



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

**AN ASSESSMENT OF THE PERFORMANCE APPRAISAL  
PRACTICE: The CASE OF NATIONAL ALCOHOL AND  
LIQUOR FACTORY**

**BY: BINIAM HAILEMICHAEL**

**February, 2022**

**ADDIS ABABA, ETHIOPIA**

**AN ASSESSMENT OF THE PERFORMANCE APPRAISAL  
PRACTICE: The CASE OF NATIONAL ALCOHOL AND  
LIQUOR FACTORY**

**BY: BINIAM HAILEMICHAEL**

**ADVISOR: DR. MESFIN TESFAYE**

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

**February, 2022**

**ADDIS ABABA, ETHIOPIA**

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

AN ASSESSMENT OF THE PERFORMANCE APPRAISAL  
PRACTICE: THE CASE OF NATIONAL ALCOHOL AND  
LIQUOR FACTORY

BY: BINIAM HAILEMICHAEL

APPROVED BY BOARD OF EXAMINERS

_____ Dean, Graduate Studies <u>Mesfin Tesfaye (PhD)</u>	_____ Signature	_____ Date
Research Advisor <u>Salamlak Molla (PhD)</u>	_____ Signature	_____ Date
External Examiner <u>Shoa Jemal (Asst. Prof.)</u>	_____ Signature	_____ Date
Internal Examiner	_____ Signature	_____ Date

## **Declaration**

I, Biniam Hailemichael declare that this work entitled “An Assessment of Performance appraisal practice; The Case of National Alcohol and Liquor Factory” is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestions of Research Advisor.

This study has not been submitted for any degree in this university or any other universities. It is offered for the partial fulfillment of degree of master of business administration.

Biniam Hailemichael

\_\_\_\_\_

Name

Signature

## Certificate

This is to certify that Biniam Hailemichael has carried out her research work on the topic entitled “*An Assessment of performance appraisal practice: The case of National Alcohol and Liquor Factory*” The work is original in nature and is suitable for the award of Master Degree in Business Administration.

Mesfin Tesfaye (PhD)

Advisor

---

Signature

# Table of Content

## Contents

Declaration.....	iv
Certificate.....	v
Acknowledgments.....	viii
List of Acronyms/Abbreviations.....	ix
List of Tables .....	x
List of Figures .....	xi
Abstract .....	xii
Chapter One .....	1
Introduction .....	1
1.1 Background of the Study.....	1
1.2 Background of the company .....	2
1.3 Statement of the Problem .....	3
1.4 Research Questions.....	4
1.5 Objectives of the Study .....	4
1.6 Significance of the Study.....	5
1.7 Scope of the Study .....	5
1.8 Limitation of the study.....	6
1.9 Definitions of Terms.....	7
2.0 Organization of the Paper .....	7
Chapter Two.....	8
Literature Review .....	8
2.10 Empirical review.....	24
2.11 Conceptual Framework.....	26
Chapter Three.....	27
Research Design and Methodology .....	27
3.1. Research Design and Approach .....	27
3.2 Population, Sample Size, and Sampling Techniques .....	27
3.3 Sources of Data .....	29
3.4 Data Collection Methods .....	29
3.5 Reliability and Validity.....	30
3.6 Methods of Data Processing and Analysis .....	31
3.7 Ethical Considerations.....	31

Chapter Four .....	32
Data Presentation, Analysis and Interpretation .....	32
4.1 Performance Appraisal Practice in NALF .....	32
4.2 Demographic Characteristics of Respondents .....	33
4.3 Descriptive Analysis of Collected Data .....	35
4.4 HR Department Response .....	45
Chapter Five.....	47
Finding, Conclusions AND Recommendations .....	47
5.1 Summary of Findings.....	47
5.2 Conclusions .....	48
5.3 Recommendations .....	50
References.....	51
Appendix I Survey Questionnaire.....	57
Appendix II Interview Questions.....	60

## **Acknowledgments**

First and for most I would like to thank my almighty GOD who helped me from the start to the finish of this research work. Next I would like to express my gratitude to my advisor Dr. Mesfin Tesfaye for his guidance, comments and suggestions without which the paper would not have its present shape.

Special thanks go to the employees of National Alcohol and Liquor Factory who helped me to materialize the paper by filling the questionnaires patiently and motivating me to finish the study. My academic career has profited greatly from several key individuals who have provided inspiration, encouragement, and assistance in this endeavour. I would like to thank my family and friends who have devoted their golden time and helped me in many aspects to materialize this paper.



## **List of Acronyms/Abbreviations**

**NALF:** National Alcohol and Liquor Factory

**BSC:** Balanced score card

**HRM:** Human Resource Management

**PAS:** Performance Appraisal System

**PA:** Performance management

**PE:** Performance Evaluation

## List of Tables

TABLE 3.1 POPULATION OF THE STUDY .....	29
TABLE 3.2 RELIABILITY STATISTICS OF THE INSTRUMENT .....	30
TABLE 4.1 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS.....	33
TABLE 4.2 RESPONDENT ATTITUDE TOWARD PERFORMANCE STANDARD SETTING .....	35
TABLE 4.3 RESPONDENTS ATTITUDE TOWARD APPRAISAL METHODS AND PROCESS .....	37
TABLE 4.4 RESPONDENTS ATTITUDE TOWARD APPRAISAL FORM AND ITS CONTENT .....	39
TABLE 4.5 RESPONDENTS ATTITUDE TOWARD ACCURACY OF RATING .....	41
TABLE 4.6 RESPONDENTS ATTITUDE TOWARD PROVIDING FEEDBACK.....	42
TABLE 4.7 RESPONDENTS ATTITUDE TOWARD EXPLAINING RATING DECISION.....	44

# List of Figures

FIGURE 1 CONCEPTUAL FRAMEWORK OF THE STUDY ..... **ERROR! BOOKMARK NOT DEFINED.**

## **Abstract**

*This study was designed to assess the practices of employees' performance appraisal system in National Alcohol and Liquor Factory. The study employed descriptive survey research design. Survey questionnaires, semi structured interview, and document analysis were used to collect data in the study. Quantitative data were analysed by SPSS using descriptive analysis, whereas qualitative data were analysed qualitatively. The target population of the study comprised of 352 employees of National Alcohol and Liquor Factory. A sample of 187 employees was selected from the Mekanisa branch (Head office) using Random sampling technique. The reliability of the instrument was measured using Cronbach Alpha and the result was 0.801, which refers there is the reliability of the measuring instruments. The result of this study shows that performance appraisal form and its content, and accuracy of rating are moderately practiced. The study has found out that the NALF appraisal system lacks acceptability and sensitivity which is due to the subjective appraisal criteria and these criteria are not in line with the job description of employees. NALF in general has areas of improvement in; considering factors hindering performance during appraisal. Finally, NALF management need to correct the Appropriateness of appraisal forms and its content and should have increase the accuracy of rating by increasing the skill and knowledge of the supervisor about performance appraisal system.*

*Keywords: performance assessment, performance appraisal, Performance standard & Feedback*

# Chapter One

## *Introduction*

### **1.1 Background of the Study**

In every business organization, the performance of the employees is important in achieving organizational goals. The success of every business organization can therefore be attributed to performance appraisal. Performance appraisal is one of the basic tools that make workers to be very effective and active at work. A critical assessment of this may reveal the need for motivation, rewards, development, training and good human relationship in an organization.

Employee performance appraisal has been practiced by numerous organizations since centuries; though performance appraisal system has been debated by many, however, overall, it is viewed that performance appraisal is an inseparable part of organizational life (**Islam, 2006**). Performance appraisal means the systematic evaluation of performance of the employee in the organization and for the purpose of evaluation, the criteria selected should be in quantifiable or in measurable terms. It helps the employee to know where he stands in the organization and also to identify the problems in their work and to overcome them. It diagnoses the employee's strong and weak points, so that the organization can direct their efforts to upgrade their performance by providing them training, which would help them in getting promotion, transfer, financial rewards, and good placements in the organization. The significance of an appraisal system is that an individual get a feedback of their present performance in the job which gives them a clear sense of their responsibilities and the expectations which are to be fulfilled by them. It also helps the organization to accomplish their mission and vision by judging truly the effectiveness of the employee's i.e. recruitment, selection, training and development (**Jain, 2013**).

The key issue to performance appraisals is that they have to specify what is expected of the employee. An appraisal system would be used to reinforce productivity and quality efforts, to develop and improve performance and to provide input into main decisions about employees. However, where formal appraisal techniques are in place and where common criteria are used, relative and quantifiable results are likely to result in fairer evaluations that are effective in terms of human resources and so allow for wise allocation of this resource and result in savings because unnecessary investment in this area is avoided. Alternately, profits may be

enhanced because shortfalls are recognized, so that more human resources are recruiting that generate increased revenues (**Huang, 2011**).

Performance appraisal, though an important function of human resource/personnel management, has not received the degree of concern it deserves. This function, if properly exercised by organizations, can serve a number of purposes, mainly administrative and developmental in nature (Mount, 1984). However, despite these intended goals, performance appraisal seems not to be effective in most cases mainly due to the subjective nature of criteria (standard) of performance, lack of rater understanding of or inadequate training on performance appraisal, which consequently led to the less importance and emphasis attached to it. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers to developmental programs or other personnel actions that are essential to the effectiveness of Human Resource Management (Maund, 2001).

Knowing the practice used and spotting the problem helps to analyze the performance of employees of the factory, in light of their employees performance appraisal manuals, can help to understand, if effectiveness and efficiency is impaired or not. Therefore, this paper aims at presenting and analyzing the performance appraisal practice at NALF. It is aimed at integrating and updating many aspects of performance appraisal system of NALF in order to prove the importance of human resource evaluation and for further development of NALF personnel.

## **1.2 Background of the company**

National Alcohol & Liquor Factory (NALF) is a state-owned business organization and pioneer factory by public enterprises proclamation number 25/84. The factory comprises four branch factories which were once established and owned by individuals in different periods.

The branch factories are named as

- Maichew Branch Factory /Head Office & Established in 1906 E.C/ [now moved to Mekanisa]
- Mekanisa Branch Factory / Established in 1949 E.C/
- Sebeta Branch Factory/ Established in 1898 E.C/
- Akaki Branch Factory/ Established 1930 E.C/ Not operational for the time being.

In 1976 G.C the Ethiopian Government nationalized and owned the factories under the name of National Alcohol & Liquor Factory. Since then, the factory has attempted to produce and distribute Alcohol and various Liquor products based on customer demand. This popular factory had been consistently mining a wealth of experience in industrial production and availing pure alcohol and liquor products/ spirits to the market. National Alcohol & Liquor Factory is a pioneer sole government-owned state enterprise in manufacturing & selling Liquors and Alcohol products in local and foreign. The present National Alcohol and Liquor Factory have grown into a far-reaching reputation for mounting quality and taste of its various products among the public all over the country and to the foreign market.

The organization holds 491 permanent and 32 contract employees. The organization is also striving to have an efficient, effective and motivated workforce that will lead to the development of the organization.

### **1.3 Statement of the Problem**

Wiese (1998) an effective performance appraisal system can play a crucial role in an organization's efforts to gain a competitive advantage. For example, effective performances appraisals can provide accurate assessments of employee productivity and quality of work and can motivate employees to higher levels of performance by giving the employee full feedback.

Sustained competencies in this dynamic environment can only be maintained through the never-ending development of human resources. To achieve this human resource development, employee performance appraisal is a vital mechanism. Managers must realize that performance appraisal has to be comprehensive and that it is a continuous process rather than an event that occurs once a year (John Bratton, 1999). On the other hand, employee performance appraisal is a vital mechanism to develop human resources in achieving sustained competencies in a prevailing dynamic environment. Thus managers must realize that performance appraisal has to be comprehensive and that it is continuous and that it is a continuous process rather than an event that occurs once a year (John Bratton, 1999).

In the current competitive global economy, effective human resource management (HRM) practices are essential in developing a skilled workforce and organizational effectiveness. HRM practices should enable organizations to develop better systems and policies for employees.

Hence, the preliminary assessment that was done in the form of informal discussions with employees of NALF, testified the existence of problems on Performance appraisal practice. Some of the problems that the employees raised in the organization's performance appraisal practice were; unclear performance standards, the subjective nature of the evaluation criteria, lack of continuous documentation, and raters' bias in evaluating performance.

Therefore, the study aimed to assess the performance appraisal practice in National Alcohol and Liquor Factory.

### **1.4 Research Questions**

This study was addressed the following basic research questions:

1. How are the performance standards setting practice in a performance appraisal system of NALF?
2. How appropriate are the performance evaluation methods and process existing in the NALF performance Appraisal system?
3. How do the design of the performance appraisal form and its content appropriate for the performance appraisal system of NALF?
4. To what extent the rating practice in NALF performance appraisal system is accurate?
5. What are supervisors' feedback practices in the NALF Performance Assessment System?
6. How is the practice of explaining rating decisions in the NALF performance appraisal system?

### **1.5 Objectives of the Study**

The general objective of this study was to assess employees' performance appraisal practice on NALF.

