart-felt gratitude to my advisor Asst. Prof. Shoa Jemal for his consistent support in providing me with critical comments. I am also indebted to the CBE staffs especially Human resource both management and non-management collaboration by filling the questioner with the existing tight schedule in operational work.

I am deeply grateful from my heart to my family and friends for their encouragement and support in many different ways to complete my study.

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Acronyms / Abbreviation

CBE: Commercial Bank of Ethiopia

HR: Human Resource

HRM: Human Resource Management

PMS: Performance Management System

SPSS: Statistical Package for the Social Sciences

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Abstract

The main purpose of this study is to assess the performance evaluation system in CBE in Addis Ababa area branches. The study tried to address the basic questions of; How does employee's performance evaluation system is linked with the bank's overall strategic objectives? Is the employees' performance evaluation system of CBE follows standard performance evaluation process? To what extent the existed performance standards are clear and related to the desired job and also what the problems of performance evaluation system of the CBE are? To answer these questions descriptive survey research design has been deployed by using both quantitative and qualitative research approach. For this study simple random sampling technique was used, from 415 employees within the sample 10 branches by taking 204 employees to fill in the self-developed questionnaire and by interviewing few managers of selected branches which is the main data collection instrument. The data gathered from the questionnaire were compiled by using SPSS software and descriptive method was used for analyzing data obtained from questionnaire. Data gathered from interview and secondary sources were analyzed contextually. The result of the analysis was presented using different tables. In general the finding of the study revealed that organizational goals and objectives are aligned with departmental and individual goals, but there is lack of regular feedback, lack of knowledge about what the strategic objectives of the bank and understandability of the strategy, poor participation of employees on putting performance standards, the biasness of the raters to rate and no corrective actions after investigations. In order to fill the identified gap, recommendations were forwarded, to improve the level of employee's participation in the performance evaluation system process, to enhance the awareness of employees about the purpose of performance evaluation system, goals should be placed in mutual agreement, letting employees to assess their own performance using self-appraisal method, gather information about the performance of an employee from different sources, to give feedback periodically and to set goals that are achievable and are not delusional. Finally, it is suggested to make the evaluation criteria to be very objective and conduct the evaluation at the right time.

Key words: *Performance evaluation, HRM, Performance standards,*

CHAPTER ONE

INTRODUCTION

This part of the study presents the introductory contents which are considered to be the blue print for the overall thesis work. Therefore, it comprises of the background of the study, statement of the problem, objective of the study, significance of the study, scope and limitation of the study and also it contains organization of the paper.

1.1. Background of the Study

Performance evaluation is one of the aspects of HRM, and a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way. It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong 2009). In an effective performance evaluation system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance evaluation system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

Performance evaluation can defined as a continuous process of identifying, measuring, and developing the performance of individuals, and aligning performance with the strategic goals of the organization. This definition notes two issues as factors that distinguish performance evaluation from the traditional performance appraisal practice: it is a continuous process and that there is an alignment with strategic goals. Performance evaluation is also defined as a process of establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance.

Performance evaluation is an important issue in the organizational setup as it helps organizations ensuring employees are working hard to contribute to achieving the

organization's mission and objectives. Performance evaluation setting expectations for employee's performance and motivates them to work hard in ways that is expected by the organization. Moreover, Performance evaluation System provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. As Macky and Johnson (2000) stressed that the importance of performance evaluation system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee's performance by using performance evaluation system is a way to improve organizational performance (Ying 2012)

1.2. Background of the Organization

The Commercial Bank of Ethiopia (CBE) has been playing a conspicuous role in economic development of the country for more than 75 years. The CBE is leading bank in the country established in 1943. Today, more than ever before, the CBE has aggressively expanded its presence in all directions of the country. Currently, it has more than 1280 branches and has more than 18.8 million customers throughout the country. Despite the stiff competition from private commercial banks, the CBE has remained in the lead in terms of assets, deposits, capital, and customer-base and branch network. As of June 30 2018, total capital of the bank reached birr 565.5 billion birr. CBE combines a wide human capital base with more than 33,000 talented and committed employees and infrastructure which helps the bank to connect branches and head office organs.

Vision

To become world-class commercial bank

Mission

We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

Core values

Our core values are: Integrity, Customer Satisfaction, Employees Satisfaction, Learning Organization, Teamwork and Collaboration, Public Trust, Value for Money, Decentralization

and Corporate Citizenship. (CBE WEB SITE)

1.3. Statement of the Problem

Assessment of employees' performance is one of the common practices in almost every organization as it is an essential trend to brought better performance of employees and organizations as well. In creating better performance of the organization, satisfied employees play a crucial role (Karimi, Malik & Hussain, 2011).

The research work done on the assessment of employee's performance evaluation system in Commercial Bank of Ethiopia. Staff participation in performance standard seating process, the extent clarity and fairness of performance evaluation system in the bank and the alignment between performance standard of employees with strategic objective of the bank is not studied yet or limited. Some of the research works on the level of performance evaluation implementation in CBE, challenges and awareness among managers and employees.

Hence, this study addresses the gap by assessing the problems of employee's performance evaluation system of CBE.

1.4. Research Questions

1. How is employee's performance evaluation system linked with the banks overall strategic objectives?
2. How does the employees' performance evaluation system of CBE follow standard performance evaluation process?
3. To what extent the set performance standards are clear and related to the desired job?
4. What are the problems of performance evaluation system of the CBE?

1.5. Objectives of the Study

The study has the following general and specific objectives

1.5.1 General Objectives

The general objective of the study is to assess the employee's performance evaluation system of Commercial Bank of Ethiopia.

1.5.2 Specific Objectives

The study has the following specific objectives:

- To examine the linkage between employee's performance evaluation system with the banks overall strategic objectives.
- To examine the level employees performance evaluation system of CBE follow standard performance evaluation process
- To assess the extents of performance standards are clear and related to the desired job
- To identify the problems of performance evaluation system of the CBE.

1.6. Significance of the Study

The bank has made huge investment in introducing the performance evaluation system. The researcher expects to find out areas which need improvement and which the bank is doing sound based on the findings. The result of the research may make a contribution to previous literatures in this topic and can serve as additional source of reference and will improve customer satisfaction by improving employees' performance. Moreover, it serves for other researchers as a springboard to conduct detailed researches on the problem and will help the bank to take appropriate actions if any to strengthen its effort towards crating good performance culture and introduction new directives as needed.

1.7. Scope of the Study

Performance evaluation can be categorized by three main parts organizational performance, team performance, and individual or employee performance. However this study focuses on assessing the performance evaluation system. The research conducted on permanent clerical staffs and managements of the bank in some sampled branches which are located in Addis Ababa. Due to the time and finance constraint the researcher addressed only ten branches from the four districts under Addis Ababa city branches.

1.8. Limitations of the Study

The research only addressed employees and managers of selected branches. The time assigned to complete this study was sufficient, so it was a bit difficult for the researcher to make a thorough investigation in the area within this short period of time. Because of

these limitations the researcher is forced to limit the size of sample selected. The study conducted in branches situated in Addis Ababa and this may affect the generalizability of the finding to the entire organization.

1.9. Organization of the Study

This study is organized into five chapters. The first chapter is an introduction part and it contains background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, scope of the study, limitations of the study and organization of the study. The second chapter is the review of related literature, and the third chapter contains research methods, and the fourth chapter contains Data Presentation, Analysis and Interpretation. Finally, the fifth chapter contains Summery, Conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This part of the study presents reviewing related literature with performance evaluation. And it contains theoretical literature and empirical literature review.

2.1. Theoretical Literature

It deals with the concept of performance, performance management as an overview, and brief literature about performance evaluation, role of performance evaluation, bias and errors of performance evaluation, performance evaluation techniques and also purpose of employee's performance evaluation, performance evaluation process. It also discusses about the requirements of effective performance appraisal system and employees' perception on performance appraisal.

2.1.1 What is Performance

Performance management is the accomplishment, completing, carrying out, and working out of anything ordered or undertaken. This refers to outputs/outcomes (accomplishment) but also states that performance is about doing the work as well as being about the results achieved. Performance could therefore be regarded as behavior the way in which organizations, teams and individuals get work done.

Job performance is a function of two different things: what the person accomplishes and how the person goes about doing the job. Probably all of us have encountered people who were excellent at one and fail at the other. According to Grote (2002), for an organization to be successful, both behaviors and results are important.

As seen above the definitions given focused similarly in behavior and result. Based on this fact a more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes.

Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. This definition of performance leads to the

conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered.

