



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

**THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEES'
CAREER DEVELOPMENT: CASE STUDY ON
BUNNA INTERNATIONAL BANK S.C**

BY: YONAS TADESSE

**JUNE, 2021
ADDIS ABABA, ETHIOPIA**

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

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DECLARATION

I, Yonas Tadesse the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Aderaw Gashaye (PhD). 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

St. Mary's University, Addis Ababa

Signature

June 2021

ENDORSEMENT

This is to certify that **Yonas Tadesse** has carried out her research work on the topic entitled **“The Effect Performance Appraisal on Employees’ Career Development in the Case of Bunna International Bank S.C”**.

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

Aderaw Gashave (PhD)

Advisor

St. Mary’s University, Addis Ababa

Signature

June 2021

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ACKNOWLEDGMENTS

First and most my heartfelt gratitude goes to the almighty GOD for making everything possible and making me strong enough to make it to this stage. Even though there are several people who have helped me in one-way or another for the completion of this study, it would have not been possible without the guidance, support and expertise of my advisor Dr. Aderaw Gashaye (PhD). Next, I would like to forward my sincere appreciation to my Families for supporting me all the way and helping me to be the person that I am today.

My sincere thanks go to employees and management of BIB S.C. I would like to thank all for their co-operation and sincerity in providing access to information and filling questionnaires.

At last, I deeply want to express gratitude for my friends (Yonas, and Wegayehu) who offered a great deal of assistance and help in providing me with the necessary information to complete this study.

LIST OF ACRONYMS

ANOVA	Analysis of Variation
BIB	Bunna International Bank
GDP	Gross Domestic Product
HR	Human Resource
HRD	Human Resource Department
KII	Key Informant Interview
KPI	Key Performance Indicators
MoFED	Ministry of Finance and Economic Department
NBE	National Bank of Ethiopia
PA	Performance Appraisal
PDP	Performance Development Plans
SPSS	Statistical Package for the Social Sciences

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ABSTRACT

This study was conducted at BIB International Bank S.C. aiming to assess the effect performance appraisal (PA) practice of the Bank and on employees' career development plan using descriptive research method. In conducting this study, both primary and secondary data were collected using structured questionnaires, an interview and other published materials. Non-probability purposive sampling technique was also employed to select representative samples of 140 participants from a total population of 218 employees found at 4 branches and the headquarters. The study used questionnaires as its data collection instrument qualitatively and quantitatively. Regression Analysis and Correlations were used to analyze the data collected using SPSS version 20 to analyze the data gathered. The findings of the study clearly showed that Among the main finding of the study was that from the four factors of effective PA, which are Clarity, Performance appraisal feedback, Knowledge, Fairness in the appraisal have significant positive effect on employees Career development, BIB has long implemented a performance appraisal system, employees are not motivated by the results of the system as the bank usually conducts PA for the sake of formality or monetary rewards rather than developmental purposes. Failure to properly utilize the results of PA resulted in unjustified and prolonged retention of employees in the same post without promotion. In improving this and other problems, the study recommended that the bank benchmarks best practices in the industry, introduce standard PA measuring tools and systems, align organizational objectives with the system, effectively make use of the results for the identification of employee weaknesses, strengths and training needs so that BIB could retain the existing and attract competent employees of the sector.

Key words: performance, performance appraisal, career development

CHAPTER ONE

INTRODUCTION

This chapter of the study devoted to give an insight about the general objective, Justifies the problem of the study, to review some literatures related to identify the problem, and significance of the study and beneficiaries of the study and organization of the research will be present.

1.1 Background of the Study

Employee performance appraisal, whereby a superior evaluates and judges the work performance of subordinates has become one of the most common management practices utilized in the organizations. There are a number of factors which impact on employee performance, job satisfaction and Career growth. These are the personality, values, attitudes, perceptions, ability and motivation of each individual employee. These factors are not interdependent in their effect on employee performance and career growth. There are a number of strategies which have been proposed involving performance appraisal, reward and recognition systems. The focus of most organizations in the world is to optimize employee performance and career development which if appropriately implemented will translate into improved organizational performance, Khan (2005).

Performance appraisal remains a widespread and common practice in the world despite documented criticisms of the process by the practitioners and the researchers alike, Ingraham and Jacgexobson (2001). Effective performance system can lead an organization to take strides towards success but an ineffective performance appraisal system can seal the fate of the organization by creating chaos and confusion from the top management to bottom in the organization, Khan (2005). Dimba and K'Obonyo (2009), they argue that appraisal systems are positively and significantly correlated with performance of the employees in the organization.

According to Robbin et. al (1998), employee performance is moderated by their personality, values, attitudes and ability of the individual which in combination affect their perceptions and motivation and ultimately influence employee career growth. They further state that focusing on biographical characteristics such as age, gender, marital status and seniority does not provide accurate, reproducible evidence of links to improve performance, and career growth. They outline that it's important for the employee's to possess the requisite skills and abilities to perform their duties, but caution that even the most skilled may not perform or be satisfied with their job, thus they recommend a multifaceted approach to improve and maintain career growth if long-term results are envisaged.

Performance appraisal system is one of the most widely researched areas in organization psychology, Murphy and Cleveland (1991), researchers have developed and practitioners have implemented various changes to the evaluation of the appraisal systems and procedures in an effort to improve on the accuracy and perceived fairness of the process, Banks and Murphy (1985). However, according to Church (1985), in spite of the attention and resources applied to the practice, dissatisfaction with the process still abounds and the systems are often viewed by employees as inaccurate and unfair.

Organizations have continued with the performance appraisal system without establishing whether it has an effect on the employee career development. Bunna International Bank S.C conducts performance appraisal for its employees using the objective approach, which focuses on individual goals and objectives but does not assess the skills and abilities required of the employee to perform their duties. However, Fisher (1997) argues that this is not an appropriate use of performance appraisal system, because the main outcome of this system is the determination of the appropriateness of the pay increase.

Considering the fact that literature on performance appraisal fails to agree on the effective way of employee career development and most of the studies have been conducted in developed countries, with limited research conducted in our country, no formal or informal studies have

been conducted so far to investigate the effect of performance appraisal system of the bank on employee career development. Hence, though one could enumerate numerous reasons for the dissatisfaction of employees and hindering factors on employees' career development goals, this study specifically tries to identify the effect of performance appraisal system on Employees' career development at BIB and come up with recommendations of devising a better performance appraisal system that will help the bank set a fair, proper and effective career development path for its employees

1.2 Statement of the Problem

The most perpetual challenge in most organizations today is lack of a well-structured performance appraisal and career development program. This has heightened the need for performance appraisal in order to achieve employee career development programs in most organizations. As a result, it is prudent for organizations to adopt the concept of performance appraisal to enhance career development. In support of this assertion, Dr. Tabitha G Murerwa (2017) stated that typically managers take charge of performance appraisals while employees take charge of career development. As management values, both processes are the joint responsibilities of managers and employees, and both are essential to the development and contributions of human talent. So the organization human resources (HR) professional work hard in order to bringing performance appraisal and career development together and keeping their relationship mutually beneficial for the success of the organization.

Khosla et al. (2012) found a strong positive relationship between performance appraisal, employee retention and career growth aspects. Recent survey on employee retention and career growth by Deloitte Kenya found out that the biggest challenge facing most companies in Kenya is inability to retain talent within their firms. Poor talent retention and career growth according to the survey is as a result of ineffective career development program. (Deloitte Kenya 2014).

Muhindi (2005), in his study on the impact of performance appraisal on Moi University employees career growth, found out that there is little impact of performance appraisal on the employees of Moi University. Magutu (2009), in his study on the effectiveness of performance appraisal system in Kenya a case of Kabarak University, established that performance appraisal system is the only tangible metric way by which an organization can know the level of performance of its diverse employees.

Faizuniah Pangil (2016) on study of The Effect of Fairness of Performance Appraisal and Career Growth on Turnover Intention .A cross sectional, survey data study was undertaken to analyze the relationships in a sample of 150 full-time faculty members employed in different private universities of Pakistan. Partial Least Square based path modeling was applied to test the hypothesized relationship among the study variables. The findings of this paper revealed that salary and fairness of performance appraisal have a significant negative relationship with turnover intention except training & development. Besides, it was found that out of four dimensions of career growth, only two dimensions, namely promotion speed and remuneration growth, have strong influence on turnover intention.

From all the theoretical as well as empirical literature reviews mention in this paper, it is clear that performance appraisal could either benefit or detriment organizations depending on its application. The majority of the studies done so far and mention in this study clearly show the effect of performance appraisal on employee motivation, career, productivity, satisfaction level, and employee turnover. In other hand to various studies conducted on performance appraisal systems, none of them seemed to adequately address the effect of performance appraisal on employee's career development.

BIB has long placed an appraisal system, which it has been using in evaluating performance of its employees on a yearly basis. The appraisal system of the bank has been criticized by employees for being subjective and deeply vulnerable to inclination and mistakes. Despite this challenge, there are no adequate studies conducted to investigate the appraisal system and

address the issue. Hence, this research undertake to bridge the knowledge gap created with respect to the specific role of performance appraisal system on employees' career development by taking BIB International Bank as a case study.

