

**ST. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTMENT OF MANAGEMENT**

**AN ASSESSMENT OF EMPLOYEES PERFORMANCE
APPRAISAL PRACTICE IN CASE OF ETHIOPIAN
ELECTRIC POWER CORPORATION**

**BY
HARUN OUMAR**

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SMUC
ADDIS ABABA**

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CORPORATION**

**BY
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ACRONYMS

EEPCO- Ethiopian Electric Power Corporation

EELPA- Ethiopian Electric Light and Power Authority

Appraiser (Rater) – A Person who evaluates Other Persons

Appraisee (Ratee) - A Person to be evaluated

BPR- business process reengineering

PAP- performance appraisal practice

CHAPTER ONE

Introduction

1.2 Background of the Study

Human resource department in the total organizational structure depends on whether a unit is small or large. Once appraisal has been made, it is important to communicate them so that employees have a clear understanding of how they stand in the eyes of their immediate superior and the organization.

Human resource is one of the most important parts of an organization. An organization's efficiency and effectiveness is measured by its employee's integrity and cooperation in a way that each individual is able to perform his/her job successfully. This is true when there are qualified employees at specific time and place. This can be affected by periodic review and evaluation of individuals' performance.

Performance appraisal lends itself to ethical issues. Assessment of an individual's performance is based in observation and judgment. Human resource managers are expected to absorb the performance (or understand the potential) in order to judge its effectiveness.

According to Mathis and Jackson: (1997, 343) "performance appraisal is the process of evaluating how well employees do their jobs compared with a set of standards and communicating that information to those employees." It also has been called employee rating, performance evaluation etc.

A proper and systematized administration of the performance appraisal methods in an organization leads to a highly values and positive outcome. It has a significant contribution in the development of organization and efficient utilization of the manpower recourse to attain organizational goal. If the expected and desired outcome is not evaluated against the actual performance it used open a leakage for the redaction or total

lose of profit and an extreme case may also lead to the termination of the company.

In light of this the research paper investigates how Ethiopian electric power corporation /EEPCo is effective in conducting the performance appraisal /PA, which is important to the development of employees' performance as well as the organization.

1.3. Statement of the Problem

Performance appraisal is one of the many responsibilities of managers. And if appropriately use, it contributes to the well affect not only the working atmosphere of the organization in general, but also it affects the moral of each and every employee in the organization.

Performance appraisal is closely related to human behavior and human behavior is complex in nature. So the development measure to assess performance of employees is a very development measure to assess performance of employees is a very difficult task in almost all organization. EEPCO is not an exception in this regard.

On the other hand, most employees are worried of performance appraisal perhaps the most common fear is that of lack of objectivity, central tendency, and favoritism are real problems that create opposition to most performance appraisal system.

1.4. Research Question

This research paper assesses the issues directly related with the performance appraisal practice in EEPCo. This study tries to answer the following research questions.

- What are the different performance appraisal methods used in EEPCo?
- How does performance appraisal practice take place in EEPCO?
- Is the performance appraisal method in the organization fruitful in contributing benefit to the organization?
- What role does performance appraisal have in improving employees' performance?
- What is the attitude of employees towards performance appraisal?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to assess the performance appraisal practice in EEPCo and to give recommendation based in the findings of the study.

1.4.2 Specific Objectives

- ❖ To identify the purpose and methods of performance appraisal in EEPCo.
- ❖ To explain how the performance appraisals is done in EEPCo.
- ❖ To identify who appraises the employees.
- ❖ To show the major hindrances faced by the performance appraisal.
- ❖ Based on the findings to suggest possible recommendations.

1.5. Significance of the Study

The study other than for graduation purpose it provides a moderate awareness among management and employees of the corporation about the need of effective performance appraisal. Finally it may also serve as a preliminary or ground to other researchers who are interested to carry out a research on this area.

1.6. Scope of the Study

To make the study manageable, the scope has used limited to one of the aspect of human resource i.e performance appraisal. The scope of the study had also limited to the case of EEPCo head office as there has no adequate time to include cases of other branches of the corporation.

1.7. Definition of Terms or Operational Definitions

- Appraiser (rater) – a person who evaluates other person’s performance
- Appraisee (ratee) – a person to be evaluated
- Assessment- made a carefully assessment of the risks involved
- Performance – the ability to work well, the act or process of doing task or the way in which you do the work.

1.8 Research Design and Methodology

1.8.1 Research Design

The student researcher has been used Descriptive research design to gather adequate information about the study.

1.8.2 Population & Sampling Technique/ Procedures of Sampling

The student researcher used stratified sampling technique in order to select sample units.

Dept.	No of employee	Sample
HRM	50	20
Marketing and sales officers	35	10
Accounting	20	10
Finance	20	5
Administrative	10	-
Secretary	5	-
Security	10	-
Total	150	45

1.8.3 Type of Data Used

The student researcher used collected both primary data and secondary data.

1.8.4 Method(s) of Data Collection

The primary data were collected by using both questionnaire and interview. For the questionnaire both open-ended and close-ended question were applied. For secondary sources of data the student researcher used internet, looks, documents, company profile.

The student researcher has been conducted an interview with employees who are in the highest level in the organization.

1.8.5 Methods of Data Analysis

In this section all data collected through interview and questionnaires are analyzed by using tables and percentage.

1.8.6 Limitation of the study

Because of financial and time shortage, the student researcher does not include the employees of EEPCo at all branches. So, there is a limitation to get information in that area. The limitation may also include lack of dependable work, limited knowledge/experience/ of the student researcher are some of the problems that the student researcher encountered in the study

1.9 Organization of the Study

The study has been organized in to four chapters; the first chapter has covered the nature and approach of the problem which includes: introduction, statement of the problem, objective of the study, Scope of the study, significance of the study, research methodology and organization of the study. The second chapter has been deals with the review of the related literature. The third chapter presents data presentation analysis and interpretation. The fourth and the last chapter included summary, conclusion and recommendation. Other than these, chapters the paper also included bibliography and questionnaires.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition and Nature of Performance Appraisal (Pa)

2.1.1 Definition of Performance Appraisal

Different authors defined performance appraisal in different times; some of these are as follows:

Performance appraisal is the human resource management activity that is used to determine the extent to which an employee is performing the job effectively (Ivancevich and Glueck 1989, 321).