2.1.2 Performance Management: An Overview

Performance management 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 (Smithers & London 2009).

Performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organization's objectives. It can be regarded as a strategic management technique that supports the overall business goals of the firm through linking each individual work goals to the overall mission of the firm (Collings & Wood 2009).

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion (Armstrong 2009).

As cited by Ayanyinka, I, & Emmanuel, E. (2013) the system's success is crucial to the continued existence of the business owing to the fact that attitudes employee's holds to the organization or task performance can hinder the organizations profitability (Inyang, 2008). The system should seek to improve employee's continuity and reduce turnover in the organization. Moreover, Weiss and Hurtle, (1997) performance management purpose is to achieve success for both the employee and the organization through a process that provides clear, supportive feedback and recognition to all contributors (Armstrong 2009). According to Aguinis, (2007) in implementing a performance management system the basic steps are to ensure a well detailed communication plan, an appeal process, training programs for raters to ensure there is no mistake in the performance assessment and pilot testing the system that creates avenue for re-evaluation to cover necessary details that may have be omitted unintentionally (Ayanyinka and Emmanuel 2013). So studying the practices of employee performance management system of commercial bank of Ethiopia is necessary as performance

management is the process that requires high involvement and commitment from people in the organization, perceptions of the employees can highly affect organization outcome.

According to Furnham, (2004) the essence of performance management systems is to provide an avenue for improved employees' performance through a dynamic process of defining and measuring of achievement of goals in line with organizational set goals (Ayanyinka and Emmanuel 2013). Achieving effective performance of human resources is primary goal of every organization. In this regard, performance evaluation practice of human resource management provides the sound basis of evaluating and developing employee performance in order to get enhanced organizational success. Similar to any organization, banks evaluate their employees' performance for effective human resource management.

2.1.3 What is Performance Evaluation?

Performance evaluation or appraisal is a process by which organizations evaluate employee performance based on preset standards. The main purpose of appraisals is to help managers effectively staff companies and use human resources, and, ultimately, to improve productivity. When conducted properly, appraisals serve that purpose by: showing employees how to improve their performance, setting goals for employees, and helping managers to assess subordinates' effectiveness and take actions related to hiring, promotions, demotions, training, compensation, job design, transfers, and terminations.

Performance evaluation can also defined as a structured formal annual or semi-annual interaction between the subordinate and supervisor to examine and discuss the work performance of the subordinate by identifying strength and weakness as well as opportunities for improvement and skill development. Performance appraisal is a systematic evaluation of an employees' performance skill and other necessary qualities for carrying out the job successfully. Performance appraisal is the process of obtaining, analyzing and recording information about the worth of an employee so as to evaluate the performance and understand the abilities of an employee for further growth and development (Manjunath, 2015). Lansbury (1988) defined performance appraisal as “the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and

objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance.” cited by (Seniwoliba, 2014: 601).

Deepa & Kuppusamy (2014) defines performance appraisal as a process in which the work performance of the employee is identified as strength and weakness so that the organization could use it in providing proper training to them and improve the organization’s performance. According to Khan (2013: 66) “performance appraisal as a formal, structured system of meaning and evaluating an employee’s job related behavior and outcome to discover how and why the employee is presently performing on the job and he the employee can perform more effectively in the future so that the employee, organization and society get the benefit.”

2.1.4 Role of Performance Evaluation

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity. According to D. McGregor (1966) author of *The Human Side of Enterprise*, the three main functional areas of performance appraisal systems are: administrative, informative, and motivational. Appraisals serve an administrative role by facilitating an orderly means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals help employees and managers establish goals for the period before the next appraisal.

Appraises, appraisers (managers), and companies all reap benefits from effective performance appraisals. Appraises benefit in a number of ways; for example, they discover what is expected of them and are able to set goals. They also gain a better understanding of their faults and strengths and can adjust behavior accordingly. In addition, appraisals create a constructive forum for providing feedback to workers about individual behavior, and for allowing workers to provide input to their managers. Finally, appraises are (ideally) given assistance in creating

plans to improve behavior, and are able to get a better grasp on the goals and priorities of the company. Maddux, RB (1993)

Appraisers gain from evaluations as well. They are able to effectively identify and measure trends in the performance of their employees, and to more accurately compare subordinates. They also get a better understanding of their workers' needs and expectations. Managers are able to use the information to assist their subordinates in planning long-term and short-term goals and career objectives, and to tailor their job responsibilities to make fuller use of their skills. Importantly, the appraisal process helps managers to make informed decisions about promotions and assignments based on applicable facts.

Chief benefits that can accrue to the entire organization from the appraisal process include: improved communication, which results in more cooperation and better decision making; greater staff motivation; and a more informed and productive workforce, which leads to a greater organizational focus on comprehensive goals. Specifically, the performance appraisal process allows the organization to achieve a more productive division of labor, develop training and education programs, eliminate bias and irrelevant data from evaluations and decisions, and design effective compensation and reward systems.

Most effective systems of appraising performance are: pragmatic, relevant, and uniform. Pragmatism is important because it helps to ensure that the system will be easily understood by employees and effectively put into action by managers. Appraisal structures that are complex or impractical tend to result in confusion, frustration, and nonuse. Brown R.D. (1988).

Likewise, systems that are not specifically relevant to the job may result in wasted time and resources. Indeed, most successful appraisal programs identify and evaluate only the critical behaviors that contribute to job success. Systems that miss those behaviors are often invalid, inaccurate, and result in discrimination based on nonrelated factors. Finally, uniformity of the appraisal structure is vital because it ensures that all employees will be evaluated on a standardized scale. Appraisals that are not uniform are less effective because the criteria for success or failure become arbitrary and meaningless. Furthermore, uniformity allows a

company to systematically compare the appraisals of different employees with each other. Brown R.D. (1988).

The actions and results that are measured will depend on a variety of factors specific to the company and industry. Most importantly, criteria should be selected that will encourage the achievement of comprehensive corporate objectives. This is accomplished by determining the exact role of each job in accomplishing company goals, and which behaviors and results are critical for success in each position. Furthermore, different criteria for success should be weighted to reflect their importance. Some performance appraisal analysts recommend concentrating assessment on productivity and quality, which can be objectively measured and compared. Focus on these two factors enable companies to determine if workers are performing their tasks at an acceptable pace and if they are performing their tasks at an acceptable level of quality. By assessing these factors, evaluators also can avoid biased appraisals. Maddux, RB (1993)

In determining who should address performance, managers of the performance appraisal system usually select an employee's immediate supervisor to provide the assessment, which is then reviewed by a higher-level manager or the personnel department. In addition, other appraisers may be selected depending on: their knowledge of, and opportunity to observe, the appraiser's behavior, their ability to translate observations into useful ratings, and their motivation to provide constructive input about the employee's performance. Other evaluators may include coworkers, subordinates, customers, or even the employees themselves.

After selecting performance appraisal criteria and evaluators, the designers of the system must determine which assessment techniques to use. Numerous methods may be applied depending on the nature of the industry, company, or job. As noted earlier, many organizations utilize a combination of several techniques throughout the organization. In general, the most popular rating techniques fall into one of four categories: rating, in which evaluators judge workers based on different characteristics; ranking, whereby supervisors compare employees to one another; critical incidents, in which evaluators create descriptions of good and bad behavior and then assign those descriptions to employees; and techniques that use multiple or miscellaneous criteria, such as employee-directed standards.

In addition to selecting evaluation techniques, managers of appraisal systems must devise a means of effectively communicating the results of assessments to employees. Often, the communication process is built-in to the appraisal technique, but sometimes it isn't. Feedback about performance is important for improving worker behavior. For instance, a worker who receives a very positive appraisal will likely become motivated to perform. On the other hand, a poor appraisal could have the opposite effect. For that reason, assessors have a number of feedback techniques at their disposal to help ensure that the end result of any assessment is constructive. Examples of feedback methods are written follow-ups, goal setting to overcome deficiencies, and allowing workers to have input into their appraisal to explain reasons for success or failure. Importantly, most feedback techniques stress a relationship between employees and their negative behavior (i.e., employee still have value, despite their inadequate behavior). Brown R.D. (1988).

Furthermore, to be productive, the performance appraisal process must contain general three steps: evaluation and job analysis, appraisal interview, and post-appraisal interview.

During the first step, both the appraiser and the appraisee should prepare for the interview by considering job performance, job responsibilities, and employee career goals, goals for improving performance, and problems and concerns about the job. Sometimes both the appraiser and appraisee will fill out forms with questions addressing the previously mentioned topics.