1.3 Research Question

This research has tried to answer the following research questions.

- What is the effect of Performance appraisal clarity on employees' career development in BIB?
- To what extent Performance appraisal Knowledge employees affects employees' career development in BIB?
- What is the effect of Performance appraisal feedback on employees' career development BIB?
- To what extent Performance appraisal fairness affects employees' career development in BIB?

1.4 Objective of the Study

1.4.1. General objective

The main objective of this study was to examine the effect of performance appraisal on employees' career development of Bunna International Bank and recommending solutions for problems related to the subject matter.

1.4.2. Specific objectives

Specific objectives of the study are:

1. Examine the effect of Performance appraisal Clarity on employees' Career development in BIB.

2. Determine to what extent Performance appraisal Knowledge affects employee's Career development in BIB.
3. Evaluate the effect of Performance appraisal feedback on employees' Career development BIB.
4. Determine to what extent Performance appraisal Fairness affects employees' performance in BIB

1.5 Significance of the Study

A fair performance evaluation will boost productivity by motivating employees, rewarding high performance as well as improve carrier development. Accurate results of Performance appraisal increase the quality of decisions made with respect to human resource planning, training and development, recruitment and selection, career planning and development, compensation programs, internal employment relations and assessment of employee potential. Subsequently, the attainment of organizational goals will be greatly improved. On top of this, the study will function as an input for future researchers interested in the topic.

1.6 Scope and limitation of the Study

Due to the time and cost limitation and feasibility of data access, this study was focused on effect of performance appraisal and on employees' career development in BIB International Bank SC. The study was including city branches and head office. Accordingly, respondents were selected based on their job grades from all operation areas of the bank.

The scope of the research was delimited geographically as the study is only to consider some selected branches and Head Office staffs in Addis Ababa. It is also delimiting with respect of the objective, it was specifically assessed the effects of performance appraisal on employees' career development.

1.7 Limitation of the Study

The research also faces a limitation on the availabilities of studies and literatures done on the specific purpose of this paper. In addition because of inaccessibility of the required data from the company it may not cover explicitly all areas of performance appraisal system.

1.8 Organization of the Paper

The study is composed of five chapters. Chapter one discusses the background, problem statement, scope, significance, and objectives for undertaking this research project. Chapter Two looks at existing literature related to the study to gain an understanding of the research topic. Chapter Three presents the research methodology that the researcher used to undertake the study. Chapter Four comprises the findings and discussions of the findings to the study. Chapter five summarize the findings of the study and also make recommendations that would contribute to solving the problem raised, as well as a recommendation for further study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Once a topic has been decided, it is essential to review all relevant materials, which have a bearing on the topic. In fact, review of literature begins with a search for suitable topic and continues throughout the duration of the research work. Since a research report, either a dissertation or a thesis, is supposed to be an in-depth study of and contribution to existing knowledge, a careful check should be made that the proposed study has not previously been carried out.

2.1. Theoretical Review

The assumed reasons of having a performance appraisal are based on three theories: social comparison theory (Festinger 1954), feedback intervention theory (Kluger and DeNisi 1996), and equity theory (Adams 1965).

Social comparison theory suggests that individuals tend to compare themselves with others to make judgments regarding their performance. They are concerned not only about their performance in an absolute sense, but also about how they measure up in relation to relevant peers. In addition, this theory posits that individuals have a strong desire to improve their performance when faced with unfavorable comparative information.

Feedback intervention theory suggests that when confronted with a discrepancy between what they wish to achieve and the feedback received, individuals are strongly motivated to attain a higher level of performance. The practice of performance appraisal therefore assumes that informing an employee about the discrepancies between the organization's standard and their

current performance – implying that they are achieving lower than most other colleagues – will motivate the employee to achieve a higher level of performance.

Finally, **Equity theory** states that employees compare themselves with each other in terms of input and outcomes (Walster et al 1978). High-performers, seeing that poor performers get lower appraisal scores – and, as a consequence, receive lower rewards – might feel that an equitable balance is being established and be motivated to continue their high-quality work, whereas underperformers are motivated to put in more effort to achieve on a higher level.

Definitions of Performance Appraisal and Career Development

Before defining performance appraisal one has to know what Performance management is, therefore according to Armstrong (2009), Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements.

Performance management is concerned with: aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies. (Armstrong, 2009)

According to Armstrong (2006), it is a systematic process for improving organizational performance by developing the performance of individuals and teams. In this connection, Lawler *et al.* (2012) state that it is one of the most frequently criticized talent management practices

Performance appraisal can be 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 (Bhatia & Jain, 2012).

Career development is generally employee-driven. Employees are introduced to the concept and then instructed to take responsibility for it. They are asked to assess their skills and abilities, set goals, develop plans, and implement developmental activities – often with little or no information or support from management. In many cases, career development is augmented by employee training in how to move from personal assessments to planning. But managers are seldom involved. As a result, they are not prepared to help employees by advising them about their current areas of competence or future options. Employees gather together for career development workshops, but then return to work environments that provide little if any support for any developmental efforts. In addition, career development historically is viewed as “upward movement.” (Hartman, S.J 1991)

Career Development is a unique and life long process for each individual of managing learning, work, and transitions in order to move forward and participate effectively in work and society (Career Development Institute, 2007).

As described by Hirsh and Carter (2002), career management encompasses recruitment, personal development plans, lateral moves, and special assignments at home or abroad, development positions, career bridges, lateral moves and support for employees who want to develop.

2.1.1. Purpose of Performance Appraisal

The use of PA is elaborated by Mullins (1996) as a formalized and systematic appraisal scheme can also form the basis of a review of financial rewards and planned career progression. Performance appraisal is therefore, a crucial activity of the personnel function and the management of human resources.

In addition, Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Some of the common uses of performance appraisal are making decision, promotion, layoffs and ground for termination of employment contract (Zimmerman & Darnold, 2009).

Noe and Premeaux (1999) discussed the PA purpose, as performance appraisal data are potentially valuable for use in virtually every human resource functional areas like: Human Resource Planning ,Recruitment and selection ,Training and development, Career planning and development ,Compensation programs, Internal employee relation and Assessment of employee potential

2.1.2. Methods of PA

The ACAS booklet (1998) states that there are three distinct types of appraisal:

1) Performance reviews

Opportunity for managers and employees to discuss performance to see what sort of improvements can be made or offer the appraisee assistance to enable to perform more effectively.

2) Review of potential and development needs

Aimed to predict the level and type of work that employees are capable of doing for the future and how they can be best developed for sake of their own career, maximizing their contribution to the organization.

3) Reward review

Determine the rewards that employees will get for their past work performance. Usually separate from the appraisal process but in the main information for these reviews are provided for by the initial appraisals.

According to Cherrington (1995) pay-for-performance has significantly increased productivity in companies where it has been installed, and also has a positive impact on employee morale. There are many different methods/approaches of PA available to an organization; the method is mainly dependent on who is involved in them. There is much literature, including Cambridge et al,(1998); Fletcher (1999); Armstrong (1998); Maddux (1996); Torkildsen (1999) and Towers (1992) about the different types of PA and most of them agree on who is involved in them as well as their benefits and drawbacks.

- A) Traditional Appraisal** The most common and widely adopted approach to PA is the traditional or top-down appraisal, in which the immediate line managers, undertake the formal appraisal of those reporting directly to them (Marchington et al, 1997). This approach tends to be the most widely adopted (The Industrial Society, 1997).

- B) 360 Degree Feedback** In recent years, there has been a growing interest in multi-rater or 360 degree feedback, in response to an increasing need for greater employee commitment and empowerment. In essence, 360 degree feedback enables all the stakeholders in a person's performance to comment and give feedback (Ward, 1995). Stakeholders may include peers, subordinates, internal/ external customers and managers.

- C) Upward Appraisal** According to Atwater, Waldman, Atwater and Cartier (2000) a recent trend in the appraisal system is upward appraisal. This is when employees are not rated by their supervisors but from their subordinates. The reason behind this theory is that subordinates tend to know their supervisor better than superiors know their subordinates. They see their bosses and have a good insight into their moods, skills, preferences, strengths and limitations. Graddick and Lane (1998) suggested that upward

appraisal is increasingly a component of executive appraisals. In addition, Waldman and Atwater (1998) supported the view that upward appraisal is recognized as one component of the wider 360 degree feedback process, with companies such as IBM and Syntex using it in their performance appraisal systems.

- D) Balanced Scorecard** It is a set of measures that gives manager a fast but comprehensive view of the organization performance and includes both process and result measures. Private sector businesses usually focus on the financial measures of their bottom line: return-on-investment, market share and earnings-pershare. By balancing internal and process measures with results and financial measures, managers will have a more complete picture and will know where to make improvements (Koebelin, 2001).
- E) Self - Appraisal** In case that staff understands the objectives they are expected to achieve and the standards by which they are to be evaluated, they are in a good position to evaluate their own performance, if they are given the opportunity, they will criticize their own performance objectively and take action needed to improve it. Moreover, because staff development is self-development, staffs that appraise its own performance may become more highly motivated (Mondy, L\loe and Premeaux 1999).
- F) Rating Scales** A rating system compares employee performance to some set of criterion and produces either a number or a letter grade that represents the employee's level of performance (Corbridge et al, 1998). In a survey, conducted by Tziner, Joanis and Murphy (2000) the results suggested that the rating scales used in evaluating job performance can affect the characteristics of the goals that are set as a result of performance feedback, ratees' perception of these goals, and ratee's satisfaction with PA. An example of rating scales (Appendix A) is that of Australian Canoeing Inc. (www.hrmguide.net, 2001).

