



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS

**THE EFFECT OF PERFORMANCE APPRAISAL SYSTEM ON THE
EMPLOYEES' PERFORMANCE: -THE CASE OF MINISTRY OF WATER
AND ENERGY OF ETHIOPIA**

BY:

HAYAT MUHUDIN

ADDIS ABABA, ETHIOPIA

JUNE, 2025

**THE EFFECT OF PERFORMANCE APPRAISAL SYSTEM ON THE
EMPLOYEES' PERFORMANCE: -THE CASE OF MINISTRY OF WATER
AND ENERGY OF ETHIOPIA**

BY:

HAYAT MUHUDI N

ADVISOR: -SHOA JEMAL (PhD, ASSISTANT PROFESSOR)

**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.**

ADDIS ABABA, ETHIOPIA

JUNE, 2025

ST. MARY’S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON THE
EMPLOYEES’ PERFORMANCE: -THE CASE OF DASHEN BANK**

BY:

HAYAT MUHUDIN

APPROVED BY BOARD OF EXAMINER

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

STATEMENTS OF DECLARATION

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

Name

Hayat Muhudin_____

Signature _____

Date _____

St. Mary's University

Addis Ababa

June, 2025

STATEMENT OF CERTIFICATION

This is to certify that this study paper titled "**the effect of performance appraisal system on the employees' performance: -the case of ministry of water and energy Addis Ababa**", undertaken by Hayat muhudin for the partial fulfillment of Master of Business Administration from St. Mary's University is an original work and fit for partial fulfillment for Masters of Business Administration.

Shoa Jemal (Dr and ass. professor)	_____	_____
Research advisor	Signature	Date

St. Mary's University, Addis Ababa June, 2025

ACKNOWLEDGEMENTS

May all praise be to Allah, who has provided me with health, strength, courage, and inspiration during my academic journey. Additionally, I am grateful to my parents, and friends for their guidance, encouragement, and support in helping me succeed in my studies. My sincere gratitude also goes to my thesis advisor ShoaJemal (Dr) for his academic guidance throughout the completion of this Paper.

My sincere thanks go to the employees and management of ministry of water and energy of Ethiopia . I would like to thank all for their co-operation and sincerity in providing access to information and filling questionnaires.

Table of Contents

ACKNOWLEDGEMENTS	i
LIST OF TABLE.....	v
LIST OF FIGURES	vi
ABBREVIATION AND ACRONYMS	vii
Abstract.....	viii
CHAPTER ONE	1
1.1 Background of the study.....	1
1.2 Statement of the Problem	2
1.3 Definition of Key Terms.....	4
1.4 Research Questions	4
1.5 Objectives of the study	5
1.5.1General objective.....	5
1.5.2 Specific Objectives	5
1.6 Significant of the study	5
1.7 Scope of the study	6
1.8 Limitation of the study.....	6
1.9 Organization of the Study	6
CHAPTER TWO	7
REVIEW OF RELATED LITERATURES.....	7
2.1Theoretical Literature.....	8
2.1.1 An Overview of Performance Appraisal.....	8
2.1.2performance appraisal system	9
2.1.3 Employee performance	10
2.1.4 Factors Influencing Employee Performance	10
2.1.5 Measuring Employee Performance	11
2.1.6 Performance Management in the Modern Workplace	11
2.2 The nexus between performance appraisal system and employee performance.....	12
2.3.1. Reward and employee performance.....	12
2.3.2. Promotion.....	13
2.3.3 Evaluation	14
2.4 Empirical review	15

2.5 Conceptual Framework.....	17
CHAPTER THREE	19
RESEARCH DESIGN AND METHODOLOGY	19
3.1 Research Design.....	19
3.2 Research Approaches.....	20
3,3 Target population	20
3.4 Sample size and sampling Techniques.....	20
3.4.1 Sample size determination	21
3.4.2 Sampling Techniques.....	22
3.5 Source of Data.....	22
3,6 Data Gathering tool.....	22
3.7 Method and Data Analysis.....	23
3.8 Scale Measurement	23
3.8.1 Reliability statics.....	23
3.8.2 Validity	23
CHAPTER FOUR.....	25
DATA PRESENTATION ANALYSIS AND INTERPRETATIONS	25
4.1 Response Rate.....	25
4.2Demographical Data of Respondents.....	26
4.3 Descriptive analysis	28
4.3.1 Descriptive Statistics of reward	28
4.3.3 Descriptive statistics of promotion.....	31
4.3.4 Descriptive statistics of promotion.....	32
4.3.5 Descriptive statistics of employee performance	33
4.4 Correlation Analysis	35
4.5 Regression Analysis.....	36
4.5.1 Model summary	36
4.5.2 ANOVA	38
4.5.3 Coefficient.....	39
4.6Regression Analysis Assumption.....	41
4.6.1Output of Hypotheses.....	43
4.7 Qualitative data analysis	44

CHAPTER FIVE	46
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	46
5.1 Summary	46
5.2 Conclusion	47
5.3Recommendation	48
References.....	51
Appendix 1.....	54
Section A: Demographic Information.....	54
Section A: Reward System and Employee Performance	55
Section B: Evaluation and Employee Performance	55
Section D: Promotion and Employee Performance	56
Appendix 2	57

LIST OF TABLE

Table 1 sample distribution.....	21
Table 2 reliability statistics	23
Table 3socio-demographic characteristics among employees in the case of ministry of water and energy , Addis Ababa Ethiopia 2025	28
Table 4 Descriptive statistics of evaluation	29
Table 5Descriptive Statistics of evaluation in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	30
Table 6 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	31
Table 7 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	32
Table 8 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	34
Table 9 correlation analysis in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	35
Table 10: - ANOVA in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	38
Table 11: - coefficients in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	40
Table 12: - coefficients in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	42
Table 22:- hypothesis test Employee's Performance in the case of ministry of water and energy Addis Ababa, Ethiopia 2025.....	43

LIST OF FIGURES

Figure 1Conceptual framework	18
Figure 2Histogram and normal p-p plot.....	42
Figure 3Scatter plot.....	42

ABBREVIATION AND ACRONYMS

ANOVA: - Analysis of variance

PA: -Performance Appraisal

PMS: - Performance Management System

SPSS: - Statistical Package for Social Sciences

SD: - Standard Deviation

EWEM:- Ethiopian Water and Energy Ministry

Abstract

This study investigates the effect of the performance appraisal system on employee performance within the Ethiopian Water and Energy Ministry (EWEM) in Addis Ababa. Recognizing the critical role of effective performance management in achieving organizational goals—particularly in essential sectors like water and energy—the research addresses a gap in understanding the current system’s efficacy. Drawing on established theories of performance management and appraisal, it examines how reward systems, evaluations, and promotions influence employee performance. Employing an explanatory research design with a mixed-methods approach, the study surveyed employees at EWEM’s head office, revealing a predominantly male, well-educated, and experienced workforce. Results indicate generally low to moderate satisfaction with the reward system, moderate perceptions of the promotion system, and overall positive views of the evaluation process, though concerns remain about its connection to tangible rewards. Correlation and regression analyses show strong positive relationships between reward, promotion, and performance, while evaluation shows a surprising negative association when other factors are controlled, pointing to a potential disconnect between evaluations and their perceived value. Based on these findings, the study recommends enhancing the promotion system through clear, fair, and merit-based criteria; overhauling the reward system to ensure clarity, fairness, and motivational impact; re-evaluating the performance evaluation process to strengthen its connection to rewards and personal development; and adopting an integrated performance management approach where reward, evaluation, and promotion are harmonized to support and motivate employees. Implementing these strategies is essential for creating a more effective and engaging work environment that drives employee performance and organizational success.

Key Words: *Performance Management, Performance Appraisal, Employee Performance, Reward, Evaluation*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Performance appraisal has evolved significantly over the past century, transitioning from rigid, output-based assessments to more dynamic, development-focused systems that emphasize employee growth, motivation, and alignment with organizational goals. Initially propelled by the demands of workforce mobilization during the World Wars, performance appraisal practices began incorporating elements such as employee morale and potential, laying the groundwork for more holistic performance evaluations (DeNisi & Murphy, 2022). Today, performance appraisal is widely recognized as a core component of an integrated performance management system, playing a vital role in assessing individual contributions, delivering feedback, and guiding future development (Aguinis, 2021).

Modern performance appraisals are more than formal assessments—they are continuous, structured conversations between managers and employees aimed at improving performance, aligning expectations, and fostering growth. According to the Institute for Employment Studies (2022), effective appraisal systems involve setting clear objectives, providing regular and constructive feedback, and using the evaluation process to support employee learning and development. These appraisals not only identify strengths and weaknesses but also serve as critical input for decisions regarding promotions, compensation, and training (WorldatWork, 2023).

Research has demonstrated that when appraisal systems are perceived as fair, transparent, and development-oriented, they can significantly enhance employee motivation and performance. For instance, Aguinis et al. (2018) found that the effectiveness of performance appraisal depends heavily on how it is implemented and whether employees trust its fairness and purpose. Conversely, poorly designed or inconsistently applied appraisal systems can lead to negative outcomes such as reduced job satisfaction, disengagement, and even performance decline. A study by Noe et al. (2021) emphasizes that appraisal outcomes are influenced by appraisal methods, feedback quality, and the organizational climate in which they are conducted.

In the Ethiopian public sector context, particularly within the Ministry of Water and Energy (MoWE), performance appraisal has a critical role in driving workforce efficiency and public service delivery. As a federal institution responsible for the planning, regulation, and development of the country's water and energy resources, the Ministry depends on highly capable and motivated personnel. Despite this, there has been a lack of research assessing how performance appraisals affect employee performance within the Ministry. Given its central role in national infrastructure and development, understanding and improving the performance appraisal system is essential for ensuring accountability, fostering employee development, and achieving strategic objectives.

1.2 Statement of the Problem

Many organizations continue to face persistent challenges with performance appraisal systems that fail to accurately measure employee contributions, provide meaningful feedback, or inspire improvement. A central issue is the lack of employee engagement in the appraisal process, which undermines trust, motivation, and ownership. When employees feel excluded or perceive the system as unfair, they are less likely to value feedback or act on it (Noe et al., 2021). Additionally, subjectivity and bias remain major concerns, often stemming from rater errors, favoritism, or personal relationships, which can result in inaccurate and demotivating evaluations (DeNisi & Murphy, 2022).