Next, managers and employees meet to discuss what they have prepared and to establish goals for the period before the next performance appraisal. It is important that the appraisal interview be an exchange, not a speech. Both parties must be able to share their perceptions of the appraiser's performance.

The third step, the post-appraisal interview, gives managers the opportunity to discuss salaries and promotions with employees. By not addressing this issue during the appraisal interview, both managers and employees can focus on performance and goal setting, instead of money. Maddux, RB (1993)

2.1.5 Bias and Errors

Even when a performance evaluation program is structured appropriately, its effectiveness can be diluted by the improper use of subjective, as opposed to objective, measures. Objective measures are easily incorporated into an appraisal because they are quantifiable and verifiable. For example, fast-food workers may be rated on the number of cars they can serve at a drive-through window during an eight-hour period. Other objective measures commonly include error rates, number of complaints, frequency of failure, or other tangible gauges. In contrast, subjective measures are those that cannot be quantified and are largely dependent on the opinion of an observer. For example, an appraisal of fast-food workers' courteousness and attitude would be subjective. (Rao & Rani, 2014).

Subjective measures have the potential to dilute the quality of worker evaluations because they may be influenced by bias, or distortion as a result of emotion. To overcome the effects of prejudice, many organizations train appraisers to avoid six common forms of bias: cross-cultural, error of central tendency, halo effect, leniency and strictness, personal prejudice, and recency effect. The recency effect is a corollary of the natural tendency for raters to judge an employee's performance based largely on his most recent actions rather than taking into account long-term patterns.

Cross-cultural bias is a consequence of an evaluator's expectations about human behavior. Those expectations often clash with the behavior of appraisees who have different beliefs or cultural values. For instance, an evaluator with an Asian heritage may be more likely to rate an older employee higher because he has been taught to revere older people. Likewise, personal prejudice results from a rater's dislike for a group or class of people. When that dislike carries over into the appraisal of an individual, an inaccurate review of performance is the outcome. For example, according to Kurt Kraiger and J. Kevin Ford writing in the *Journal of Applied Psychology*, studies have shown that black raters and white raters are much more likely to give high rankings to members of their own race.

Like cross-cultural and personal prejudice biases, the halo effect is caused by a rater's personal opinions about a specific employee that are not job-related. The term "halo" stems from the

distortion that appraise, like an angel with a halo over its head, can do no wrong. This type of bias, however, also applies to foes of the rater. The effect is particularly pronounced when appraise is an enemy or very good friend of the evaluator. Lunenburg, (2012). .

Leniency and strictness bias results when the appraiser tends to view the performance of all of his employees as either good and favorable or bad and unfavorable. Although these distortions are often the result of vague performance standards, they may also be the consequence of the evaluator's attitudes. For example, some evaluators want their subordinates to like them (leniency bias) or want to feel like they are being a "tough judge" (strictness). Similarly, the error of central tendency occurs when appraisers are hesitant to grade employees as effective or ineffective. They pacify their indecisiveness by rating all workers near the center of the performance scale, thus avoiding extremes that could cause conflict or require an explanation. Lunenburg, (2012).

In addition to bias, flaws in the execution of an appraisal program can be destructive. For instance, managers may be downgrading their employees because high performance reviews would outstrip the department's budget for bonuses. Or, some managers may be using performance appraisals to achieve personal or departmental political goals, thus distorting assessments. Problems are usually indicated, for example, by extremely high numbers of poor or positive appraisals, or by a general lack of individual improvement over the long term. In any case, appraisal managers must identify and overcome the causes of these flaws to ensure the usefulness of the system. This is typically accomplished through a formal process of evaluating the effectiveness of the appraisal program itself, as discussed above.

2.1.6 Performance Evaluation Techniques

In addition to separating them into the four general categories discussed above, different performance appraisal techniques can be classified as either past-oriented or future-oriented. Past-oriented techniques assess behavior that has already occurred. They focus on providing feedback to employees about their actions, feedback that is used to achieve greater success in the future. In contrast, future-oriented appraisal techniques emphasize future performance by

assessing employees' potential for achievement and by setting targets for both short- and long-term performance. (Aggarwal & Thakur, 2013; Shaout & Yousif, 2014).

2.1.6.1 Past-Oriented

Some of the traditional forms of performance appraisals such as rating scales and checklists remain popular despite their inherent flaws. They entail an assessor providing a subjective assessment of an individual's performance based on a scale effectively ranging from good to bad or on a checklist of characteristics. Typically, basic criteria such as dependability, attitude, and attendance are listed. For the rating scale, the evaluator simply checks a box beside each factor to indicate, for example, excellent, good, fair, or poor. A value may be assigned to each level of success a rating of fair, for instance, might be worth two points and the appraiser's score totaled to determine his or her ranking. For the checklist, the evaluator simply marks statements such as "works well with others" believed to describe the worker being appraised. The obvious advantage of these techniques is that they are inexpensive and easy to administer. Primary disadvantages include the fact that they are: highly susceptible to all forms of bias; often neglect key job-related information and include unnecessary data; provide limited opportunities for effective feedback; and fail to set standards for future success. Furthermore, subjective techniques such as rating scales are vulnerable to legal attack. (Aggarwal & Thakur, 2013).

A fairer approach to performance appraisal is behaviorally anchored rating scales (BARSs), which are designed to identify job-related activities and responsibilities and to describe the more effective and less effective behaviors that lead to success in specific jobs. The rater observes a worker and then records his or her behavior on BARS. The system is similar to checklist methods in that statements are essentially checked off as true or false. BARSs differ, however, in that they use combinations of job-related statements that allow the assessor to differentiate between behavior, performance, and results. Therefore, BARSs can be more effectively utilized in the goal-setting process. The advantage of BARSs is that they are extremely job specific, easy to administer, and eliminate most biases. Nevertheless, they can be difficult and expensive to develop and maintain.

Forced-choice appraisals consist of a list of paired (or larger groups of) statements. The statements in each pair may both be negative or positive, or one could be positive and the other negative. The evaluator is forced to choose one statement from each pair that most closely describes the individual. An example of a pair of statements might be "Always on Time" and "Never on Time." By incorporating several question groups that test different levels or degrees of the same behaviors, evaluators are able to generate an accurate representation of the individual's learning ability, interpersonal competence, drive, and other characteristics. Forced-choice appraisals are typically easy to understand and inexpensive to administer. But they lack job relatedness and provide little opportunity for constructive feedback. (Khan, 2013; Khanna & Sharma, 2014).

Critical incident evaluation techniques require the assessor to record statements that describe good and bad job-related behavior (critical incidents) exhibited by the employee. The statements are grouped by categories such as cooperation, timeliness, and attitude. An advantage of this system is that it can be used very successfully to give feedback to employees. Furthermore, it is less susceptible to some forms of bias. On the other hand, critical incident assessments are difficult because they require ongoing, close observation and because they do not lend themselves to standardization and are time consuming. (Shaout & Yousif, 2014).

Field review appraisal techniques entail the use of human resource professionals to assist managers in conducting appraisals. The specialist asks the manager and sometime coworkers questions about an employee's performance, records the answers, prepares an evaluation, and sends it to the manager to review and discuss with the employee. This type of system improves reliability and standardization because a personnel professional is doing the assessment. For the same reason, it is less susceptible to bias or to legal problems. But field reviews are generally expensive and impractical for most firms, and are typically utilized only in special instances to counteract charges of bias, for example.

2.1.6.2 Future -Oriented

One of the most popular future-oriented performance appraisal techniques utilizes the management by objectives (MBO) approach. In MBO, managers and employees work together

to set goals. In fact, MBO is usually goal oriented, with the intent of helping employees to achieve continuous improvement through an ongoing process of goal setting, feedback, and correction. As a result of their input, employees are much more likely to be motivated to accomplish the goals and to be responsive to criticism that arises from subsequent objective measurements of performance. To be successful, MBO depends on specific and measurable goals and a definite time frame. Although it achieved fad status in the late 1970s and into the 1980s, critics of MBO cite its propensity to focus on objectively measured behaviors, such as quantity of output, at the expense of subjective criteria, such as quality of output. The result can be employee frustration or lackluster performance. (Khanna & Sharma, 2014).

Assessment center evaluation is a more complex assessment method that is usually applied to managerial or executive prospects. It is a system of determining future potential based on multiple evaluations and raters. Typically, a group meets at a training facility or evaluation site. They are evaluated individually through a battery of interviews, tests, and exercises.