Specific objectives

The study has the following specific objectives: -

1. To assess the performance standards setting practice in the appraisal process.
2. To evaluate the appropriateness of the appraisal methods and processes.



3. To assess the appropriateness of the appraisal form and its content.
4. To investigate the rating accuracy of the appraisal system of NALF.
5. To examine whether supervisors provide the necessary feedback and contribute to the performance appraisal system.
6. To assess the practice how to supervisors explain rating decision of performance.

### **1.6 Significance of the Study**

The finding of this study is believed to add valuable insights to the existing body of knowledge on the attitude of employees on the performance appraisal practice and its impact on their work outcome and based on the research findings, other researchers will get a fresh reference to precede with similar studies. In addition, it helps the researcher to acquire knowledge and practical experience on the subject under study. The result of this study can also benefit NALF to identify some of the strengths of the current performance appraisal practice and build upon them while looking also at the gaps and carving approaches to improve them. In addition, this study will serve as reference material for further investigation for interested researchers. Therefore, the major beneficiaries from this study are:

National Alcohol and Liquor Factory obtain the necessary feedback and take corrective measures to ensure the successful implementation of the performance appraisal system.

It broadens the knowledge of the researcher about the subject matter with a range of practical applications and improves the understanding of the research ability of the researcher.

It might be an input for other organizations who are interested in designing and implementing a performance appraisal system.

It provides sufficient information to those who are interested to perform further research in a similar area.

It might add something to the literature regarding the performance appraisal system.

### **1.7 Scope of the Study**

The study was geographically delimited to employees who are working at National Alcohol and Liquor Factory at the Head office level due to time constraints. The study covered the views of non-management employees of an organization. The target population is permanent (full-time) Professional employees of the organization who have experience of more than or

equal to one year. This sample size is believed to be statistically sufficient to ensure the desired level of accuracy and these employees were exposed for performance appraisal in NALF at least once and it was believed that they have enough knowledge about the appraisal practice of the company. Those employees of the company who are not permanent or served less than one year were excluded from the study due to the feeling that they will not provide reliable information.

From the various HRM practices of NALF, the study is the target in assessing the performance appraisal practice of an organization. These are Time, Conceptual, Geographical, and methodological scope.

From Time scope, the study is delimited in evaluating and assessing the overall performance appraisal of the factory by taking two consecutive years i.e. 2012, and 2013 E.C individual performance appraisal data of the factory.

Geographically, respondents are only those employees of the National Alcohol and Liquor Factory who are in the Head office (Mekanissa) and employees who are working in different types of the department. Hence, the generalization of the research finding is delimited to NALF Head Office.

From conceptual scope, the study focused only on the practices of performance appraisal system at NALF, there are before (Standard setting, Performance Appraisal Method and process, Appraisal Form and its content, Providing Feedback) and During (Accuracy of rating & Explaining rating decision) of performance appraisal practice, this study was confined to only performance appraisal issues.

Methodological scope, the study is used both primary and secondary data but mostly focuses on primary data. The secondary data review is used as a supplementary to strengthen the finding from primary data. The sampling method that used was the random and purposive sampling method. Random sampling is used to give equal chance to the population to make sure the representativeness of the data. The purposive sampling technique is used for those who are directly responsible for the performance appraisal system.

### **1.8 Limitation of the study**

One of the limitations of the study is limited time and resources and due to this only standardized questionnaire is used to get responses. Researcher's lack of prior experience in conducting systematized research was other limitation of the study. The other constraint was

lack of awareness among respondents to fill out questionnaires with due care and return them on time and also some employees were not willing to fill questionnaires.

### **1.9 Definitions of Terms**

**Performance** is evaluating an employee's current and/ or past performance relative to set performance standards (Dessler, 2012).

**Performance appraisal** can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting based on predetermined goals (Armstrong, 2009).

**Feedback:** is the communication of the results of appraisal to subordinates, so that they know their strong as well as weak points (**Gupta. R. S., 1988**).

**Standard setting:** It is the proper following of prescribed rational system of rule or procedure resulting in the assignment of a number to differentiate between two or more state and degree of performance (Cizek, 1993)

### **2.0 Organization of the Paper**

This paper has five chapters; the first chapter deals with the background of the study, Statements of the problem, the Objective of the study, scope and limitation of the study. The second chapter deals with a review of related literature. The third chapter has a methodology. The fourth chapter has findings and an analysis of the data. The last chapter has made a summary, conclusions, and recommendations.

# Chapter Two

## *Literature Review*

This chapter presents the theoretical framework and models that are relevant and suitable for the current study; and which will be applied and used to analyze collected data and information.

### **2.1 The Concept of Performance appraisal**

Performance is an outcome, or result of an individual's actions. An individual's performance, therefore, becomes a function of ability and motivation (Ainsworth, 2003). Performance Assessment (also performance appraisal, evaluation, measurement) becomes a continual review of the job-related task accomplishments or failures of the individuals within the organization. A major consideration in performance improvement involves the creation and use of performance measures or indicators; which are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance.

(Shelley, 1999) describes performance appraisal as the process of obtaining, analyzing, and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. It aims to measure what an employee does. Shelley again considers PA as a systematic way of reviewing and assessing the performance of an employee during a given period and planning for his future. By focusing the attention on performance, performance appraisal goes to the heart of HR management and reflects the management's interest in the progress of the employees.

(Moats, 1999) performance appraisal is a process by which organizations evaluate employee performance based on preset standards. Moats describes the main purpose of appraisals as helping managers effectively staff companies and use human resources, and, ultimately, improving productivity. According to Moats when conducted properly, appraisals serve the purpose Shelley describes by:

- (1) Showing employees how to improve their performance,
- (2) Setting goals for employees, and
- (3) helping managers to assess subordinates' effectiveness and take actions related to hiring, promotions, demotions, training, compensation, job design, transfers, and terminations.

The above expositions given by Moats and Shelley collectively establish performance appraisal as a clear and concise, regular, and unbiased system of rating an employee's performance in her current position, which can also be used to determine how far the employee can go in career development. The benchmarks of such an appraisal, according to Moats, are usually the job description in tandem with stated company objectives, and often include rewards and incentives.

An organization engages a person to employ his skills to achieve certain goals and objectives. Every so often, the employer needs to take stock and determine the value of each employee, his potential, and what his future in the company is likely to be. In the researcher's opinion, this is accomplished through the practice of performance appraisal.

(Moats, 1999) explains that in the early part of the twentieth-century performance appraisals were used in larger organizations mostly for administrative purposes, such as making promotions and determining salaries and bonuses. Since the 1960s, however, companies and researchers have increasingly stressed the use of employee evaluations for motivational and organizational planning purposes. Indeed, for many companies, performance appraisal has become an important tool for maximizing the effectiveness of all aspects of the organization, from staffing and development to production and customer service (Moats, 1999).

As Moats puts it, that shift of focus was accompanied during the 1970s, 1980s, and 1990s by a number of changes in the design and use of appraisals. Those changes reflected new research and attitudes about organizational behavior and theory. Traditional appraisal systems were often closed, meaning that individuals were not allowed to see their reports. Since the mid-1900s, most companies have rejected closed evaluations in favor of open appraisals that allow workers to benefit from criticism and praise.

Moats assert further that another change in appraisal techniques since the mid-1900s has been a move toward greater employee participation. This includes self-analysis, employee input into evaluations, feedback, and goal setting by workers. Appraisal systems have also become more results-oriented, which means that appraisals are more focused on a process of establishing benchmarks, setting individual objectives, measuring performance, and then judging success based on the goals, standards, and accomplishments.

Likewise, appraisals have become more multifaceted, incorporating a wide range of different criteria and approaches to ensure an effective assessment process and to help determine the reasons behind employees' performance (Bodil, 1997).

Again, Moats states that performance appraisals and standards have also reflected a move toward decentralization. In other words, the responsibility for managing the entire appraisal process has moved closer to the employees who are being evaluated; whereas past performance reviews were often developed and administered by centralized human resources departments or upper-level managers, appraisals in the 1990s were much more likely to be conducted by line managers directly above the appraisee.

## **2.2 The Performance Appraisal Process**

The basic purpose of performance appraisal is to make sure that employees are performing their jobs effectively. To realize the purpose of performance appraisal organizations should carefully plan appraisal systems and follow a sequence of steps as illustrated below: (Craig, 2019)

1. Establish Performance Standard
2. Communicate Standards to Employees
3. Measure Actual Performance
4. Compare Performance with Standard
5. Discuss Appraisal with Employees
6. Initiate Corrective Action

### **1. Establishing Performance Standards**

The first step in appraising performance is to identify performance standards. A standard is a value or specific criterion against which actual performance can be compared (Baird, 1990). Employee job performance standards are established based on the job description. Employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employees' performance is measured.

### **2. Communicating Standards to Employees**

For the appraisal system to attain its purposes, the employees must understand the criteria against which their performance is measured. As (Werther, 1996), stated to hold employees accountable, a written record of the standards should exist and employees should be advised of those standards before the evaluation occurs. Providing the opportunity for employees to

clearly understand the performance standards will enhance their motivation and commitment to their jobs.

### **3. Measuring Performance**

The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the first two steps of the appraisal process (David A DeCenzo, 2010).

### **4. Comparing Performance with Standard**

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

### **5. Discussing Appraisal with Employees**

For the appraisal system to be effective, the employees must actively participate in the design and development of performance standards. The participation will enhance employee motivation, commitments towards their jobs, and support of the evaluation feedback. In other words, employees must understand it, must feel it is fair, and must be work-oriented enough to care about the results (Glueck, 1978). After the evaluation, the rater must describe work-related progress in a manner that is mutually understandable. According to (Baird, 1990), feedback is the foundation upon which learning and job improvement are based in an organization. The rater must provide appraisal feedback on the results that the employee

achieved that meet or exceed performance expectations. As (Glueck, 1978) noted, reaction to positive and negative feedback varied depending on a series of variables such as:

- the importance of the task and the motivation to perform it
- how highly the employee rates the evaluator
- the extent to which the employee has a positive self-image, and
- The expectancies the employee had before the evaluation; for example, did the employee expect a good evaluation or a bad one? In sum, employees must be fully aware that the ultimate purpose of the performance appraisal system is to improve employee performance, to enhance both organizational goal achievement and the employee's satisfaction.

## **6. Initiating Corrective Action**

The last step of the performance appraisal is taking corrective action. The management has several alternatives after appraising performance and identifying causes of deviation from job-related standards. The alternatives are 1) take no action, 2) correct the deviation, or 3) review the standard. If problems identified are insignificant, it may be wise for the management to do nothing. On the other hand, if there are significant problems, the management must analyze and identify the reasons why standards were not met. This would help to determine what corrective action should be taken. For example, the cause for weak performance can range from employee job misplacement to poor pay. If the cause is poor pay, corrective action would mean compensation policy reviews. If the cause is employee job misplacement, corrective action would mean assigning the employee to a job related to his/her work experience and qualification. Finally, it is also important to revise the performance standard. For example, the major duties stated in the job description and the qualification required to do the job may not match. In this case, corrective action would mean conducting job analysis to effectively determine the job description and job specification. Hence, the evaluator would have a proper guide i.e., performance standards that make explicit the quality and/or quantity of performance expected in basic tasks indicated in the job description (Chatterjee, 1990).



### **2.3 Objectives of Performance Appraisal**

The objectives of the appraisal scheme should be determined before the system is designed in detail. The objectives will to a large extent dictate the methods and performance criteria for the appraisal so they should be discussed with employees, managers, and trade unions to obtain their views and commitment (Fletcher, 1998). The main objectives of an appraisal system are usually to review performance, potential and identify training and career planning needs. In addition, the appraisal system may be used to determine whether employees should receive an element of financial reward for their performance (Derven, 1990).

Performance reviews give managers and employees opportunities to discuss how employees (1) are progressing and to see what sort of improvements can be made or help given to build on their strengths and enable them to perform more effectively (Grote, 1996). Review of potential and development needs predicts the level and type of work that employees will be capable of doing in the future and how they can be best developed for the sake of their career and to maximize their contribution to the organization.

Reward reviews - determine the 'rewards' that employees will get for their past work. The reward review is usually a separate process from the appraisal system but the review is often assisted by information provided by the performance appraisal (Einstein, 1989)

(Wesley, 2004) also identifies some objectives of performance appraisal s indicated below:

- 1) To review the performance of the employees over a given period.
- 2) To judge the gap between the actual and the desired performance.
- 3) To help the management in exercising organizational control.
- 4) Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- 5) To diagnose the strengths and weaknesses of the individuals to identify the training and development needs of the future.
- 6) To provide feedback to the employees regarding their past performance.
- 7) Provide information to assist in the other personal decisions in the organization.
- 8) Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.

9) To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training, and development.

10) And last but not least to reduce the grievances of the employees.

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity. McGregor in (Moats, 1999) describes the three main functional areas of performance appraisal systems as administrative, informative, and motivational. According to Addison- (Wesley, 2004), appraisals serve an administrative role by facilitating an orderly means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. Again, Moats says the informative function is fulfilled when the appraisal system supplies data to managers and appraises individual strengths and weaknesses. Bodil finally describes the motivational role to entail creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals will be seen to be playing a major role in helping employees and managers establish goals for the period before the next appraisal (Wesley, 2004).