Performance appraisal is a process which a manager or consultant examines and evaluates an employee's work behavior by comparing it with preset standards, documents the results of the comparison, and uses the results to provide feedback to the employee to show where improvements are needed and why. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained or fired. (www.flipkart.com)

Performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance because employers are interested in knowing about employees' performance (Monappa (1999), 208).

According to Mathis and Jackson (1997, 343), "performance appraisal is the process of evaluating how well employees do their jobs compared with a set of standards and communicating that information to those employees".

"A basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. (www.flipkart.com)

2.1.2 Nature of Performance Appraisal

Performance appraisal can occur in two ways, informally or systematically (Mathis and Jackson 1997, 345-346)

- **An Informal Appraisal:** - is conducted whenever the supervisor feels it is necessary. The day to day working relationship between a manager and an employee, offers an opportunity for the employees performance to be judged, the judgment is communicated thorough conversation on the job or over coffee or on the spot examination of particular piece of work.
- Frequently informal feedback to employees can also avoid surprises (and therefore problems) later when the formal evaluation is communicated (Mathis and Jackson ,345-346)
- **A systematic appraisal:** - is used when the contact between manager and a system is established to report managerial impressions and observations on employees performance.

To provide information that can serve the organization's goals and that complies with the law, a performance evaluation system must provide accurate and reliable data. The ability to generate accurate and reliable data is enhanced of a systematic process is followed (Mathis and Jackson, 344)

2.2 Objectives of Performance Appraisal

To understand the nature of appraisal it might be useful to look at its objectives. Almost all organizations practice performance appraisal in one form or the other to achieve one or more objectives. These objectives may vary organization to organization and also in the same organization from time to time. Patz (1975) interviewed 70 top and meddle managers in one Canadian, one Dutch, and 17 American companies. He asked them to indicated their understanding of the functions of performance appraisal. He concluded on the following objectives of appraisal.

- ❖ Performance appraisal was considered a development technique in the hands of managers aimed at calling attention to a subordinate's behavior flaws in order to improve his administrative ability.

❖ Performance appraisal was viewed as a necessary vehicle for assessing management potential.

Patz further side that the implicit purpose was “to force a long line of unwilling bosses to a face up to the difficult task of relating employee behavior to actual result”. The executives interviewed in his study saw the formal performance appraisal scheme as a means of forcing supervisors to make the uncomfortable bit necessary connection between conduct and its consequence.

According to them appraisal should serve the following objectives.

- ❖ Help the employee to over come his weakness and improve his strengths and thus un able him to improve his performance.
- ❖ Generate adequate feedback and guidance from the immediate superior to an employee working under him.
- ❖ Contribute to the growth and development of an employee through helping him in realistic goal setting.
- ❖ Provide input to the system of rewards (comprising salary increments, appreciation additional responsibility and promotion etc) and salary administration.
- ❖ Help in creating a desirable culture and tradition in the organization.
- ❖ Help identify employees for the purpose of motivating, training and developing them.
- ❖ Generate significant relevant, free and valid information about employees.

2.3 Purposes of Performance Appraisal

There are two over all purposes of performance appraisal (Megginson 1981, 311).

1st they can used for making administrative decisions

2nd they can be used for employee career planning and development.

Appraisal can also serve the secondary purpose of motivating employees.

2.3.1 Administrative purpose

Administrative uses of performance appraisal, includes decision on compensation, promotion, dismissal, downsize and layoffs of employees.

A performance appraisal system is often the link between the reward employees hope to receive and their productivity. The linkage can be thought of as follows:

Productivity → performance appraisal → rewards

(Mathis and Jackson 1997:344)

This approach to compensation is at the heart that raises should be given for merit (performance) rather than for seniority (comparison of performance level among individuals)

2.3.2 Development purpose

Performance appraisal can be primary source of information and feedback for employees which are a key for their future development.

When supervisor identify the weaknesses, potential and training need of employees through performance appraisal feedback, they can inform employees about their progress, discussion about what skills they need to develop and work out development plan.

2.3.3 Motivation purpose

The mere process of using a valid objective appraisal system should have a motivational effect on employees. It should foster initiative, develop a sense of responsibility, and includes the employees' effort toward achieving personal and organizational goals. Performance appraisal also gives employees' a better understanding of job responsibility, relationship with co-worker, and the work expected to them and their training needs (Meggison,1981,313).

2.4 Methods of performance appraisal

A number of performance appraisal methods are available. In fact, each organization has its own. However, a close analysis of their appraisal forms reveal that they represent variation of one or the other of following method of performance appraisal (Monappa,1999:209)

1. Graphic rating scale: - this method assesses the degree of certain qualities for the job such as industriousness, reliability and dependability. The degree is usually measured on scale which can vary from 3 points (good, average and poor) to

several points. This appraisal form defines not only traits and characteristics, but also scales position. The rating methods may permit two employees to have the same total rating, though on specific trait might get different ratings. One way to deal with such problems is to assign weight to various characteristics, according to their importance to the organization (Monappa 1999, 211-212)

2. Essay method: - in essay method the appraiser writes a free form of essay describing subordinate's performance in a manner of broad category. According to Wendell French, 1988:342 some categories that can be including in these forms are:

- Overall appraiser writes a free form essay describing the subordinate's performance,
- The employees promotion,
- Jobs the employee can currently perform,
- The employees limitation and strength and
- Additional training needs

Sometime essay method supplements other appraisal methods rather than substituting for them. Because of the method's open-endedness. It is difficult to compare essay appraisal made by different supervisors. The methods also dependent on the writing skill of the supervisors and is a time consuming procedure.

3. Management by objective/MBO: - is a system that features an agreement by a superior and subordinate on the subordinate's objective for particular period and periodic review of how well the subordinate activated those objectives (Graham, 1978,162).

According to Graham 1987,162 the process of management by objective are as follow:

- ❖ The supervisor and the subordinate mutually agree on the primary elements of the subordinate's jobs.
- ❖ The supervisor and subordinate mutually agree on subordinate specific objective for the specific period.
- ❖ The subordinate establishes a plan of action necessary to meet each objective.
- ❖ During the specific period the subordinate periodically reviews progress towards objectives. Progress checks may indicate the need to change action plans or modify objectives.