Another critical limitation is the misalignment between appraisal criteria and the organization's strategic objectives. When performance expectations are vague or disconnected from broader goals, it leads to confusion among employees and ineffective use of resources (WorldatWork, 2023). Moreover, poor implementation—including inadequate rater training, infrequent feedback cycles, and limited employee involvement—reduces the credibility and developmental value of appraisals (Pulakos & Hanson, 2021).

Resistance to change also impedes the effectiveness of performance appraisals. Employees and managers alike may resist revised systems due to fear of criticism, lack of trust, or skepticism about the system's fairness. In addition, outdated technology and concerns about data privacy can further compromise the accuracy, timeliness, and transparency of performance evaluations (Lira

et al., 2023). Together, these challenges create a cycle where performance appraisal becomes a procedural burden rather than a strategic tool for development and engagement. To address these issues, organizations must invest in transparent, inclusive, and strategically aligned appraisal systems that are supported by modern technologies and consistent training.

When performance appraisals don't connect to the organization's overall strategy, they may not drive the desired outcomes (Pulakos et al., 2014). Factors like leniency, severity, and halo/horns effects can distort evaluations (Murphy, 2020). Managers and employees may lack the training and resources to conduct effective appraisals (Pulakos & O'Leary, 2011). Regular feedback is crucial, but many organizations fail to provide it consistently (DeNisi & Smith, 2014). When employees don't participate in the process, they may feel undervalued and demotivated (Buckingham & Goodall, 2015). Employees may fear negative repercussions from honest feedback (Pulakos et al., 2014). Some organizations still rely on outdated manual systems that are inefficient and prone to errors (Murphy, 2020).

The Ethiopian Water and Energy Ministry (EWEM) faces significant challenges in optimizing employee performance, which directly impacts its ability to effectively deliver vital water and energy services to the nation. While the ministry employs a performance appraisal system twice a year, concerns exist regarding its effectiveness in driving employee performance and supporting key HR decisions.

Employees within EWEM frequently express dissatisfaction with the current appraisal process, particularly regarding its impact on salary increases and bonuses. They perceive inconsistencies and gaps within the appraisal criteria, leading to feelings of unfairness and demotivation. These concerns can negatively impact employee engagement and overall organizational effectiveness.

Despite the critical role of an effective appraisal system for a workforce of over 13,000 employees, a comprehensive evaluation of the current system has been lacking. This research aims to address this gap by systematically assessing the effectiveness of EWEM's performance appraisal system.

This research aims to identify areas for improvement within EWEM's performance appraisal system. The findings will contribute to enhancing employee performance, fostering a more

engaged and productive workforce, and ultimately improving the delivery of essential water and energy services to the Ethiopian people.

This research focuses on evaluating the effectiveness of the performance appraisal system at the Ethiopian Water and Energy Ministry (EWEM). The current system faces challenges in terms of employee satisfaction, perceived fairness, and the effective utilization of appraisal data for decision-making. This study aims to assess the system's alignment with organizational goals, its fairness, and employee perceptions to identify areas for improvement and enhance overall organizational performance.

1.3 Definition of Key Terms

Ethiopian Water and Energy Ministry (EWEM).: The entity responsible for critical sectors like hydropower, irrigation, and renewable energy within Ethiopia.

Effectiveness: Grant & Cavanagh (2019) stated in their article "Measuring Organizational Effectiveness A Multidimensional Approach," published in the Journal of Management Studies, they define effectiveness as "the extent to which an organization successfully achieves its goals and objectives, while simultaneously meeting the needs and expectations of its stakeholders."

Performance Appraisal: Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2017) stated "Performance appraisal is the process of systematically evaluating an employee's job performance and providing feedback."

Performance Appraisal System: Armstrong, M. (2014) defines a performance appraisal system as "a formal system of review and evaluation of an employee's or group's performance."

Subjectivity: Siegesmund (2008) says "Subjectivity refers to an individual's feelings, opinions, or preferences that comprise a person's identity."

1.4 Research Questions

1.What is the effect of reward system on employee performance?

2.what is the effect of evaluation on employee performance?

3.what is the effect of promotion on employee performance?

1.5 Objectives of the study

1.5.1 General objective

The general objective of the study is to determine the effect of performance appraisal system on employee performance of ministry of water and energy employees in Addis Ababa.

1.5.2 Specific Objectives

This study aims to:

1. To Evaluate the effect of reward system on employee performance.
2. To examine the effect of evaluation on employee performance..
3. To determine the effect of promotion on employee performance.

1.6 Significant of the study

EWEM, like many organizations striving for significant performance improvements, recognizes performance appraisal as a strategic imperative. This study offers valuable insights for EWEM to implement a highly effective performance appraisal system, directly contributing to enhanced employee productivity.

Beyond EWEM, this research provides vital information for Human Resource practitioners in other Non-Governmental Agencies. It clarifies the crucial role employees play in improving performance and offers a practical framework for integrating employee contributions into performance appraisal strategies.

This paper also aims to expand the existing knowledge in the field of performance appraisal . For the researcher, conducting this study was a practical learning experience, providing a foundation for future research in similar or related areas. Ultimately, the successful implementation of such a system helps employees understand their vital role in achieving organizational objectives, fostering stronger relationships between employees and supervisors, and effectively addressing performance outcomes.

1.7 Scope of the study

The scope of this study is assessing the effect of performance appraisal on employee performance improvement in the Ethiopian water and energy ministry Institute. The reason why the researcher confined to this scope was owing to the manageability of the study according to the researcher's capacity, and the relatively homogeneity of the respondents. Accordingly, because of the scope, the study findings represent Ethiopian water and energy ministry Institute (head office, which is based in Addis Ababa). Meanwhile, the study excludes temporary employees of the Institute. Self-reported performance improvement data of sample employees of MOWE was used for the purpose of the study. The study also focuses on the factors or variables that affect the effect of performance appraisal which are establishing performance standards, communicating established standards, measuring actual performance, and comparing it with standards, discussing the appraisal with the employee and giving feedback and initiating corrective action, towards employee performance improvement

1.8 Limitation of the study

In Ethiopia, particularly within the Ministry of Water and Energy (EWEM) in Addis Ababa, there's a notable lack of research on performance appraisal systems. This is largely because performance appraisal is a relatively new initiative at EWEM, making it challenging to find organized data on its implementation and outcomes.

The scope of this study was further limited by time and financial constraints. Due to EWEM's large size and dispersed locations, it was difficult to collect data from a broad geographical sample. Despite these limitations, this paper aimed to mitigate potential biases to ensure the validity of its conclusions.

1.9 Organization of the Study

The entire research report is organized into five chapters. Chapter One presents the introduction, which includes the background of the company, background of the study, statement of the problem, research questions, objectives, significance, and scope of the study. Chapter Two reviews relevant and related literature that supports the research topic. Chapter Three outlines the

methodology employed, detailing the types and sources of data as well as the methods used for data analysis. Chapter Four presents the major findings of the study along with interpretation and discussion of the results. Finally, Chapter Five provides a summary of the research, along with conclusions and recommendations based on the study's findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

This chapter aims to provide a comprehensive overview of performance appraisal systems. It delve into existing research, both theoretical and empirical, to present readers with scientifically

supported information. This includes exploring different approaches to performance appraisal, examining various methods used for evaluation, and summarizing the key findings of previous studies in this area. Additionally, the chapter outline the theoretical framework that underpins the research.

2.1 Theoretical Literature

2.1.1 An Overview of Performance Appraisal

Performance appraisal, a widely used management tool, has evolved significantly over time. Initially restricted to military and senior management, it now plays a crucial role in various organizations. Its purpose is to enhance both individual and organizational performance by providing a structured framework for evaluating employee contributions.

"Performance Appraisal is a systematic and logical review, conducted by the organization annually to judge his potential in performing a task." (Winny, Ariyo, et al., 2023)

"Performance appraisal is a regularly scheduled formal process evaluating an employee's overall performance and contribution to the company with the goal of improving that performance." (AIHR, 2023) . "Performance appraisal is a formal process used by managers to assess an individual employee's job performance with respect to their responsibilities and to the organization's goals." (Armstrong, 2018)

According to experts like Armstrong (2005), effective performance appraisal systems are strategically aligned with organizational goals, aiming to improve employee capabilities and drive overall success. Prachi (2011) highlights the systematic nature of performance appraisal, involving the evaluation of employee performance against set targets and plans. Supervisors analyze employee performance factors, identify areas for improvement, and provide guidance for enhancing future performance.

Performance appraisal encompasses a comprehensive evaluation of an employee's contributions, including their commitment to organizational values, initiative, responsibility, strengths, weaknesses, skills, and training. These evaluations, often conducted annually, are an essential component of employee development.

2.1.2 performance appraisal system

Performance appraisal systems are formal processes used by organizations to evaluate employee performance. These systems involve setting clear performance expectations, regularly monitoring progress, providing constructive feedback, and using the assessment results for various purposes, such as salary adjustments, promotions, and employee development (Aguinis, 2019).

Key Components of Effective Performance Appraisal Systems:

Clear Objectives and Expectations: Well-defined, measurable, achievable, relevant, and time-bound (SMART) goals are crucial for effective performance appraisal. These goals should align with organizational objectives and individual employee roles (DeCenzo, Robbins, & Coulter, 2020).

Regular and Ongoing Feedback: Continuous feedback throughout the performance period is essential for employee growth and development. Regular check-ins, informal discussions, and formal reviews provide opportunities for employees to receive timely feedback, address performance gaps, and stay aligned with expectations (Noe, Hollenbeck, Gerhart, & Wright, 2019).

Multiple Sources of Information: Utilizing multiple sources of information, such as self-assessments, peer reviews, supervisor evaluations, and customer feedback, can provide a more comprehensive and objective assessment of employee performance (Fletcher, 2021).

Fair and Objective Evaluation: A fair and unbiased evaluation process is critical for maintaining employee trust and motivation. Clear criteria, consistent application of standards, and minimizing bias in the evaluation process are essential (Milkovich & Newman, 2019).

Focus on Development and Growth: Performance appraisal should not only focus on past performance but also on future development. The process should identify areas for improvement, provide opportunities for skill enhancement, and support employee career growth (Armstrong, 2021).