According to (McNamara, 2000) Performance Appraisal can be done with the following objectives in mind:

- a) To maintain records to determine compensation packages, wage structure, salary raises, etc.
- b) To identify the strengths and weaknesses of employees to place the right men on the right job.
- c) To maintain and assess the potential present in a person for further growth and development.
- d) To provide feedback to employees regarding their performance and related status.
- e) It serves as a basis for influencing the working habits of the employees.
- f) To review and retain the promotional and other training programs.

## **2.4 Effectiveness of Performance appraisal**

The effectiveness of a system is defined as an external standard of “how well the system is meeting the demands of the various groups and organizations that are concerned with its

activities” (Pfeffer, 1978) which approximately is a construct "for doing the right things" or having validity of outcome (Hines et al. 2000).

Effectiveness is by definition a qualitative measure set by the evaluator. Möller and Törrönen (2003) argue that effectiveness "refers to the system's ability to invent and produce solutions that provide more value to stakeholders of the institution".

(Moats, 1999) points out those most effective systems of appraising performance are: (1) pragmatic, (2) relevant, and (3) uniform. (Bodil, 1997) describes pragmatism as important because it helps to ensure that the system will be easily understood by employees and effectively put into action by managers. Moats further stresses that appraisal structures that are complex or impractical tend to result in confusion, frustration, and nonuse. Commenting further, Moats says that systems that are not specifically relevant to the job may result in wasted time and resources. Undeniably, most successful appraisal programs identify and evaluate only the critical behaviors that contribute to job success. Systems that miss those behaviors are often invalid, inaccurate, and result in discrimination based on nonrelated factors (Bodil, 1997)

Moats stresses again that the uniformity of the appraisal structure is vital because it ensures that all employees are evaluated on a standardized scale. Appraisals that are not uniform are less effective because the criteria for success or failure become arbitrary and meaningless. Furthermore, uniformity allows a company to systematically compare the appraisals of different employees with each other. Moats contend that companies must address four decisions when structuring their appraisal systems: (1) what should be assessed? (2) Who should make the appraisal?; (3) Which procedure(s) should be utilized?; and (4) How will the results be communicated? In determining what to evaluate, designers of an appraisal system usually consider not only results but also the behaviors that lead to the results (Bodil, 1997)

According to (Shelley, 1999) the actions and results that are measured will depend on a variety of factors specific to the company and industry. Most importantly, criteria should be selected that will encourage the achievement of comprehensive corporate objectives. This, Moats says, is accomplished by determining the exact role of each job in accomplishing company goals, and which behaviors and results are critical for success in each position. Furthermore, different criteria for success should be weighted to reflect their importance.

To develop an effective performance appraisal system, the raters should be trained on the process of managing, motivating, and evaluating employee performance (Ochoti, 2012). The key requirements for a sound appraisal system will be discussed as follows:

**Relevance:** implies that there is a clear relationship between the performance standards and the organization's goals and also clear links among the crucial job elements and the dimensions to be rated on an appraisal form (Khan, 2013; Cascio, 2003)

**Sensitivity:** the performance appraisal system is capable of distinguishing high performers from low performers in which the high and low performers receive criterion scores that precisely represent the variation in their performance (Ivancevich, 2004; Cascio, 2003).

**Reliability** implies consistency of judgment in which appraisals for any given employee made by different raters must reach similar conclusions about the quality of that worker's output (Cascio, 2003, Ivancevich, 2004).

**Acceptability:** is the most important requirement of all as the appraisal systems that are acceptable to those who will be affected by their guide to more favorable reactions to the process and also enhance trust for top management (Cascio, 2003)

**Practicality:** Understanding and using the appraisal instruments are easy for managers and employees that is the criterion is measurable and the data collection is efficient (Ivancevich, 2004; Cascio, 2003).

## **2.5 Employees' Perception of Appraisal Systems**

Most employees have mixed feelings about performance appraisal systems. Whilst some believe it carries some biases and largely fails to meet its objectives, others find it a means to justify their performance (Rasch, 2014). According to (Rasch, 2014), managers commit mistakes while evaluating employees and their performance. Some of these biases are perceived by employees as ways of unfairly interpreting their performances. Biases and judgment errors of various kinds may spoil the performance appraisal process. Bias, according to (Shelley, 1999), refers to the inaccurate distortion of a measurement. Moats points out that, even when a performance evaluation program is structured appropriately, its effectiveness can be diluted by the improper use of subjective, as opposed to objective, measures.

Objective measures are easily incorporated into an appraisal because they are quantifiable and verifiable. In contrast, subjective measures are those that cannot be quantified and are

largely dependent on the opinion of an observer. Subjective measures have the potential to dilute the quality of worker evaluations because they may be influenced by bias, or distortion as a result of emotion (Moats, 1999). To overcome the effects of prejudice, many organizations must train appraisers to avoid biases. (McNamara, 2000) identifies eight common forms of biases discussed below:

### **First Impression (primacy effect)**

This bias, according to McNamara occurs when raters form an overall impression about the rate based on some particular characteristics of the rate identified by them. The identified qualities and features may not provide an adequate base for appraisal.

### **Halo Effect**

In his words, Moats says the term "halo" stems from the distortion that appraises, like an angel with a halo over its head, can do no wrong. This type of bias, however, also applies to foes of the rater, and may not be job-related. The effect is particularly pronounced when appraise is an enemy or very good friend of the evaluator. McNamara adds that the individual's performance is completely appraised based on perceived positive quality, feature, or trait. In other words, this is the tendency to rate a man uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait. If a worker has few absences, his supervisor might give him a high rating in all other areas of work.

### **Horn Effect**

McNamara describes this bias as the situation where the individual's performance is completely appraised based on a negative quality or feature perceived. This results in an overall lower rating than may be warranted.

### **Excessive Stiffness or Lenience**

Depending upon the raters own standards, values, and physical and mental makeup at the time of appraisal, rates may be rated very strictly or leniently (Moats, 1999) According to (Kurt, 2004) some of the managers are likely to take the line of least resistance and rate people high, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe.

The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees. Moats Points out that, leniency and strictness bias results when the appraiser tends to view the performance of all of his employees as either good and favorable or bad and unfavorable. Although these distortions are often the result of vague performance standards, they may also be the consequence of the evaluator's attitudes.

### **Central Tendency**

McNamara says this bias occurs where appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. According to Moats, the error of central tendency occurs when appraisers are hesitant to grade employees as effective or ineffective. They pacify their indecisiveness by rating all workers near the center of the performance scale, thus avoiding extremes that could cause conflict or require an explanation.

### **Personal Biases**

Shelley says the way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - has a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking social and family background, and so on. Likewise, Moats judges that personal prejudice results from a rater's dislike for a group or class of people. When that dislike carries over into the appraisal of an individual, an inaccurate review of performance is the outcome.

### **Spillover Effect**

McNamara in describing this bias says that the present performance is evaluated much based on past performance. "The person who was a good performer in distant past is assured to be okay at present also" (McNamara, 2000)

### **Recency Effect**

In the case of this bias, the rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period. The recency effect is a corollary of the natural tendency for raters to judge an employee's performance based largely

on his most recent actions rather than taking into account long-term patterns (McNamara, 2000)

As indicated, Moats Corroborates McNamar's position on the nature of these biases and further identifies the ninth bias that McNamara failed to indicate. Moats call this the cross-cultural bias, which he describes as the consequence of an evaluator's expectations about human behavior. Those expectations often clash with the behavior of appraisers who have different beliefs or cultural values.

Gabris & Mitchell (2000) have reported a disruptive bias in performance appraisal known as the Matthew Effect. It is named after the Matthew of biblical fame who wrote, "To him who has shall be given, and he shall have abundance: but from him who does not have, even that which he has shall be taken away." According to Gabris & Mitchell, in performance appraisal, the Matthew Effect is said to occur where employees tend to keep receiving the same appraisal results, year in and year out. That is, their appraisal results tend to become self-fulfilling: if they have done well, they will continue to do well; if they have done poorly, they will continue to do poorly. The Matthew Effect suggests that no matter how hard an employee strives, their past appraisal records will prejudice their future attempts to improve (Gabris & Mitchell 2000).

In addition to bias, Moats (1999) contends that flaws in the execution of an appraisal program can be destructive. Moats cites the example of managers downgrading their employees because high-performance reviews would outstrip the department's budget for bonuses; or, some managers using performance appraisals to achieve personal or departmental political goals, thus distorting assessments.

## **2.6 Performance Standard setting**

Standard setting is the proper following of prescribed rational system of rule or procedure resulting in the assignment of a number to differentiate between two or more state of degree of performance (Cizek, 1993). (Robert G. , 2003) suggested that when employees are given autonomy or resources to participate in performance goal setting with management, they will develop stronger ownership of the process and their acceptance will be heightened accordingly. Allowing employees to engage in goal and performance standard setting implies that supervisors and employees agree on the importance of collaborative efforts to share knowledge about developing better measures, understanding the contexts, and solving emergent problems and they will be more satisfied (Julnes 2001).

## **2.7 Methods of Performance Appraisal**

Organizations currently use several methods to appraise performance. (Jafari, 2009) denominated that there are three existent approaches for measuring performance appraisal. These are (1) absolute standards (2) relative standards and (3) objectives.

### **2.7.1 Absolute Standards**

In the absolute standards, as a performance appraisal approach, the employees are compared to a standard, and their evaluation is independent of any other employee in a workgroup (Dessler, 2012). Included in this group are the following methods:

The essay appraisal: It is the simplest evaluating method in which the evaluator writes an explanation about employee's strong and weak points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation term. This kind of evaluation usually includes some parts of other systems to cause their flexibility. This method often combines with other methods. In an essay appraisal, we attempt to focus on behaviors (Mondy, 2008)

The critical incident appraisal: It focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to the job and based on an individual's performance than characteristics. The necessity of this system is to try to measure individuals' performance in terms of incidents and special episodes which take place in job performance. These incidents are known as a critical incident. In this method, the manager writes down the positive and negative individuals' performance behavior in evaluation terms (Mondy, 2008).

The checklist: In this method, the evaluator has a list of situations and statements and compares them with employees. The checklist is a presentation of employee's characteristics and performance. The results can be quantitative and give weight to characteristics. Answers to the checklist are often "Yes" or "No" (Jafari, 2009)

The graphic rating scale: This is the most commonly used method of performance appraisal because they are less time-consuming to develop and administer and allows for quantitative analysis and comparison. It is a scale that lists some characteristics and ranges of performance of each individual.



Therefore, employees are ranked by determining a score that shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

**Forced choice:** This method evolved after a great deal of research was conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of the evaluator is to determine which state has an explanation of employees most (Mondy, 2008).

**Behaviorally anchored rating scales (BARS):** This method replaces traditional numerical anchors tools with behavioral prototypes of real work behaviors. BARS let the evaluator rank employees based on observable behavioral dimensions. The elements of this method are the result of the combination of major elements of a critical incident and adjective rating scale appraisal methods (Wiese, 2000)

### **2.7.2 Relative Standards**

In this category, individuals are compared against other individuals. These methods are relative standards rather than absolute measuring devices. The most popular relative method are group order ranking, individual ranking, and paired comparison.

**Group order ranking:** In this method, employees are placed into a particular classification, such as "top one-fifth". For example, if a rater has 20 employees, only 4 can be in the top fifth and 4 must be relegated to the bottom fifth (Jafari, 2009).

**Individual ranking:** In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employees is equal to the difference between the 21st and 22nd employees. In this method, the manager compares each person with others than work standards (Dessler, 2012)

**Paired comparison:** In this method, employees are compared with all others in pairs. The number of comparisons is followed as  $(N \cdot (N-1))/2$  in which N: shows the number of employees. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

### **2.7.3. Objectives**

This approach to appraisal makes use of objectives. Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the

successful completion of their job. This approach is frequently referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives into individual objectives. It consists of four steps: goal setting, action planning, self-control, and periodic reviews (Ingham, 1998).

#### **2.7.4 360 Degree Feedback Appraisal**

360-degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. 'Feedback from multiple sources' or '360 degree feedback' is a performance appraisal approach that relies on the input of an employee's superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses' (Lepsinger, 1998). The 360-degree evaluation can help one person be rated from different sides, different people which can give the wider perspective of the employee's competencies (Shrestha, 2007) According to (Wiese, 2000) in the typical 360-degree process, supervisor(s), subordinates, peers and (less frequently) internal or external customers provide feedback on performance for each target rate, using some type of standardized instrument. (Muhammad Imran Rasheed, 2011), claimed that a 360-degree appraisal system is more effective as compared to the other systems that are one-sided and could be biased at times. In a 360-degree appraisal system, information is obtained through several sources; it includes the boss, top management, assistants, coworkers, customers, dealers, and advisors. All these can be classified into internal and external parties. In a 360-degree appraisal system, information can be obtained from anyone who interacts with the employee and can tell how that employee behaves with him.