Ranking scales A ranking scale evaluates employees based on whether they are better, equal or worse than their peers. It is a comparison between employees (Corbridge et al, 1998). **Observation** when using the observation method, the appraiser usually watches the employee perform job tasks and records his or her observations. This method is used primarily to gather

information on jobs emphasizing manual skills (e.g. fitness instructor). However, observation is a time consuming process and used alone is usually an insufficient means of conducting appraisal, particularly when mental skills are dominant in a job (Mondy, et al. 1999).

2.1.3. Comparison between PA and 360 feedbacks

Lassiter (1998) suggests that PA is an evaluative process used to determine results. Its purpose is to measure and evaluate contribution to the organization in order to provide feedback and fairly distribute rewards, pa allows employees to clearly see the results of their efforts, the relationship between their job and the organization's performance, and be rewarded for their particular contribution. First creating clear and agreed upon goals, and then measuring progress against them can, best determine results, or contribution. This establishes the benchmark and gives employees a known target at which to aim. in the absence of clear goals, managers are forced to measure something else. What often gets measured, then, are factors such as effort, attitude, personality, teamwork, behavior, etc; feedback on how an employee is supposedly doing' (Lassiter, 1998). But this is not an accurate and fair measure of job performance and contribution. On the other hand 360 feedbacks is a developmental tool. It is designed to encourage employees to grow and develop by providing feedback

on their proficiency in the skills, competencies, behaviors, and practices related to the conduct of their jobs. As employees learn, grow and develop, the organization increases its capacity to perform at higher levels. In business this means these organizations are more likely to outperform their competitors. PA and employee development is separate and distinct processes with different purposes and different measurement tools. They can and do complement each other (Lassiter, 1998; Sullivan, 1999; Kent, 1999).

2.1.4. Characteristics of effective appraisal and benefits

In designing an effective appraisal process, one of the most fundamental questions for the organization is what are going to be the aims or objectives of the appraisal process (Fletcher, 1999) because this will have a major impact on the approach taken. There are a wide variety of potential objectives for PA, however, the most common and widely used objectives of appraisals tend to be motivating staff, developmental purposes and assessing employee performance for the purpose of making reward decisions (Marchington et al, 1997). It is argued, that even the above objectives may conflict with one another and that all three should not be combined in the same scheme at the same time (Mulvie, 2000).

It appears that the success of PA is very much dependant on a particular organization's culture and the attitudes and perceptions of managers and employees towards the appraisal process. However, it is clear from the literature available that there are number of characteristics, which can contribute to making PA effective. These are:

Clear purpose and objectives with an increasing focus on performance improvement and development rather than assessment and links with pay (Fletcher, 1999).

Clear links to achieving organizational objectives. Performance management and appraisal needs to be "viewed as so critical to the organization's performance that it is embedded in the culture, talked about constantly and acted on continuously"

Openness, participative approach. Appraisal should not be something that is done to employees; it should be a joint process (Holdsworth, 1991).

Ownership by line managers and individuals, rather than the personnel or HR department (Fletcher, 1999).

2.1.5. Problems in PA

There are a number of reasons why PA, sometimes is not as effective as it could be. According to Anderson (1993) there are many problems associated with appraisal, which are as follows:

A) Ability to appraise: Managers is uncomfortable when they are put in the position of 'playing God' with people's lives and thus have a reluctance to tackle difficult issues. They do not like criticizing the staff but assessing staff performance is part of their responsibilities.

B) Lack of time: Busy managers argue that appraisal takes too much time. In fact, it is a question of priority and managers should allocate enough time for an effective appraisal

C) Lack of objectivity: There is a problem of objectivity in the rating because of rating bias. An assessment, is not the truth, it is always subjective. Walker (1992) pointed out that employees are easily confused if its objectives is not widely communicated and understood across an organization.

D) Defensiveness of the appraisee: Can also be a problem, as can be the appraiser's unwillingness to give feedback on poor performance.

E) Psychometric errors: Psychometric errors are measurement errors due to the psychological predisposition of the appraiser

- **Leniency/ (harshness):** Higher/ lower rating than warranted by actual performance.
- **Halo:** Appraisee receives the same rating on logically unrelated performance criteria due to the appraiser's overall impression of the employee.
- **Restriction of range:** Appraiser s tendency to assign the same ratings to different employees irrespective of their performance levels.
- **Recency:** Recent performance is taken as the entire year's performance.
- **Contrast:** Inappropriately high/ low rating after a deserved low / high rating to the previous employee

Problems of negativity and inconsistent commitment, lack of confidence in face-to-face situations have been identified by Myland (1999). In designing PA schemes, it is clear that factors such as organizational culture and structure have a significant impact. As a result, it is necessary for each organization to identify the right approach to suit its organizational structure (Myland, 1999)

2.1.6. Staff Training and Development

This process should provide for individual development and career planning. Line managers work together with staff to prepare, implement and review individual performance development plans (PDP's). PDP's should be forward looking and integrate job goals and learning plans. Managers should use feedback sessions as foundations for providing further training, coaching and counseling. Line managers are also expected to mentor their staff. Performance related training philosophy involves relating training specifically to performance and competence requirements (Beardwell, 1998)

2.2. Empirical Framework of the Study

ShaifaliGarg (2018) in their study Major industries in India is following 360 degree feedback technique for leadership development intervention. Performance evaluation is conducted to evaluate whether the employees of different skills and expertise deliver regulated performance at their jobs and complete the assigned task as managed by their supervisors. The study found that most of the bankers expressed their interest to implement 360 degree appraisal system. They further ascertain that the 360 degree appraisal system can be successfully implemented in Indian private banking sector.

According to a survey finding of Hewitt (2010), there is a notable and increasing significance of career development in organization these days and having a critical implication on employees' engagement, motivation and retention. The study also concludes that though companies are on

the right track concerning performance management, they still need to do a lot in linking it with Career Development opportunities

Taderera (2011), in his study addresses varied scope of improvement for the Bank's performance appraisal system and the performance based pay system to be effective. The researcher suggested 25 that training should be provided to both the employees and the evaluators, there must be the delivery of continuous feedback to employees on their performance 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. According to a survey finding of Hewitt (2010), there is a notable and increasing significance of career development in organization these days and having a critical implication on employees' engagement, motivation and retention. The study also concludes that though companies are on the right track concerning performance management, they still need to do a lot in linking it with Career Development opportunities.

Miller (2007) on this study found that clarity, knowledge, performance appraisal feedback and procedural fairness all four independent variables of performance appraisal influenced employee productivity and career development that is taken as a dependent variable. The study revealed that employee productivity and career development positively related to set goal motivate employees to achieve target, rewards given to employees for their positive result and feedback help to identify the strength and weaknesses of employee that lead to career development.

2.3. Knowledge Gap

From the review of theoretical literatures and empirical studies noted above one can absolutely see that the precise effect of Performance Appraisal System of a company on employees' career development has not been correctly addressed Also, they commonly voiced that there is a gap in the bank that there was no systematic practice of linking performance appraisal with employee career development. Recent diagnostic evaluation on the bank's complete operational areas noted

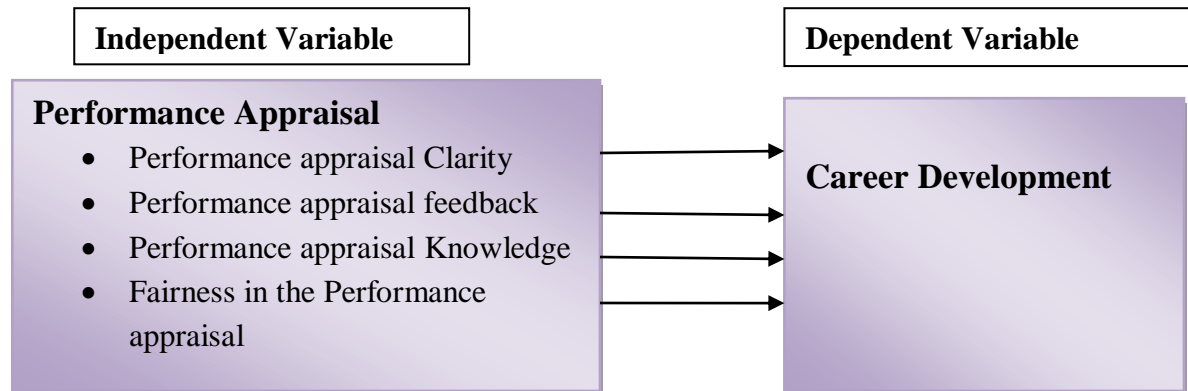
that the financial institution lacks practicable successors, which are successful of most important the bank to a higher tomorrow. Training and improvement need of personnel of the bank is higher decided all the way through repetitive and full-size value determinations carried out on them. Thus, it is pretty evident that performance appraisal system of the financial institution has undeniable advantage in identifying workers' strength, weakness and education needs. At BIB bank, even though overall performance appraisal has been one of the key units the bank used as an administration tool it has infrequently served its cause instead than to distinguish few first-class performers of the business enterprise and grant for yearly bonus. Hence, this find out about will mainly focal point in filling the above knowledge gap and focus on the effect of performance appraisal system on career development of employees at BIB.