❖ At the end of the specific period the subordinate's performance on the objectives According to Graham:(1978), 164-167) advantages and disadvantages of management by objective/MBO are as follow:

Advantage of Management by objective/ MBO

- Increases in general efficiency because employees are clear about their objectives
- Improve motivation because employee will try harder to achieve objectives they have shared in setting that objectives which have been imposed on them.
- An improvement in the quality of work as the result of problem solving review of performance. Better identification of training needs as result of performance review.
- The result of training is easier to assess because its objective is to bring performance up to know standards.
- Subordinates are no larger appraised on the basis of subjectively judged personal characteristics but on their performance against clearly stated objectives.

Disadvantage of Management by Objective/MBO

Although management by objective/MBO has been very successful in some companies, often being credited with a great increase in their profitability, experience has shown that the system has disadvantages which in many cases seem insuperable.

- Management by objective /MBO often encourages concentration on the short term at the expense of the long term.
- It is often difficult to set new objectives each year. The objective then becomes to maintain present standards.
- The system is complicated, difficult and lengthy.
- Too much emphasis on measurable quantitative objective can lead to neglect of other important responsibilities.
- The evaluation is based on goal attainment; subordinates may be inclined to set low goals as to ensure their attainment.

4. Forced-Choice Rating Method: - this method contains a series of statements, and the rater checks how effectively the statement describes each individual being evaluated. Of course, each statement carries a weight or score which is not indicated to the rater.

Following steps are followed while developing the methods:

- Description of person on the two extremes of performance scale is obtained.
- These are analyzed in to simple behavior qualities and presented whether as a statement or as a trait names.
- The discrimination value (index of validity) and preference value (index of the degree to which the quality is valued) are empirically established.
- High and low preference values are paired to form an item.
- Instruction to rater is prepared, asking the rater to choose (check) one “best fit” and one “least appropriate” for the employee.
- To validate the technique, pre-testing is done on a sample for which an outside criterion is available. Discriminating responses are determined and weights assigned.
- Based on 6, a scoring key is prepared.

This method attempts to make performance appraisal more objective. The evaluator does not know the score values of the statement. It also prevents the rater from deliberately checking only the most favorable traits or statements for those employees whom he/she wishes to favor. By the same token, he/she may find it difficult to check the most appropriate statement or traits, because he/she is not aware of the weightage (Monappa 1999, 214-215).

Counseling easier since he knows his subordinates' weaknesses (Graham 1978, 168)

5. Critical Incident Technique: - it involves three steps:

A test of note worthy (good or bad) on the job behavior, usually of specific instances, is first prepared. A group of experts then assign scale values to them, depending up on the degree of desirability for the job. The third step is constructing a checklist that includes incidents which define “good” and “bad” workers. This method helps to identify key areas in which employees are weak or strong. Finally, the supervisor finds

6. Checklist and Weighted Checklist:- in its simplest form, the checklist is a set of objectives or descriptive statements. If the rater believes that the employee possesses a trait listed, the rater checks the item; if not, the rater leaves it blank.

A variation of the checklist is the weighted checklist. Supervisors of human resource management specialist familiar with the jobs to be evaluated prepare a large list of descriptive statements about effective and ineffective behavior on jobs, similar to the critical incident process. Judges who have observed behavior on the job sort the statements into piles describing behavior that is scaled from excellent to poor. When there is agreement on an item, it is included in the weighted checklist. The weight is the average score of the rater prior to use of the checklist.

The supervisor or other rater receives the checklist without the scores and checks the items that apply, as with an un-weighted checklist. The employee's evaluation is the sum of the scores (weight) on the items checked (Ivancevich and Gluek, 1989, 350).

2.5 Performance Appraisal Process

There are about 7-8 steps in the performance appraisal process, these are as follows

- **Establishing performance standard:** performance standards are established based on job description and specification. Realistic, measurable and clearly understood performance standards benefit both the organization and employees.
- **Communicating standards to employees:** inform these standards to all the employees including appraiser. Hold a pre-appraisal meeting with the employees to conduct a final check on standards and to discuss the employee's input and the appraisal.
- **Evaluating employee's performance:** as per the evaluation method used in the organization and instructions given for appraisal, evaluate actual performance of employees through observation, interview, records and reports.

Complete an appraisal form. Include the following on the form:

- a. The employee's accomplishments, including the degree of success achieved compare with the objectives in the performance plan. Be objective and specific.

- b. Additional accomplishments that were not part of the plan and their effect on overall performance.
 - c. Comments on the result of development activities.
- **Evaluating factors affecting performance:** - finding out the influence of various internal and external factors that may have an effect on performance. Such factors may include inadequate work facilitated, equipments, restrictive policies, lack of cooperation from others, type of supervision, working condition etc...
 - **Comparing of actual performance with set standards:** - comparing actual performance with standards set and finding out if there is any deviation. Review each performance standard and discuss the appraisal of the degree of success achieved. Be sure to solicit the employee's perspective of his/her performance. Review one standard at a time.
 - **Discussing the appraisal with the employees:** - discuss your conclusion about the employee's overall performance. Your conclusion and overall evaluation of performance and based on the degree of achievement of the standards described in the performance plan. This is a very challenging step in the appraisal process as it involves presenting accurate appraisal to the employee and has the person accept the appraisal in a constructive manner.
 - **Initiating necessary corrective actions:** after completing discussion of performance objective, turn to the development plan and review them one by one in a similar fashion. They include the knowledge, skills or ability to be developed that has been identified at the beginning of the review cycle on the development plan. This includes guiding, counseling, coaching and directing the employees or making arrangements for training and development of the employees.
 - **Be sure you have communicated your review clearly:-** give the employee an opportunity to discuss and ask questions about the content of the appraisal, to record any comments, including disagreements, on the appraisal form.