#### **2.7.5 The Balanced Scorecard**

The Balanced Scorecard was presented by Kaplan and Norton in the early 1990s; it is often interpreted from the following four perspectives, namely; financing, customers, internal business processes, and innovation and learning. The inappropriate notion is that managers from these four perspectives develop targets related to both financial measures and intangible values. The targets are then monitored and compared to performance (Hvenmark, 2013)

The objective of the BSC is to guide, assist manage and change in support of the strategy in order to manage performance in the organization. (Kumari, 2011) argued that the “scorecard reflects what the company and strategies are all about.”

According to (Kumari, 2011) the BSC tool considers the following perspectives and tries to get answers to the following questions:

1. Financial Perspective – How do we look at shareholders?
2. Customer Perspective – How do we appear to our customers?
3. Internal Business Processes Perspective- What must we excel at?
4. Learning and Growth Perspective – Can we continue to improve and create value?

## **2.8 Rater Accuracy**

Rater's inadequate skill to conduct the process greatly contributes to the failure of appraisal activities and leads to job dissatisfaction. Some of the problems are as follows Central tendency: this occurs when supervisors rate most of their employees within a narrow range regardless of how people actually perform, to distinguish significant difference among group members and lumps everyone together in an average category that is no effective or ineffective employee. Halo effect: this exists where a supervisor assigns the same rating to each factor being evaluated for an individual by generating from a single point for example an employee rated "above average" on Quantity of performance may also be rated above average on quality of performance interpersonal competence, attend once and promotion readiness. Leniency strictness: this problem exist when supervisor overly lenient in evaluating to see all performance as good and to rate it Favorably or when the supervisor is overly strict of being too harsh in filling performance appraisal. Recency error: these exist when evaluators focus on an employee's most recent behavior either good or bad. This leads to a situation where employees may float for the initial months of the evaluation period and then over exert themselves in the last few months or weeks prior to evaluation. This practice leads to uneven performance and contributor to the attitude of playing the game Personal biases: this is a situation in which supervisors allow their own personal biases to influence the appraisals such biases include like or dislike for someone as well as racial and sexual biases. Personal biases can interfere with the fairness and accuracy of an evaluation and are illegal in many situations (Steers, 1991)

## **2.9 Feedback**

Feedback is one of the most frequently used concepts in the fields of technical and social sciences. When looked at from the aspect of management of the organization, analyses arise related to the management subjects of communication, decision-making, motivation,

organizational change, performance evaluation, employee satisfaction and training (Harold, 2002)

The concept of feedback is explained in different areas in different forms. In a performance evaluation system, it is the prime information to achieve development by confirming or rejecting a performance or behavior (Harold, 2002)

In research by (Kluger, 1996) in 1996, feedback was seen to have positive effects on employee's performance but it was also stated that the feedback created negative effects at a rate of over 38%. This statistical result clearly shows that how the mechanism of feedback is operated is not fully understood and thus the process of feedback and incorrect methods of appraisal can have destructive effects on performance and motivation.

## **2.10 Empirical review**

(Kolawole Sunday Ajibola E. M., 2019) the study empirically evaluated the performance appraisal system in manufacturing firms in Nigeria. The study employed purposive sampling to select the manufacturing firms that participated in the study. A stratified random sampling technique was used to select the elements that participated in the study from each manufacturing firm. The study aimed was to establish whether or not performance appraisal is a determinant of employee work engagement in manufacturing firms in Nigeria.

The study also concluded that performance appraisal has a positive significant influence on employee work engagement and that it was an avenue for promotion and as such, a source of encouragement to the employee to get motivated to do more and thereby increase the level of their engagement. Based on these the study has recommended that; managers should identify the most effective technique of performance appraisal suitable to the organization's environment and use it for the overall interest of the organization. The performance appraisal should be continuous and feedback must be communicated to all the employees individually and make them see the need for improvement.

(Saini D., 2017) has studied the performance Appraisal System in Manufacturing Sector in Punjab (India). The study assessed performance appraisal systems being practiced in different manufacturing industries of Punjab. An effort has been made to identify the variables influencing the implementation of performance appraisals and compare the effectiveness of implementation in selected industries. The study shows that the effectiveness of performance appraisal was significantly different in selected industries. The type of performance appraisal system used in an organization depends on its purpose.

Various factors should be considered in the appraisal process so that the primary objectives of appraisal with the authentic evaluation of performance, identifying the problem areas and subsequently training needs, recognition of efficient employees, etc. are achieved. The study concluded that managers should ensure that performance appraisals are structured in such a way that mentors and coaches are being involved in the process to get an insight into the competencies of individual employees.

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

A study made by (Yohannes, 2017) has assessed employee performance appraisal practice of MUGHER CEMENT FACTORY by applying a stratified probability sampling method with a sample size of 85. This study has found that some criteria don't have a direct connection with actual work and are vague to understand. There was no uniformity of implementation of performance appraisal through departments and also all employees are given similar ratings. The factory rater does not use data of what employees have done during the performance evaluation period and uses specific events of good and bad performances. The study concluded that implementation of performance appraisal in the factory contributed anything as expected for the organizational performance rather than salary increment, bonus, and promotion of employees.

The study specified that there are different challenges of performance evaluation; such as lack of rater ability to evaluate employee performance, absence of employee participation in setting performance evaluation criteria, no link between some evaluation criteria and employee job, rater bias in evaluating performance, lack of communicating performance standards and expectations to the employees, and lack of focus, giving similar result for all employees and carelessness by some by managers.

The study recommended that Performance evaluation criteria should be revised. The factory management should give training to supervisors and managers who are responsible for

conducting performance evaluations. This will boost raters' ability to evaluate and alleviate raters' bias.

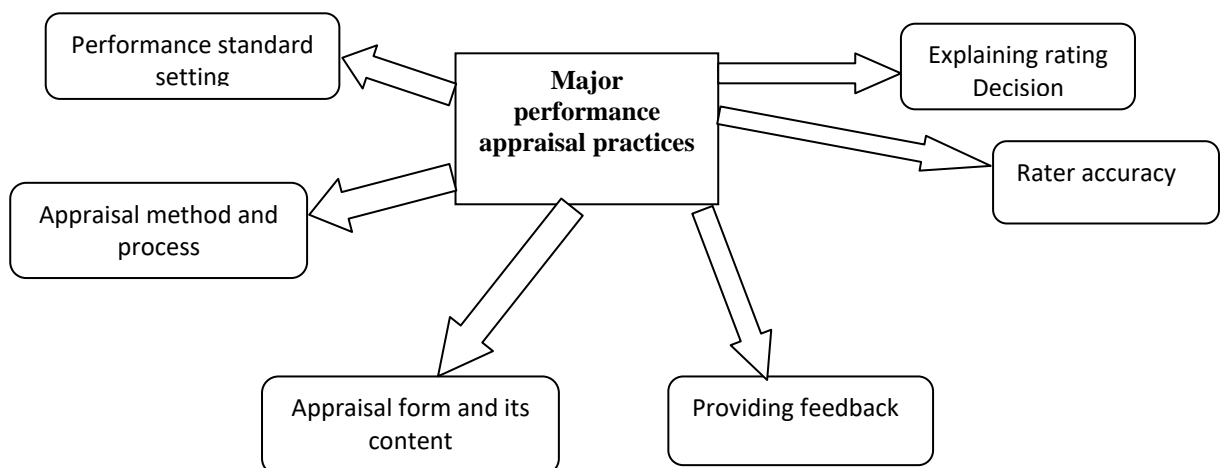
According to Teshome (2013) as cited by (Yohannes, 2017) in his study in Ethio-telecom in 2013 used a questionnaire to collect primary data from 182 respondents working in the six zonal offices were selected using positive sampling technique and analyzed using both descriptive and inferential. The descriptive study revealed that are unclear performance standards/criteria, lack of ongoing performance feedback, rater's error in evaluating performance, and use of performance appraisal program for administrative purpose only. The inferential part of his study revealed that there was a strong positive relationship between performance appraisal variables with personal improvement and organizational development particularly appraisal process and procedure. Based on this he concluded that the appraisal process was not communicated before implementation; lack of required skill on the side of the appraiser and criteria is weak to measure performance highly affected the overall effectiveness of the performance appraisal of the telecom at large and personal development in particular.

### 2.11 Conceptual Framework

Based on the overall review of related literatures and the theoretical reviews the following conceptual model has been adopted to assess Performance appraisal Practice. And for the purpose of this research: Performance standard setting, performance appraisal Method and process, Performance appraisal Form and its contents, Rating Accuracy, Providing Feedback and Explaining rating decision practice are assessed.

The variables under study have been represented diagrammatically to show the performance appraisal as drawn from the literature review.

**Figure 1 conceptual framework of the study**



## Chapter Three

### *Research Design and Methodology*

This chapter presented the research design and Approach, sample size and sampling techniques, instrument of data collection, method of data analysis, and ethical considerations are briefly discussed below.

#### **3.1. Research Design and Approach**

The research approach used in this study is mixed or a combination of qualitative and quantitative research approaches and as the objective of this study is to assess the performance appraisal practice of National Alcohol and Liquor Factory.

According to Geoffrey et al, 2005 as cited by (Mekonnen, 2016) descriptive research is a research type that describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issue. Based on the above definition descriptive type of research design is best to achieve the aim of this research since the study is focused on assessing performance appraisal practice in NALF.

#### **3.2 Population, Sample Size, and Sampling Techniques**

##### **3.2.1 Research Population**

The study was targeted at the permanent employees of the organization working in the Mekanissa branch (Head office). The total number of employees working Mekanissa branch (Head office) that have one year and above working experience has 352. Hence, the target population of this study is 352.

##### **3.2.2 Sample Size**

The sample size of the study was determined by a mathematical formula using confidence level as the parameter which assumes 95 times out of 100, the estimate from the sample will include the population parameter.

The total population in this study is 352 permanent employees working for more than one year found in the Factory; the sampling was carried out based on the following equation (Yamane, 1967).

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

Where,

N=Population size

n=sample size

e=acceptable magnitude of error with 95% confidence level

$$= \frac{352}{1+352*(0.05)^2}$$
$$=187$$

The sample size of the study was 187

### 3.2.3 Sampling Techniques

National Alcohol & Liquor Factory (NALF) is a state owned business organization. The factory comprises four branch factories which are Maichew(Mexico), Mekanisa, Akaki and Sebeta branch. From those branches Akaki and Maichew branches are not operational for the time being and Mekanissa and Sebeta branches are operational.

Since all the departments of the company are located at the Mekanissa branch (Head office), it is best to the study to focus on this branch. The population considered for this study consists of all permanent employees of NALF. There are 491 employees working at NALF including those who are working at Branches. NALF is structured with one core process and four support processes with a total of 352 employees at head office. Out of 352 employees 264 of them are working under the core process and the rest 88 are working under support process. The sampling technique used for this study was simple random sampling by taking staff who work in all support and core processes of an organization. This method is used to give equal chance to the population to make sure the representativeness of the data and also to ensure the representative of all characteristics of the population which it is not considered by the researcher. In addition, purposive sampling technique was implemented for those who are directly responsible with performance appraisal system. It is the researcher belief that using this method was enabled to have in-depth knowledge from those who are in a position to give about the practice of performance appraisal system at NALF.



**Table 3.1 Population of the study**

Category	Core Process	Support Process	Total Population Size	Sample size selected
Chief of Executive	01	-	01	01
Managerial Staff	04	06	10	5
Team Leaders	05	10	15	8
Coordinators	08	-	08	4
Professionals	96	42	138	73
Other Support Staff	45	30	75	40
Factory Workers	105	-	105	56
<b>Total</b>	<b>264</b>	<b>88</b>	<b>352</b>	<b>187</b>

Source: NALF Human Resource Recruitment & Administrative Team

### 3.3 Sources of Data

The study was conducted using both primary and secondary data source. Primary data was collected using a structured questionnaire which is quantitatively measures on a five point Likert scale. Besides for qualitative data, open ended questions have been included in the questionnaire and unstructured interview is also conducts to support the quantitative analysis. Secondary data sources were from books, research articles, organizational publications, other related documents, reports, appraisal results, etc. The basic questions of the study were developed by referring the available related literature on the issues of performance appraisal system.

### 3.4 Data Collection Methods

Data was collected by way of a survey questionnaire. Research questionnaire used was adopted from (Leyew, 2019) conducted similar research using this tool, thus, the measurement instrument is adopted. Interview was conducted with the human resource team leader and coordinator of the enterprise. The questionnaire uses scaled questions (Likert scale). The advantages of using the Likert is that it is simple to construct (especially for the self-created questions), easy to read and complete, it is likely to produce a high reliable scale and provides more variation responses. Accordingly, 5 point Likert scale items are prepared for respondents because it will be helpful for the researcher to know the respondents' feelings. The questionnaires are employed to express their feelings, perceptions, problems related to performance appraisal practices in the organization. The questionnaire had six parts to obtain the necessary information about the standards setting, Appraisal Method and

process, Appraisal form and its content, Accuracy of rating, Providing feedback and explaining rating Decision.