In addition, they are evaluated within a group setting during decision-making exercises, team projects, and group discussions. Psychologists and managers work together to evaluate the employees' future management potential and to identify strengths and weaknesses. Assessment centers are susceptible to bias, have been criticized as not being specifically job related, and are extremely costly. But they have also proven effective and have achieved broad appeal in the corporate world. (Shaout & Yousif, 2014: 967).

Psychological tests are a much less intricate method of determining future potential. They normally consist of interviews with the employee and his supervisors and coworkers, as well as different types of tests and evaluations of intellectual, emotional, and work-related characteristics. The psychologist puts his or her findings and conclusions in a report that may or may not be shared with the employee. Psychological testing is slow and costly, and must be administered extremely carefully because of the long-term implications of the evaluation on the employee's future. Success is largely dependent on the skill of the psychologist. (Khan, 2013; Khanna & Sharma, 2014).

Another appraisal technique included in the future-oriented category is self-appraisal, which entails employees making evaluations of their own performance. Although self-assessment techniques may also be coordinated with past-oriented evaluations, they are particularly useful in helping employees to set personal goals and identify areas of behaviors that need improvement. The advantage of such appraisals, which may be relatively informal, is that they provide an excellent forum for input and feedback by superiors. In addition, they allow supervisors to find out what employees expect from themselves and from the organization or department. Furthermore, because the employee is much less defensive about the criticism, self-improvement is much more likely.

In addition, evaluators often combine various future- and past-oriented techniques, forming hybrid approaches to performance appraisal, according to Patricia King in *Performance Planning and Appraisal*. Using several different techniques enables managers to measure both behavior and results and to set goals for employees to improve their performance and to increase their motivation. For example, an evaluator might use both the BARSs and MBO techniques to reap the benefits of both and compensate for the drawbacks of each.

2.1.7 Purpose of Employees Performance Evaluation

Performance appraisal is taken as the most important and crucial tools for the organization as it provides information which is very useful for decision making about different personnel aspects like promotions and merit increases (Obisi, 2011). Gomez-Mejia and coworkers (2012) state that appraisals are usually performed for administrative and /or development purposes. Behn (2000) cited by Mamimine & coworkers (2015) had also stated that, Performance appraisal is used administratively when the information gathered from it is used as a basis for decision regarding the work conditions of the employee.

According to Rahim (2012: 386) “One of the most common uses of performance appraisal is for making administrative decisions relating to promotions, fringes, layoff, and merit pay increases.” As per Kondrasuk (2011) cited by Mamimine and coworkers (2015), developmental purpose is the other major purpose of conducting performance appraisal. Providing feedback, consultation on effective work behaviors, training and other learning opportunities to employees based on their performance appraisal results so as to improve their

performance and strengthening their job skills is the developmental uses of appraisal (Gomez-Mejia & coworkers, 2012). Wangithi and Muceke (2012) indicate that one of the major uses of performance appraisal is to indicate performance areas that could get improved if appropriate training is provided.

2.1.8. The Performance Evaluation Process

- **Establish Performance Standards and Expectations**

Appraisal process starts with establishing standards and expectations. The essence of this step is to make easy to identify particular outputs, skills and accomplishments that will be assessed. Generally this step is setting the specific criteria that will assist the managers to determine whether or not the performance of the employees are satisfactory as well as the levels of contribution towards goals and objectives of the organization. Manjunath, (2015).

- **Communicate Performance Expectations to Employees**

Once the performance standards and expectations are established, this needs to communicate to the respective employees so that they come to know what is expected from them. Past experience indicates that not communicating standards the employees compounded the appraisal problem. Transfer of information from the manager to the employees is not communication because communication only when the transference of information has taken place and has been received and understood by the employees. The feedback from the employees on the standards communicated to them must be obtained. (Manjunath, 2015).

- **Measuring Actual Performance**

The actual performance of the employee is measured on the basis of information available from various sources such as personal observation, statistical report, oral reports and written reports. Measurement must be objective based on facts and fillings. This is because what we measure is critical and very important to the evaluation process than how we measure. (Manjunath, 2015).

- **Compare Actual Performance with Standards**

In this step, the actual performance is compared with predetermined standards. Such a comparison may reveal the deviation between standard performances and actual performance and will enable the evaluator to precede dissection of the appraisal with the concerned employees. (Manjunath, 2015).

- **Discuss the Appraisal with the Employee**

The next step on the appraisal process is to communicate and discuss with the employees about the result of the appraisal. This is in fact, one of the most challenging tasks the manager's face to present an accurate appraisal to the employees and make them accept the appraisal in the constrictive manner. A discussion on appraisal enables employees to know their strengths and weaknesses. This has negative or positive impact on the future performance, depending upon how the appraisal is presented and discussed with the employees. Manjunath, (2015).

- **Initiate Corrective Action**

The final step in the appraisal process is the initiation of corrective action when it is necessary. The areas needing improvement are identified and then, the measure to correct or improve the performance are identified and initiated. The corrective action can be two types. One is immediate and deals predominantly with symptoms. This action often called as "putting out fire." The other is basic and delves into causes of deviation and seeks to adjust the difference permanently. This type of action involves time to analyze deviations. Hence managers often opt for the immediate actions, or say "put out fires". Training, coaching, counseling etc. is the common examples of the corrective actions that managers initiate to improve employee performance. Manjunath, (2015).

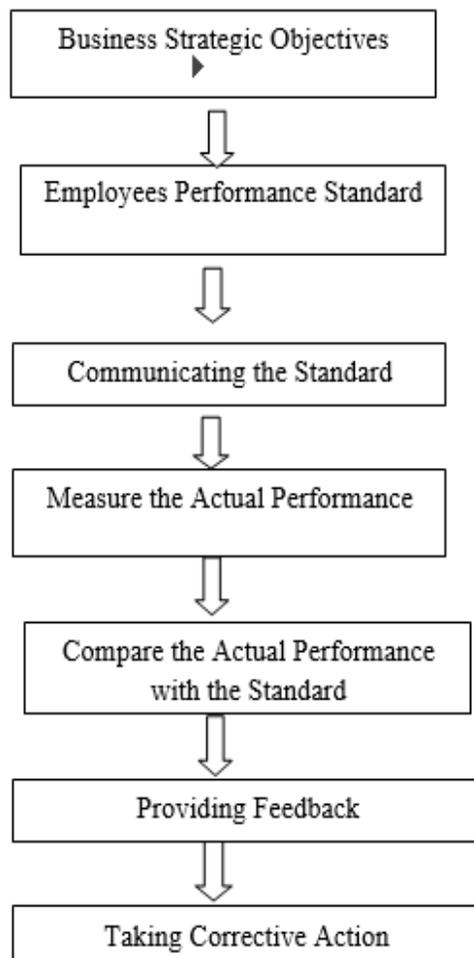


Figure 2.1. Performance appraisal process

Source: Adopted from Manjunath (2015)

2.2. Empirical Review

Migirom and Taderera (2011) empirically evaluated the performance appraisal system in the bank of Botswana using stratified sampling to divide the sampling frame into strata and then simple random sampling was applied from each stratum. The study aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana. It has concluded that, the following issues need to be addressed for the Bank's performance appraisal system to be effective and meet its objectives: regular training for both the employees and the evaluators; transparency in the implementation of the appraisal system;

provision of continuous feedback to employees on their performance and reduction of inconsistency in the system used across the bank. Based on these the study has recommended that; the bank should provide training to both the evaluators and the employees on the pay-based appraisal system, the bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of assessing performance such as multi-rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

Mishra (2013) has studied the Employee Appraisal System in Hong Kong and Shanghai banking Corporation and concluded that the process of performance appraisal has to be a continuous activity which should be conducted on a regular basis.

Performance appraisal plays a vital role in achieving the predetermined goals of the organizations thorough the efforts of HR which ensures the accomplishment of tasks by judging the behavior of employees and overall performance within the organization. The performance evaluation and feedback with the employee also facilitate in gaining the organization results. The study has also suggested that the process of performance appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization.

Atta-Quartey (2015) in the research entitled “Evaluation of the annual performance appraisal system at the University of Cape Coast” has investigated staff’s perception on the effectiveness of the annual assessment system and also examined the motivation status of staff after assessment by applying convenience sampling technique and the data collection methods used were both quantitative and qualitative. The study has concluded that the current appraisal system of the university is ineffective and performance appraisal, likewise performance management at the University of Cape Coast, lacks policy direction.