2.6 Who Should Evaluate The Employee?

According to Incancevich and Glueck (1989, 339-340) the following can evaluate the employees:-

- **Rating by a committee of several superior:** the supervisor chosen are those most likely to come in contact with the employee. It has an advantage of setting bias on the part one superior alone and adding additional information to the evaluation.
- **Rating by employee's peers (co-workers):-** the co-workers must know the level of performance of the employee being evaluated. For this system to work, it is profitable for the evaluating peers to trust one another and not be competitive for raise and promotions.
- **Rating by employee's subordinate:** - it is used more for the developmental aspects of performance evaluation. Example students evaluate faculty.
- **Rating by some one side the immediate work situation:-** known as the field technique, this method used a specialized appraiser from outside the job setting, such as a personnel specialist, to rate the employees. This approach is often costly, so it generally used only for exceptionally important jobs. It might be used for the entire work force of accusations of prejudice must be countered.
- **Self evaluation:-** in this case the employee evaluates herself in himself with the techniques used by other evaluators. This approach seems to be used more often for the developmental (as opposed to evaluated) aspects of performance evaluation. It is also used to evaluate an employee who works in physical isolation.

2.7 Potential Performance Appraisal Problems

According to Invancevich and Glueck (1989), 346-348 potential performance appraisal problems are as follows:

- **Opposition to evaluation:** - introducing subjective bias and favoritism are real problems that create opposition to most performance reevaluation system.
- **System design and operation problems:** - the design can be blamed if the criteria for evaluation are poor, or the technique used is cumbersome. If the criteria used focus solely on activities, rather than output results, the evaluation may not well-received. Performance appraisal system has to be so good that they can not disregard.

- **Rated problems:** - even if the system is well designed, problems can arise if the raters (usually supervisors) are not cooperative and well trained. Inadequate training of raters can lead to a series of problems in completing performance evaluations including:
- **Standard of evaluation:** - problems with evaluation standards arise because of perceptual differences in the meaning of the words used to evaluate employees. Thus good, adequate, satisfactory, and excellent may mean different things to different evaluators perhaps defining the meaning of each dimension and training raters could reduce this potential rating problem.
- **The halo effect:** - is one of the major problems in most performance appraisal systems. It occurs when a rater assigns ratings on the basis of an overall impression (positive or negative) of the person being rated (rate) eliminating halo rating is difficult. One procedure to reduce this type of error is to have the rater evaluate all subordinates on one dimension before proceeding to another dimension. The theory of this practice is that thinking in terms of one dimension at a time forces the rater to think in specific instead of overall terms when evaluating subordinates.
- **Leniency of harshness error:** - performance evaluations require the rater to be objective is difficult for everyone. Rates have their own rose colored glasses with which they “objectively” view subordinates. What some raters see is everything good these are lenient raters. Other raters see everything bad these are harsh raters. Raters can assess their own harsh and lenient rating tendencies by examining ratings. This self assessment is sometimes starting. Another method used to reduce harsh and lenient rating tendencies is to ask rater to distribute ratings.
- **Central tendency error:** - many raters avoid using high or low ratings. They resort to a philosophy that every one is about average. This type of “average” rating is almost useless. It fails to discriminate between subordinates. Rater must be made aware of the importance of discriminating across rates and use of evaluation.
- **Recency of events error**’- one difficulty with many of the evaluation systems is the time frame of the behavior being evaluated. Raters forget more about past

behavior than current behavior. It can be mitigated by using technique such as critical incident or management by objective/MBO or by irregular scheduled evaluations.

- **Personal bias error:**-if raters like certain employees better than others, this can influence the rating they give. This problem is related to the effects of prejudice against group of people. There is also personal bias error when a rater given a higher rating because the rate has qualities of characteristics similar to him/ her. Like wise giving a rate a rating lower than he/ she deserved because the person has qualities or characteristics dissimilar to the rate is form of personal bias error. Some evaluation techniques (e.g. forced choice, field review, performance test and management by objective/ MBO) tend to reduce this problem. Another approach used to reducing rater problems involves training.

2.8 The Appraisal Feedback Interview

Once appraisal have been made, it is important to communicate them so that employees have a clear understanding of how they stand in the eyes of their immediate superior and the organization. The appraisal feedback interview can clear up misunderstanding on both sides. It also presents both an opportunity and a danger. It is an emotional experience for the manager and the employee because the manger must communicate both praise and constructive criticism. A major concern for managers is how to emphasize the positive aspects of the employee's performance while still discussing way to make needed improvement. If the interview is handled poorly, the employee may feel resentment, and conflict may result, which could be reflected in the future work (Mathis and Jackson, 1997, 361

CHAPTER THREE

Data Presentation, Analysis and Interpretation

3.1 Organizational Background/Profile

3.1.1 Establishment of the Organization

Electric power was introduced to Ethiopia in the late 19th century, during the Regime of Minilik. The first generator was given to Minilik around the year 1898 to light the palace.

After the Italians were driven out from Ethiopia in the year 1941, an organization called Enemy property Administration was established and took over along with other activities the generation and distribution of power to the public.

In the year 1948, an organization that had been vested with the power to administer the enemy property was evolved to an organization called Shewa Electric Power. The new organization Shewa also with limited capacity, managed to increase the power supply not only in Shewa but also in also other administrative regions. In light of its function, its name was changed to “Ethiopian Electric Light and Power” in the year 1955. Soon after its establishment, the supervision and management of the organization was vested in the Board of directors appointed by the government.

After eight months of its establishment, the Ethiopian electric light and power was transformed to the Ethiopian electric Light and power Authority/EELPA” (charter of the Ethiopia electric light and power). The newly established authority was conferred with the powers and duties of the previous Ethiopian Electric light and power.

In light of the socio-economy development of the country, the authority continued to increase the scope of its operation in order to accommodate new changes. After being in operation for about 50 years in this manner, major changes in the objective and structural set up of the organization took place relative to the changes in the socio-economic condition of the country. In this regard, one of the major changes in the economic sector

was the transformation of the centralized command economy to the free market driven economy in the year 1987.

In order to accommodate the new changes in the environment, EELPA was transformed to the Ethiopian Electric Power Corporation/ EEPCO by reorganizing its functions based on the principles of commercialization and decentralization.

3.1.2 Purpose of EEPCO

The purpose of the corporation is to engage in the business of producing, transmitting, distributing and selling electrical energy (in accordance with economic and social development policies and priorities of the government) and to carry on any other related activities that would enable it to achieve its purpose.

3.1.3 Vision and Mission of EEPCO

VISION: - To be a center of excellence in providing quality electric service at every one's door and being competitive export industry.

MISSION:- To provide adequate and quality electricity generation, transmission, distribution, and sales services, through continuous improvement of utility management practices responsive to the socio-economic development and environmental protection need of the public.