### 3.5 Reliability and Validity

The reliability and validity of the data collection instruments are tested to ensure that the questions are understood by the respondents and there are no problems with the wording or measurement.

#### ✓ Reliability

(Hair, 2007) defines reliability as the extents to which a variable or a set of variables is consistent in what it is intended to measure. To insure the consistency of the instrument in this study it was used cronbach’s alpha coefficient. According to Kothari (2004) the Cronbache alpha coefficient of a scale should be above .70. When the Cronbach alpha is low, it indicates low reliability and this means that the measuring instrument is not consistent in its measurement.

The following table shows that the reliability test result from the pilot study

**Table 3.2 Reliability statistics of the instrument**

Dimensions	No. of Items	Cronbach's Alpha
Standard Setting	5	0.709
Appraisal method and process	5	0.810
Appraisal Form and its content	5	0.855
Accuracy of rating	5	0.714
Providing Feedback	5	0.880
Explaining rating decision	5	0.836
<b>Average</b>	<b>5</b>	<b>0.801</b>

Source: Own Survey

As shown in the above table, the reliability of the scale was determined by Crobch’s alpha method. According to (Alan Bryman, 2003) the Crobch’s alpha result of 0.7 and above implies acceptable level of internal reliability. Therefore, the result indicated that the questionnaires of the study were internally consistent by 80.1 percent.

#### ✓ Validity

(Hair, 2007) defined the validity as “the degree to which a measure accurately represents what is supposed to”. Validity is the degree to which all of the evidence points to the intended interpretation of test scores for the proposed purpose. In this study the content of validity of the data collection instrument was determined through discussing the research instrument

with the researcher experts in the field of study and the researcher also considered the input of the advisor. The valuable comments, corrections, suggestions given by the research experts and advisor assisted the validation of the instrument.

### **3.6 Methods of Data Processing and Analysis**

After collected the required data, Statistical Package for the Social Sciences (SPSS) version 20 was used for the purpose of processing and analysis of the results. Descriptive statistics based on tables was used to analyze information on all factors/variables including respondent personal information. Likert scale; measurement was used on the basis of the survey; 5=strongly agree; 4=agree; 3=undecided (indifferent); 2 = disagree; 1=strongly disagree. The variables were analyzed by using frequency counts, percentages, mean values and standard deviation. Finally, information obtained through questionnaire, interview and document review are thematically analyzed and interpreted.

### **3.7 Ethical Considerations**

In research, ethical consideration is one of the most important points that need great attention. With regard to this research, the aim and objectives of the study were conveyed to the relevant authority in the factory under study during the process of acquiring permission to conduct research. Likewise, to protect individuals from any consequences due to their reply to the questionnaire, their personal identities had not been exposed publically. At the beginning of the survey, and as part of the survey questionnaire, necessary awareness as to the objective of the study was communicated to those involved in the survey. Thus, respondents clearly understood that the study was merely intended for academic purpose, and hence their responses would be kept confidential and only dedicated for the stated objective. Moreover, the researcher maintained scientific objectivity throughout the study, recognizing the limitations of his competence. The information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others, and the sources from which information was drawn is acknowledged.

## Chapter Four

### ***Data Presentation, Analysis and Interpretation***

This chapter consists of two parts. The first part shows the demographic characteristics of respondents that include personal & professional characteristics. The second part deals with the presentations, analysis, and discussion of the major findings in the description of the basic questions that were analyzed based on the response obtained from the employees, Moreover, for better triangulation of the information obtained; interviews were made with the HR focal persons.

#### **4.1 Performance Appraisal Practice in NALF**

According to the information from Human Resource department office of NALF the practice of performance appraisal is described as follows.

In the year 2012, NALF introduced the balanced scorecard (BSC) to performance management. NALF utilizes the BSC methodology in order to improve organizational performance by aligning individual outputs to the NALF's strategic and business objectives.

**Appraiser:** the performance of employees in NALF was appraised by employees' immediate supervisors.

**Frequency of the Appraisal:** the performance appraisal of the NALF is conducted twice a year, at the end of December and June.

**Method of performance appraisal practice:** the factory uses only a balanced scorecard (BSC) as means for evaluation of employee's performance.

**Measures to be taken based on performance appraisal:** salary increment, Annual Bonus taken based on the results of a BSC-based performance assessment and it has 20% value at employees' promotion.

**Techniques used for performance appraisal:** appraisers were given format to appraise employees. The format contains four sets of characteristics like Financial, Customer, Internal Business Processes, Learning and Growth Perspective.

## 4.2 Demographic Characteristics of Respondents

A total of One hundred eighty-seven copies of the questionnaire were distributed to the respondents. Out of these questionnaires, One hundred seventy-four were returned, which is a 93% response rate and regarded as adequate to investigate the study.

**Table 4.1 Demographic characteristics of Respondents**

### Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	132	75.9	75.9	75.9
Female	42	24.1	24.1	100.0
Total	174	100.0	100.0	

### AGE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 30	36	20.7	20.7	20.7
31-40	90	51.7	51.7	72.4
41-50	24	13.8	13.8	86.2
51 and above	24	13.8	13.8	100.0
Total	174	100.0	100.0	

### Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Manager	6	3.4	3.4	3.4
Team Leader	15	8.6	8.6	12.1
Others	153	87.9	87.9	100.0
Total	174	100.0	100.0	

### Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5	72	41.4	41.4	41.4
6-10	66	37.9	37.9	79.3
11-20	12	6.9	6.9	86.2
21-30	6	3.4	3.4	89.7
31-above	18	10.3	10.3	100.0
Total	174	100.0	100.0	

**Education**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Diploma	12	6.9	6.9	6.9
Bachelor Degree	149	85.6	85.6	92.5
Masters	13	7.5	7.5	100.0
Total	174	100.0	100.0	

As it shows in the above table 4.1, 132 (75.9%) were male and 42 (24.1 %) were female from out of 174 respondents. Therefore, the majority of respondents are male which implies that NALF employees are dominated by males.

The above table also illustrates the respondent's age category. From the valid number of participants, the number of the respondent in the age greater than 30 years range is equal to 36 (20.7 %) and 90 (51.7 %) respondents are between 31-40 years age range. Further, 24 (13.8 %) respondents are fall in the range of 41-50. The rest 24 (13.8 %) respondents are fall in the above 50 years. This indicates the majority of the research participant was found between the ages ranges of 31-40 years which implies that majority of employees are dominated by middle aged.

The majority of the respondents 72 (41.4%) had between 1-5 years and 6-10 years' experience in NALF which is 66 (37.9 %) in number. Moreover, 12 (6.9 %) are serving the factory for 11-20 years while 6 (3.4 %) and 18 (10.3 %) respondents fall in the service year of 21-30 and 31 and above years respectively. The description shows that majority of the respondents serving NALF are 1-5 years and 6-10 years.

The result from the above table shows about the educational background of the respondents' revealed that the majority 149 (85.6%) of the respond had Bachelor' level which implies that NALF has employees have a good academic qualification. The rest 13 (7.5 %) and 12 (6.9 %) had Masters and diploma holders respectively. This shows that the majorities of employees under this study area are BSc graduates implying that NALF employees are those who have upgraded themselves and shows that NALF has fairly educated employees.

As table 4.1 shows that the number of Employees is 153 (87.9%) and the other shares of the respondents are Team leaders which is 15 (8.6 %). The rest of the respondents 6 (3.4 %) are managers.

### 4.3 Descriptive Analysis of Collected Data

The study is descriptive research in which the analysis and interpretation of the collected data are described in terms of frequency, percentage, mean and standard deviation. Mean scores 4.51- 5.00 very good/V. high, 3.51-4.50 good/High, 2.51-3.50 average or moderate, 1.51-2.50 fair/low and 1.00-1.50 is poor/very low (Poonlar Btawee:1987) cited by (Ahmed, 2020). Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. The findings obtained through the research questionnaires on Performance standard setting, method and process, appraisal form and its content, Accuracy of rating, Feedback providing and explanation of rating Decision.

#### 4.3.1 Respondents Attitude toward Performance standard setting

The extent to which the respondents agreed with the given statement concerning Performance standard setting in the NALF was investigated. Data in table 4.2 was analysed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in Frequency, percentage, mean and standard deviation.

**Table 4.2 Respondent attitude toward performance standard setting**

S/No	Statements		SA	DA	N	A	SA	Mean	STD.
1	The performance standards are objective	Fq.	-	42	63	47	22	3.28	0.9713
		%	-	24.1	36.2	27.0	12.6		
2	My rater clearly and regularly explains to me what he or she expects from my performance	Fq.	-	31	36	77	30	3.61	0.9719
		%	-	17.8	20.7	44.3	17.2		
3	The standards distinguish effective from ineffective performers	Fq.	-	18	54	60	42	3.72	0.9458
		%	-	10.3	31.0	34.5	24.1		
4	Standards are customized based on the characteristics of my job.	Fq.	2	34	65	47	26	3.35	0.9960
		%	1.1	19.5	37.4	27.0	14.9		
5	The Standards are exhaustive to appraise employee performance	Fq.	-	25	77	60	12	3.34	0.8082
		%	-	14.4	44.3	34.5	6.9		
<b>Average</b>								<b>3.46</b>	<b>0.9386</b>

Source: Own Survey

The grand mean values are interpreted as 1.0-1.8 = strongly disagree; 1.81-2.60 = disagree, 2.61-3.4 = neutral, 3.41-4.20 = agree and 4.20 and greater = strongly agree.

Standard setting is the proper following of prescribed rational system of rule or procedure resulting in the assignment of a number to differentiate between two or more state of degree of performance (Cizek, 1993). (Robert, 2002) suggested that when employees are given

autonomy or resources to participate in performance goal setting with management, they will develop stronger ownership of the process and their acceptance will be heightened accordingly.

As it is seen in the above table 4.2, 69 (39.6%) of the respondents were agreed, 42 (24.1%) of respondents disagreed with the idea that the objectivity of performance standard, 63(36.2%) of them were neutral. The mean value of 3.28(SD=0.9713) also indicates moderate agreement of the respondents with the idea that the objectivity of the performance standards. This depicts that the performance standard is moderately objective in the NALF.

From the above table 4.2, it can also be possible to infer that 107 (61.5%) of respondents agreed that the rater clearly and regularly explains to employees what expect from the performer, while 36 (20.7%) of them were neutral and 31(17.8%) of respondents disagree to it. The mean value of 3.61(SD=0.9719) also shows agreement of majority of the respondents with the claim that the rater clearly and regularly explains to the employees what he/she expects from employees. This indicates that the PA process had been communicated to all employees before its implementation in the NALF.

Likewise, the above table 4.2 also indicates that 102(58.6%) of the respondents were agreed, 18 (10.3%) of the respondents disagreed with the standards that distinguish effective from ineffective performers, whereas 54 (31.0%) of them were neutral. The mean value of 3.72(SD=0.9458) also revealed that the agreement of the majority of the respondents. This result shows that the standards are distinguished effective from ineffective performers. These encourage the morale of employees and consequently increase NALF's achievement of its intended objectives.

On the other hand, concerning the claim that standards are customized based on the characteristics of the job, the results from the above table 4.2 revealed that 73 (41.9%) of respondents were agreed, 36 (20.7%) respondents disagreed, 65 (37.4%) of them were Neutral to it. The mean value of 3.35 (SD=0.9960) also depicts the moderate agreement of the respondents with standards that are customized based on the characteristics of the job. This implies that PA standards in NALF need to customize based on the characteristics of the job.

Furthermore, the results from the above table 4.2 indicate that 72 (41.4%) of the respondents were agreed, 25 (14.4 %) of them were disagreed, whereas, 77(44.3%) of the respondents were Neutral on the statement of the Standards are exhaustive to appraise employee



performance. The mean value of 3.34 (SD= 0.8082) signifies the moderate agreement of the respondents with the standards is exhaustive to appraise employee performance. This indicates the standards are need improvement to effectively appraise employee performance.

So concerning the item standard setting, as indicated in the above the majority of respondents agree for each of the five questions. From these results, conducting transparent performance appraisal standard setting which ultimately minimized biasness of rate (employees) and rater (organization).For the organization performance standard setting serve as a benchmark against which the performance of an employee will be compared at the end of rating period and from employee side it will avoid ambiguity and confusion and it will also help to perform according to expectations and standards. Thus, the overall mean of the Standard setting categorical total has a mean of 3.46 (SD=0.9386). This indicates that most employees agree that the organization's performance standard is sufficient to assess employee performance. In general, NALF performance evaluation standards are in line with the factory goal and objective and point given to each criterion is in accordance with the general rule of performance evaluation criteria.

#### 4.3.2 Respondents Attitude toward Appraisal methods and Process

The extent to which the respondents agreed with the given statement concerning Appraisal methods and Process in the NALF was investigated.