2.1.3 Employee performance

Employee performance is a multifaceted construct encompassing an individual's contributions to organizational goals. It extends beyond merely completing tasks and encompasses the quality of work, efficiency, and alignment with organizational objectives. Contemporary research highlights the significance of both task-specific performance and broader behavioral dimensions, such as:

Task Performance: This involves the core duties and responsibilities of an employee's job description, including productivity, accuracy, and meeting deadlines (Noe et al., 2019).

contextual performance: refers to discretionary behaviors that support the social and psychological environment of the workplace, beyond formal job requirements. These behaviors, often referred to as organizational citizenship behaviors (OCBs), include actions such as helping coworkers, volunteering for additional tasks, showing initiative, and adhering to organizational norms and values. Recent research highlights that contextual performance plays a critical role in enhancing team cohesion, organizational effectiveness, and overall performance, especially in dynamic and collaborative work environments (Podsakoff et al., 2021; Lira et al., 2023). Unlike task performance, which is directly tied to core job duties, contextual performance fosters a positive organizational climate and supports long-term success.

2.1.4 Factors Influencing Employee Performance

Numerous factors can influence employee performance, including:

Individual Factors: These include skills, knowledge, abilities, personality traits, motivation, and work ethic (Colquitt et al., 2019).

Job Characteristics: Job design, autonomy, task significance, and feedback mechanisms can significantly impact an employee's performance (Hackman & Oldham, 1976).

Organizational Factors: Leadership style, organizational culture, resources, and support systems can either enhance or hinder employee performance (Luthans, 2011).

2.1.5 Measuring Employee Performance

Effective performance management requires accurate and reliable measurement. Common methods include:

Performance Appraisals: These involve systematic evaluations of employee performance, often conducted through methods such as 360-degree feedback, goal setting, and performance reviews (Armstrong & Taylor, 2020).

Key Performance Indicators (KPIs): These are quantifiable measures used to track and evaluate an individual's or team's performance against specific goals (Kaplan & Norton, 1992).

Behavioral Observation: This involves observing and documenting an employee's on-the-job behaviors to assess their performance (Ilgen et al., 1979).

2.1.6 Performance Management in the Modern Workplace

In today's dynamic and rapidly evolving work environment, effective performance management is crucial for organizational success. Key trends and considerations include:

Continuous Performance Management: Shifting from annual reviews to ongoing feedback and performance discussions throughout the year (Bersin by Deloitte, 2019).

Employee Engagement: Fostering employee engagement through meaningful work, recognition, and development opportunities (Harter et al., 2002).

Technological Advancements: Utilizing technology for performance tracking, feedback delivery, and data analysis (Bersin by Deloitte, 2021).

Remote Work Considerations: Adapting performance management strategies to accommodate remote and hybrid work arrangements (Gajendran & Harrison, 2007).

By understanding the multifaceted nature of employee performance, implementing effective measurement strategies, and adapting to the evolving workplace, organizations can cultivate a high-performing workforce and achieve their strategic objectives

2.2 The nexus between performance appraisal system and employee performance

Performance appraisal systems, when effectively designed and implemented, can significantly influence employee performance. A well-structured system provides a framework for setting clear expectations, providing regular feedback, and identifying areas for improvement. This, in turn, can enhance employee motivation, engagement, and overall job satisfaction, leading to improved performance outcomes (Akinwale, 2019).

Furthermore, performance appraisal systems can serve as a valuable tool for identifying and addressing employee training and development needs. By regularly assessing employee performance, organizations can pinpoint areas where employees require additional training or support to enhance their skills and knowledge. This targeted development can lead to increased employee competence and ultimately, improved performance (Martinez et al., 2022).

However, the effectiveness of performance appraisal systems hinges on several crucial factors. Fairness, transparency, and consistency in the appraisal process are paramount. Employees must perceive the appraisal process as fair and unbiased for it to have a positive impact on their motivation and performance. Additionally, regular and constructive feedback is essential. Appraisals should not be limited to annual reviews; regular check-ins and informal feedback sessions throughout the year can provide employees with valuable insights and guidance (Martinez et al., 2022).

In conclusion, performance appraisal systems can play a vital role in driving employee performance when implemented effectively. By setting clear expectations, providing regular feedback, and fostering a culture of continuous improvement, organizations can leverage performance appraisal systems to enhance employee engagement, motivation, and ultimately, achieve organizational goals.

2.3 Objectives of Performance Appraisal

2.3.1. Reward and employee performance

Rewards play a critical role in motivating employees and driving performance. They serve as incentives that encourage employees to exert greater effort, enhance their skills, and strive for

excellence (Kuvaas&Dysvik, 2020).Effective reward systems align employee goals with organizational objectives, fostering a culture of achievement and continuous improvement.

The impact of rewards on employee performance is multifaceted.Research indicates that intrinsic rewards, such as recognition, praise, and a sense of accomplishment, can significantly boost employee motivation and engagement (Grant, 2019). Extrinsic rewards, such as bonuses, promotions, and pay increases, also play a crucial role in attracting and retaining top talent, while simultaneously incentivizing desired behaviors (Eisenberger&Stinglhamber, 2019).

However, the effectiveness of rewards is contingent upon several factors.A well-designed reward system must be transparent, equitable, and perceived as fair by employees. It should also be closely linked to specific, measurable, achievable, relevant, and time-bound (SMART) goals to ensure that rewards are appropriately distributed and that employees understand the connection between their performance and the rewards they receive (Locke & Latham, 2019).

Recent research has emphasized the importance of non-financial rewards in drivingemployee performance. These rewards, such as flexible work arrangements, opportunities for professional development, and social recognition, can be highly effective in boosting employee morale and fostering a positive work environment (Alfes et al., 2021).

Ha1: reward has positive and significant effect on employee performance

2.3.2. Promotion

Promotion and Employee Performance: A Contemporary Perspective

Employee promotions serve as a powerful motivator and a crucial component of career development within organizations. Recent research has highlighted the intricate relationship between promotions and employee performance, emphasizing the multifaceted nature of this dynamic.

A study by Muhati and Makhamara (2023) in Kenya explored the impact of promotion practices, training initiatives, and leadership styles on employee career development in a start-up setting.

Their findings underscored the significance of fair and transparent promotion processes in fostering employee engagement and enhancing overall organizational performance.

2.3.2.1 The Role of Performance in Promotion Decisions

Performance appraisal systems play a pivotal role in determining promotion eligibility. These systems provide a structured framework for evaluating employee contributions, identifying high-performing individuals, and making informed promotion decisions.

Ha2: promotion has positive and significant effect on employee performance

2.3.3 Evaluation

performance evaluation, also referred to as performance appraisal, is a systematic process used by organizations to assess employee job performance and provide feedback. It plays a critical role in aligning individual objectives with organizational goals, improving productivity, and supporting professional development. Over the years, performance evaluation has evolved from a simple administrative task into a key element of strategic human resource management.

According to Armstrong (2014), performance evaluation involves the measurement, assessment, and improvement of employee performance over a specific period. It helps managers identify areas of strength and weakness, set performance expectations, and provide constructive feedback. When implemented effectively, it fosters a culture of accountability and continuous improvement.

Robbins and Judge (2013) highlight that performance evaluation not only impacts employee development but also serves as a foundation for other HR decisions such as promotions, compensation, training needs, and succession planning. The authors emphasize that transparent and fair evaluation practices can significantly boost employee motivation and engagement.

Various methods of performance evaluation exist, including rating scales, 360-degree feedback, self-assessment, management by objectives (MBO), and behaviorally anchored rating scales (BARS). The effectiveness of these methods depends on their alignment with organizational culture, job nature, and the clarity of evaluation criteria (Dessler, 2020).

In the context of public organizations such as government ministries, performance evaluation often faces unique challenges. Ngirwa (2005) notes that public sector performance appraisals may suffer from bias, lack of objectivity, and infrequent implementation. These issues can weaken employee trust in the process and reduce its intended impact.

A study by Tessema and Soeters (2006), focusing on HRM practices in African public institutions, found that when evaluations are not linked to tangible outcomes such as rewards or promotions, employees tend to view them as irrelevant. This can lead to dissatisfaction and a decline in performance. Conversely, when feedback is clear, fair, and used for development purposes, it enhances employee commitment and productivity.

Furthermore, DeNisi and Murphy (2017) argue that performance evaluations should be continuous and dynamic, rather than annual and static. Real-time feedback and frequent performance discussions are more effective in guiding behavior and improving performance outcomes.

In the Ethiopian context, several challenges have been identified in implementing effective evaluation systems. According to Girma (2019), performance evaluation in Ethiopian public institutions often lacks standardization, and employees receive little or no feedback after assessments. This has limited the ability of evaluation systems to drive performance improvement

Ha3: evaluation has positive and significant effect on employee performance

2.4 Empirical review

Transformational leadership significantly influences employee performance (Khan et al., 2020). Their research, utilizing Kruskal-Wallis test and ordered logistic regression, revealed that setting clear mission and objectives during the planning stage can negatively impact employee performance. Conversely, effective coaching and strong communication between supervisors and employees positively correlate with enhanced performance.

Kuzma et al. (2020), in their study on McDonald's, found a positive association between performance appraisal and employee performance. They emphasized the crucial role of

performance appraisal in identifying training and development needs for underperforming employees, ultimately improving their productivity.

Gupta et al. (2022) highlighted the critical role of an effectively implemented Performance Management System (PMS) in providing valuable insights for informed organizational decision-making regarding human resources. They stressed the importance of a robust PMS in aligning human resource strategies with overall organizational goals.

Monitoring and evaluation are integral components of any effective PMS (Gupta et al., 2022). These processes aim to improve current and future management practices by assessing output, outcomes, and impact. The monitoring and evaluation system should be tailored to the specific needs of the organization to ensure its reliability and effectiveness.

Effective performance evaluation is a key differentiator between market leaders and laggards (Kabeyi, 2019; Varma et al., 2023). The evaluation process must be aligned with organizational objectives, reward systems, and strategic direction. Timely feedback mechanisms are crucial for addressing developmental gaps and improving future performance (Fernie et al., 2020).

Effective performance feedback is essential for employee development (Rivera et al., 2021). Timely, specific, and behavior-focused feedback, delivered by a credible source, is highly valuable for both managers and employees. Quick feedback can significantly enhance employee motivation and performance. Performance reviews should be viewed as learning opportunities for employees to identify areas for growth and development (Teke, 2002).