Without the use of guiding principles for monitoring performance and appraising staff, it is possible that many people are actually not performing and therefore assessments at University of Cape Coast suffer a variety of judgmental errors and biases due to subjective appraisals. The study has recommended that the Division of Human Resources should review the appraisal

system from start to end and introduce new appraisal system for various levels of administrative staff. It was also suggested that training has also be arranged to all supervisors in order to provide them appropriate assessment skills like communication of feedback to staff so as to make them to have a meaningful interaction which will motivate the staff in improving their work. In designing the appraisal forms, the Human resource has also recommended to include guiding principles to the appraisal form which enables the supervisors to do more objective appraisals.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This part of the research focus on research design and methodology that are used to undertake the research. These are; research approach and techniques, sample design, sample size and sampling techniques, data source and collection methods, procedure of data collection, questionnaire, and ethical consideration.

3.1. Research Design and Approach

The descriptive research design method was used to the assessment of performance evaluation system. Moreover, both qualitative and quantitative approaches have been used for studying the research topic. The five point Likert scales (i.e., Strongly Agree, Agree, Undecided, Disagree, Strongly Disagree) have been introduced in the questionnaire to obtain and measure the responses of the respondents. In addition to questionnaire the researcher has used to interview for the few management members to get qualitative data. Finally, based on the data type acquired, tables have been introduced to present the data in such a way that they will give meanings for the study.

3.2. Population, Sample Size and Sampling Technique

In distributing the questionnaire ten branches which are located in Addis Ababa city under the four districts were considered by taking the convenience of the researcher in collecting the data easily without delay because of transportation and time difficulty to collect the data from more branches and branches located out of Addis Ababa city. There are 415 employees (clerical) working in selected branches. The researcher took 204 sample respondents from the population using the following formula.

According to the formula (Kish Leslie (1965), the sample size (n) is calculated as

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

As $N \rightarrow \infty$

Where;

n = estimated sample size

N = Population size (415).

e = Selected accepted error (level of precision). Average

The margin of error assumed here is 5% (0.05)

Applying the above sample size determination formula, we get **204** samples in total.

Sampled staff employees are selected by using stratified sampling. The researcher assumed the employees have different position i.e. position is used as a stratum. After classifying them into strata, stratified sampling will be applied.

Sample = no of employees from branches / total population *Sample size.

Table 3.3 Sample Size

No.	Branch Name	No. of Employees	Sample from each branch
1	Addis Ketema	38	19
2	Paulos	40	20
3	Sefere Selam	30	15
4	Nifas Silk	71	35
5	Gofa Sefer	51	25
6	populare	29	14
7	Tewodros Square	34	17
8	Fernsay Legasion	33	16
9	Africa Avenue	60	29
10	24 Akababi	29	14
	Total	415	204

Source: CBE Human resource

3.3. Source of Data

The two sources of information used for research purpose are primary and secondary. Primary sources are those in which we need to conduct a new survey for gathering information at different levels with regard to the inquiry whereas secondary sources are those which are made available or have been collected for other research purposes (Adams & co-workers, 2007).

Both primary and secondary sources of information have been used so as to achieve the objectives of the study. Structured Questionnaires including open ended questions were distributed and unstructured interviews were also held to gather data from primary source whereas the secondary sources used were journals, reference books, performance appraisal manual of the bank and annual reports of the bank.

3.4.Data Gathering Instruments

Data have been collected from primary sources using questionnaires and interview. And, Books, research findings, internet sources and articles & journal have been reviewed as secondary sources to get various concepts and ideas related with study. Specifically, Primary sources have been used to acquire the employee's response. The data type (the ordinal data type) which has been acquired using questionnaire has been coded & analyzed using SPSS software. And also concepts and ideas which have been acquired through open ended questions in the questionnaire and through interviews have been analyzed based on content analysis. Finally, Secondary sources have been used to acquire various concepts and issues for the study. And also research findings of other scholars in the related discipline have been used as Secondary source.

3.5. Pilot Tasting

According to Joseph and Rosemary (2003), Cronbach's alpha reliability coefficient (α) normally ranges between 0 and 1. According to these authors, there is a greater internal consistency of the items if the Cronbach's alpha coefficient closes to 1.0.

Based on the following rule of thumb of (George and Mallery, 2003, p. 231), if " $\alpha > 0.9$ – 'Excellent', $\alpha > 0.8$ – 'Good', $\alpha > 0.7$ – 'Acceptable', $\alpha > 0.6$ – 'Questionable', $\alpha > 0.5$ – 'Poor', and $\alpha < 0.5$ – 'Unacceptable'.

Table 4.1 below shows that there is "acceptable" and "good" internal consistency of each independent variable's parameters used. The study has the sum of the independent variables average Cronbach's alpha value of ($\alpha = 0.890$) and the reliability test of the study is located on "Good" range.

Table 3.2 Reliability Test of Variable's Using Cronbach's Alpha

No	Variable Name	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items	Reliability Range
1	Business strategic objectives	.845	.843	4	Good
2	Employees Performance Standard	.817	.832	5	Good
3	Communicating the Standards	.885	.808	3	Good
4	Measure the actual performance	.835	.839	5	Good
5	Compare the actual performance with the standards	.739	.704	3	Acceptable
6	Providing feedback	.789	.735	4	Acceptable
7	Taking corrective action	.836	.839	3	Good
	Total		27		

Source: own survey, 2019

3.6.Method of Data Analysis

The data acquired through the interview and open ended question in a questioners where analyzed using content analysis contextually or qualitatively. Meaning by summarizing on the basis of their similarities and finally the results of the analysis has been combined to substance the outcome of the study.

The quantitative data collected by using five point likert scales in the questionnaire, as per the methods stated above has edit and analyze with the help of IBM SPSS statistics software version 20. And the data obtained the questioner has analyzed descriptively by using frequencies and percentile values and the results were presented in tables and analysis will be done based on the results summarized in tables.

3.7. Ethical Considerations

The researcher protect the confidentiality of the respondent's personality and different documents of the organization, also the researcher granted that the collected data used for only academic research purpose.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This section deals with the presentation, analysis and interpretation of data collected from respondents through questionnaire and interview conducted with the employees and managers of the bank. As presented under the methodology part of the study well-designed questionnaires were prepared and distributed to the sampled employees of the bank in order to assess their perception regarding the performance evaluation system of the bank, and also to gather the qualitative data the researcher prepared some interview questions for few managers of the selected branches.

4.1. Response Rate

204 questionnaires have been distributed and 190 (93.1%) employees filled the questionnaires properly and return them on time and the remaining 14 (6.9%) questionnaires discarded for their incompleteness. The data obtained from the completed and returned questionnaires are summarized and narrated with tables below and then the manager's responses are followed.

4.2. General Profile of Respondents

This part is concerned with summarizing the biographic data of the respondents, such as gender, job category, age range, educational level and work experiences.

Table 4.1. General Profile of Respondents

Characteristics		Frequency	Percentage
Gender	Male	135	71.05
	Female	55	28.95
Job category	Managerial	36	18.95
	Non- Managerial	154	81.05
Age Range	18-25	67	35.3
	26-30	53	27.9
	31-35	42	22.1
	36-40	22	11.6
	41-50	6	3.2
Educational level	Diploma	5	2.6
	First degree	173	91.1
	Master's degree	12	6.3
Work Experience	1-2 years	49	25.79
	3-5 years	43	21.05
	6-10 years	48	24.21
	11-15 years	28	14.74
	16-20 years	20	10.53
	Above 25	2	1.05

Source: Own Survey Data, 2019

Out of the total respondents of the questionnaire, 55 or (28.95%) were females and 135 or (71.05%) were males. The ages of the majority of respondents ranged between 18 years and 35years (85.30%). Regarding educational status of the respondents, most of the sample respondents (91.10%) or (173) were first-degree holders, 6.3 % or (12) were second- degree holder and only 2.60 % or (5) have college diploma. This reflects the recruitment policy of the bank. Regarding respondent's service years in CBE, 73.68 percent of the samples 140 have been working in CBE for less than ten years and only the rest 26.32 percent (50) were working for more than eleven years. We can deduce that more than 50% of the respondents has eleven

and above year of experience and this implies that the more experienced employees have more knowledge about the evaluation system.

4.3. Analysis of the Collected Data

The second part is about performance evaluation system of employees’ response regarding their participation in performance planning, the existence of clear goals and other related variables were analyzed. For the purpose of reporting the findings the values of strongly agree and agree were added up to represent employee’s agreement for the statement and the values of strongly disagree and dis-agree together represent employees’ disagreement.