2.4. Conceptual Framework of the Study

Performance appraisal is considered as a technique that has positive effect on work performance and employees motivation and in addition to being an excellent supply of valuable feedback on training and development desires. This sequentially permits the organization to recruit and maintain competent staff from the market. On the other hand Ineffective appraisal systems subject to subjective judgments, errors, biases and favoritism on the other hand will delay the development of the general organization and personally upset individual employees, which will ultimately lead to their exit, and failure of the organization.

Conceptual framework of the research attempts to grasp the summarized principles embedded within the literature review. As may be witnessed from the diagram four indicators of effective performance appraisal system or quality of performance appraisal that will lead to employee career development those are clarity, trust, Performance appraisal feedback and Fairness in the appraisal system. Depending at the impact it has on personnel, the Performance appraisal implement should either be instrumental for the profession improvement plan of employees or be a supply of resentment and excessive stage of worker turnover.

Figure 2.1-Conceptual framework of PA and Career Development.



Source: Developed by the Researcher (2021)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

In order to achieve the objective of this paper, using of appropriate methodology that helps to approach the research scientifically is the priority attention given by the researcher. Therefore this chapter includes research design, sample and sampling technique, instrument for data collection, procedure of data collection, method of data analysis, reliability and validity and ethical issue. According to C.R. Kothari, (2004), the purpose of descriptive research is to portray accurately the characteristics of a particular individual, situation or a group. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. Based on the above definition descriptive type of research design is best to achieve the aim of this research since the study focuses on assessing the effect of Performance Appraisals System on Employees' career development in Bunna International Bank S.C and it was used as such.

3.2 Population and Sampling Techniques

The target population of this research is permanent employees of Bunna International Bank who work under various positions at branches located in Addis Ababa and at Head Office (HO). The branches were selected on the basis of their grades and staffs located at HO who have more than one-year experience. The basis of selecting these employees as a target population is because they have at least one-time experience of performance appraisal in the Bank and the isolation of accessing outlying branches employees and the cost of including all city branches.

The bank currently makes use of five grade categories of its branches namely, Grade 5, Grade 4, Grade 3, Grade 2 and Grade 1 branches but among the grade categories there is no a Grade 4 . In

all of these branches and at the head office number of managerial and clerical staffs with a tenure of one year and above are 218 taken as total population of this study. For this study, the researcher used a sample from the total population due to time, resource and proper organization of data. From the given scope, sample was only taken from head office employees and four branches in Addis Ababa (Main, Olympia, 22 Mazoria and Dembel Area) representing each grade. These branches were selected as representative 29 samples because they have each scored a number of years since opening, have greater number of staffs and majority of these employees were tenured more than one year compared to other branches of same grade. According to Glenn (1992), one way of determining sample size of a larger number using published tables, and applying formulas. Therefore, a formula will use in determining sample size, because it is easier and developed by experienced scholars like Krejcie and Morgan (1970).

Formula

$$s = \frac{X^2 NP - P}{d N - + X P - P}$$

Where, s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841). N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Where: S = required sample size; X^2 = the table value of chi-square for 1 degree of freedom at 0.05 confidence level (3.841); N = the population size which is 218; P = the population proportion (assumed to be 0.50 as this would provide the maximum sample size); and d = the degree of accuracy expressed as a proportion (.05).

Therefore, from the above calculation using the formula of Krejcie and Morgan (1970) the sample size for a total population of 218 will determined as 140. Hence, 140 clerical employees

of the bank who have stayed at least for a year and above were selected to be sample representatives of this study.

Table 3.1- Study population and sample size.

	Branch	No of qualified employees	Percentage (%)	Sample size
1	Head Office	140	61	103
2	Main	31	16	20
3	Olympia	16	8	6
4	22 Matoria	16	8	6
5	Dembel Area	15	7	5
	Total	218	100 %	140

Source : Own Survey

3.3 Types of Data and Instruments of Data Collection

The data for the study included both primary and secondary data. The primary data was obtained from responses of the selected representative samples using structured questionnaire and through conducting informant interviews with managers. The questionnaire was design to have both Likert scale model and other open ended questions to get a reliable quantitative and qualitative data. Secondary data will obtain from different policies and procedural manuals of the bank, journals annul reports and periodic progress reports of the bank and publications of National Bank of Ethiopia. Different books, articles and journals will also refer to get relevant information and strengthen the theoretical framework of performance appraisal system.

3.4 Procedures of Data Collection

The primary data was obtained from responses of the selected representative samples using structured questionnaire and through conducting informant interviews with managers. The Primary data can provide the appropriate data about the assessment of performance appraisal system in the Bank. Structured questionnaires were distributed to the respective representative

samples and were personally collected and open-ended interview was conducted with department directors and branch managers.

3.5 Methods of Data Analysis

The questionnaires were distributed in the sampled branches and departments of the bank. Taking their regular responsibilities in to consideration a reasonable time of 4 -7 days were given between distribution and collection of the questionnaires. In due time respondents were communicated and reminded through phone to return the questionnaires in time through volunteer representatives. Through this effort, 120 questionnaires out of 120 were collected back. After proper editing, data were coded; entered to the software and then they were made ready for analysis. SPSS Version 20.0 was used to code and analyze the collected responses from questionnaires. Descriptive statistical techniques are adopted for analysis of data collected from questionnaire respondents. In so doing frequency tables and percentages were used. This helped the researcher thoroughly analyze and interpret the questions one by one in order to reach meaningful results. Data collected from interview discussion was also incorporated in the data discussion and interpretation part of the study. Hence, the results are easily interpreted to assess the effect of Performance Appraisals System on Employees' career development at BIB S.C. Conclusions were drawn based on the data analysis and interpretation.

3.6 Reliability and Validity

As Joppe M. (2000), stated that, instrument validity pertains to the ability to accurately measure what it intends to measure based on the objective of the study. It is used to make sure that all the relevant variables are included and irrelevant ones were excluded. It also assures all the variables considered are accurately measured

In this regard; universally accepted sampling method was used to draw a representative sample of the population. Due emphasis is given to make the questions objective type and

understandable so that the employees can answer the questions properly based on what they know. Vague and confusing wordings were avoided not to mislead the employees on the time of filling the questionnaires. The questionnaire was organized and finalized with a close consultation of my advisor and expertise of the subject at the bank. To address Ambiguous claims, same spirited questions were forward to Department Directors for triangulation purpose. Furthermore, secondary documentations were review to verify factual claims made by respondents.

The study was make a reliability test to 20 selected respondents by calculating cronbach’s alpha with all variables using SPSS V.20 and those selected respondent doesn’t include in the study in order to avoid redundancy.

Formula: $Re = \frac{2r}{r + 1}${Equation i}

$$r + 1$$

Where Re = reliability of the original test

r = reliability of the coefficient resulting from correlating the scores of the odd items with the scores of the even items.

The research instruments were deemed reliable if the reliability coefficient is above 0.5.

Table 3.2- Result of Reliability Test for the Questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
.893	20

Source: Researcher output on SPSS (2021)

3.7 Ethical Issues

According to McNamara (1994), ethical concerns in research deal with voluntary participation, no harm to respondents, anonymity and confidentiality, identifying purpose and sponsor, and analysis and reporting. To help eliminate or control any ethical concerns the researchers made sure that participation will completely voluntary but this can sometimes lead to low response rate which can in turn introduce response bias. To avoid possible harm such as embarrassment or feeling uncomfortable about questions to respondents, the study will not include sensitive questions that could cause embarrassment or uncomfortable feelings.

It could not be ethical to access some confidential documents of the organization. Therefore, the organization's code of ethics was taken in to account without significantly compromising findings of the study. Also it may not be ethical to ask employees to answer questionnaires while they are at their work responsibility. Hence, enough time was given to respondents so that they can either take the questionnaire to their home or use their break time. Study respondents' willingness to participate in the study is respected and verbal consent was taken. Name of personalities was not mention in the report without consent in any case.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRIATION

This chapter deals with the analysis and interpretation of data's collected from the employees of bank. From 130 questionnaires distributed, 120 were returned and the analysis is conducted based on those returned questionnaires data analyses were conducted using SPSS V.20 accordingly, tables, and charts are used for ease of understanding.