Employee engagement behaviors, such as persistence, proactiveness, role expansion, and adaptability, should be integral to the performance management process (Toure, 2023). While performance appraisals and supervisor feedback are crucial, building trust and a sense of fairness within the system is essential for enhancing the effectiveness of feedback.

Research by Ramos-Villagrasa et al. (2019) revealed a "self-other bias" in performance appraisals. Individuals tend to rate themselves more favorably than others, especially those with high self-esteem. These findings highlight the importance of self-awareness and objective evaluation in the performance appraisal process.

2.5 Conceptual Framework

The primary objective of any effective Performance Appraisal System (PAS) is to enhance the performance of individuals, teams, and the organization as a whole. Additionally, it serves as a valuable tool for making critical administrative decisions, such as salary increases, promotions, transfers, or terminations.

Several key factors contribute to the effectiveness of a PAS. Open and continuous communication between employees and management is paramount. This fosters a transparent environment where employees can freely express their concerns and suggestions, leading to improved communication and a stronger employer-employee relationship.

Regular and constructive feedback is crucial for employee development. It provides employees with valuable insights into their strengths and weaknesses, enabling them to identify areas for improvement. This, in turn, can boost employee performance, job satisfaction, and self-esteem. Moreover, regular feedback strengthens the working relationship between employees and their supervisors, creating opportunities to discuss career aspirations and provide guidance.

Recognizing and rewarding employee performance is essential to motivate and retain talent. Timely rewards and recognition, aligned with actual performance appraisals, reinforce positive behavior and demonstrate the organization's appreciation for employee contributions.

Properly trained appraisers are crucial for the accuracy and effectiveness of the PAS. Training equips appraisers with the necessary skills and knowledge to conduct fair and unbiased evaluations, minimizing errors and ensuring the validity of the appraisal process.

Variables

This study identifies numerous variables based on an extensive literature review. These variables are categorized according to the distinct stages of a Performance appraisal System (PAS): Pre-requisites, Performance Planning, Performance Execution, Performance Assessment, Performance Review, and Performance Renewal & Reconstructing.

Independent Variables

The independent variables in this study are derived from key components of the Performance Appraisal System (PAS) as identified in the literature. Specifically, the study focuses on three core activities within the PaS: performance evaluation, rewards, and promotion. These variables represent critical functions that organizations use to assess, recognize, and develop employees. Each variable is operationalized based on its theoretical and practical relevance to employee performance. Performance evaluation refers to the systematic assessment of an employee's work outcomes and behaviors; rewards encompass both financial and non-financial incentives provided to employees; and promotion involves career advancement opportunities based on merit or performance. These elements are treated as independent variables because they are expected to influence changes in employee performance.

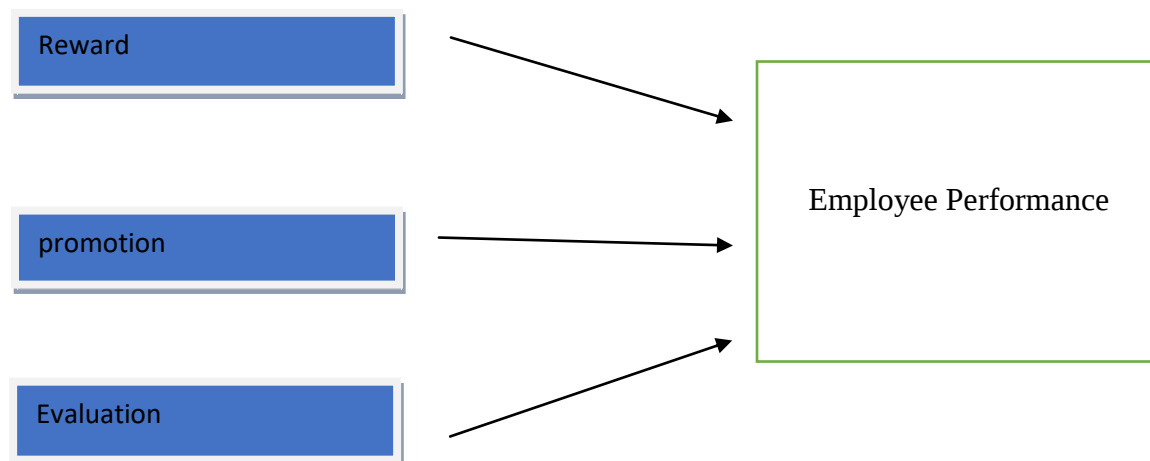
Dependent Variable

The dependent variable in this study is employee performance. It is conceptualized as the outcome variable that reflects the effectiveness, efficiency, and overall contribution of an employee to organizational goals. Employee performance will be assessed in relation to how it is influenced by the core components of the PAS—namely, evaluation, rewards, and promotion. This includes examining performance both quantitatively (e.g., goal achievement) and qualitatively (e.g., behavioral contributions), as outlined in the literature review.

Independent variable

Dependent Variable

Figure 1 Conceptual framework



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter describes the research design and methodology used to determine the effect of performance appraisal system on employee's performance at the EWEM. The structure of this chapter begin with the research approach and research design, population and sample size and sampling techniques, source of data, data collection procedure, data analysis methods and ethical consideration.

3.1 Research Design

A research design serves as a blueprint for conducting research, outlining the methodology and procedures to be followed (Bloomfield & Fisher, 2019). Three primary research design frameworks exist: Exploratory, Descriptive, and Causal. Exploratory research aims to gain initial insights and understanding, often by breaking down broad problems into smaller, more manageable sub-problems. Descriptive research focuses on determining the frequency of

occurrences or the extent of relationships between variables. Causal research, on the other hand, investigates cause-and-effect relationships between different factors (Dahlin, 2021).

given the research objectives, which aim to investigate the cause-and-effect relationship between the Performance Appraisal System (PAS) and employee performance, an explanatory research design was employed in this study. This design is particularly suitable for examining causal relationships between dependent and independent variables.

3.2 Research Approaches

This research have employed a mixed-methods approach to gain a comprehensive understanding of the research problem. While primarily quantitative in nature, utilizing closed-ended questions to test hypotheses and examine relationships among variables through statistical analysis, the study have incorporated elements of both quantitative and qualitative methodologies. This multifaceted approach was allow for a more nuanced and in-depth exploration of the research topic

3,3 Target population

According to Campbell et al. (2020), a population encompasses the entire group from which a sample is drawn for research purposes. Essentially, it represents the complete set of individuals or entities that researchers aim to study. In the context of a company, the population would be defined as the entire group of employees. Thus the population of this study is include only head office employees which are 737 employee .so the target population for this study are 737 employees of Ethiopian water and energy minister .

3.4 Sample size and sampling Techniques

According to Campbell et al. (2020), a population encompasses the entire group from which a sample is drawn for research purposes. Essentially, it represents the complete set of individuals or entities that researchers aim to study. In the context of a company, the population would be defined as the entire group of employees.thus the population of this study is include only head office employees which are 737 employee .so the target population for this study are 737 employees of Ethiopian water and energy minister .

3.4.1 Sample size determination

The researcher uses the following sample size determination formula to estimate the representative sample from selected Branches. The formula was developed by Taro Yamane (1973). It was calculated as follows:

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

Where:

n – Is the sample size

N – Is the population size

e – The level of precision or sampling error

$$n = \frac{737}{1+737(0.05)^2} = 259$$

$$n = 259$$

$$N = 352$$

$$e = 0.05$$

To select samples from each stratum the researcher uses the following formula which was developed by khotari (2004).

$$nh = \frac{nN_i}{N}$$

Where

nh= sample size of strata

n= total sample size

N_i= population of strata

N= total population

Table 1 sample distribution

	Sample distribution		
No	Category	Population	Sample Size
1	Managerial	112	39
2	Non- managerial	625	220
Total		737	259

3.4.2 Sampling Techniques

To ensure representative sampling across different categories within the population, a proportionate allocation method was used. This involved determining the desired sample size and then allocating a proportional number of samples to each category. Simple random sampling was employed within each stratum to select respondents. A total of 259 respondents were selected from the population. Simple random sampling ensures that every member of the population has an equal and independent chance of being included in the sample, making it an appropriate sampling method for quantitative research (Best and Kahn, 2006).

3.5 Source of Data

To gather relevant data for this study, primary data was used. As defined by Fraenkel and Wallen (2008), primary data originates directly from individuals who were either participants in or direct witnesses to the event under investigation, providing the most accurate firsthand information. Primary data collected from both managers/supervisors and non-managers/non-supervisors within the EWEM to address the research questions.

3,6 Data Gathering tool

To fulfill the objective stated, the data from structured questionnaires was analyzed using descriptive statistical techniques which include tables, graphs, frequency distribution and percentages. The questionnaire was distributed to each of intended person using email or with hardcopy. All idea of the research was explain to all for those staff who have an email address to put the clarity of the objective of the research in place. Critical and continues follow up was made by the researcher to meet the confidence level.

3.7 Method and Data Analysis

To fulfill the objective stated, the data from structured questionnaires was analyzed using descriptive statistical techniques which include tables, graphs, frequency distribution and percentages. Additionally, Inferential data analysis such as Correlation and regression are used to increase the level of confidence and also both descriptive and inferential statistical techniques are also used for quantitative analysis.

3.8 Scale Measurement

3.8.1 Reliability statics

The reliability of data entered into Statistical Package for Social Sciences (SPSS) software data analysis system and was conduct Cronbach's Alpha test to measure the reliability of data entered into SPSS software program. When the value Cronbach alpha is more than 0.7, it is adequate for a survey instrument. The researcher designed the questionnaires in two categories; general profile information and Five Likert scale questions investigating the degree of performance appraisal system and employee performance.

	Cronbach's Alpha	N of Items
rewarded	.982	6
evaluation	.963	6
promotion	.986	6
Employee performance	.981	5

Source: - own survey, SPSS, 2025

Table 2 reliability statistics.

3.8.2 Validity

validity refers to the degree to which a research instrument accurately measures what it is intended to measure. In the context of survey research, it ensures that the questions effectively capture the constructs being studied (e.g., performance evaluation, rewards, promotion,

employee performance). Validity is crucial to ensure that the results are meaningful and can be trusted for decision-making or academic analysis.