Table 4.2 Respondents Awareness regarding the linkage between Performance Evaluation and Business Strategic Objectives.

Item	Statements	Response										Total	
		SD		DA		UD		A		SA		F	%
		F	%	F	%	F	%	F	%	F	%		
1	Performance objectives of employees are aligned with the bank’s goals.	33	22.10	35	10.53			47	32.11	75	35.26	190	100
2	Employees are clear about how their roles fit with the banks strategic objective.	42	26.84	20	19.48			61	23.68	57	30	190	100
3	Employees have knowledge about what the strategic objectives of the bank are.	41	30	29	23.16			46	31.05	74	15.79	190	100
4	The strategies of the bank are understandable.	61	32.11	35	18.42	15	7.89	43	22.62	36	18.95	190	100

Source: Own Survey Data, 2019

To collect the required information employees were asked to rate the above listed statements about strategic objectives of the bank on scale of five ranging from strongly disagree and to strongly agree.

For the statement item one, performance objectives of employees are aligned with the bank’s goals, 67.37 % of the respondents reflect their agreement and the minority 32.63 % replied

their disagreement to the statement. This reflects that the existing goal of the bank is strongly aligned with the employee's performance objective. From managers perspective also there is a good alignment with in the banks goal and employee's performance objective.

For the statement item two, employees are clear about how their roles fit with the bank's strategic objective, 53.68 % of the sample replied positively and the rest 46.32 % confirm their disagreement with the statement. From this rate the researcher conclude that when the strategic objective of the organization fits with the employee's role there is improvement from both side and effective use of manpower. Managers also agreed with employees are clear about how their roles fit with the bank's strategic objective.

In item three the statement was raised employees have knowledge about what the strategic objectives of the bank are, and 46.84 % were agree with the statement and 53.16 % have negative response. It implies that employees are done their tasks by default; it is not based on the strategic objectives of the bank.

For item four, the strategies of the bank are understandable, 41.57 % of the sample respondents have positive response. It means that they have clear understanding about the strategic of the bank. But 50.53 % of the respondents are replied negatively, it means that the strategy of the bank is not understandable by them, and the remaining 7.89 % employees are undecided about the statement. The conclusion of this statement is the more understandable the strategy of the bank is the more applicable. These directly use the bank itself. Managers also agree by this statement. From interview respondents, most managers agree with the strangeness of the linkage of performance evaluation and strategic objective.

Table 4.3 Respondents Opinion on Employees Performance Standard

Item	Statements	Response										Total	
		SD		DA		UD		A		SA			
		F	%	F	%	F	%	F	%	F	%	F	%
1	Employees are clear on what their job duties and responsibilities are.	41	21.58	26	13.68			46	24.21	77	40.53	190	100
2	Standards are attainable by employee.	64	33.68	53	27.90	25	13.16	27	14.21	21	11.05	190	100
3	Standards are related to the desired result of the job	30	15.79	28	14.74			62	32.63	70	36.84	190	100
4	The supervisor gives a chance for employees to participate in setting performance standards.	102	53.68	41	21.58			30	15.79	17	8.95	190	100
5	Standards are established according to the individual job description and qualification.	55	28.95	34	17.89			57	30	44	23.16	190	100

Source: Own Survey Data, 2019

Table 4.3 shows that employee’s performance standard. For item number one the statement where, employees are clear on what their job duties and responsibilities, 64.74% of them where replied positively, based on their positive response employee’s understanding on their main responsibilities and duties are very essential in avoiding confusions and help employees focus on key activities rather than wasting time and energy on trivial activities. But 35.26 % of respondents have negative response about what their job duties and responsibilities are. From the interview managers respond that crating clarity on the employee’s about their job duties and responsibilities is mandatory.

On item number two, the standards of the evaluators are attainable by employees, 61.58% of respondents are disagree on the attainability of the standards. It means the evaluating standards are not possible to performing well, there are not realistic and reasonable. And from the respondents 25.26% are agreed by the attainability of the standards, and the remaining 13.16%

of the respondents are undecided about this statement. On the interview, managers agreed by the attainability of the standards of the bank.

The third item is about standards are related to the desired result of the job, only 30.53% of respondents are disagreed on these. The remaining 69.47% of respondents believed that the evaluating standards are closely related with the desired result of the job. Furthermore, the open ended question results revealed that; the criteria used for appraising employees do not reflect the specific job requirements of employee as a result most of the times the evaluators are influenced by their personal relationships, position and seniority of employees and give good result to the senior staffs and poor for the new employees irrespective of their actual performance. This reveals that the bank's performance rating practice is not based on the job related requirements derived from the job description.

Item four on this table, regarding respondents 24.74% agreed that they participate in setting performance standards, and the majority 72.26% indicated that they were not given opportunity to participate in setting performance standards. it implies that there is lack of transparency in goal setting. However, setting performance standards is not an exclusive activity of the supervisors rather, it is a process by which the manager and individual get together to discuss upon what the person will achieve over the next period and how the person will do the job.

The final item for this table is standards are established according to the individual job description and qualification, 53.16% of respondents agreed. And the remaining 46.84% of respondents disagreed. This indicates that standards are established based on the individual job description and qualifications, the chance of applicability of performance standards are high.

Coming to the results; the non-managerial employees have justified that at the time of placement, every employee will get the job description which is clearly stating what the bank expects from the employee and they have taken this as a performance standard. However, the managerial level respondents have justified their disagreement by the interview raising the vague and general performance appraisal criteria which are not based on the job description of the employee and also not related to the output of the employee for instance; the health condition of employees are evaluated by taking the sick leaves into account which can't be a

standard. To measure of employees’ performance against tasks assigned to them; to enable employees to know their strengths and weaknesses with the view to motivate them to do better or warn them on the consequence of their weaknesses. From the respondents managers also agree with being clear and employee’s participation of the seating of performance standards.

Table 4.4 Respondents Reaction to Communicating the Performance Standards

Item	Statements	Response										Total	
		SD		DA		UD		A		SA		F	%
		F	%	F	%	F	%	F	%	F	%		
1	Employees are clearly communicated personal standards.	59	31.05	47	24.74			53	27.89	31	16.32	190	100
2	The process and objectives of performance evaluations are described clearly to the employees.	81	42.63	41	21.58			37	19.47	31	16.32	190	100
3	The supervisor clearly explains to the employees about standards that will be used to evaluate their work.	67	35.26	52	27.37			45	23.68	26	13.69	190	100

Source: Own Survey Data, 2019

Table 4.4 shows that communicating the standards. On this table item number one mentioned about, Employees are clearly communicated personal standards from the respondents 55.79% had negative response on it, this indicates the absence of updating personal standards for the employees clearly, which results in poor performance of employee.

For item number two, the process and objectives of performance evaluations are described clearly to the employees, 64.21% of the respondents’ disagreed. This indicates that, the supervisors did not explain the process and objective of the performance evaluations. And the remaining 35.79% of respondents agreed on the supervisors describe and elaborate the process and objective of performance evaluation system of the bank.

The final item from this table, 62.63% of respondents’ replayed negatively that supervisor clearly explains to the employees about standards that will be used to evaluate their work. And

37.37% of employees agreed with the clear explanation of the supervisors to employees about standards that will be evaluate their work. Managers have positive comment on the communicating of standards for the employees.

Table 4.5 Respondents Awareness to Measure the Actual Performance

Item	Statements	Response										Total	
		SD		DA		UD		A		SA		F	%
		F	%	F	%	F	%	F	%	F	%		
1	The supervisor reached an agreement with employees on how their performance will be measured.	45	23.68	84	44.22			26	13.68	35	18.42	190	100
2	The actual performance of the employee is measured based on the set performance standard.	68	35.79	53	27.89			41	21.58	28	14.74	190	100
3	The supervisor’s personal bias does not affect the outcome of the evaluation process.	88	46.32	61	32.11			29	15.26	12	6.31	190	100
4	The overall evaluation process is formalized, standardized and made as objective as possible.	72	37.89	56	29.47			38	20	24	12.64	190	100
5	The employee performance evaluation of the bank perfectly evaluates the employee.	87	45.79	49	25.79			33	17.37	21	11.05	190	100

Source: Own Survey Data, 2019

On table 4.5 tried to show how to measure the actual performance. Item number one the supervisor reached an agreement with employees on how their performance will be measured; only 32.10% of respondents had positive response about it. About 67.90 % of them disagreed. It indicates that there is no agreement between employees and supervisors on how their performance will be measured.