4.1. Demographic Characteristics of Respondents

Gender			
Gender of Respondents	Frequency	Percent	Cumulative Percent
Male	78	65.0	65.0
Female	42	35.0	100.0
Total	120	100.0	

Age Category			
Below 25	54	45.0	45.0
25-35	49	40.8	85.8
36-45	16	13.3	99.2
46-55	1	.8	100.0

Educational Qualification			
College Diploma	3	2.5	2.5
BA/ BSc Degree	105	87.5	90.0
Master's Degree	12	10.0	100.0
Total	120	100.0	

Banking experience (in years)			
0-2 years	34	28.3	28.3
3-5 years	58	48.3	76.7
6-10 year	22	18.3	95.0
10-15 years	6	5.0	100.0

Source: Own Survey (2021)

The above table shows demographic profiles of the respondents who took part in this the main study, comprising of age, gender, educational background and banking experience from a total of 120 participants (65 %) were male and the remaining 42(35%) of them were female. In terms of age category, most of the respondents are within the range of 25-35 (45%), whereas 40% of the respondents are below 25. This show that the bank is endowed with young and productive age groups, the above table also shows that 87% of respondents have BA/BSc degree qualification,(48.3%) of the nearly half Respondents have 3-5 years of banking experience.

In general the above table shows is endowed with a highly qualified, experienced, competent and young generation who can aspire to be at the top of the professional ladder, a rather stagnated professional life of employee aggravates their level of dissatisfaction.

Table 4.2 -Respondents service year in their current BIB position

Service year	Frequency	Percent	Minimum	Maximum	Mean	Std. Deviation
0-4	23	19.2	1	4	1.98	.654
5-9	81	67.5				
10-14	12	10.0				
15-19	4	3.3				
Total	120	100.0				

Source: Own Survey (2021)

The above table shows that the minimum service year of the respondents is one year whereas the maximum service year is four in their position. Moreover, the finding from 120 participants in the above table on length of service year presents a Mean of 1.98 with SD of .654 accordingly the finding that on average an employee would spend almost 2 years on the same post without being promoted elevating the interest of employees to look for a better opportunity elsewhere.

Table 4.3 -Respondent’s Current position and department they work in

Current Position	Frequency	Percent	Cumulative Percent
Professional post	87	72.5	72.5
Supervisory post	33	27.5	100.0
Total	120	100.0	
Work Unit			
Credit Appraisal	28	23.3	23.3
Information System	7	5.8	29.2
Accounts & Finance	8	6.7	35.8
legal Services	3	2.5	38.3
E-Banking	9	7.5	45.8
Logistics & Property Management	5	4.2	50.0
Corporate Planning & Business	4	3.3	53.3
Development	8	6.7	60.0
Human Resource	7	5.8	65.8
Domestic Banking	20	16.7	82.5
Customer Relations	16	13.3	95.8
Treasury & Fund Management	5	4.2	100.0
Total	120	100.0	

Source: Own Survey (2021)

The above table presented the various work unit and job positions held by respondents who participated in this study. Accordingly the results reveal that, nearly half (53.3) of respondents are from Credit Appraisal, Domestic Banking and customer relations working units whereas, 46.7% of respondents represent the remaining 9 Departments. Moreover the above data reveals that 87(72.5%) of respondents held professional post, whereas, the remaining 33(25.5%) of

respondents held supervisory posts. in general the above results show that the bank’s structure consists of various departments and position settings that imply that different approach and key performance indicators are required to effectively conduct Performance Appraisal assessments and improve employee performance

4.2. Descriptive Analysis

4.2.1. Results of the questions related to Performance Appraisal Practice

Summary of responses of all the respondents to the questions on the performance appraisal practice is summarized below. Analysis in this respect is helpful to identify the strongest and weakest contributors of the performance appraisal. It helps to review the performance appraisal system and enhance its contribution.

Table.4,4 - Result of Performance Appraisal Practice (Clarity)

Clarity	N	Mean	Std. Deviation
The results of my performance evaluation not linked to with career growth	120	3.63	1.013
I have clear understanding about the performance management process	120	3.49	1.085
My performance would be periodically evaluated	120	3.32	1.004
Valid N (listwise)	120		

Source: Researcher output on SPSS (2021)

The mean of the above first variable of 3.63 indicate that the results of performance evaluation not linked to certain personnel actions like bonus, salary increment. According to Bowling, N. A. (2007) appraisal is likely to be more successful when it is linked with financial and semi-

financial incentives like promotion, bonus, and increments. This increases the commitment from the parties concerned the appraisal and the appraise. Conversely, the mean value of 3.49 prevail that the respondents have clear understanding about the performance management process and the mean of 3.32 indicate that the respondents strongly agree performance is evaluated periodically.

Table.4.5- Result of Performance Appraisal Practice (Performance appraisal feedback)

Descriptive Statistics			
Performance appraisal feedback	N	Mean	Std. Deviation
My progress toward my goals set in previous appraisal meetings often reviewed by my supervisor with me.	120	3.76	0.889
I have received guidance to improve my performance often.	120	3.51	0.926
My supervisor sits down and discuss on the results of my performance evaluation.	120	3.55	1.242
Valid N (listwise)	120		

Resource: Researcher output on SPSS (2021)

The mean of the above table shows that the mean of 3.76 shows the respondents' progress toward the goals set in previous appraisal meetings often not reviewed by their supervisor, the mean of 3.51 indicates that the respondents have not received guidance to improve their performance often. And the mean of 3.55 indicates that the respondents' agree on my supervisor sits down and discuss on the results of my performance evaluation.

Table.4.6- Result of Performance Appraisal Practice (**Knowledge**)

Descriptive Statistics				
Knowledge	N	Sum	Mean	Std. Deviation
I feel my supervisor is competent to evaluate my job.	120	427	3.56	1.019
My supervisor is familiar with the details and responsibilities that my job entails.	120	425	3.54	.748
I have confidence and trust in my immediate supervisor regarding his/her general fairness.	120	409	3.41	1.008
Valid N (listwise)	120			

Resource : Researcher output on SPSS (2021)

As shown in the above table mean value of 3.56, 3.54 and, 3.41 this result indicates above average .this means the respondents agree on they believe the supervisors is competent to evaluate the job, My supervisor is familiar with the details and responsibilities that my job entails, I have confidence and trust in my immediate supervisor regarding his/her general fairness and I trust my supervisor to accurately report my performance to his/her supervisor respectively. This tells us the respondents have trust on their supervisor. According to Brown (2010) when employees trust their supervisor they grasp positive outlooks about their supervisors motives, judging that manager will act in their finest interest this improves employees' job satisfaction.

Table.4.7. Result of Performance Appraisal Practice (Fairness)

Descriptive Statistics				
Fairness in the appraisal	N	Sum	Mean	Std. Deviation
Your last performance rating truly represented how well I have performed in my job.	120	375	3.13	1.034
Your performance has been evaluated accurately.	120	407	3.39	.853
Your supervisor was justified in his/her last rating of my performance?	120	449	3.74	.794
Performance appraisal is conducted fairly without biasness/favoritism.	120	406	3.38	.842
Valid N (listwise)	120			

Resource: Researcher output on SPSS (2021)

As shown in the above table the mean value of 3.13, 3.39, 3.74, and 3.38 respectively the value show that above average .that is the respondents agree on last performance rating truly represented how well I have performed in my job, the performance has been evaluated accurately, the supervisor was justified in his/her last rating of performance, and last performance rating was free from bias respectively. According to Equity theory, if an employee holds the view that he is being treated fairly, it causes him to maintain a healthy relationship with his coworkers and his organization. This leads employees,, satisfaction increases with rewards only when these rewards are valued and observed as equitable.

Regarding performance appraisal practice, in addition to the above quantitative results Based on the interview the respondents give their opinion regarding performance appraisal practice.

The organization’s appraisal method is using best method, but there are some gaps in the implementation of evaluating the employee. The reason for this gap is employees are not

evaluated based on their actual registered performance just for arbitrary. In addition some of the jobs are difficult to measure objectively. It is impossible to implement the same appraisal format to all position. Because there is different job description and they recommend the performance measurement tool have to design carefully for each position properly.

Low employees Attitude and biased perception towards PA: Key informants have indicated that PA has not been implemented objectively and it has been associated with monetary rewards only, thus employees perceive it not more than a simple rewarding scheme.