**Table 4.3 Respondents attitude toward appraisal methods and process**

S/No	Statements		SA	DA	N	A	SA	Mean	STD.
1	The rater rank employees within their departments from highest performers to poorest performers	Fq.	-	18	42	90	24	3.69	0.8372
		%	-	10.3	24.1	51.7	13.8		
2	The rater keep record of specific examples of effective and ineffective performance on the part of each employee	Fq.	-	24	54	72	24	3.55	0.8965
		%	-	13.8	31.0	41.4	13.8		
3	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance	Fq.	-	30	36	90	18	3.55	0.8965
		%	-	17.2	20.7	51.7	10.3		
4	Do managers and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems	Fq.	12	24	48	78	12	3.31	1.0235
		%	6.9	13.8	27.6	44.8	6.9		
5	Performance is evaluated as per pre-established standards	Fq.	-	12	36	72	54	3.97	0.8925
		%	-	6.9	20.7	41.4	31		
<b>Average</b>								<b>3.614</b>	<b>0.9092</b>

Source: Own Survey

As depicted in the above table, more respondents that were 114(65.5%) agreed on the statement that the rater rank employees within their departments from highest performers to poorest performers, while 18 (10.3%) of respondents disagreed and the rest 42 (24.1%) are neutral. The mean of the above first item of 3.69(SD=0.8372), indicates that the agreements of respondents with the statement that rater rank employees within their departments from highest performers to poorest performers.

On the other hand, the statement that the rater keeps a record of specific examples of effective and ineffective performance on the part of each employee, the majority of the respondents 96(55.2%) were agreed, while 24(13.8%) of respondents were disagreed and 54(31.0%) are indifferent. the mean value of 3.55 (SD=0.8965) shows that respondents are agreed about the statement that the rater keep record of specific examples of effective and ineffective performance on the part of each employee.

As the above table shows that 108(62.0%) of employees agreed the statement that the rater defines performance dimensions by developing behavioral anchors associated with different levels of performance, while 30(17.2%) disagreed, and 36(20.7%) are indifferent. The mean of 3.55 (SD=0.8965) indicates that the respondents agreement the statement that the rater defines performance dimensions by developing behavioral anchors associated with different levels of performance.

As the above table shows 90(51.7%) respondents agreed the statement that managers and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems, while 36(20.7%) disagreed and 48 (27.6%) are indifferent. The mean of 3.31(SD=1.0235) indicates that the respondents moderately agreed that the statement “managers and employees work together and use multiple sources to evaluate personal and system factors to solve Performance problems.”

On the other hand, concerning the items of Performance is evaluated as per pre-established standards, the results from the above table 4.3 revealed that 126 (72.4%) of respondents were agreed and 12 (6.9%) respondents disagreed, 36 (20.7%) of them were Neutral to it. The mean value of 3.97(SD=0.8925) also depicts agreement of the respondents with the statement of performance is evaluated as per pre-established standards.

In overall performance appraisal methods and process mean value 3.614 (SD=0.9092), this implies that the respondents agreed with the performance appraisal methods and process of

the organization. It indicated that the performance appraisal Methods and process which implemented in NALF is good.

### 4.3.3 Respondents Attitude toward Appraisal Form and its content

The extent to which the respondents agreed with the given statement concerning Appraisal Form and its content in the NALF was investigated.

**Table 4.4 Respondents attitude toward appraisal form and its content**

S/No	Statements		SD	DA	N	A	SA	Mean	STD.
1	The Performance appraisal form makes sure that my performance expectations measure what I really do for the organization	Fq.	12	36	66	48	12	3.07	1.0177
		%	6.9	20.7	37.9	27.6	6.9		
2	The appraisal form reflects the most important factors in my job providing feedback	Fq.	18	54	66	30	6	2.72	0.9818
		%	10.3	31.0	37.9	17.2	3.4		
3	The Performance appraisal process form is simple and logical to use it and related to my work	Fq.	6	54	72	30	12	2.93	0.9471
		%	3.4	31.0	41.4	17.2	6.9		
4	My organization makes sure that my rater understands the requirement and difficulties of my work	Fq.	6	18	45	75	30	3.60	1.0018
		%	3.4	10.3	25.9	43.1	17.2		
5	My organization make sure that my rater understand the performance appraisal process rating procedure and rating format	Fq.	-	12	48	90	24	3.72	0.7856
		%	-	6.9	27.6	51.7	13.8		
<b>Average</b>								<b>3.21</b>	<b>0.9468</b>

Source: Own Survey

Concerning the data on the Appraisal Form and its content regarding the statement of the Performance appraisal form makes sure that my performance expectations measure what I do for the organization, 60(34.5%) of employees agreed, while 66(37.9%) are indifferent, and 48(27.6%) disagreed. The mean value of respondents, the response is 3.07 with a standard deviation of 1.0177 indicating moderate agreement. This indicates that the content of the performance appraisal form should be consistent with the responsibilities assigned to the employee in the organization.

With regard to the statement that appraisal form reflects the most important factors in my job providing feedback, 36(20.7%) of the respondents agreed and 72(41.4%) of the respondents neutral and 66 (37.9%) are disagree. The mean value of 2.72(SD=0.9818) indicates the

moderate agreement of the respondents, on the statement that the appraisal form reflects the most important factors in my job providing feedback.

Likewise, the above table 4.4 also indicates that 42(24.1 %) of the respondents were agreed with the statement "The Performance appraisal process form is simple and logical to use it and related to my work", whereas 72 (41.4%) of them were neutral. But, 60 (34.4%) of the respondents disagreed. The mean value of 2.93 (SD=0.9471) also revealed that the moderate agreement of the respondents with the statement that " The Performance appraisal process form is simple and logical to use it and related to my work".

From the above table 4.4, 105(60.3%) of the respondents agreed with the statement that an organization makes sure that the rater understands the requirement and difficulties of work, while 45 (25.9 %) of them were neutral. But, only 24 (13.7%) of the respondents disagreed. The mean value of 3.60(SD=1.0018) also signifies the agreement of more of the respondents with the idea that the rater understand the requirement and difficulties of work.

Finally, the result in the above table 4.4 revealed that 114 (65.5%) of respondents were agreed to the statement that the organization makes sure that the rater understands the performance appraisal process rating procedure and rating format, whereas only 48(27.6% ) of them were neutral. But, 12(6.9%) of the respondents disagreed. The mean value of 3.72 (SD=0.7856) also indicates agreement of the respondents to the statement the organization makes sure that the rater understands the performance appraisal process rating procedure and rating format.

In overall performance Appraisal form and its content mean value 3.21 (SD=0.9468), this result falls in the rating scale 2.61 – 3.40. This implies that the majority of the respondents are neutral; they are not satisfied on the appraisal form and contents of NALF. So, it needs improvement to increase the effectiveness the appraisal system. The form used for evaluation of majority of employees' performance appraisal is not customized on the basis of their job characteristics.

#### **4.3.4 Respondents Attitude toward Accuracy of rating**

The extent to which the respondents agreed with the given statement concerning Accuracy of rating in the NALF was investigated.

**Table 4.5 Respondents attitude toward accuracy of rating**

S/No	Statements		SA	DA	N	A	SA	Mean	STD.
1	My performance rating is based on how well do my work	Fq.	12	60	54	30	18	2.90	1.0969
		%	6.9	34.48	31.03	17.24	10.34		
2	My performance rating reflects how much work I do	Fq.	6	48	28	62	30	3.36	1.1578
		%	3.4	27.6	16.1	35.6	17.2		
3	The performance appraisal system is regularly carried by the responsible appraiser.	Fq.	-	6	36	60	72	4.14	0.8625
		%	-	3.45	20.7	34.5	41.4		
4	I am confident because the appraiser knows enough about the performance appraisal to appraise me.	Fq.	3	47	76	42	6	3.01	0.8500
		%	1.72	27.01	43.68	24.14	3.45		
5	The performance criteria used by NALF to rate your accomplishment is fair and clear	Fq.	18	42	60	36	18	2.97	1.1323
		%	10.34	24.1	34.48	20.7	10.34		
<b>Average</b>								<b>3.27</b>	<b>1.0199</b>

Source: Own Survey

Rater’s inadequate skill to conduct the process greatly contributes to the failure of appraisal activities and leads to job dissatisfaction. Concerning the statement that performance rating is based on how well do the employees' works, 72 (41.4%) of employees disagree, while 54(31.0%) are indifferent and the rest 48(27.6%) agreed. The mean value of 2.90 and standard deviation of 1.0969 also signifies moderate agreement of the respondents with the idea that the performance rating is based on how well do employees work.

Regarding the statement that performance rating reflects how much they are doing the majority 92 (52.8%) replied that they agree, while 54(31.0%) respondents were disagreed and 28(16.1%) respondents are neutral. A mean value of 3.36 and a standard deviation of 1.1578 indicated that the majority of the respondents are neutral they are not satisfied or dissatisfied on the on the statement.

From the above table regarding to the statement that performance appraisal system is regularly carried by the responsible appraiser, the majority 132(75.9%) of employees agree while 36(20.7%) indifferent and 6(3.4%) were disagree. A mean value of 4.14 and a standard deviation of 0.8625 indicate that the majority of respondents are in agreement.

As indicated in the above table the majority of employees 76(43.68%) were neutral, while 50(28.74%) disagreed and 48(27.59%) agree about the statement that the appraiser knows enough about the performance appraisal to appraise employees. A mean value of 2.90 and a

standard deviation of 0.9975 revealed that the majority of respondents are moderate agreement. It indicates that the respondents are not confident the knowledge of their supervisors about the performance appraisal.

About fairness and clarity of performance criteria, 60(34.48%) of employees were neutral, while 60 (34.48%) respondents disagreed and 54(31.03%) agree. A mean value of 2.97 and a standard deviation of 1.1323 showed that the majority of respondents are moderate agreement by the statement. It implies that respondents are neither satisfied nor dissatisfied by the fairness and clarity of performance criteria, so it needs to improve fairness and clarity of the criteria to increase the effectiveness of performance appraisal system.

Regarding the accuracy of the performance appraisal system, five questions were asked. The highest mean 4.14 that is the performance appraisal system is regularly carried by the responsible appraiser and the lowest mean 2.90 that are the statement of Performance rating is based on how well do my work. The overall mean is 3.27 and a standard deviation of 1.0199, this implies employees of the organization moderately agree with the levels of accuracy in measuring their performance and needs to maximize the rater accuracy. So, the company needs to give training for supervisors to increase their skill & knowledge to improve the quality of appraisal system.

### 4.3.5 Respondents Attitude toward Providing Feedback

The extent to which the respondents agreed with the given statement concerning Providing Feedback in the NALF was investigated.

**Table 4.6 Respondents attitude toward providing Feedback**

S/No	Statements		SA	DA	N	A	SA	Mean	STD.
1	My rater clearly explains to me the standards that will be used to evaluate my work.	Fq.	-	18	30	84	42	3.86	0.952
		%	-	10.3	17.2	48.3	24.1		
2	My rater regularly gives me feedback that is important to the things I do at work	Fq.	-	18	18	84	54	4.00	0.912
		%	-	10.3	10.3	48.3	31.0		
3	My rater lets me know how I am doing	Fq.	-	12	48	72	42	3.83	0.8762
		%	-	6.9	27.6	41.4	24.1		
4	My rater reviews with me my progress towards my goals	Fq.	6	24	30	60	54	3.76	1.1375
		%	3.4	13.8	17.2	34.5	31.0		
5	The feedback I get helps me to gain insight about my weakness and strength	Fq.	-	24	6	90	54	4.00	0.9496
		%	-	13.8	3.4	51.7	31.0		
<b>Average</b>								<b>3.89</b>	<b>0.9555</b>

Source: Own Survey

According to (Werner, Schuler, & Jackson, 2012) managing performance is a constant process interjected by formal performance measurements and formal feedback sessions intended to improve future performance. (Werner, Schuler, & Jackson, 2012) further argued that accepting and understanding the different attributions of supervisors and employees is the first step in providing feedback effectively. To be more effective, managers should be well prepared, and feedback should be given more regularly. A more favorable feedback environment leads to higher levels of commitment and organizational citizenship behaviors (Boachie Mensah, 2012).

From the above table 4.6, it is also possible to infer that 126 (72.4%) of the respondents agreed to the statement that rater clearly explains to employees the standards that will be used to evaluate the work. while 30 (17.2%) of them were neutral and 18(10.3%) were disagreed. The mean value of 3.86 and standard deviation of 0.952 also signifies the agreement of more of the respondents with the idea that the rater clearly explains to employees the standards that will be used to evaluate their work in the NALF.

Regarding the items that say my rater regularly gives me feedback that is important to the things, I do at work, the majority 138 (79.3%) replied that they agree, while 18(10.3%) were indifferent and 18 (10.3%) disagreed. A mean value of 4.00 and a standard deviation of 0.9123 showed that the majority of respondents are in agreement. This explains that the appraiser regularly gives feedback that is important to the things employees do at work in NALF.

As the results in Table 4.6, 114 (65.5%) respondents agreed on the statement that my rater letting me know how I am doing. On the contrary, respondents are 48 (27.6%) replied that they are neutral and 12(6.9%) respondents have disagreed. A mean value of 3.83 and standard deviation of 0.8762 shows that majority of respondents have an agreement on the statement.