3.2 Data Analysis, presentation, and Interpretation

In this section of the study data collected from EEPCO (head office) through questionnaires and interview are analyzed and interpreted.

From 30 questionnaires distributed to employees of the EEPCO at head office, which are located in Addis Ababa, 24 (84%) questionnaires filled and returned. Accordingly, the analysis and findings of the paper are based on the number of the respondents of the questionnaires and interview conducted with the human resource manager.

Tables-1 Characteristic of respondents

No	Item	No of respondents	Percentages
1	Sex		
	Male	14	58.33%
	Female	10	41.67%
	Total	24	100%
2	Age		
	18-30	4	16.67%
	31-40	10	41.67%
	41-50	8	33.33%
	>50	2	8.33%
	Total	24	100%
3	Qualification		
	MA/MSC degree	-	-
	BA/BSC degree	8	33.33%
	Diploma	12	50%
	Certificate	4	16.67%
	High school complete	-	
	Total	24	100%
4	Year of Service		
	≤ 5	12	50%
	6-10	6	25%
	11-20	4	16.67%
	>20	2	8.33%
	Total	24	100%

As shown in the item No 1 of the above table 14 (58.33%) of the respondents are male whereas 10(41.67%) of the respondents are female. This indicates that the majority of the respondents are male. And majority at age 31-40 which is about 41, 67%

Item No 3 of the same table above shows the qualification of the respondents, out of the 24 employees the half of group reported being diploma holders 12(50%). The second largest group 8(33.33%) is BA/BSC degree holders. The rest 4 (16.67%) of respondents said that they are certificate holders. This table clarify that the majority of employees in EEPCO (head office) are diploma and degree holders. This indicates that the employees are in a position to easily communicate and understand about polices, rules, procedures, methods of the performance appraisal in the corporation.

Item No 4 of the table is regarding work experience of the employees in the corporation. As we can see from the table the half of the employees i.e 12(50%) responded that they have worked in the corporation for 5 and less years. The remaining groups 6(25%) said they have worked from 6-10 years, 4 (16.67%) have worked from 11-20 years and the rest 2(8.33%) have served the corporation above 20 years. The student researcher can understand from this data that even if the corporation has more than 50 years since it came to exist the most of respondents have worked in the corporation for five or less years.

Table-2 Responses given by the employees regarding to the purpose of the current performance appraisal practice in the corporation:

What is purpose of current performance Appraisal in the corporation?			
No	Item	No of respondents	Percentages
	For incentives and salary decisions	10	33.33
	To identify training and development needs	3	10
	To motivate employees to their job	6	25
	To monitor employees	5	16.67
	Other	-----	-----
	Total	24	100

As shown in the table above the majority of employees 10(33.33%) responded that the primary purpose of performance appraisal practice in the corporation is for the incentive and salary decision. The second largest group 6 (25%) said that to monitor employees.

and to identify employees training and development needs respectively. From this, student researcher can understand that the main purpose of performance appraisal in the EEPCO is for incentive and salary decision. On the other hand, performance appraisal practice plays a minimum role in identifying employees training and development needs.

The implication of the above table is that even if in theoretical aspect the purpose of performance appraisal is for administrative, developmental and motivational. The objective of performance appraisal in the corporation is to facilitate decision-making process in personal administration issues, especially in matters of salary increment, employee transfer or promotion.

Table-3 Values attached by employees regarding how they are evaluated in the corporation

How the Performance Appraisal practices occurs in the corporation			
N_o	Item	N_o of respondents	Percentages
	Through appraisal form	8	30.77
	Through appraisal writing report	2	7.69
	Through appraisal discipline report	-	-
	Through continuous recording of observation	14	58.33
	Total	24	100

The table above indicates that the majority of respondents 14 (58.33%) responded that they have been appraised through continuous recording of observation. The second large group 8(30.77%) said that they have been appraised through appraisal form. The rest 2(7.69%) of respondents said that appraisal have been conducted through appraisal writing report. As the student researcher can understand from the table the corporation never used appraiser discipline report to appraise the employees.

According to data obtained from interview, the head of human resource administration said that the corporation uses continuous recording of observation to conduct informal

appraisal and appraisal form for the formal (systematic) appraisal, which are conducted semiannually in the corporation.

Generally the student researcher can understand that employees in the corporation are evaluated by their immediate boss through continuous recording of observation of activities done by rates.

Table-4 Contribution of Performance Appraisal to the organization

Do you think that performance appraisal system in the corporation is important to the attainment of organizational objectives		
Alternatives	No of respondents	Percentage
Yes	16	66.67
No	8	33.33
Total	24	100

In the above table the majority of respondents 16(66.67%) said that performance appraisal system in the corporation is important to the achievement of the organizational objectives. Whereas, 8(33.33%) of the respondents said that the system is not important for the achievement of the corporation objectives.

Those said “No” stated the following reasons:

- The system is not related to the organizational objectives
- Appraisal is not conducted effectively.
- It is not justifiable, reasonable, equally and accurately treating way of measurements.

From the above table the student researcher can understand that the performance appraisal system much related to the corporation objectives and it contributes to the attainment of the organizational objective. This is confirmed by 67% of the respondents.

Table – 5 Responses Regarding Relevance of Appraisal system to the employees

N_o	Item	N_o of respondents	Percentages
1	The extent of relevance of performance appraisal system for employees		
	A. Very relevant	4	16.67
	B. relevant	6	25
	C. Less relevant	12	50
	D. Not relevant at all	2	8.33
	Total	24	100
2	Whether it has so far reasonable and fair basis for promotion, increment and training needs		
	A. Yes	7	29.17
	B. No	17	70.83
	Total	24	100

Item N_o 1 of the table above shows the extent of importance of the performance appraisal system in the corporation. Half of the respondents i.e 12(50%) said that the appraisal system is less relevant for the employees. The rest 4(16.67%) and 2(8.33%) said that very relevant and not relevant at all respectively. The implication of this is that appraisal system in the corporation has minimum relevance for the employees, which leads to low consideration of employees toward appraisal results. In addition, this has a negative impact on the organizational objectives.