“I believe that employees are not benefitted as much as they expected from PA, thus there’s a lot of biased perception towards PA and its impact for career development” – R1

“Since PA is mainly associated with the bank’s annual bonus, employees usually are seen dwelling on pleasing their superiors than building a consistent professional character and this applies to the managers as well, where they use it as a tool to penalize employees they have disagreement with” – R2

The performance appraisal criteria is focused on result and less focus to behavior, this means emphasizes what employees produce than how employees do the job this leads employees to find shortcut to achieve results which can negatively affect the organization for lack of certain performance behaviors

“Some jobs are not evaluated but it is time taking and affect the performance appraisal those jobs like communicating with customers through telephone or physically at office; waiting for office machine like telephone, scanner due to using those office equipment using and sharing with colleagues. ” – R3

Inefficient PA system: almost all the KII participants agree that Employees are highly dissatisfied with the current PA system and has affected employee satisfaction, loyalty,

commitment to organization, consequently leading to resentment and eventual departure from the bank. One respondent said:

“Employee’s satisfaction levels are associated with monetary rewards and incentives rather than developmental objectives” – R4

4.2.2. Statistical Summary of Responses on Career Development

Table.4.8. Result of on Career Development

Descriptive Statistics			
	N	Mean	Std. Deviation
BIB has opportunities for career growth	120	3.16	.799
Promotions are linked to performance rating	120	3.48	.869
Salary increments are linked to performance rating	120	3.69	.933
Rewards/Penalties are based on skills, competencies and performance	120	3.52	.652
PA has an impact to improve future performance	120	3.24	.850
Performance appraisal is conducted fairly without biasness/favoritism, objectively with clear action value plan free from evaluator’s personal interest	120	3.45	.969
PA system of the bank helps identify the strength and the weakness of the employee	120	3.35	.923
Employees remain with the organization when they feel their performance being recognized.	120	3.93	.997
Valid N (listwise)	120		

Source: Researcher output on SPSS (2021)

The finding in the above table shows that staff only agreed that Employees remain with the organization when they feel their performance being recognized (mean of 3.93). Staff disagree that salary increments are linked to performance rating (mean of 3.48). It was noted that they also disagree that rewards/Penalties are based on skills, competencies. Data obtained revealed that staff disagree that promotions are linked to performance rating (mean of 2.363), and finally on whether BIB has opportunity for career growth (mean of 2.917). It was noted that they also disagree that rewards/Penalties are based on skills, competencies and performance (mean of 2.3689). Performance appraisal is conducted fairly without biasness/favoritism, objectively with clear action value plan free from evaluator's personal interest (mean of 3.45) and finally on whether BIB has opportunity for career growth (mean of 2.917).

4.3. Correlation Analysis

Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 to +1.0). Correlations are 40 perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

As per Marczyk, Dematteo and Festinger, (2005) correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large. Accordingly, the below Pearson correlation coefficients shows that the four factors measuring career development were all positively related with employees performance within the range of 0.598 to 0.851, all were significant at $p < 0.01$ level. All the independent variables i.e. Clarity, Performance appraisal feedback, Knowledge and Fairness in the appraisal show a moderate level of positive relation with the dependent variable (employees' performance

Table 4.9-Correlation Analysis Matrix

Correlations					
Pearson Correlation	Clarity	Performance appraisal feedback	Knowledge	Fairness	Career development
Clarity	1	.702**	.711**	.621**	.661**
Performance appraisal feedback		1	.729**	.725**	.684**
Knowledge			1	.686**	.650**
Fairness in the appraisal				1	.781**
Career Development					1

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher output on SPSS (2021)

Regarding the relationship among the independent variables, table 4.12 clearly shows that the variables are significantly correlated with each other (sig. level $p < 0.01$). Furthermore, the results indicate that Performance appraisal feedback with ($r=0.684$; $p < 0.01$), followed by moderate positive correlation with the three remaining organizational Communication: Clarity ($r=0.661$; $p < 0.05$), Knowledge with ($r=0.650$; $p < 0.01$) and Fairness in the appraisal ($r=0.781$; $p < 0.01$). From this correlation in this study, it can be concluded that there is no problem of multicollinearity, the results show that the problem of multicollinearity did not exist between variables in the model. Also From this correlation, it can be concluded that due to availability of performance appraisal in BIB, enhances the employee career development at BIB.

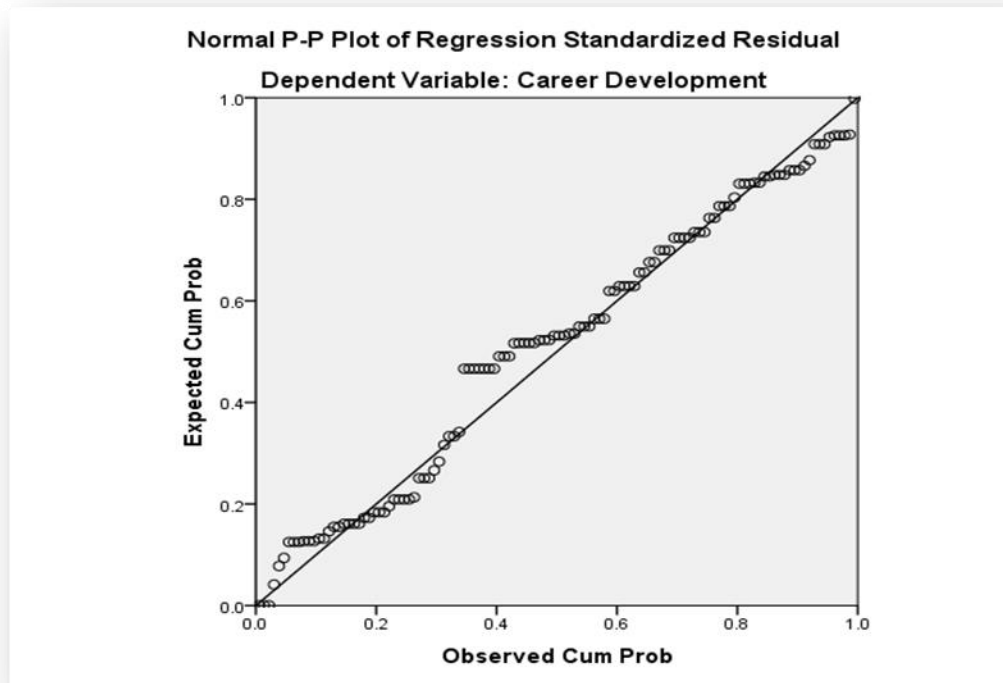
4.4. Diagnosis Test

Before applying regression analysis to test effect of performance appraisal on employees' career development some tests were conducted in order to ensure the appropriateness of data to assumptions regression analysis as follows:

4.4.1 -Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable employees' career development and the independent variables; Clarity, Performance appraisal feedback, Knowledge and Fairness in the appraisal; plots of the regression residuals through SPSS software had been used.

Figure 4.1: Normal Point Plot of Standardized



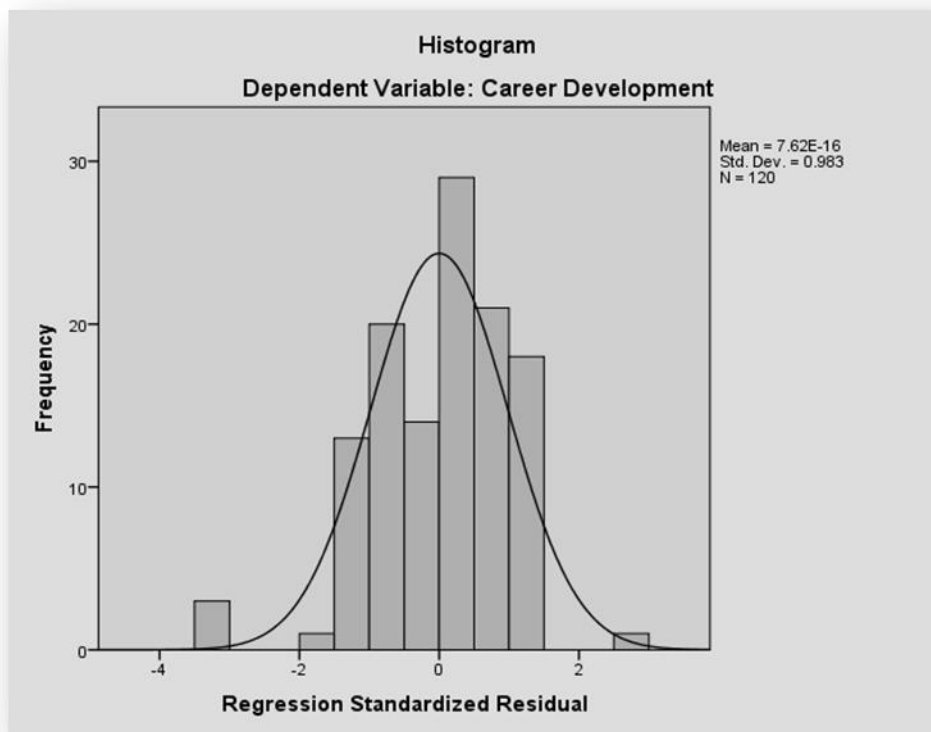
Residual

Source: Researcher output on SPSS (2021)

Normality Test

Figure 3 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

Figure 4.2 Frequency Distribution of Standardized Residual



Source: Researcher output on SPSS (2021)

Thus, from an examination of the information presented in all the three tests the researcher conclude that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated.

Multicollinearity Test

After the normality of the data in the regression model was met, the next step to determine whether there is similarity between the independent variables in a model, it is necessary to multicollinearity tests. Similarities between the independent variable will result in a very strong correlation. In addition, multicollinearity tests done to avoid habits in decision making process regarding the partial effect of independent variables on the dependent variable. Test multicollinearity as a basis the VIF values of multicollinearity test results using SPSS.

4.5. Correlation of the dependent and independent variables

The correlation of the variable is measured by Pearson correlation coefficient. The result of the Pearson correlation is presented on the following table and interpreted by the guideline suggested by Field (2005), he mentioned that the Pearson correlation coefficient is shown the relationship and direction between the predictor and outcome variable. And, their relationship is measured in the range of 0.1 to 0.29 is weak relationship, 0.30 to 0.49 is moderate, above 0.50 show strong relationship; while the positive and negative sign is tell us the direction of their relationship.