About the rater reviews employees' progress towards their goals, most of the 114 (65.5%) of the respondents are in agreement. On the other hand, 30(17.2%) and 30(17.2%) of the respondents were neutral and disagreed respectively. Furthermore, a mean value of 3.76 and a standard deviation of 1.1375 shows the majority of respondents are in agreement.

Finally, the result in the above table 4.6 revealed that 144 (82.8%) of respondents were agreed to the statement that the feedback employees get helps them to gain insight into their weaknesses and strength, whereas only 6(3.4%) of them were neutral. But, 24(13.8%) of the respondents disagreed. The mean value 4.00 and the standard deviation of 0.9496 also

indicates agreement of the respondents to the statement the feedback employees get helps them to gain insight about their weakness and strength in NALF.

To sum up, the items Providing Feedback, the Grand mean value of 3.89 and standard deviation of 0.9555 signifies those respondents' reactions for the variables are also in the range of agreement. This shows that, supervisors are giving adequate feedback to employees on their performance. Giving feedback help employees to know their strength and to improve their weakness, if managers keep silent from giving feedback, employees will think that their present level of performance is acceptable in the organization and they may not put extra efforts to improve.

### 4.3.6 Respondents Attitude toward explaining rating decision

The extent to which the respondents agreed with the given statement concerning Explaining rating decision in the NALF was investigated.

**Table 4.7 Respondents attitude toward explaining rating decision**

S/No	Statements		SA	DA	N	A	SA	Mean	STD.
1	My rater helps me to understand the process used to evaluate and rate my performance	Fq.	-	30	12	102	30	3.76	0.9369
		%	-	17.2	6.9	58.6	17.2		
2	My rater takes the time to explain my rating result	Fq.	6	24	24	78	42	3.72	1.0826
		%	3.4	13.8	13.8	44.8	24.1		
3	My rater lets me ask him or her questions about my performance rating	Fq.	-	29	25	84	36	3.73	0.9745
		%	-	16.7	14.4	48.3	20.7		
4	My rater helps me understand what I need to do improve my performance	Fq.	-	24	36	66	48	3.79	0.9987
		%	-	13.8	20.7	37.9	27.6		
5	You have a chance to appeal to management other than your supervisor if you do not agree on your performance rating	Fq.	-	18	54	66	36	3.69	0.9163
		%	-	10.3	31.0	37.9	20.7		
<b>Average</b>								<b>3.74</b>	<b>0.9818</b>

Source: Own Survey

The findings of this survey revealed that 132 (75.8%) of the respondents have agreed to the statement "My rater helps me to understand the process used to evaluate and rate my performance" while 12(6.9%) are neutral and 30(17.2%) have disagreed. It implies that NALF had fulfilled one of the requirements of effective performance appraisal by making sure that the rater helps employees to understand the process used to evaluate and rate their performance. A mean value of 3.76 and a standard deviation of 0.9369 shows that majority of respondents have an agreement on the statement.



Regarding to the statement that my rater takes the time to explain my rating result, 120 (68.9%) respondents were agreed, 24 (13.8%) are neutral and 30(17.2%) have disagreed with it. A mean value of 3.72 and a standard deviation of 1.0826 shows that majority of respondents have an agreement on the statement.

The response for answering the statement about performance rating indicated that 120 (69.0%) of the respondents have agreed to the statement saying "My rater lets me ask him or her questions about my performance rating", 25 (14.4%) are neutral and 29(16.7%) have disagreed to it. A mean value of 3.73 and standard deviation of 0.9745 shows that majority of respondents have an agreement on the statement.

Table 4.7 also shows that 114 (65.5%) of the respondents have agreed to the statement "My rater helps me understand what I need to do improve my performance", 36 (20.7%) neutral and 24(13.8%) of the participants have disagreed to it. A mean value of 3.79 and a standard deviation of 0.9987 shows that majority of respondents have an agreement on the statement.

As per the data presented in the above Table 4.7, 102 (58.6%) have agreed on the statement of "You have a chance to appeal to management other than your supervisor if you do not agree on your performance rating", while 54 (31.0%) neutral and 18 (10.3%) have disagreed to it. The mean value of 3.69 and the standard deviation of 0.9163 shows that the agreement on the statement.

To sum up, the items explaining rating decisions, the grand mean value of 3.74, and standard deviation of 0.9818 signify that respondents' reactions for the variables are also in the range of agreement. It indicates the practice of explaining rating decision to the employee after appraisal process, is good. It implies that Employees have access to see their performance evaluation result, and employees have a chance to appeal to management other than their supervisor if they do not agree.

#### **4.4 HR Department Response**

According to the interview conducted with Human resource team leader and coordinators, somehow employees have an awareness of the PAS currently in use in NALF. Hence, from the responses of the respondents, it is possible to infer that employees' awareness of the PAS currently in use in Factory was low. So, human resource department need to give training for employees to increase their knowledge about existing performance appraisal system. About the frequency of performance reviews, they responded that it is formally done twice a year.

As the information obtained from the Human resources department, revealed that the PA method currently in use in the evaluation of employees' performance in NALF was adequately implemented. This means that the performance of the employees was accurately evaluated. This situation encourages the morale of employees, and consequently the NALF's achievement of its intended objectives.

The information obtained from the interview conducted with the interviewees showed that employees' performance measurements were based on their work plan and employees effectively participated in the evaluation of employees' performance. It motivates employees to improve their performance to improve productivity/service quality of their respective organizations.

The results from interview conducted with HR department also indicated that motivating high performer employees, conducting PA in a non-judgmental or unbiased manner, and periodically and continually reviewing the PAS to ensure its effectiveness could be success factors for the implementation of PAS in the NALF.

## Chapter Five

### *Finding, Conclusions AND Recommendations*

This chapter summarizes the findings of the study and the conclusions drawn from the analysis. This chapter presents, major findings, conclusions and recommendations based on the analysis and interpretations made at the pervious chapter.

#### **5.1 Summary of Findings**

The data collected from the respondents were analyzed for the purpose of assessing performance appraisal practices in the NALF. Standard questioner developed by different scholars is used. In order to undertake the study, 187 questionnaires were distributed and 174 (93%) were filled out and returned. A simple random and purposive sampling method was used to sample the respondents. The demographic background of the respondents revealed that:

- The demographic characteristics of respondents show that 75.9% of respondents are males.
- According to the result of the study the 51.7% of the research participant was found between the age ranges of 31-40 years.
- This study implies that the 85.6% of respondents under this study are first degree graduates.
- 41.4% of the respondents have been serving the company for more than a year but less than five years.
- The grand mean of performance standard setting are 3.46 shows that most employees agreed with the performance appraisal standard-setting system of the organization. The result from respondents via open ended questions also indicated that employees' performance measurements were based on their work plan. This indicates that most respondents agree that the organization's performance standard is sufficient to assess employee performance. In general, NALF performance evaluation standards are in line with the factory goal and objective, and point given to each criterion is in accordance with the general rule of performance evaluation criteria. But, respondents have moderate response on the objectivity of performance standards.
- Performance Evaluation Methods and Process the grand mean of 3,614 indicates that the performance appraisal methods and process implemented by NALF are good. Moreover, the results from key informants indicate that the PA method used to

evaluate staff performance in the NALF has been adequately implemented. The evaluation is conducted twice a year and employees are actively involved in evaluating employees' performance.

- The grand mean of performance appraisal form and its content is 3.21. It indicates that the respondents moderately agreed with the performance appraisal form and its content of the organization. So, it needs improvement to increase the effectiveness of the appraisal system. The form used for evaluation of majority of employees' performance appraisal is not customized on the basis of their job characteristics.
- The overall accuracy rating practice of the organization is found to be in moderate/neutral state (3.21). As grand mean value shows accuracy of rating is moderate/neutral state, employees not fully satisfied with it.
- The overall mean of providing feedback practice is 3.89 implies that NALF performance rater provides feedback to the employee before the appraisal process. This shows that, supervisors are giving adequate feedback to employees on their performance. Giving feedback help employees to know their strength and to improve their weakness
- The grand mean of explaining rating decision practice is 3.74 shows that NALF performance rater explaining rating decision to the employee after appraisal process was good. Employees have access to see their performance evaluation result, and employees have a chance to appeal to management other than their supervisor.

## **5.2 Conclusions**

The main purpose of this study was to assess the performance appraisal practice of NALF. To this end, the current performance Appraisal practice in this organization was examined in view of the performance Appraisal conceptual framework and literature. In order to explore all the necessary information that best describes the practice of the current performance appraisal, descriptive survey research design was applied using qualitative and quantitative approach.

The study was conducted with main objective of assessing the performance appraisal practice in NALF. In order to answer the basic research questions, data were collected from employees using questionnaires and Human resource Department using unstructured

interview; the data were analyzed using SPSS version 20 and interpreted. After careful analysis of performance Appraisal practice in NALF the following conclusions are made.

- The findings of this study indicated that the performance standard setting in use in the NALF was good. The performance standards implemented in NALF has a capacity to distinguish effective from ineffective performer. However, the employees are not satisfied and happy with the objectivity of the criteria. This will unfavorably affect personal improvement and organizational development as criteria items have strong correlation with these variables.
- The finding of the study depicted Employee performance appraisal is conducted by the immediate supervisor of the employees. In the Appraisal method implemented in NALF, the supervisor rank employees within their departments from the highest performers to the poorest performer; evaluators keep record of what they have done during the performance evaluation period and support the performance evaluation with specific events of good and bad performances; and Employees also evaluated based on pre-established criteria. In the overall, employees are satisfied with the appraisal method and process effectiveness that implemented in NALF Performance appraisal system.
- Also, the findings of this study indicated that the Performance appraisal form does not accurately measure employees' performance expectations what they do. The appraisal form does not fully reflect the most important factors in their job providing feedback for the organization. The Performance appraisal form is also needed to be simple and logical to use. In general, employees are not fully satisfied with the appropriateness of the appraisal form and the content they use for performance appraisal.
- The findings also demonstrated that employees of NALF are moderately agreed by existing rating accuracy of the organization. Hence, performance appraisals can adversely affect the morale of the employees and create dissatisfaction among the employees there by in return affecting personal improvement and organizational development. Therefore, the company need to improve the accuracy of rating by enhancing the capacity of supervisors by providing training on the performance evaluation system implemented in the NALF.
- At NALF there is a practice of providing employees feedback on their performance. Supervisors clearly explain the standards that used to evaluate employees performance, and they regularly give sufficient feedback that is important to the things related to work. Appraiser clearly explains to their subordinates the standards

that will be used to evaluate their work; and properly reviews employees' progress towards their goals. Employees gained insight about their weaknesses and strength due to feedback that get from supervisors. Generally, NALF has good feedback providing practice, so this good practice needs to be continued.

- The findings of this study indicated that NALF have good practice about explaining rating decision. Employees have access to see their performance evaluation result, and employees have a chance to appeal to management other than their supervisor if they do not agree.
- Overall, the results show that the factory's performance appraisal system is good. It can build a better performance appraisal system by filling in some gaps in performance appraisal form and rating accuracy of performance appraisal system.

### **5.3 Recommendations**

As per the findings, and conclusions of the study, the researcher has forwarded the following recommendations which help the Factory to have more effective Performance appraisal system.

- Since the finding of the study proofed that the appraisal form and its contents of the organization are moderate. Thus it is advised to amend the appraisal form which ensures that employees are well and effectively evaluate employees' performance and gears towards improving individual as well as organizational performance.
- The appraiser must be a competent to evaluate the performance of subordinates. They need to have the necessary knowledge, skills and experience. It is one of the most important factors in determining satisfaction in a performance appraisal system, and it can also affect job performance. Appropriate and practical training aimed at increasing the evaluator's knowledge on the subject of performance evaluation should be a priority in the HR department's periodic training and development plan.
- NALF Performance standard that uses for employees appraisal is good. But, there is the need to ensure that performance standard have been extracted from an up to date job description, and the organization shall improve its objectivity of standards. The more the criteria of evaluation are related to employees' job description and the objective of the organization, the more it will be clear, specific, objective, and accurately measure employees' actual job performance.

## References

- Ahmed, Z. (2020). *The effect of marketing program on customer satisfaction*. Addis Ababa.
- Alan Bryman, E. B. (2003). *Business Research Methods*. Newyork: Oxford University Press.
- Armstrong, M. (2009). *Armstrong's Handbook of Human Resource Management practice, 11 Edition*. London: Kogan Page Limited.
- Baird, L. S. (1990). *Management: Functions and Responsibilities*. Newyork: Harper & Row Publishers Inc.
- Barett, R. (1966). *Performance Rating*. Chicago: science research associates,inc.
- Beer, M. (1987). Performance appraisal. *Hand book of organizational Behavior*.
- Bekele, M. (2014). *An assessment of employee performance appraisal practice: the case of ethiopian textile industry development institute*. Saint Marry University, Addis Ababa: Unpublished Masters Thesis.
- Beveridge.W.E. (1975). *The interview in staff appraisal*. Plymouth: George Allen & Unwin Ltd.
- Bodil, B. (2002). Women in a male-dominated industry: Factor analysis of a women workplace culture questionnaire based on a grounded theory model. *Scholarly Journal*, 311-322.
- Boswell, W. a. (2000). Employee satisfaction with performance Appraisals and Appraisers. The role of perceived appraisal use. *APA PsycNet*, 283-299.
- Cascio, W. F. (2003). *Managing Human Resources, Productivity, Quality of Work Life, Profits*. New Delhi: Tata McGraw-Hill Publishing Company Limited.
- Chatterjee, B. (1990). *Human Resource Management*. New Delhi: Sterling Publishers Private Limited Inc.
- Christopher McNamara, S. M. (2000). Performance measurement and management: Some insights from practice. *Australian Accounting Review*, 14-28.