Item N_o 2 of the table shows that the majority of respondents 17(70.83%) said that the appraisal system has never been reasonable and fair basis for promotion, increment and training needs of the employees whereas the rest 7(29.17%) said that it has reasonable and fair basis for promotion, increment and training needs. From this the student researcher understand that the corporation could not give training for those less performers and no promotion for high performers which must be improved in the corporation.

Table – 6 Responses regarding the standards

No	Items	No of respondents	Percentages
1	Whether the evaluation standards communicated to employees.		
	A. Yes	10	41.67
	B. Partially yes	8	33.33
	C. No	6	25
	Total	24	100
2	The extent of relation to the current job and measures of performance.		
	A. Yes, perfectly related and measures	4	16.67
	B. Partially related and partially measures	14	58.33
	C. Not related and not measures.	6	25
	Total	24	100
3	Whether the evaluation standards are fair and free from any personal bias.		
	A. Yes	8	33.33
	B. No	12	50
	C. I am not sure	4	16.67
	Total	24	100
4	The extent that standards are clearly and briefly stated.		
	A. Very good	2	8.33
	B. Good	4	16.67
	C. poor	6	25
	D. Not good at all	12	50
	Total	24	100
5	Whether the standards are capable of drawing distinction between employees.		
	A. Yes	10	41.67
	B. No	14	58.33
	Total	24	100

In item N₀ 1 of table above respondents were asked whether employees have been communicated about the evaluation standards. The majority of the respondents 10 (41.67%) said that they have been clarified about the evaluation standard before they were evaluated. The second largest group 8(33.33%) said partially yes they have been clarified about the evaluation standards before they were evaluated as the need arise. The rest 6(25%) replied “No”. the majority of the respondents agree with the idea that they are informed about the standard before the evaluation. This has a positive implication, as it is expressed in literature; standards have to be communicated to the employees before the evaluation takes place.

Item N₀ 2 of the same table above shows whether the standards are related to the job and measures the performance of employees. Majority of the respondents 14(58.33%) replied that it is partially related and partially measures their performance. 6(25%) of respondents said that it is not related to their jobs and does not measures their performances. The remaining 4(16.67) stated that it is perfectly related and measures their performance. The implication is that relationship between criteria of evaluation and job description is not that much related. But as it is stated in the literature, there should have been clear relationship between performance standard and job.

It item N₀ 3 of the table above, half of the respondents 12(50%) said that it is not free from bias. Whereas 8(33.33%) said it is definitely free from bias. The rest 4(16.67%) said that they are not sure whether free from bias or not. According to the information from the old system was much suitable for personal bias problems, while the new system BPR which is not still implemented in the corporation is hoped to reduce the bias, because it leads to objectivity.

Item N₀ 4 of the table reveals whether the standards are clearly and briefly stated. Most of the respondents 12(50%) replied that the criteria are vague and ambiguous. 6(25%) indicates that the criteria are fair. 4(16.67%) and 2(8.33%) said the criteria good and very

good respectively. This shows the weakness of the appraisal communication in providing relevant information.

Concerning the capability of drawing distinction between employees, as shown in the last item the majority 14(58.35%) of respondents stated that it is incapable of generating a balanced judgments, or drawing distinction between high performer and low performer. The remaining 10(41.67%) of respondents agree with the idea that it is capable of making balanced judgments. As the student researcher can understand from this training was not given to those who are not able to perform their job well and the corporation did not attempt to find out a means that encourage employees those score outstanding performance.

Table – 7 Responses regarding who appraises employees

No	Item	No. of respondents	Percentages
1	Who appraises your performance?		
	A. Immediate boss	20	83.33
	B. Co-worker	2	8.33
	C. Team evaluation	2	8.33
	D. Out sources	-	-
	Total	24	100

The above table shows who appraise the employees in the corporation. The majority of employees 20(83.33%) said that they have been evaluated by their immediate boss. 2(8.33%) said they have been evaluated by co worker. The rest 2(8.33) responded that they have been evaluated by team evaluation. From this, the student researcher can understand that the corporation uses immediate boss to evaluate the employees. Outsourcing or evaluator out side the corporation is not used at all in the corporation. The information obtained through interview with human resource administrator, indicates the same thing, even the board of director have been evaluated by evaluator form the ministry of mining and energy, for which the corporation is responsible.

The implication of this is that an immediate boss rates almost all employees, which is a normal practice in many organizations to evaluate employee in the down ward hierarchy.

Table – 8 Communicating to Employees

N_o	Item	N_o of respondents	Percentages
1	Are you informed about the objective of the evaluation?		
	A. Yes	8	33.33
	B. No	16	66.67
	Total	24	100
2	Whether the rater and rate hold post appraisal meeting to discuss the appraisal result		
	A. Yes	12	50
	B. No	12	50
	Total	24	100

Item No 1 of the above table shows whether the employees are informed about the objectives of the appraisal. The majority of the respondents 16(66.67%) said that the objectives of appraisal have never even explained to them. Whereas the rest 8(33.33%) of respondents responded that the objective of the appraisal have been communicated to them. As stated in the literature review it has a negative implication when employees have little understanding about the reason why the appraisal is undertaken. This makes employees to focus only on the negative effect of appraisal and to develop a bad attitude toward it. Therefore, the objective should be communicated to the rate in advance.

Item N_o 2 of the table shows that half of the respondents 12(50%) said that post appraisal meeting have been conducted with their rater (appraiser) to discuss about their result. Whereas the remaining 12(50%) said post appraisal meeting have not been conducted with their appraiser to discuss their result. This compunction helps the appraise to have a

clear understanding of how they stand in the eyes of their immediate boss and the organization.

Form those replied yes half of them (50%) said that while they were on the post appraisal meeting the appraisers focused on their weakness rather than discussing both the weakness and strength. As we have seen from the literature, a half concern of the appraiser in the meeting should emphasize on the positive aspects of the employee’s performance while still discussing way to make needed improvement.

Table – 9 Responses regarding competence of the appraisers

No	Item	No of respondents	Percentages
1	Whether they have trust and confidence on appraisers		
	A. Yes	6	25
	B. No	18	75
	Total	24	100

As indicated in the table above, the respondents were asked whether they have trust and confidence on their appraisers. Most of the respondents 18(75%) said “No”, they could not trust their appraiser. The rest 6(25%) said they have trust and confidence on their appraiser. Those said “No” listed the following reasons:

- Appraisers lack the required skill and knowledge
- Appraisers tend to maintain bias and favoritism

The implication is tat employees have no trust and confidence in the result of the appraisal. In addition to this, appraisers’ bias and lack of required skill are some of the problems that reduce worthiness of the evaluation, which must given more emphasis by the corporation.