Table 4.10 - Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Clarity	0.418	2.394
Performance appraisal feedback	0.338	2.956
Knowledge	0.362	2.764
Fairness in the appraisal	0.417	2.401

Source: Researcher output on SPSS (2021)

In table 4.10 Based on the coefficient output- Collinearity statistics, obtained VIF value of independent variable i.e. Performance Appraisal: Clarity (2.394), Performance appraisal feedback (2.956), Knowledge (2.764), and Fairness in the appraisal (2.401).The values obtained

from collinearity statistics (VIF) was between 1 and 10. Therefore, it can be concluded that there are no multicollinearity symptoms between the components of the independent variables.

Thus, from an examination of the information presented in all the three tests the researcher concluded that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated.

4.6. Regression Analysis

1.4.3. Regression Analysis

Regression analysis is a systematic method that can be used to investigate the effect of one or more predictor variables on dependent variable. That is, it allows us to make statements about how well one or more independent variables predict the value of a dependent variable. The regression model presents how much of the variance in Performance appraisal is explained by the selected organizational dimensions: Clarity, Performance appraisal feedback, Knowledge, Fairness in the appraisal. As shown on the table below

Table 4.11- Regression model summary:

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.817 ^a	0.667	0.655	0.357	2.231

a. Predictors: (Constant), Clarity , Performance appraisal feedback, Knowledge, Fairness in the appraisal , Communication

b. Dependent Variable: Average career development

Source: Researcher output on SPSS (2021)

The strength of the relationship is based on the R statistic, which in a simple two variable regression is the same as the correlation coefficient. In this case, the R statistic is .817, indicating a very strong relationship.

Recall that we evaluate the strength of the relationship using the rule of thumb for interpreting R:

- Between 0 and ± 0.20 - Very weak
- Between ± 0.20 and ± 0.40 - Weak
- Between ± 0.40 and ± 0.60 - Moderate
- Between ± 0.60 and ± 0.80 - Strong
- Between ± 0.80 and ± 1.00 - Very strong

R-squared is measured the goodness of fit of the variables in explaining the variation in BIB measures the variable Predictor: (Constant), Clarity, Performance appraisal feedback, Knowledge, Fairness in the appraisal. As clearly described in Table 4.13 adjusted R-square value for the regression model was 0.655, this indicates the variables in this study explain 66.5 percent of the variation in employees performance The remaining 33.5 percent of the variation in employees performance in BIB are explained by other variables which are not included in the model. Therefore, involvement, consistency, adaptability and mission are good explanatory variables of Employee Performance.

In addition the Durbin-Watson statistic is used to test for independent of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. In this case, Durbin-Watson is 2.231, within the acceptable range. We can assume independence of residuals

4.6.1. Regression ANOVA

The regression ANOVA when doing regression analysis we determine whether or not there is a relationship between the independent variable and the dependent variable by examining the significance of the regression in the ANOVA table.

The probability of the F statistic for the regression analysis is 0.000, less than the level of significance of 0.05. The regression ANOVA table is summarized as follows:

Table 4.12: Model Summary

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.254	4	7.314	57.507	.000 ^b
	Residual	14.625	115	.127		
	Total	43.880	119			

a. Dependent Variable: Career Development

b. Predictors: (Constant), Clarity, Performance appraisal feedback, Knowledge, Fairness in the appraisal

Source :(SPSS output 2021)

The above table presents the results of Analysis of Variance (ANOVA) on performance appraisal and employee performance. The ANOVA results for regression coefficients indicates that the significance of the F is 0.00 which is less than 0.05 hence implying that there is a positive significant relationship between performance appraisal and career development

1.4.4. Regression Coefficient

Through a correlation analysis it is identified that there is a significant relationship between the performance appraisal and the dependent variables (Career Development). To what extent the

variance in the dependent variables (Career Development) will be explained by the independent variable i.e. performance appraisal is discussed here.

Table 4.13- Coefficients table for Performance Appraisal and Career Development

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	.819	.178		4.589	.000	
Clarity	.155	.059	.219	2.635	.010	
Performance appraisal feedback	.079	.068	.108	1.166	.246	
Knowledge	.038	.068	.050	.560	.577	
Fairness in the appraisal	.495	.078	.532	6.375	.000	

a. Dependent Variable: Career development

The results in the above table show that the value for clarity is .219. This implies that a 1% increase in fairness in the appraisal practice will result in a 21.9% increase in employees' Career development. Performance appraisal feedback has a value of .108 which implies that a 1% increase in Performance appraisal feedback will cause a 10.8 % increase in employees' Career development. Knowledge has a value of .050 and also implies that a 1% increase in Knowledge will cause 5 % in employees' Career development. Fairness in the appraisal has a value of .532 and implies that a 1% increase in Fairness in the appraisal will bring about an increase of 53.2% in employees' Career development. Even if Performance appraisal feedback and Knowledge value .050 and .108 is positive but it is not significant.

In the above table the values for the regression weights are as follows:

$$CD = 0.819 + 0.155C + 0.079 PFA + 0.038K + 0.495F + E$$

CD – Career development

C - Clarity

PFA - Performance appraisal feedback

K- Knowledge

F- Fairness in the appraisal

4.7. Result of KII Analysis

An interview discussion made with HR directorate disclosed that lack of focus and carelessness by some branch managers are a challenge. He added that there are instances where the supervisor or manager reports that a certain staff is not able to perform toward expectation and at the same time rating him/her at an average for fear that he/she might miss the benefit package. This shows rating is carelessly done and is not strict. He also added that branch managers focus more on operation than giving due attention to performance evaluation as one component of the operation. At times branch managers are pushed to send evaluation results to head office. Cognizant with this fact the HR directorate was asked if there is any practice of giving awareness creation training on performance evaluation to branch managers. The reply disclosed that there is no practice of delivering training to branch managers and raters pertaining to performance evaluation. This shows the focus BIB's management given to performance evaluation

Further elaborating they said that the system doesn't use PA's feedback for developmental purpose as PA are usually conducted twice in a year for the purpose of rewarding bonus to staffs who has performed best.

The main gaps mentioned in relation to PA, informants have forwarded the following points: Clearly define objectives and augment those objectives in the PA system, collect feedbacks on employee appraisals and use the feedback for developmental purpose, Develop a participatory

PA system, training raters, employee modern appraisal systems, avoid subjectivity, bench mark best practices of the banking industry, use PA for career development planning inputs, and ensuring fairness in the Appraisal process.

The respondents of interview associate the PA system of the bank with reward/ benefit and punishment rather than as an instrument of identifying their performance gaps and deficiencies and as a key instrument enhancing organizational performance.

An interview discussion made with HR directorate disclosed that lack of focus and carelessness by some branch managers are a challenge. He added that there are instances where the supervisor or manger reports that a certain staff is not able to perform toward expectation and at the same time rating him/her at an average for fear that he/she might miss the benefit package. This shows rating is carelessly done and is not strict.

The branch manages focus more on operation than giving due attention to performance evaluation as one component of the operation. At times branch managers are pushed to send evaluation results to head office. Cognizant with this fact the HR directorate was asked if there is any practice of giving awareness creation training on performance evaluation to branch managers. The reply disclosed that there is no practice of delivering training to branch managers and raters pertaining to performance evaluation. This shows the focus BIB's management given to performance evaluation.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 INTRODUCTION

The study attempted to assess the effect of performance appraisal on employee career development at BIB. The study employed questionnaires and interview to collect primary data. The study employed questionnaires and interview to collect primary data. The interview was held with 4 directors of the bank to triangulate the data collected using the survey. The information gathered was further analyzed descriptively by comparing it with the conceptual, theoretical and empirical frameworks thus based on such analysis the following summery are drawn

5.2 Summary of Major findings

It also had the aim of describing their relation, as it exists at BIB international Bank. Furthermore, the paper tried to look at the PA practice with in the bank.

- Comparison of the mean value of all career development factors indicates that the mean score of “Performance appraisal feedback” ($m=3.76$) is the highest among others.
- Fairness in the appraisal shows the highest positive correlation with ($r=0.781$; $p < 0.01$), the second highest positive correlation Performance appraisal feedback with ($r=0.684$; $p < 0.01$), followed by Clarity positive correlation with ($r=0.661$; $p < 0.05$), and at last Knowledge with ($r=0.650$; $p < 0.01$).
- “Fairness in the appraisal and clarity” have the highest standardized coefficient (.532, and .219) respectively, and the lowest value (.050 and .108) .Which means “Fairness in the appraisal and clarity” are the best predictor variables Fairness in the appraisal shows the highest positive correlation with ($r=0.781$; $p < 0.01$)

- .612. This point out that variability's in employee's motivation can be explained by Work condition and job security aspect which accounts (61.2%), the remaining (38. 8%) of variability could be explained by the other factors.
- The impacts of Fairness in the appraisal, clarity, Performance appraisal feedback, and Knowledge supervision, on employee's career development are .532, .219, .108 and .050 respectively, in their descending order indicating that Fairness in the appraisal, and clarity have the highest impact on employee Career development. In addition, Performance appraisal feedback, and Knowledge supervision have lower values this implies that these factors have less impact on employee's career development.
- The branch manages focus more on operation than giving due attention to performance evaluation as one component of the operation. At times branch managers are pushed to send evaluation results to head office
- Moreover, PA has always been taken as a formality rather than as a useful instrument of identifying training and development to be given to the employees as per their performance results, as its primary purpose is supposed to be showing their deficiencies and performance gaps.
- The bank does not use the results of PA for the identification of employee potential, which is the basic and mandatory subject matter in career development. Despite the existence of the system, employees of the bank spend a number of years on the same post without being promoted creating a higher possibility of joining other organizations.
- The bank's PA is vulnerable to various errors and biases adding to the dissatisfaction of employees and finally leading to their departure.
- Moreover Pearson coefficients imply that there were statistically significant positive relationship between employees' Career development and all the four company performance appraisal dimensions (i.e. Clarity, Performance appraisal feedback, Knowledge, Fairness in the appraisal).