To ensure the validity of the data collection instrument, a pilot pre-test study was conducted prior to the main data collection phase. The purpose of the pilot study was to refine the methodology and assess whether the survey instrument accurately measured the intended variables. The questionnaire was tested on a sample of 22 respondents who were similar in characteristics to the target population. Feedback from the respondents was collected to identify unclear, biased, or irrelevant items. Based on this feedback, necessary revisions were made to improve the clarity, relevance, and overall quality of the instrument. The final, refined version of the questionnaire was then used for the full-scale data collection, ensuring that the instrument was valid and suitable for measuring the study's constructs.

3.9 Ethical Consideration

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of competence. Although this research will have made up of the analysis and review of scholarly literature, such as books and journal articles, every respondent involved in the study is entitled to the right of privacy and dignity of treatment, and no personal harm is caused to subjects in the research. Information obtained is held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged. The following ethical considerations was at the base of research are Fairness, openness of intents, discloser of methods, respect or the integrity of individuals, informed the willingness of on the part of the subjects to the participants to the research activity.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATIONS

In the previous chapter, the research design used in this study was thoroughly outlined and explained. This chapter focuses on presenting and analyzing the results derived from the collected data. The quantitative analysis includes a detailed overview of the descriptive statistics for all variables involved, as well as the outcomes of hypothesis testing. This encompasses the estimated values for descriptive measures, correlation analysis, regression analysis, and the evaluation of regression assumptions, all of which are discussed comprehensively.

4.1 Response Rate

The response rate in this study was 94.9% where out of 259 questionnaires that were distributed to Ethiopian ministry of water and energy employee's 246 /respondents/ fully filled the questionnaires, because both the survey instrument was tested by pretest study 5% were taken additional from the sample size. According to Babbie (2002), any response

rate of 50% and above is adequate for analysis and therefore the response rate of 94.9% is more than satisfactory.

4.2 Demographical Data of Respondents

The personal information of respondents obtained from returned questionnaires summarized and described as follows. As it is shown in the below table The gender distribution of the 246 respondents shows a notable imbalance, with 184 participants (74.8%) identifying as male and 62 participants (25.2%) identifying as female. These proportions are reflected in both the valid percent and overall percent, indicating that all responses were valid with no missing data. The cumulative percent confirms that by adding the percentage of male and female respondents, the total reaches 100%, showing full data representation. This indicates that the sample is predominantly male, which may have implications for the generalizability or interpretation of gender-related findings in the study.

Regarding The age distribution of the 246 respondents indicates a fairly balanced spread across four age groups, with the largest proportion falling within the 36–45 age range (28.9%), followed closely by those aged 26–35 (27.6%). The 18–25 age group accounts for 20.3% of the sample, while respondents over the age of 46 make up 23.2%. The cumulative percentages show a steady increase across groups, reaching 100% with the final age category. These results suggest that the sample includes a diverse range of age groups, with a slight concentration in the 26–45 range, which may indicate a predominantly mid-career population. No missing data were reported.

The educational background of the 246 respondents reveals that a majority hold a bachelor's degree, with 136 individuals (55.3%) falling into this category. Additionally, 94 respondents (38.2%) have attained a master's degree or higher, indicating a well-educated sample overall. A smaller portion, 16 respondents (6.5%), hold a diploma as their highest level of education.

the work experience data for the 246 respondents shows that a significant majority, 164 individuals (66.7%), have more than 6 years of work experience, indicating a highly experienced sample. 46 respondents (18.7%) reported having 4–6 years of experience,

while 30 individuals (12.2%) have between 1–3 years. Only 6 participants (2.4%) have less than 1 year of work experience.

GENDER				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	184	74.8	74.8
	female	62	25.2	25.2
	Total	246	100.0	100.0
AGE				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	50	20.3	20.3
	26-35	68	27.6	27.6
	36-45	71	28.9	28.9
	>46	57	23.2	23.2
	Total	246	100.0	100.0
EDUCATIONAL BACKGROUND				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	diploma	16	6.5	6.5
	bachelors degree	136	55.3	55.3
	masters degree and above	94	38.2	38.2
	Total	246	100.0	100.0
WORK EXPERIENCE				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<1	6	2.4	2.4
	1-3	30	12.2	12.2
	4-6	46	18.7	18.7
	>6	164	66.7	66.7

	Total	246	100.0	100.0
--	-------	-----	-------	-------

Table 3 socio-demographic characteristics among employees in the case of ministry of water and energy , Addis Ababa Ethiopia 2025

4.3 Descriptive analysis

The research questionnaire designed using 5-point Likert scale to collect appropriate responses, in relation to this the respondents indicated the extent they agree with the statements by choosing: 1- Strongly Disagree (SD), 2- Disagree (D), 3-Neutral (N), 4- Agree (A) and 5- Strongly Agree (SA).

4.3.1 Descriptive Statistics of reward

The descriptive statistics from 246 respondents offer insights into perceptions of the organizational reward system. Overall, the mean scores for all six statements range between approximately 2.21 and 2.47 on what is likely a 5-point Likert scale (e.g., 1 = strongly disagree, 5 = strongly agree), suggesting generally low to moderate agreement.

Table 4.2 Descriptive Statistics of reward in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Descriptive Statistics			
	N	Mean	Std. Deviation
My organization has a structured reward system.	246	2.4675	.94597
The reward system motivates me to perform better.	246	2.2114	.88757
Performance-based rewards are fairly	246	2.4065	.94188

distributed.			
Both financial and non-financial rewards are used effectively.	246	2.2846	.91714
I understand the criteria for receiving rewards.	246	2.3374	.94112
My efforts are recognized and rewarded accordingly.	246	2.2276	.88353
Valid N (listwise)	246		

Source: - own survey, SPSS, 2025

Table 4 Descriptive statistics of evaluation

The responses from 246 participants indicate generally positive perceptions regarding performance evaluations in the organization. The highest mean score is for the statement “Performance evaluations help me identify areas for improvement” with a mean of 4.00(SD = 0.62), suggesting that most respondents agree that evaluations are useful for personal development. Similarly, statements about the regularity of evaluations (mean = 3.96) and fairness and objectivity of the evaluation process (mean = 3.94) also received high agreement, indicating that employees feel evaluations are conducted frequently and fairly.

The statement “I receive feedback following performance evaluations” also scored highly with a mean of 3.96, showing that feedback is generally provided after evaluations. However, the statement “Evaluation results reflect my actual performance” has a somewhat lower mean of 3.60 (SD = 0.98), indicating some uncertainty or disagreement among respondents about the accuracy of evaluations.

Notably, the statement “Evaluation results influence rewards and recognition” has the lowest mean score of 3.17 (SD = 0.65), suggesting that respondents are less convinced that performance evaluations are effectively linked to rewards or recognition. Overall, while employees perceive

the evaluation process as regular, fair, and helpful for improvement, there may be some doubts about the direct impact of evaluations on rewards.

Table 5 Descriptive Statistics of evaluation in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Descriptive Statistics			
	N	Mean	Std. Deviation
My performance is evaluated regularly.	246	3.9634	.58787
Evaluation results reflect my actual performance.	246	3.6016	.98345
Evaluation processes are fair and objective.	246	3.9431	.57571
I receive feedback following performance evaluations.	246	3.9634	.61502
Performance evaluations help me identify areas for improvement.	246	4.0000	.61941
Evaluation results influence rewards and recognition.	246	3.1667	.65205
Valid N (listwise)	246		

Source: - own survey, SPSS, 2025

4.3.3 Descriptive statistics of promotion

The responses from 246 participants indicate a moderate level of agreement regarding the promotion system in their organization. The statement “The possibility of promotion encourages me to improve my performance” received the highest mean score of 3.50 (SD = 1.13), suggesting that promotion prospects are somewhat motivating for employees. Other statements, such as “Promotion opportunities are accessible to all employees” (mean = 3.17) and “I believe promotion decisions are made objectively” (mean = 3.35), reflect a moderate perception of fairness and accessibility within the promotion process.

However, several items, including “Promotion criteria in my organization are clear and fair”(mean = 2.98), “Promotions are based on merit and performance” (mean = 3.03), and “I am satisfied with the promotion system in my organization” (mean = 3.01), show only modest agreement, indicating some uncertainty or dissatisfaction among employees about the clarity, fairness, and overall satisfaction with the promotion system.

The standard deviations, ranging from about 1.01 to 1.21, suggest considerable variation in employee perceptions, pointing to diverse experiences or views about promotion practices. Overall, while promotion opportunities appear to motivate some employees, there is room for improvement in transparency, fairness, and satisfaction with the promotion system.

Table 6 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Descriptive Statistics			
	N	Mean	Std. Deviation
Promotion criteria in my organization are clear and fair.	246	2.9797	1.19676

Promotions are based on merit and performance.	246	3.0325	1.12801
Promotion opportunities are accessible to all employees.	246	3.1667	1.09947
The possibility of promotion encourages me to improve my performance.	246	3.4959	1.13479
I am satisfied with the promotion system in my organization.	246	3.0081	1.01415
I believe promotion decisions are made objectively.	246	3.3455	1.20819
Valid N (listwise)	246		

Source: - own survey, SPSS, 2025

Table 7 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

4.3.4 Descriptive statistics of promotion

The data from 246 respondents provide insights into perceptions of the company's performance management and accountability systems. The highest mean score is for the statement "The company is able to maximize employee potential" with a mean of 3.20 (SD = 1.22), indicating a moderate agreement that the organization supports employee development. Similarly, "The PMS of the company improved my work performance" also received a moderate mean score of 3.20

(SD = 1.17), suggesting that some employees feel the performance management system has positively influenced their work.

Regarding accountability, the statement “Non-performing employees are held accountable” has a mean of 3.19 (SD = 1.38), showing moderate agreement but with a relatively high variation in responses, which may reflect inconsistent experiences or perceptions. However, the statement “I am held accountable for achieving specific results” scored lower, with a mean of 2.53 (SD = 1.00), indicating that many employees may feel less personally accountable for their outcomes.

Lastly, the statement “PMS establishes a clear connection between performance and reward” has a relatively low mean of 2.57 (SD = 1.15), suggesting that respondents generally perceive the link between performance and rewards as weak or unclear. Overall, while employees moderately agree that the company supports their potential and holds non-performers accountable, there is less confidence in personal accountability and the effectiveness of the performance-reward connection.