Table – 10 Responses regarding how often they have been appraised

N_o	Item	N_o of respondents	Percentages
1	How frequent were you appraised per year?		
	A. Quarterly	2	8.33
	B. Semiannually	14	58.33
	C. Annually	-	-
	D. Not at all	8	33.33
	Total	24	100

The above table shows that the majority of respondents 14(58.53%) responded that they have been appraised semi annually. The second largest group 8(33.33%) responded that the have not been appraised at all. The rest 2(8.53%) said that they have been appraised at all. The rest 2(8.53%) said that they have been appraised quarterly. From this, the student researcher understand that there is a weak performance management in the corporation, which focuses on some employees while others are not evaluated at all. One employee said he has worked for the corporation for the last 3 years but his supervisor did not appraise him. This implies that the management does not take the employees performance appraisal seriously.

Up to now, answers from questionnaires and some related interview were presented in the form of table and interpretation. Following this, the rest of answers from interview will be presented. Human resource administrator was asked about the method of performance appraisal used in the corporation. He responded that the corporation uses Graphic rating scale appraisal to apprise the employees by their immediate boss. The objective of performance appraisal is set based on the traditional approach in which performance appraisal of employees is meant to facilitate issues of promotion, transfer, decision making and salary increment. However, in near future the corporation is on the way to

change this traditional graphic rating scale method to BPR (business process reengineering) appraisal system.

Regarding the corporation effort in giving feedback and improve the performance of least performing employees. He responded there is no system developed to collect any information from the employees/subordinates. In addition, the system plays a minimum role in identifying the employees training and development needs.

He also asked about the situation when employees evaluate each other in the corporation. He responded their immediate boss in the corporation evaluates the employees.

Regarding the measurement criteria developed by the corporation he stated the criteria are more general and do not related to the specific job description. Moreover, greater emphasis is given to the subjective factors i.e. the behavioral aspects of the employee rather than the objective factors like previously defined performance standards.

Concerning the kind problems faced by the evaluation systems, he responded as there are many problems such as, high level of subjectivity, lack of consideration of different behaviors of the job, lack of communication of objective of appraisal and some sort of recording problems are observed. Detailed recording pertaining periodic performance is not kept. He also said that the standards are established without involving other parts of the organization by the immediate boss only.

Human resource administrator also asked to mention some of the solution for the above listed problems.

He said there has to be transparency and coordination between different parts of the organization. He also stated being objective, implementing pre-established standards of evaluation correctly would help much to reduce subjectivity and negative attitude of employees on appraisal system. In addition, he mentioned peer review of results, discussion of problems faced on the job and presenting disagreements and suggestions, participation of employees in the system will help to increase the reliability of the system.

Consideration of external and internal factors that affect the job flexibility of the evaluation system and considering the job's specific behaviors, complexity and scope of the job are also some of the solution suggested by the human resource administrator.

Generally, from what has been perceived from the analysis actual practice deviate from what is stated in the literature of related review.

CHAPTER FOUR

Summary, Conclusion and Recommendations

4.1 Summary

The following major findings were obtained in the study:

- ❖ The objective of performance appraisal in the corporation is set based on the traditional approach in which performance appraisal of employees is to facilitate issues of promotion, transfer and salary increment. This confirmed by 70.83 % of respondents.
- ❖ The appraisal standards in the corporation are not related to employee's job and less capable of drawing distinction between employees. This is because the standards are more general and do not relate to the specific job.
- ❖ Majority of respondents (75%) indicated that the evaluation standards are not free from any personal biases and they have no trust on their appraiser. Appraiser tends to maintain bias and favoritism. In addition, they lack required skill and knowledge about how to conduct performance evaluation.
- ❖ The appraisal standards are not clearly and briefly stated.
- ❖ Most of employees (83.33%) indicated that their immediate bosses have evaluated them. This is a normal practice in many organizations to evaluate the employees in the down ward hierarchy.
- ❖ Majority of respondents (66.67%) indicated that the objective of appraisal have never been explained to them.
- ❖ The employees are not participant of appraisal system.
- ❖ The corporation uses graphic rating scale to appraise the employees.

There is defective recording in the corporation. Supervisors do not keep sufficient recording of performance of their subordinates. They also do not make periodic supervision of their subordinates' performance.

Although, the corporation has fixed time schedule (at the end of each six months) for holding regular performance appraisal activity, the practice has been to do so only when

the need arises at the request of the human resource manager. Still some employees are not appraised at all.

There is no feed back system developed by the corporation to collect any information from the subordinates. In addition, appraisers focus on the weaknesses rather than discussing both weakness and strength of employees while they are on the post appraisal meeting. This confirmed by 50% of respondents.

There is lack of coordination among different departments in order to prevent extreme ratings.

4.2 Conclusion

Based on above findings the following conclusion is drawn and certain recommendations made, which may help in providing the employees performance appraisal practice in the EEPCO. Efforts have been made so that this conclusion may set abroad guideline in all features and attempts to revise the appraisal system in the corporation.

At the theoretical level, performance appraisal is used for administrative, developmental and motivational purposes. But the evaluation actually being performed in the corporation provides information for facilitating decision making process in personal administration issues, especially in matters of salary increment, employee transfer or promotion purposes. The system is not intended to contribute to the personal advancement of employees or to facilitate human resource planning. The system is not also geared towards providing work incentive or in providing inspiration of well performing appraisal.

Employees have little understanding about the appraisal system because of lack of effective pre and post appraisal communication in the corporation and lack of employees' participation in the process of appraisal. This also makes the relationship between rater and ratee like boss and servant. Because of these employees have no trust and confidence in the accuracy of the appraisal result and they developed negative attitude toward raters (appraisers).

The criteria of evaluation developed by the corporation are more general and do not related to the specific job description. Moreover, greater emphasis is given to subjective factor i.e. the behavioral aspects of the employees rather than the objective factors. This makes the corporation incapable while differentiating the strong performer from the low performer.