5.2 CONCLUSIONS

- To this end, the study attempts to identify ranked key factors that affect career development of employees working at BIB and assess their effect level. From the result obtained the study identified, it can be concluded that there are several factors that influence employees career development in organizations from these based on this study, the key factors that contribute to BIB employee career development are Clarity in performance appraisal, Performance appraisal feedback, Fairness in the appraisal and Knowledge which are identified as the most important factor that enhances employee career development in BIB.
- Accordingly, the study concluded that Fairness in the appraisal and clarity have positive and strong impact on overall employee career development followed by Performance appraisal feedback and Knowledge has less impact on employee career development compared to the others.
- Empirical study showed that the four indicators of effective performance appraisal system or quality of performance appraisal that will lead to employee career development among them, Performance appraisal feedback (3.61) has a high mean. This implies that employees, who receive Performance appraisal feedback, are more lead them to career development than others.
- The PA practice of the bank does not motivate employees of the bank and do not give recommendations for a work done well. Though a rather strong belief have been seen on the side of the respondents that the PA practice helps employees to spot their performance deficiencies and gaps, the system applied at BIB is not serving its purpose and identify their strength and weakness, which shows application deficiency on the practitioners of the bank.
- Moreover, PA has always been taken as a formality rather than as a useful instrument of identifying training to be given to the employees as per their performance results, as its

primary purpose is supposed to be showing their deficiencies and performance gaps. Therefore, we can conclude that the developmental purpose of the PA is not advocated well.

- The bank does not use the results of PA for the identification of employee potential, which is the basic and mandatory subject matter in career development. Despite the existence of the system, employees of the bank spend a number of years on the same post without being promoted creating a higher possibility of joining other organizations.
- The bank's PA is vulnerable to various errors and biases adding to the dissatisfaction of employees and finally leading to their departure.

5.3 Recommendation

On the basis of the summary and conclusions discussed above, the following recommendations have been given:

- The BIB needs to work on to create link a performance appraisal with career development. Career development enables companies and employees to determine the appropriate career pathways and navigate them together. When organizations approach employee career paths as joint ventures with their employees, both parties benefit: Employees receive the support they seek to grow their careers, and organizations build the capabilities needed for business success.
- The bank's management has to familiarize raters with different types of performance evaluation methods; particularly with the one the bank is employing so that they will clearly identify the strengths and limitations of the method they are using.
- The use of 360 degree feedback is increasing in organizations, primarily as a tool to enhance employee self-awareness in the context of employee career development. It can be used as input in decision making about performance.

- The Bank needs to devise and follow performance appraisal system that clearly and objectively identifies employees' strength, weakness, potential to grow and suitable placements and one that supplements valuable information to strengthen career development path of employees and boost organizational productivity.
- In order to avoid biases and errors the bank is best advised to develop employ objective performance measuring standards and tools.
- The bank is advised to make sure that, raters or evaluators give feedbacks after completion of the evaluation process to the ratee's and forward possible suggestions to their performance so that PA results will help both the bank and the employee.
- BIB need to use the performance appraisal to help the employees to improve their career development. For such purposes, they should develop policy which enhances the improvement of employees' job. Hence, BIB need to do a lot to minimize the risk of the existing scenario of weak relationship, between PA and career development. Creating transparency within the system of PA, attaching the PA with motivations, and providing training to both rater and ratee can create an inviting atmosphere of working system. In order to sow and cultivate the fruit of PA in a way it maximizes (strengthens) the relationship of both subordinates and supervisors, continuous

5.4 Suggestions

For Future Research Although the present study has covered various issues in detail, Performance appraisal system on employee's career development at BIB bank being the core theme of the study, the researcher suggests the following areas of research for an in-depth finding of PA system assessment of the bank:

- Detailed statistical analysis would have been done with the availability of more relevant data avoiding discrepancy found, sometime between top and lower management.

- This study intrigues other researchers' aspiration to look the effect of performance appraisal systems employed in other organizations for the effective utilization of the country's greatest asset, which is the labor force.
- A comparative study can be made between results of and that of another appraisal model.
- A study can be conducted integrating International best practices and other bank experiences.
- Practicality of 360 degree appraisal system in service rendering enterprises in Ethiopia

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Appendix I- Survey Questionnaire

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Questionnaire to be filled by Staffs of Bunna International Bank S.C Dear Respondents, first I would like to express my sincere appreciation for your precious time, genuine and quick responses in advance. This questionnaire is designed to collect information about the role of performance appraisal system of the bank on employees' career development. The information will be used as a primary data to the research

I am conducting as a partial requirement of my study at St. Mary's University in completing my Master's Degree in Business Administration (MBA). I also want to assure you that this research is authorized by the St Mary's University and it will only have an academic purpose and your answers will be kept confidential.

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available, please tick (√) in the appropriate box.
- For questions that demand your opinion, please briefly explain as per the questions on the space provided

N: B. If you have any enquiries or need further assistance you can contact me in the following address Yonas Tadesse Mob +251943894313

Thank you in advance!

Yonas Tadesse

Section I: Background Information

1) Gender : Male Female

2) Which of the following age categories describes you?

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

3) Total banking experience you have worked for (in years).....:

4) How long have you worked in the current position.

0-4 5-9 10-14 15- 19 20 years and more

5 Educational Qualifications:

Technical school graduate College Diploma
 BA/ BSc Degree Master's Degree
 Other (please state) _____

6) What is your current position (job) in the bank? _____

7) In which department are you currently working? _____

Section II: Questions related to Effect of performance appraisal on career Development

Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess your attitude towards the performance appraisal related to your career development in your bank. Please mark (X) or tick (√) the statement that indicates your level of agreement in the responses box. Please note that: Strongly Agree (SA), Agree (A), Neutral (N) Disagree (D), and Strongly Disagree (SA)

S.No	Questions	SA	A	N	D	SD
Questions related to Measuring of Performance appraisal						
Clarity						
1	The results of my performance evaluation linked to with career growth					
2	I have clear understanding about the performance management process					
3	My performance would be periodically evaluated					
Performance appraisal feedback						
1	My progress toward my goals set in previous appraisal					

	meetings often reviewed by my supervisor with me.					
2	I have received guidance to improve my performance often.					
3	My supervisor sits down and discuss on the results of my performance evaluation.					
Questions related to Measuring of Performance appraisal						
	Knowledge					
1	I feel my supervisor is competent to evaluate my job.					
2	My supervisor is familiar with the details and responsibilities that my job entails.					
3	I have confidence and trust in my immediate supervisor regarding his/her general fairness.					
	Fairness in the appraisal					
1	Your last performance rating truly represented how well I have performed in my job.					
2	Your performance has been evaluated accurately.					
3	Your supervisor was justified in his/her last rating of my performance?					
4	Performance appraisal is conducted fairly without biasness/favoritism.					

Section III (Questions related to Career development)

S.No		SA	A	N	D	SD
Questions related to Career development						
1	BIB has opportunities for career growth					
2	Promotions are linked to performance rating					
3	Salary increments are linked to performance rating					
4	Rewards/Penalties are based on skills, competencies and performance					

5	PA has an impact to improve future performance					
6	Performance appraisal is conducted fairly without biasness/favoritism, objectively with clear action value plan free from evaluator's personal interest					
7	PA system of the bank helps identify the strength and the weakness of the employee					
8	Employees remain with the organization when they feel their performance being recognized.					

What recommendations could you suggest on the performance appraisal practices of the bank in the future?

Other additional comments if any

Thanks for your cooperation!!

Appendix II-

KII INTERVIEW QUESTIONS

This interview question is aimed to collect information about the effect of performance appraisal on employee's career development BIB S.C. The information shall be used as a primary data to the research I am conducting at St' Mary's University in completing my master's degree in Business Administration (MBA). Therefore, this research is to be evaluated in terms of its contribution to the understanding of the practices and its contribution to future improvements. I want to assure you that this research is conducted only for academic purpose authorized by the St Mary's University. I will not include any information that will make it possible to identify any respondent. Thank you for your cooperation in advance.

- 1) For what purpose is BIB S.C using performance appraisal result?
- 2) How often is the bank conducting PA in a year?
- 3) How is the practice of participating employees in designing PA form?
- 4) What are the major challenges of PA in BIB S.C?
- 5) What are the major gaps of performance appraisal system of the bank and your suggestion of improvement?