4.3.5 Descriptive statistics of employee performance

The data from 246 respondents provide insights into perceptions of the company’s performance management and accountability systems. The highest mean score is for the statement “The company is able to maximize employee potential” with a mean of 3.20 (SD = 1.22), indicating a moderate agreement that the organization supports employee development. Similarly, “The PMS of the company improved my work performance” also received a moderate mean score of 3.20 (SD = 1.17), suggesting that some employees feel the performance management system has positively influenced their work.

Regarding accountability, the statement “Non-performing employees are held accountable” has a mean of 3.19 (SD = 1.38), showing moderate agreement but with a relatively high variation in responses, which may reflect inconsistent experiences or perceptions. However, the statement “I am held accountable for achieving specific results” scored lower, with a mean of 2.53 (SD = 1.00), indicating that many employees may feel less personally accountable for their outcomes.

Lastly, the statement “PMS establishes a clear connection between performance and reward” has a relatively low mean of 2.57 (SD = 1.15), suggesting that respondents generally perceive the link between performance and rewards as weak or unclear. Overall, while employees moderately agree that the company supports their potential and holds non-performers accountable, there is less confidence in personal accountability and the effectiveness of the performance-reward connection.

Table 8 Descriptive Statistics of promotion in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Descriptive Statistics

	N	Mean	Std. Deviation
The company is able to maximize employee potential	246	3.2033	1.21863
Im held accountable for achiving specific results	246	2.5285	.99653
Non- performing employees are held accountable	246	3.1870	1.38416
Pms establishes a clear connection between performance and reward	246	2.5691	1.14700
The pms of the company improved my work	246	3.1951	1.16870

performance			
Valid N (listwise)	246		

Source: - own survey, SPSS, 2025

4.4 Correlation Analysis

The correlation analysis among reward, evaluation, promotion, and employee performance shows strong and statistically significant positive relationships between all variables at the 0.01 level.

The correlation between reward and employee performance is very strong ($r = 0.918$), indicating that better reward systems are closely associated with higher employee performance.

Similarly, promotion is highly correlated with employee performance ($r = 0.970$), suggesting that fair and motivating promotion systems are strongly linked to how well employees perform.

The relationship between evaluation and employee performance is also strong ($r = 0.840$), showing that effective performance evaluations are positively related to employee outcomes.

Additionally, the correlations among the independent variables themselves are very high, such as between reward and promotion ($r = 0.897$) and between reward and evaluation ($r = 0.897$), indicating these factors are closely interconnected.

All correlations are significant at the 0.01 level (two-tailed), implying a very low probability that these strong relationships are due to chance. Overall, this suggests that rewards, performance evaluations, and promotions are all strongly and positively associated with employee performance, highlighting their importance in organizational success.

Table 9 correlation analysis in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Correlations				
	reward	evaluati on	promoti on	employeeper formance

reward	Pearson Correlation	1	.897 ^{**}	.897 ^{**}	.918 ^{**}
	Sig. (2-tailed)		.000	.000	.000
	N	246	246	246	246
evaluation	Pearson Correlation	.897 ^{**}	1	.893 ^{**}	.840 ^{**}
	Sig. (2-tailed)	.000		.000	.000
	N	246	246	246	246
promotion	Pearson Correlation	.897 ^{**}	.893 ^{**}	1	.970 ^{**}
	Sig. (2-tailed)	.000	.000		.000
	N	246	246	246	246
Employee performance	Pearson Correlation	.918 ^{**}	.840 ^{**}	.970 ^{**}	1
	Sig. (2-tailed)	.000	.000	.000	
	N	246	246	246	246

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

Source: - own survey, SPSS, 2025

4.5 Regression Analysis

4.5.1 Model summary

The regression model examining the influence of promotion, evaluation, and reward on employee performance demonstrates a very strong fit. The correlation coefficient (R) is 0.984, indicating an extremely high positive relationship between the combined predictors and employee performance.

The R Square value is 0.968, which means that approximately 96.8% of the variance in employee performance is explained by the three predictors (promotion, evaluation, and

reward). This indicates that the model has excellent explanatory power.

The Adjusted R Square is also 0.968, suggesting that the model's predictive power remains very high even after adjusting for the number of predictors, which confirms the robustness of the model.

The standard error of the estimate is 1.02805, representing the average distance that the observed values fall from the regression line.

The F Change value is 2461.769 with a significance level (Sig. F Change) of .000, indicating that the model's improvement in explaining employee performance by including promotion, evaluation, and reward is statistically significant.

Overall, this model strongly supports that promotion, evaluation, and reward are significant predictors of employee performance.

Table 4.8: - model summary in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.984 ^a	.968	.968	1.02805	.238
a. Predictors: (Constant), promotion, evaluation, reward					
b. Dependent Variable: employee performance					

Source: - own survey, SPSS, 2025

4.5.2 ANOVA

The ANOVA results assess the overall significance of the regression model predicting employee performance based on promotion, evaluation, and reward. The regression sum of squares is 7805.500, which represents the amount of variation in employee performance explained by the model.

The residual sum of squares (also called error) is 255.769, indicating the variation in employee performance not explained by the predictors.

The model has 3 degrees of freedom for regression (one for each predictor) and 242 degrees of freedom for the residuals (the number of observations minus the number of predictors minus one).

The mean square for regression is 2601.833, calculated by dividing the regression sum of squares by its degrees of freedom. The mean square for residuals is 1.057.

The F statistic is 2461.769 with a significance level (Sig.) of 0.000, indicating that the overall regression model is highly statistically significant. This means that the predictors—promotion, evaluation, and reward—together explain a significant portion of the variance in employee performance and the relationship observed is not due to chance.

Table 10: - ANOVA in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7805.500	3	2601.833	2461.769	.000 ^b
	Residual	255.769	242	1.057		
	Total	8061.268	245			
a. Dependent Variable: employee performance						

b. Predictors: (Constant), promotion, evaluation, reward

Source: - own survey, SPSS, 2025

4.5.3 Coefficient

The regression coefficients show how reward, evaluation, and promotion individually predict employee performance, controlling for the other variables.

The constant (intercept) is 4.691, meaning that when all predictors are zero, the baseline employee performance score is 4.691. The reward variable has an unstandardized coefficient (B) of 0.434 ($p < 0.001$). This means that for every one-unit increase in the reward score, employee performance increases by 0.434 units, holding other variables constant. The standardized beta coefficient (β) is 0.400, indicating a moderate positive impact of rewards on employee performance. Interestingly, the evaluation variable has a negative unstandardized coefficient of -0.483 ($p < 0.001$), suggesting that when holding promotion and reward constant, higher scores on evaluation are associated with a decrease in employee performance by 0.483 units. The standardized beta ($\beta = -0.319$) confirms this negative relationship. This could indicate issues with how evaluations are perceived or implemented. The promotion variable has the largest positive effect, with a B of 0.782 ($p < 0.001$) and a very strong standardized beta ($\beta = 0.896$). This suggests that improvements in promotion practices are strongly linked to increases in employee performance.

Regarding correlations, all three predictors have strong zero-order correlations with employee performance (reward = 0.918, evaluation = 0.840, promotion = 0.970). However, their partial and part correlations differ, reflecting their unique contributions controlling for other variables.

The collinearity statistics show tolerance values around 0.155 and VIF values above 6 for all predictors, indicating potential multicollinearity concerns. High VIF suggests the predictors are strongly correlated with each other, which can affect the stability and interpretability of the regression coefficients.

In general Promotion has the strongest positive influence on employee performance, followed by reward, while evaluation shows a surprising negative association when controlling for the other variables. The high multicollinearity suggests these predictors are interrelated, so interpretations should be made cautiously.

Table 11: - coefficients in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error				Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	4.691	.598		7.841	.000					
reward	.434	.032	.400	13.550	.000	.918	.657	.155	.150	6.652

evalu ation	-.483	.044	-.319	- 10. 956	.00 0	.840	- .57 6	- .12 5	.155	6.4 47
prom otion	.782	.025	.896	30. 821	.00 0	.970	.89 3	.35 3	.155	6.4 41

a. Dependent Variable: employeeperformance

Source: - own survey, SPSS, 2025

4.6Regression Analysis Assumption

Multiple regression analysis was conducted to examine the effect of the employment performance management system. In this survey, three hypotheses were developed to study the indirect effect of performance appraisal system on employee's performance through reward, evaluation, and promotion .

Different scholars have stated various variables as dimension of employee's performance, among those variables, for the purpose of this study; only three variables were selected as dimension of employment performance.

Assumption#1 The above diagram witnesses that normality assumption holds, i.e., the coefficient of kurtosis was close to 3 and the histogram symmetric statistic has a P-value of more than 5% implying that the data were consistent with a normal distribution assumption both diagnostic plots support the validity of the regression model assumptions. The P-P plot confirms that the residuals are approximately normally distributed, while the scatterplot shows a fairly even spread of residuals without obvious non-random patterns, supporting linearity and constant variance. These findings strengthen the credibility of the regression analysis conducted on employee performance, although further checks such as multicollinearity diagnostics and leverage plots could provide a more comprehensive evaluation.