In the corporation, the system of record keeping of appraisal results is so defective. Moreover, the absence of regular forum for holding frank discussion on the system between appraiser and appraise, and lack of effective feedback system in the corporation has reduced the effectiveness of the system.

Even though, the corporation has fixed time schedule (at the end of each six months) for holding regular performance appraisal, the corporation does not give a proper attention to the performance appraisal, which is one of the key element to attain the organizational objective. Also the appraisal is undertaken by the immediate bosses. This means that the total responsibility of appraisal rely only on these supervisors. There is no peers, subordinates and self evaluation. Group appraisal is not well practiced in the corporation. In addition, major observed problem in the corporation is lack of coordination and transparency. One department does not even know what the standards of evaluation of the other department. This result in giving different performance grade i.e. one that is rated high performer in one department may be considered low performer in other department.

4.3 Recommendations

Generally, in order to make the performance appraisal practice in EEPCO more objective, useful and productive the corporation must consider the following recommendations:

First, the corporation must change the evaluation system, which measure character trait of employees to the result oriented. Because the result oriented appraisal system would enable the organization to attain its objectives.

Appraisal criteria in the corporation should be job specific rather than general. The corporation should develop standards for each job type at every level of the organization through detailed job analysis.

The appraisal process in the corporation must facilitate the participation of employees in appraisal system. Self-appraisal, subordinate appraisal and group appraisal methods have to be incorporated in to the system to obtain objective results.

The corporation must evaluate employees through appraisal form which is more objective.

Corporation must develop directives that explain the objectives, purposes and other issues like the right of the appraiser and appraisee and give better explanation on them.

In order to make accurate performance rating, supervisors should periodically record pertaining strong and weak performance of employees. This periodic recording is ought to be considered for accurate Performance appraisal to be conducted at the end of each six month.

The corporation must create suitable condition for open discussion between employees and appraisers, transparency and feed back to appraisees on any aspects of performance. Appraiser in the meeting should emphasize on the positive aspects of the employee's performance while still discussing way to make needed improvement.

There must be an information exchange and coordination among different departments in order to minimize extreme negative and extreme positive rating.

The corporation must encourage employees those score out standing performance through financial and non-financial rewards, while providing training for those who are not able to perform their job well. The corporation must provide the training for the appraisers to make the result more objective.

The corporation must appraise all employees in the organization regularly and must take the employees performance appraisal seriously.

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Appendix

St. Mary's University College
Faculty of Business
Department of Management
Questionnaires

To be Filled by Employees of EEPCo

Dear respondents, the purpose of this questionnaire is to collect necessary information regarding performance appraisal practice in EEPCo for the partial fulfillment of Bachelor Degree in Management. Believing that the supply of your frank and honest answers will greatly contribute to the success of the research, I extend my deepest thanks for your kind co-operation in filling this questionnaire.

Thank you.

N.B - No need to write your name

-Tick (✓) as many as you think appropriate and write on blank space as needed

Sex: Male Female

Age: 18-30 31-40 41-50 above 50

Qualification: MA/MSc degree and above BA/BSc degree

Diploma

Certificate High School complete

Year of duration: _____

1-5Years 6-10 Years

11-20 Years 20-above Years

1. As you see in practice, what is the primary purpose of the current performance appraisal system in the corporation?

Incentive and salary decision

To identify employees training and development needs

- To motivate employees to their job
- To monitor the employees

Other (if any) _____

2. How are the employee evaluated in the Corporation?

- Through appraisal form
- Through appraiser writing report
- Through appraiser discipline report
- Through continuous recording of observation

Other (if any) _____

3. Do you think that performance appraisal system in the Corporation is important to attainment of organization objective?

- Yes No

If you say "No" for item No "3" what is the reason?

4. Do you think performance appraisal in the Corporation is relevant for the employees?

- Very relevant Less relevant
 relevant Not relevant at all

5. Does performance appraisal used for salary increment, promotion and training need in your organization?

- Yes No

6. Are performance appraisal standards communicated to employees before the evaluation?

Yes, always communicated to employees

- Partially yes, as need arise
 No, not communicated at all

7. Is the criterion of performance appraisal in the corporation related with your work and really measures your performance?

Yes, it is perfectly related and measures my performance

Partially related to my work and partially measures my performance

No, it is not related to my job & does not measure my performance

8. Do you believe the evaluation standards are fair and free from any personal bias?

Yes No I don't know

9. How did you see the criteria of performance appraisal method in the corporation?

Very good good fair not good at all

10. Do you think high performer is distinguished from low performer?

Yes No

11. Who appraises your performance?

Immediate boss

Co-worker

Team evaluation

Outsourcing by evaluator outside corporation

Other (if any) _____

12. Before the evaluation takes place, are you informed about the objective of the performance appraisal?

Yes No I don't know

13. Do appraiser and employee hold post appraisal meetings to discuss employee appraisal result?

Yes No

14. Do you have trust and confidence in your appraiser?

Yes No I am not sure

15. How frequent were you appraised per year?

Quarterly Annually
Semiannually Not at all

16. If your answer to above question is "yes" when do post appraisal

meeting takes place?

- Immediately after appraisal
- After many days or weeks of appraisal
- Whenever employees request from them
- When the appraiser feels it is appropriate

17. Post appraisal discussion often focuses on.

- Performance weakness of the employee
- Performance strength of the employee
- Both strength and weakness of employee

18. If your answer for item no 17 is "No" what is the reason?

- They lack the required skill and knowledge
- They are not willing to appraise
- They do not see the value of the appraisal
- They tend to maintain bias and favoritism
- All of the above are the reasons

19. Does the manager reward higher performers?

- Yes No

20. If you have any other suggestion or comments about the performance appraisal in the corporation please write:

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DECLARATION

X X

I, the undersigned, declare that this senior essay (project is my original work prepared under the guidance of Ato Biruk G/ Michael .All sources of materials used in the manuscript have duly acknowledged.

Name Harun Oumar

Signature_____

Place of submission St. Mary's university college department of management

Date of submission 22/6/2010

SUBMISSIONI APPROVAL SHEET

X X

This senior research paper has been submitted to the department of management in partial fulfillment for the requirement of BA Degree in management with my approval as an advisor.

Name;- _____

Signature;- _____

Date ;- _____