- Cizek, G. J. (1993). Reconsidering standards and criteria. *Journal of Education Measurement*, 93-106.
- David A DeCenzo, S. P. (2010). *Fundamentals of human resource management*. Newyork: John Wiley and sons Inc.
- Derven, M. (1990). The Paradox of. Performance Appraisals. *Personnel Journal*, 107-111.
- Dessler, G. (2012). *Human Resource Management*. Florida: Florida international university.
- E.Robert, G. (2003). Employee performance appraisal system participation: A technique that works. *Public personnel Managment*, Vol 32, Issue 1.
- Einstein, W. a.-L. (1989). Performance appraisal: dilemma or desire? *Sam Advanced Management Journal*.
- Femi, A. F. (2013). Perception of Performance Appraisal and Workers' Performance in Wema Bank Headquarters, Lagos. *Global Journal of Arts, Humanities and Social Sciences*, Vol.1, No.4, 89-101.
- Fletcher, C. (1998). Performance appraisal in context: Organizational changes and their impact on practice.
- G. Coates, M. L. (1993). Image and Substance: The Management of Performance as Rhetoric or Reality? *Personnel Review*, pp. 3-21.
- George Baker, R. G. (1994). Subject Performance Measures in Optimal Incentive Contracts. *Quarterly Journal of Economics*, vol. 109, issue 4, 1125-1156.
- Getahun, T. (2018). *An Assessment of the Performance Appraisal Practice: The Case of Ambo University*. Addis Ababa University, Addis Ababa: Unpublished Masters Thesis.
- Glueck, W. F. (1978). *Personnel: A Diagnostic Approach*. Texas: Business.
- Grote, R. (1996). *The Complete Guide to Performance Appraisal*. Newyork: AMACOM.
- Hair, J. M. (2007). *Multivariate Data Analysis*. New jersey: Pearson Education.Inc.



- Harold, D. G. (2002). Feedback: The Definition of a Construct”,. *Acadamy of management Journal*, 142-147.
- Hvenmark, J. (2013). Business as Usual? On Managerialization and the Adoption of the Balanced Scorecard in a Democratically Governed Civil Society organization. *Taylor & Francis, Ltd.*, 223-247.
- Ivancevich, J. M. (2004). *Human Resource Management*. New Delhi: Tata McGraw-Hill Publishing Company Limited.
- Jafari, M. (2009). A New Framework for Selection of the Best Performance Appraisal Method. *European Journal of Social science*, 92-100.
- John Bratton, J. G. (1999). *Human Resource Management*. Great Britain : Red Globe press.
- Khan, A. (2004). Performance Appraisal’s Relation with Productivity and Job Satisfaction. *Journal of Managerial Sciences, Volume I, Number 2*, 100-114.
- Kluger, A. N. (1996). The effect of feedback interventions on performance: A historical review, a meta-analysis, and a preliminary feedback intervention theory. *American psychological association* , 254–284.
- Kolawole Sunday Ajibola, E. M. (2019). Firms, performance appraisal as determinant of employee work engagement: evidence from nigeria manufacturing. *International Journal of Human Resources and Procurement*, 45-58.
- Kumari, N. (2011). Balanced Scorecard for Superior Organization Performance. *European Journal of Business and management*, Vol 3, No.5.
- Laura Dal Carlo, A. D. (2019). An opportunity to Grow or a Label? Performance Appraisal Justice and Performance Appraisal satisfaction to increase Tecachers' well-Being. *Journal Frontiers in Psychology*.
- Lepsinger, L. A. (1998). 360 degree feedback and performance appraisal. Training. *MCB UP Ltd.*, 62-70.

- Lewin, K. (2004). Kurt Lewin and the Planned Approach to Change: A Re-appraisal. *Journal of Management studies*, 977-1002.
- Leyew, D. (2019). *Assesment of performance appraisal system: the case of ministry of urban develeopment and housing (mudh), ethiopia.*
- Mahmoud Javidmehr, M. E. (2015). Performance appraisal bias and errors: The influences and consequences . *INTERNATIONAL JOURNAL OF ORGANIZATIONAL LEADERSHIP* , 286-302 .
- Martin L. Bowles, G. C. (1993). Image and Substance: The Management of Performance as Rhetoric or Reality? *Personnel Review*.
- Maund, L. (2001). *An Introduction to Human Resource Management: Theory and Practice*. London: Palgrave.
- Mayer, H. H. (1991). A solution to performance appraisal feedback enigma. *Acadamy of Managment Exacutive*, Volume 5 No. 1.
- Mekonnen, S. (2016). *Assessment of employee's performance appraisal practice: the case of abay bank s.c.* Addis Ababa University, Addis Ababa: Unpublished Masters Thesis.
- Moats, J. (1999). *Concequence of the performance appraisal practice experience On HRM Outcomes*. Personal review.
- Moers, F. (2005). Discretion and bias in performance evaluation: The impact of diversity and subjectivity. *Accounting, Organizations, & Society*, 67–80.
- Mohammad Tariq Hasan, M. H. (2010). Quantification of qualitative parameters for performance appraisal: A case study. *ASA University Review*, Vol. 4 No. 2.
- Motuma, S. L. (2020). *An assessment of the practices and challenges of employees'*. Addis Ababa University, Addis Ababa: Unpublished Masters Thesis.
- Mount, M. K. (1984). Satisfaction with a Performance Appraisal System and Appraisal Discussion,. *Journal of Occupational Behavior*, 271-279.

- Muhammad Imran Rasheed, H. D. (2011). A critical analysis of Performance appraisal system for teachers in public sector universities of Pakistan: A case study of the Islamia University of Bahawalpur. *African Journal of Business Management* Vol. 5(9), 3735-3744.
- Niven. (2006). *Balanced Scorecard Step by Step Maximizing Performance and Maintaining Results (2nd ed.)*. New York: John Wiley and Sons.
- Ochoti, G. M. (2012). Factors Influencing Employee performance Appraisal system: A case of the Ministry of state for Provincial Administration & Internal Security. *International Journal of Business and Social Science*, 37-45.
- Pfeffer, J. a. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row .
- Prendergast. (1999). The Provision of Incentives in Firms. *Journal of Economic Literature*, 7-63.
- R. Wayne Mondy, J. J. (2008). *Human Resource Management*. New Jersey: Prentice Hall.
- Rasch, 2. (2014). Employee Performance Appraisal and the 95/5 Rule. *Community college Journal of research and practice*, 407-414.
- Ricky W. Griffin, A. S. (2008). *Human Resource Management*. Boston: Houghton Mifflin company.
- Robert, G. (2002). Employee performance Appraisal system participation: A Technique That Works. *public personnel Management*, 89-98.
- Saini, R. (2017). Analysis of Performance Appraisal Systems - An Empirical Evidence of Manufacturing . Punjab, India. *Journal of Business Management*, Vol 3, No. 8.
- Shelley, S. (1999). Diversity of appraisal and performance-related pay practices in higher education. *Personnel Review*.

- Shrestha, S. (2007). Improving employee performance appraisal method through web-based appraisal supports system: system development from the study on Thai companies. *Publication History*, 1621-1629.
- Steers, R. M. (1991). *Motivation and Work Behavior*. New York: McGraw-Hill.
- T. Ingham. (1998). Management by objectives: a lesson in commitment and co-operation. *Journal of managing service Quality*, 35-38.
- Tariku, A. (2015). *Assessment of employee performance appraisal practice of Dashen Bank S.C.*
- Taylor, S. A. (1994). An assessment of the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions. *Journal of Retailing*, 163-178.
- Wall, T. D. (2004). On validity of subjective measures of company performance. *Personnel Psychology*.
- Werner, S., Schuler, R. S., & Jackson, S. E. (2012). *Human Resource Management*. Australia: South-Western Cengage Learning.
- Wesley, D. (2004). Subordinate influence and the performance evaluation process: . 101-135.
- Wiese, D. S. (1998). The evolution of the performance appraisal. *Journal of management history*, 233-249.
- William B. Werther, K. D. (1996). *Human Resources and Personnel Management, 5th Edition*. New York: McGraw Hill Inc.
- Yamane, T. (1967). *Elementary sampling theory*. New Jersey: Prentice-Hall, Inc.
- Yohannes, T. (2017). An assessment of employees' performance appraisal practice: the case of Muger Cement Factory.

# Appendix I Survey Questionnaire

**St. Mary's University**  
**School of Graduate Studies**  
**Performance Appraisal Practice of NALF**  
**Questionnaire for Employees**

Dear respondents,

This questionnaire is designed to collect information to assess the Performance Appraisal Practice of National Alcohol and Liquor Factory.

The purpose of this study is for the partial fulfillment of the requirements for the degree of Master of Business Administration (MBA). The information you provide is confidential and for the sole purpose of academic reason. Hence, you are kindly requested to respond to the statements in the following questionnaire. Your response has a great impact for this survey study. The main objective of the study is to assess the performance appraisal Practice of National Alcohol and Liquor Factory and recommend solutions for problems related to subject matter.

### General Instructions

- ✓ There is no need of writing your name
- ✓ Please express your views by ticking the box appropriate to your response

**Thank you in advance for your cooperation**

### Part I: Demographic Information

1. Gender: Male  Female
2. Age in years: Less than 30  31-40  41 – 50  above
3. Please indicate your position
- a) Manage  b) Department Head  c. Team Leader
- d. Other (Specify).....
4. For how long have you been working in the organization (in years):
-

Less than 1-5                      5-10                      10-20                      20-30                      Above 30

5. Level of Education    Diploma     Bachelor Degree     Masters   
 PhD and above

**Part II – Please indicate the level of your agreement with the statement below (Please put (√) to indicate your answer), where 1= strongly disagree, 2= Dis Agree, 3= Neutral, 4= Agree, and 5 =Strongly Agree**

No	Item	Level Of Agreement				
		1	2	3	4	5
	<b>Standard setting</b>					
1	The performance standards are objective					
2	My rater clearly and regularly explains to me what he or she expects from my performance					
3	The standards distinguish effective from ineffective performers					
4	Standards are customized based on the characteristics of my job.					
5	The Standards are exhaustive to appraise employee performance					
	<b>Appraisal methods and process</b>					
1	The rater rank employees within their departments from highest performers to poorest performers					
2	The rater keep record of specific examples of effective and ineffective performance on the part of each employee					
3	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance					
4	Do managers and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems					
5	The rater keep record of specific examples of effective and ineffective performance on the part of each employee					
	<b>Appraisal form and its content</b>					
1	The Performance appraisal form makes sure that my performance expectations measure what I really do for the organization					
2	The appraisal form reflects the most important factors in my job providing feedback					
3	The Performance appraisal process form is simple and logical to use it and related to my work					
4	My organization makes sure that my rater understands the requirement and difficulties of my work					
5	My organization make sure that my rater understand the performance appraisal process rating procedure and rating format					
	<b>Accuracy of rating</b>					
1	My performance rating is based on how well do my work					
2	My performance rating reflects how much work I do					
3	The performance appraisal system is regularly carried by the responsible appraiser.					
4	I am confident because the appraiser knows enough about the performance					

	appraisal to appraise me.					
5	The performance criteria used by NALF to rate your accomplishment is fair and clear					
	<b>Providing feedback</b>					
1	My rater clearly explains to me the standards that will be used to evaluate my work.					
2	My rater regularly gives me feedback that is important to the things I do at work					
3	My rater lets me know how I am doing					
4	My rater reviews with me my progress towards my goals					
5	The feedback I get helps me to gain insight about my weakness and strength					
	<b>Explaining rating decision</b>					
1	My rater helps me to understand the process used to evaluate and rate my performance					
2	My rater takes the time to explain my rating result					
3	My rater lets me ask him or her questions about my performance rating					
4	My rater helps me understand what I need to do improve my performance					
5	You have a chance to appeal to management other than your supervisor if you do not agree on your performance rating					

**Source: Adopted from** (Leyew, 2019)

## **Appendix II Interview Questions**

### **Interview questions For Human Resource Department Staff.**

1. To what level do you rate employees' awareness of the PAS currently in use in NALF?
2. How often PA should be conducted in NALF?
3. Do you think that the PA method that is currently in use in evaluation of employees' job performance properly implemented in NALF?
4. Do you believe that PA measurements are always based on employees' work plan and work performance?
5. Do you think that appraisers are always effectively participating in the evaluation of employees' performance in NALF?
6. What should be done for successful implementation of PA in NALF?
7. Is there any idea you want to add about PA practices in NALF?