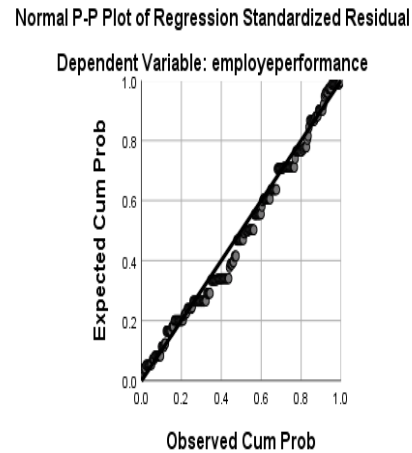
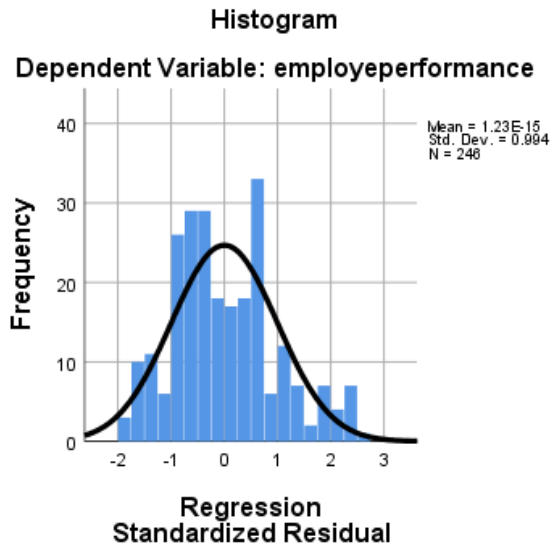


Figure 2Histogram and normal p-p plot

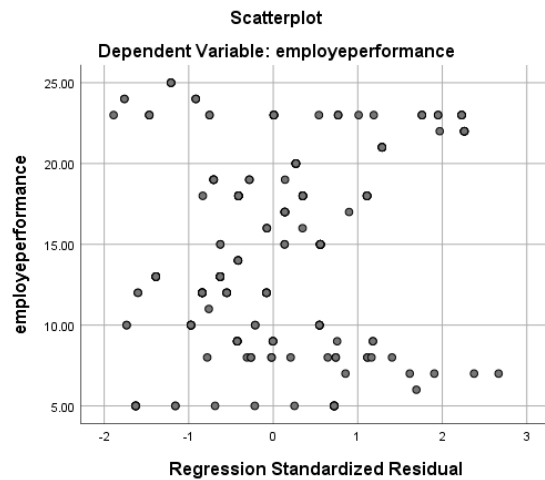


Figure 3Scatter plot

Source: - own survey, SPSS, 2025

Assumption#2 Multi-collinearity among Explanatory Variables were as per result of VIF
VIF<10 then multi-collinearity not violated.

Table 12: - coefficients in the case of ministry of water and energy Addis Ababa, Ethiopia
2025

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	reward	.150	6.652
	evaluation	.155	6.447
	promotion	.155	6.441

a. Dependent Variable:
employeeperformance

Source: - own survey, SPSS, 2025

4.6.1 Output of Hypotheses

Table 13:- hypothesis test Employee's Performance in the case of ministry of water and energy Addis Ababa, Ethiopia 2025

Hypothesis	Output	Result
Ha1: reward have positive and significant effect on employee performance	Output (1) As the P value is less than 0.05 (in table 4.12), so I accept the alternative hypotheses along with concluding that there is significant association between reward and Employee Performance.	Accept
Ha2: evaluation has positive and significant effect on employee performance	Output (2) As the P value is less than 0.05 (in table 4.14), so I accept the alternative hypotheses along with concluding that there is a significant relation between evaluation and Employee Performance.	Accept
Ha3: promotion has positive	Output (3) As the P value is less than 0.05 (in table 4.18), so I accept the alternative	Accept

and significant effect on employee performances	hypotheses along with concluding that there is a significant relation between promotion and Employee Performance.	
---	---	--

Source: own survey, SPSS, 2025

4.7 Qualitative data analysis

How do you describe the reward system in the Ministry of Water and Energy based on employee performance?

“The reward system in the Ministry of Water and Energy is somewhat limited and not consistently tied to employee performance. While there are some forms of recognition, such as certificates of appreciation which are not regularly awarded or clearly linked to specific achievements. Many employees feel that high performance is not always acknowledged or rewarded in a meaningful way. The system lacks transparency, and in some cases, rewards appear to be influenced by personal relationships or seniority rather than measurable performance outcomes. As a result, employees may feel less motivated to go above and beyond, since outstanding work is not consistently recognized or incentivized. I believe a more structured and performance-based reward system would improve morale and encourage better results.”

Can you describe the promotion process at the Ministry of Water and Energy and its link with employee performance?"

"The promotion process at the Ministry of Water and Energy is formal in structure, and in practice, it is not always clearly linked to employee performance. While there are criteria outlined for promotion such as years of experience, qualifications, and performance evaluations the actual process often lacks transparency and consistency. In many cases, promotions seem to be influenced more by seniority than by merit or measurable outcomes. This has created a sense among employees that their hard work and achievements may not necessarily lead to career advancement. As a result, some employees become discouraged, and their performance may decline because they don't see a clear link between their efforts and the opportunity for growth.."

"How often is evaluation conducted in the Ministry of Water and Energy, and what is its effect on employee performance?"

"Performance evaluations at the Ministry of Water and Energy are typically conducted twice a year, although in some departments, informal assessments may happen more frequently. The evaluation is meant to assess whether employees have met their goals and to provide feedback for improvement. However, the process is not always consistent or comprehensive. In many cases, evaluations are seen as a routine formality rather than a meaningful tool for employee development. Some employees feel that they do not receive detailed feedback, and in some cases, the evaluation outcomes do not lead to any tangible changes, such as training opportunities, promotions, or rewards. Because of this, the impact of the evaluation process on employee performance is limited. When feedback is vague or absent, employees may not fully understand how to improve or what is expected of them. If the evaluation process were more regular, transparent, and tied to professional growth or rewards, it could serve as a stronger motivator for improved performance."

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This analysis focuses on the demographic characteristics of 246 respondents from (Ministry of Water and Energy) and their perceptions of reward, evaluation, and promotion systems, and their impact on employee performance.

The demographic profile reveals a sample that is predominantly male (74.8%), with a fairly balanced age distribution across categories from 18 to over 46 (with a slight concentration in the 26-45 range). The respondents are largely highly educated, with a majority holding a bachelor's degree (55.3%) or a master's degree and above (38.2%). A significant portion of the sample is also highly experienced, with 66.7% having over 6 years of work experience. These demographic insights are important for understanding the context of the subsequent findings.

Regarding perceptions of organizational systems:

Reward System: Employees generally perceive the reward system as underdeveloped and lacking in motivation, with low mean scores for structure, fairness, and its ability to motivate better performance.

Evaluation System: While evaluations are seen as regular, fair, and helpful for identifying areas for improvement, there's less confidence that their results directly influence rewards or recognition.

Promotion System: Employees show a moderate level of agreement on promotion. The possibility of promotion is somewhat motivating, and decisions are seen as moderately objective and accessible. However, clarity and fairness of criteria, and overall satisfaction with the system, show room for improvement.

Performance Management & Accountability (related to employee performance): There's moderate agreement that the company maximizes employee potential and that PMS improves

work performance. However, employees feel less personal accountability for specific results, and the link between PMS and rewards is perceived as weak.

The correlation analysis showed strong, statistically significant positive relationships between reward, evaluation, promotion, and employee performance. Specifically, promotion had the strongest correlation ($r=0.970$) with employee performance, followed by reward ($r=0.918$), and evaluation ($r=0.840$).

Regression analysis further elucidated these relationships. The overall model, incorporating reward, evaluation, and promotion, explained 96.8% of the variance in employee performance, indicating a strong predictive power. Individually:

Promotion emerged as the strongest positive predictor ($\beta=0.896$).

Reward also had a significant positive impact ($\beta=0.400$).

However, evaluation surprisingly showed a negative standardized coefficient ($\beta=-0.319$) when controlling for other variables, suggesting that while evaluations are generally well-received for feedback, their actual effect on performance within the broader system might be perceived negatively or have unintended consequences.

A separate regression for reward alone confirmed its strong positive impact on employee performance, explaining 84.2% of the variance.

Finally, while normality assumptions were met, the analysis indicated potential multicollinearity among the predictors (VIF values above 6), suggesting that these independent variables are highly intercorrelated.

5.2 Conclusion

The study strongly concludes that promotion, reward, and evaluation systems are highly significant factors influencing employee performance at the Ministry of Water and Energy. The findings highlight that an effective performance management system, encompassing these elements, is crucial for organizational success.

Specifically:

Promotion acts as the most potent driver of employee performance. Its strong positive influence suggests that clear, fair, and accessible promotion opportunities are paramount for motivating employees.

Reward systems are perceived as a critical, yet currently underperforming, aspect. While strongly correlated with performance, the current reward structure is not effectively motivating employees, nor is it consistently perceived as fair or transparent. This presents a significant area for improvement.

Performance evaluations, despite being regular and providing useful feedback for development, exhibit a puzzling negative association with employee performance when considered alongside rewards and promotions in the comprehensive regression model. This counter-intuitive finding suggests a potential disconnect in how evaluation outcomes are linked to tangible career progression or recognition, possibly leading to demotivation rather than boosting performance in the overall system.

The high intercorrelation among these variables implies that they function as an integrated system. Improving one aspect in isolation may not yield optimal results unless the interconnectedness is acknowledged and addressed.

In essence, while the organization has established evaluation processes, their effectiveness in driving performance is hampered by perceived shortcomings in reward and promotion systems, and potentially by the way evaluation outcomes are perceived within the broader performance management framework.

5.3 Recommendation

To significantly enhance employee performance at the Ministry of Water and Energy, the following recommendations are crucial:

Prioritize and Enhance the Promotion System:

Develop Clear and Equitable Promotion Paths: Ensure employees understand the criteria for promotion, and that these criteria are consistently applied and perceived as fair and objective.

Increase Transparency: Communicate promotion opportunities broadly and clearly, making them accessible to all qualified employees.

Focus on Merit and Performance: Reaffirm that promotions are genuinely based on performance and merit, fostering a culture where effort is recognized and rewarded with career advancement.

Overhaul the Reward System:

Improve Structure and Clarity: Implement a well-defined and clearly communicated reward system that employees understand and trust.

Strengthen Motivation through Rewards: Design rewards (both financial and non-financial) that are perceived as fair, valuable, and directly linked to performance, thereby actively motivating employees.

Ensure Fair Distribution: Address perceptions of unfairness in performance-based reward distribution to boost employee morale and satisfaction.

Re-evaluate and Optimize the Performance Evaluation Process:

Clarify Link to Rewards and Recognition: Crucially, establish a clear and perceived connection between evaluation results and tangible rewards and recognition. The current negative association warrants a deep dive into how evaluation outcomes are utilized and communicated.

Focus on Constructive Impact: Ensure that performance evaluations are not just for identifying improvement areas, but also for fostering growth, providing meaningful feedback, and positively reinforcing desired behaviors.

Manager Training: Provide training to managers on how to conduct effective, unbiased evaluations and how to link evaluation outcomes to development plans and career progression in a way that truly motivates employees.

Adopt an Integrated Performance Management Approach:

Recognize the strong interdependencies between reward, evaluation, and promotion. Implement a holistic performance management system where these elements are seamlessly integrated and work in synergy to support and motivate employee performance rather than operating in silos.