Item number two, 63.68% of respondents not agreed by the actual performance of the employee is measured based on the set performance standard only. This implies that there are additional measurements rather than the seated performance standards out of the knowledge of the employees. But the rest of respondents 36.32% agreed. While analyzing open ended questions despite the performance is measured on the performance appraisal criteria of the bank, as the criteria used for appraisal are more subjective and uniform for all employees regardless of their job grade, the evaluators use their power to practice on the bases of seniority and personal relationship or employees past performance history

Item number three, the supervisor's personal bias does not affect the outcome of the evaluation process, 78.43% of respondents' disagreed and only 21.57% of them agreed. This indicates that there is a huge amount of biasedness on the supervisors to evaluate the performance of employees.

Item number four, the overall evaluation process is formalized, standardized and made as objective as possible. 67.36% of respondents disagreed and 32.64% of respondents agreed.

Item number five, 71.58% of respondents disagreed on the employee performance evaluation of the bank perfectly evaluates the employee the performance evaluation system of the bank has its own gaps. So, it couldn't evaluate perfectly. But 28.42% of respondents had positive attitude on the performance evaluation system if the bank, agree with the perfectness of the performance evaluation system of the bank.

Table 4.6. Respondents Opinion on Comparison of Actual Performance with the Standards

Item	Statements	Response										Total	
		SD		DA		UD		A		SA		F	%
		F	%	F	%	F	%	F	%	F	%		
1	The actual performance is objectively compared with employee's performance standard.	35	18.42	31	16.32	9	4.74	72	37.89	43	22.63	190	100
2	The comparison clearly identifies the deviation between actual performance and the set standard.	45	23.68	37	19.47			57	30	51	26.85	190	100
3	Result of the appraisal is communicated and discussed with the employees on one-to-one basis.	44	23.16	41	21.58	7	3.68	61	32.11	37	19.47	190	100

Source: Own Survey Data, 2019

On the table 4.6 tried to show the comparison between the actual performance of employees with the standards. Item number one, the actual performance is objectively compared with employee's performance standard, 34.74% of respondents are disagreed. But the majorities 60.52 % of them are agreed. It implies that the evaluators used standards to compare the actual performance of the employees. If there is no seated standard it can be impossible to evaluate the actual performance. The remaining 4.74% of respondents are undecided about this statement.

The item number two, the comparison clearly identifies the deviation between actual performance and the set standard, 43.15% of the respondents' disagreed and 56.85% of respondents replied that the comparison identifies the deviation between actual performance and the seated standard.

On the third item, 44.74% of respondents' disagreed about the result of the appraisal is communicated and discussed with the employees on one-to-one basis. But the majority 51.58% of respondents had positive response on the communications and discussions on the results of appraisals. The remaining 3.68% of the respondents not decided about it.

Table 4.7 Respondents View on Performance Evaluation Feedback

Item	Statements	Response										Total	
		SD		DA		UD		A		SA			
		F	%	F	%	F	%	F	%	F	%	F	%
1	Possible solutions are discussed with the aim of the problem solving and reaching agreement.	91	47.89	52	27.37			33	17.37	14	7.37	190	100
2	The standard will be modified according to the relevant feedback from the employees or the evaluators.	42	22.11	30	15.79			87	45.79	31	16.32	190	100
3	The performance evaluation feedback task is done very carefully.	75	39.47	41	21.58			58	30.53	16	8.42	190	100

Source: Own Survey Data, 2019

To provide feedback from employees have its own advantage to take corrective action, it can be positive or negative, good or bad, and for being good decision maker. On the item one only 24.74 % of total respondents agree about possible solutions are discussed with the aim of the problem solving and reaching agreement. The remaining 75.26% of the respondents are disagreeing. This shows that if there is no discussion between employees and evaluators there is information gap.

For item two, the standard will be modified according to the relevant feedback from the employees or the evaluators, by this point 62.11 % of respondents are agreed. If there is no modification of standards depending on the feedback of employees or evaluators, cannot being

competitor on the business and it can be the reason of losing potential employees. And 37.89 % of respondents are disagree, if there is modification there can fear of demotion or firing from the workplace at all.

The third item, the performance evaluation feedback task is done very carefully, 38.95 % of respondents are agreed, and the remaining 61.05 % of respondents are disagreed. This indicates as the feedback task is not done very carefully.

Table 4.8 Respondents reaction about the Advantages of Taking Corrective Action

Item	Statements	Response										Total	
		SD		DA		UD		A		SA		F	%
		F	%	F	%	F	%	F	%	F	%		
1	The corrective action is given after fair and objective investigations are made.	65	34.21	42	22.11			68	35.79	15	7.89	190	100
2	The objective of the corrective action is to correct and resolve employee's performance problem and retain employee productive.	82	43.16	38	20			42	21.58	29	15.26	190	100
3	Employees will be provided coaching, counseling and retaining when there is incapability.	81	42.63	31	16.32	17	8.95	32	16.84	29	15.26	190	100

Source: Own Survey Data, 2019

As we showed on the table 4.7 the researcher was tried to collect information about how the evaluators or managers taking corrective action after evaluating employees performance .The first item is corrective action is given after fair and objective investigations are made, on this item only 43.68 % of respondents are agree and 56.32% of respondents are disagree about there is any corrective action after the investigations are made. It shows that if there is no corrective action they can't take any lesson for the future and also it can be discourage employees.

The second item is the objective of the corrective action taking only to correct and resolve employee's performance problem and retain employee productive, but only 36.84 % of respondents are agree about the positive sides of objectives of the corrective action. 63.16 % of respondents are disagreed, the majority of respondents respond that taking corrective action is not for the purpose of to correct and resolve employee's performance problem and retain employee productive, but to punish or demote the employees.

The third and the last item is, employees will be provided coaching, counseling and retaining when there is incapability, 32.1% of the respondents are agree but the majority or 67.9 % of the respondents are disagree. This indicates that if the employee is incapable there is no chance to re correct his/ her performance for the next by provided coaching, counseling and retaining.

During interview session the major importance's that is provided by the respondents is, to correct employee's behavior or to take corrective action whenever employees are in the wrong way or truck and if their performance is extremely below the expected level.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter is devoted to the discussion of the research findings, summary of some important points of the study, and the possible remedies for the problems or gaps identified in the current performance evaluation system of the bank.

5.1. Summary of Major Findings

Based on the data analysis presented in chapter four, summary of major findings are presented.

The study findings revealed that the majority of respondents were agreed by the performance objectives of employees are aligned with the bank's business objectives, and also the employees are clear about how their roles fit with the banks strategic objective, but as of majority of respondents reaction employees have not sufficient knowledge about what the strategic objectives of the bank are, and there reaction were negative for the understandability of the strategy of the bank.

Regarding to the clarity of employees job duties and responsibility, the majority of respondents are reaction is positive. But the majority of respondents are not agreed by the attainability of the standards of the evaluators by employees. The other positive reaction by the respondents is the relation of standards with the desired result of the job. The majority of the respondents confirmed that employee's participation in seating performance standards is poor. This idea contradict with employee participation does not begin at the performance execution stage, however. Employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form. In addition, at later stages, employees are active participants in the evaluation process in that they provide a self-assessment and the performance review interview is a two-way communication process (Armstrong, 2009). From the respondents the majorities are agreed that the establishments of standards are according to individual job description and qualification.

Regarding the understanding of standards, majority of the respondents are not clear about personal standards. This means that the organization is not establishing shared understanding about what is to be achieved, creating way of managing and developing people in a way which

increases the probability that it will be achieved in the short and longer term. Employees claimed that they are not getting clear explanation and support from their supervisors about the process and objectives of performance evaluation. And also there is no clarity from a supervisor's about standards that will be used to evaluate their work. We can deduce that employees are just working traditionally, and they did not know specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

The majority of respondents' reactions about the measuring of the actual performance are, there is no agreement between the employees and supervisors on how their performance will be measured, the actual performance of the employees are not measured based on the set performance standard, there is personal biasness that affect the outcomes of the evaluation process, and the overall evaluation process is not formalized and also the employee's performance evaluation of the bank is not perfectly evaluating employees.

Regarding to the comparison of the actual performance with the standards is the majority of respondents have positive response like; the actual performance is objectively compared with employee's performance standard. The comparison clearly identifies the deviation between the actual performance and the set standard.