By implementing these recommendations, the Ministry of Water and Energy can create a more robust and motivating work environment, leading to improved employee performance and overall organizational success.

References

- Aguinis, H. (2019). *Performance management* (4th ed.). Chicago Business Press.
- Aguinis, H. (2021). *Performance management for dummies*. Wiley.
- Alfes, K., Shantz, A., & Saksida, T. (2021). The link between HR practices and performance: Evidence from a longitudinal field study. *Human Resource Management Journal*, 31(2), 324–341. <https://doi.org/10.1111/1748-8583.12305>
- AIHR. (2023). *What is performance appraisal?* Academy to Innovate HR. <https://www.aihr.com>
- Armstrong, M. (2014). *Armstrong's handbook of human resource management practice* (13th ed.). Kogan Page.
- Armstrong, M. (2018). *Armstrong's performance management handbook*. Kogan Page.
- Armstrong, M., & Taylor, S. (2020). *Armstrong's handbook of performance management: An evidence-based guide to delivering high performance*. Kogan Page.
- Babbie, E. (2002). *The basics of social research* (2nd ed.). Wadsworth.
- Best, J. W., & Kahn, J. V. (2006). *Research in education* (10th ed.). Pearson.
- Bloomfield, D., & Fisher, R. (2019). *Designing research in education*. Routledge.
- Buckingham, M., & Goodall, A. (2015). Reinventing performance management. *Harvard Business Review*, 93(4), 40–50.
- Campbell, J. P., Daft, R. L., & Hulin, C. L. (2020). *Understanding organizational behavior* (12th ed.). South-Western College Pub.
- Colquitt, J. A., LePine, J. A., & Wesson, M. J. (2019). *Organizational behavior: Improving performance and commitment in the workplace* (6th ed.). McGraw-Hill Education.
- Dahlin, K. B. (2021). Designing causal research: The role of explanatory models. *Organizational Research Methods*, 24(3), 466–490.
- DeCenzo, D. A., Robbins, S. P., & Coulter, M. (2020). *Fundamentals of management* (10th ed.). Pearson.
- DeNisi, A., & Murphy, K. R. (2022). Performance appraisal and performance management: 100 years of progress? *Journal of Applied Psychology*, 107(3), 383–394. <https://doi.org/10.1037/apl0000984>

- Dessler, G. (2020). *Human resource management* (16th ed.). Pearson.
- Eisenberger, R., & Stinglhamber, F. (2019). *Perceived organizational support: Fostering enthusiastic and productive employees*. American Psychological Association.
- Fletcher, C. (2021). *Appraisal and feedback: Making performance review work* (4th ed.). Routledge.
- Fraenkel, J. R., & Wallen, N. E. (2008). *How to design and evaluate research in education* (7th ed.). McGraw-Hill.
- Gajendran, R. S., & Harrison, D. A. (2007). The good, the bad, and the unknown about telecommuting: Meta-analysis. *Journal of Applied Psychology*, 92(6), 1524–1541.
- Grant, A. M. (2019). The motivational benefits of goal setting. *Academy of Management Review*, 44(2), 379–403.
- Grant, A. M., & Cavanagh, M. J. (2019). Measuring organizational effectiveness: A multidimensional approach. *Journal of Management Studies*, 56(5), 784–806.
- Gupta, V., Acharya, A., & Chin, D. (2022). Performance management system effectiveness and decision-making. *International Journal of Human Resource Studies*, 12(1), 53–72.
- Hackman, J. R., & Oldham, G. R. (1976). Motivation through the design of work. *Organizational Behavior and Human Performance*, 16(2), 250–279.
- Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes. *Journal of Applied Psychology*, 87(2), 268–279.
- Institute for Employment Studies. (2022). *Performance management reimaged: Continuous feedback and development*. www.employment-studies.co.uk
- Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard: Measures that drive performance. *Harvard Business Review*, 70(1), 71–79.
- Khan, M. S., Awan, H. M., & Saleem, I. (2020). Impact of transformational leadership on employee performance. *Journal of Leadership Studies*, 14(3), 78–92.
- Kuvaas, B., & Dysvik, A. (2020). *Work motivation and performance: Theory, research and practice*. SAGE Publications.
- Lira, M., Ribeiro, N., & Cunha, R. C. (2023). Integrated people management systems: The link between appraisal, rewards, and development. *Human Resource Management Review*, 33(1), 100922. <https://doi.org/10.1016/j.hrmr.2022.100922>

- Locke, E. A., & Latham, G. P. (2019). *A theory of goal setting and task performance*. Prentice Hall.
- Milkovich, G. T., & Newman, J. M. (2019). *Compensation* (12th ed.). McGraw-Hill Education.
- Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2019). *Fundamentals of human resource management* (7th ed.). McGraw-Hill Education.
- Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Fundamentals of human resource management* (9th ed.). McGraw-Hill Education.
- Podsakoff, N. P., Whiting, S. W., & Podsakoff, P. M. (2021). Individual and organizational-level consequences of organizational citizenship behaviors. *Journal of Applied Psychology*, 106(6), 922–945.
- Pulakos, E. D., & Hanson, R. M. (2021). Getting performance management right: Why traditional practices don't work. *Industrial and Organizational Psychology*, 14(2), 203–214.
- Ramos-Villagrasa, P. J., Barrada, J. R., Fernández-del-Río, E., & Koopmans, L. (2019). Self-other agreement in performance appraisals: A meta-analysis. *Journal of Work and Organizational Psychology*, 35(3), 183–193.
- Rivera, L. M., Ployhart, R. E., & Fisher, G. G. (2021). The future of performance feedback. *Journal of Management*, 47(6), 1401–1425.
- Robbins, S. P., & Judge, T. A. (2013). *Organizational behavior* (15th ed.). Pearson Education.
- Tessema, M., & Soeters, J. (2006). Challenges and prospects of HRM in developing countries. *International Journal of Human Resource Management*, 17(1), 86–105.
- WorldatWork. (2023). *Performance management: Rethinking employee evaluations in modern organizations*. WorldatWork Press.
- Winny, E., Ariyo, A., & Ayodeji, F. (2023). Rethinking performance appraisal: A strategic approach. *Journal of Human Capital Development*, 15(1), 12–28.

Appendix 1

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS

Dear Respondent,

I am a student of business administration at St. Mary's University, Faculty of Business. This questionnaire is part of my research study titled "**The Effect of Performance Appraisal System on Employee Performance in the Ministry of Water and Energy.**" The primary objective of this study is to assess how various aspects of the performance appraisal system—including feedback, rewards, evaluations, training, and promotions—affect employee performance within the Ministry.

Your responses are vital to understanding the effectiveness of the current appraisal system and identifying areas for improvement. The findings of this study will provide valuable insights to enhance organizational performance and employee development strategies.

Please note that all responses will be kept **strictly confidential** and used **solely for academic and organizational development purposes**. There are no right or wrong answers—what matters is your honest opinion and experience.

Your sincerely

- Hayat Muhudin
- E-mail :-muhudinhayat@gmail.com

Section A: Demographic Information

Please tick (✓) the appropriate option.

1. **Gender**

☐ Female ☐ Male

2. **Age**

☐ 46 and above ☐ 36–45 ☐ 26–35 ☐ 18–25

3. **Education**

☐ Master's Degree or higher ☐ Bachelor's Degree ☐ Diploma ☐ High School

Level

4. **Years** **of** **Work** **Experience**
☐ More than 6 years ☐ 4–6 years ☐ 1–3 years ☐ Less than 1 year

Instructions: Please indicate your level of agreement with the following statements by ticking the appropriate box:

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Section A: Reward System and Employee Performance

(Research Question 2: To evaluate the effect of reward system on employee performance)

No	Statement	1	2	3	4	5
7	My organization has a structured reward system.	☐	☐	☐	☐	☐
8	The reward system motivates me to perform better.	☐	☐	☐	☐	☐
9	Performance-based rewards are fairly distributed.	☐	☐	☐	☐	☐
10	Both financial and non-financial rewards are used effectively.	☐	☐	☐	☐	☐
11	I understand the criteria for receiving rewards.	☐	☐	☐	☐	☐
12	My efforts are recognized and rewarded accordingly.	☐	☐	☐	☐	☐

Section B: Evaluation and Employee Performance

(Research Question 3: To examine the effect of evaluation on employee performance)

No	Statement	1	2	3	4	5
13	My performance is evaluated regularly.	☐	☐	☐	☐	☐
14	Evaluation results reflect my actual performance.	☐	☐	☐	☐	☐
15	Evaluation processes are fair and objective.	☐	☐	☐	☐	☐
16	I receive feedback following performance evaluations.	☐	☐	☐	☐	☐
17	Performance evaluations help me identify areas for improvement.	☐	☐	☐	☐	☐
18	Evaluation results influence rewards and recognition.	☐	☐	☐	☐	☐

Section C: Employee performance measurements

(Research Question 4: To examine the effect of Employee performance measurements on employee performance)

No	Statement	1	2	3	4	5
19	The company is able to maximize employee potential	☐	☐	☐	☐	☐
20	I am held accountable for achieving specific results	☐	☐	☐	☐	☐
21	Non- performing employees are held accountable	☐	☐	☐	☐	☐
22	PAS establishes a clear connection between performance and reward	☐	☐	☐	☐	☐
23	. The pms of the company improved my work performance	☐	☐	☐	☐	☐

Section D: Promotion and Employee Performance

(Research Question 5: To determine the effect of promotion on employee performance)

No	Statement	1	2	3	4	5
25	Promotion criteria in my organization are clear and fair.	☐	☐	☐	☐	☐
26	Promotions are based on merit and performance.	☐	☐	☐	☐	☐
27	Promotion opportunities are accessible to all employees.	☐	☐	☐	☐	☐
28	The possibility of promotion encourages me to improve my performance.	☐	☐	☐	☐	☐
29	I am satisfied with the promotion system in my organization.	☐	☐	☐	☐	☐
30	I believe promotion decisions are made objectively.	☐	☐	☐	☐	☐

Appendix 2

Interview Questions

1 could you describe your current role and how long you have been with the organization ?

2 How do you describe the reward system in the Ministry of Water and Energy based on employee performance?

3 Can you describe the promotion process at the Ministry of Water and Energy and its link with employee performance?

4 How often is evaluation conducted in the Ministry of Water and Energy, and what is its effect on employee performance?