The majority of respondents respond that there is no discussion to get possible solutions for problems are faced on evaluating processes. And they strongly agreed with that, the standards will be modified according to the relevant feedback from the employees or the evaluators. And they are disagree about the performance evaluation feedback task is done vary carefully

Finally, the majority of respondents are disagree about, the corrective actions are gives after a fair and objective investigations are made, the objective of the corrective action is to correct and resolve employee's performance problem and retain employee productive, employees will be provided coaching, counseling and retaining when there is incapability.

5.2. Conclusions

Based on the major study findings the following study conclusions are drawn.

As seen from the respondents analysis there is linkage between employees performance evaluation with overall strategy of the bank. But Employees are not clear about personal standards. This means that the organization is not establishing shared understanding about what is to be achieved, creating way of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. And also Employees claimed that they are not getting clear explanation and support from their supervisors about standards that will be used to evaluate their work. We can deduce that employees are just working traditionally, and they did not know specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

Actual performance of the employee is not measured based on the seated performance standard even it is seated without discussing with employees. Poor measures are developed at various levels of the organization, in many cases targets are set but no relevant measure is put in place. In other cases, no data can be collected or is kept as evidence to track performance. Employee's performance is measured based on the criteria which is seated by the organization. However, they have also indicated that as these criteria is subjective which result biasness.

Employee's participation in seating performance standard is very low. This entails the other gaps which employees responded negatively. When there is participation at the very beginning employees will become aware of the other aspects of the system which are very crucial to affect the objective positively.

In the event that performance does not meet established requirements, the manager must understand the corrective processes and methods that can help improve employee performance.

Respondents also revealed that goal setting is not based on negotiation and they are not attainable. Organizational goal was not fully aligned with individual and departmental goal, participation of employee's in seating standards of performance evaluation system is not across all staffs of the organization, lack of regular feedback, and lack of uniformity in gathering information on employee's performance are major problems implementation.

The employee's performance evaluation of the bank is not perfectly evaluating employees, because of no discussion between employees and supervisors to get possible solutions for problems are faced on evaluating processes. Feedbacks are not done carefully. If there is incapability there is no chance for re corrects it. There is unfairness of the measuring system.

5.3. Recommendations

In view of the entire study the following recommendations are made for the banks management consideration.

To help employees understand the objectives and the processes of the performance evaluation system, the bank in general and branches or units in particular should communicate with employees about, why the system is needed, what purpose does it serve, and the management procedures followed throughout the cycle. From the beginning employees' participation is a very important element for successful employee performance evaluation process.

The organization should create a system through which employees participate in setting performance standard process and get informed for any issues they are concerned.

The supervisors should provide continuous feedback on the progress of employees towards the achievement of the goals of the organization. This will help create a kind of trust between the supervisors and the subordinates.

As seen from the document analysis and employee's response setting performance standards should not always be a sole activity of higher officials and cascaded downward, rather active involvement of the performer should be encouraged.

There must be a room for some goals to be set by negotiation with the performer. This is to mean employees must agree on the goals they are expected to accomplish.

The dually goal setting process helps employees to have clear information, focus their attention on their major roles and develop persistency to achieve their targets.

There must be clear and regular communication procedure and mechanism to fill skill gaps and address employees' concerns.

The actual performance of employee is must be measured on the seated performance standards. If there is personal biasedness can be affecting the outcome of the evaluation process. Feedbacks from employees and managers can be used to take corrective actions. Corrective actions used to correct and resolve employees' performance problems.

The bank should also establish an independent committee who are in charge of undertaking the performance evaluation of the organization. The supervisors should provide continuous feedback on the progress of employees towards the achievement of the goals of the organization. This will help create a kind of trust between the supervisors and the subordinates. The bank must set Goals that are achievable and are not delusional for the employees because if the goals are achievable then the employees will perform their activities with the feeling that they can achieve the stated goals.

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Appendices

APPENDIX ONE: DISTRIBUTED QUESTIONAIRE

St. Mary's University

School of Graduate Studies

Dear Sir/ Madam,

I am a graduate student in the Department of general MBA at St. Mary University. I am conducting a research study for my master's thesis on "Assessment of performance evaluation system" in partial fulfillment of the requirements for the Master of Business Administration.

The main purpose of this questionnaire is to gather information about the performance evaluation system of CBE. The outcome of this study will be used for academic purpose only. Therefore, your genuine response to the questions is vital for the quality and successful completion of the study. The accuracy of the information you provide highly determine the reliability of the study

I hereby request your participation in completing the questionnaire without disclosing your name, and I thank you for your cooperation and valuable time.

Sincerely,

Genet Fekede

Cell Phone +251913795903

Section: A. General Information of the Respondents

Please tick (✓) in the appropriate box

1. Your Gender Male Female
2. Your Age Range 18-25 26-30 31-35
 36-40 41-45 46 and above
3. Your Work Experience in Bank (In years)
 1-2 3-5 6-10 11 to15
 16 to 20 21 to 25 above 25 years of service
4. Your highest level of education
 High school certificate College Diploma First Degree
 Master’s & above other, please specify _____
5. Your Job category Managerial Non Managerial

Section: B. Opinion on Employees Performance Evaluation system

Please indicate the extent to which you agree or disagree with the following statements by putting ✓ in the space provided by using likert scale such as: SA= Strongly Agree A=Agree UD = Undecided DA= Disagree SD=Strongly Disagree

Business strategic objectives

	Statements	SD	DA	UD	A	SA
1	Performance objectives of employees are aligned with the bank’s goals.					
2	Employees are clear about how their roles fit with the banks strategic objective.					
3	Employees have knowledge about what the strategic objectives of the bank are.					
4	The strategies of the bank are understandable.					

Employees Performance Standard

	Statements	SD	DA	UD	A	SA
1	Employees are clear on what their job duties and responsibilities are.					
2	Standards are attainable by employee.					
3	Standards are related to the desired result of the job					
4	The supervisor gives a chance for employees to participate in setting performance standards.					
5	Standards are established according to the individual job description and qualification.					

Communicating the Standards

	Statements	SD	DA	UD	A	SA
1	Employees are clearly communicated personal standards.					
2	The process and objectives of performance management are described clearly to the employees.					
3	The supervisor clearly explains to the employees about standards that will be used to evaluate their work.					

Measure the actual performance

	Statements	SD	DA	UD	A	SA
1	The supervisor reached an agreement with employees on how their performance will be measured.					
2	The actual performance of the employee is measured based on the set performance standard.					
3	The supervisor's personal bias does not affect the outcome of the evaluation process.					
4	The overall evaluation process is formalized, standardized and made as objective as possible.					

5	The employee performance evaluation of the bank perfectly evaluates the employee.					
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Compare the actual performance with the standards

	Statements	SD	DA	UD	A	SA
1	The actual performance is objectively compared with employee's performance standard.					
2	The comparison clearly identifies the deviation between actual performance and the set standard.					
3	Result of the appraisal is communicated and discussed with the employees on one-to-one basis.					

Providing feedback

	Statements	SD	DA	UD	A	SA
1	Possible solutions are discussed with the aim of the problem solving and reaching agreement.					
2	The standard will be modified according to the relevant feedback from the employees or the evaluators.					
3	The performance evaluation feedback task is done very carefully.					
4	The performance evaluation feedback is constructive and it helps to performance improvement of employee.					

Taking corrective action

	Statements	SD	DA	UD	A	SA
1	The corrective action is given after fair and objective investigations are made.					
2	The objective of the corrective action is to correct and resolve employee's performance problem and retain					

	employee productive.					
3	Employees will be provided couching, counseling and retaining when there is incapability.					

If you have any additional information other than mentioned before please put it there specifically. _____

_____.

Thank You

APPENDIX TWO: INTERVIEW QUESTIONS

- 1.** Is there periodical feedback given to the employees according to their performance after evaluation?
- 2.** Do you think it is essential to conduct performance evaluation in your organization? Why?
- 3.** Could it be possible to say that CBE has successfully implemented performance evaluation system?
- 4.** Does the specific job performed by an individual is linked with the strategic objective of the organization?
- 5.** Does performance evaluation system bring the desired outcome to CBE? If yes, discuss how tangible results were observed?
- 6.** Do you think that employees are well informed about performance evaluation system so as to develop their awareness about it?
- 7.** Do you have any other comments or suggestions regarding performance evaluations system at CBE?

DECLARATION

I, the undersigned, declared that this thesis is my original work, prepared under the guidance of Shoa Jemal (Asst. Prof.). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_____ Name	_____ Signature
St. Mary's University, Addis Ababa	June 2019

ENDORSEMENT

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

_____	_____
Name	Signature
St. Mary's University, Addis Ababa	June 2019