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# **The Effects of Components of Employees' Attitude on Effectiveness of Performance Appraisal System:**

## **The Case of Commercial Bank of Ethiopia**

**A Thesis Submitted to Addis Ababa University Faculty of Business and Economics, Graduate Studies in Partial Fulfilment of the Requirements for the Degree of Master of Science in Management Specialization in Total Quality Management and Organizational Excellence**

by  
**Tigist Abebe**

**Advisor**  
**Dr. Ethiopia Legesse Segaro (Phd)**

**Addis Ababa University**  
**College of Business and Economics**

**Addis Ababa, Ethiopia**  
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**BY: -**

**TIGIST ABEBE WOLDE**

**Approved by the Examining Board:**

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Advisor

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Internal Examiner

\_\_\_\_\_  
Signature

\_\_\_\_\_  
External Examiner

\_\_\_\_\_  
Signature

## **Declaration**

I declare that this research report on the effect of components of employees' attitude on performance appraisal system a case study on Commercial Bank of Ethiopia is my own original work with assistances and guidance from my advisor and not submitted before for any institution and any purpose. I further declare that all the sources used in this research report have been properly recognized and acknowledged as in-text- citation and reference list.

Name – Tigist Abebe

Id No. GSE/8758/10

Signature \_\_\_\_\_

Date: May, 2020

## **Certification**

This is to certify that Mrs. Tigist Abebe has carried out her thesis work on the topic entitled “The Effect of Components of employees’ attitude on performance appraisal system ” a case study on Commercial Bank of Ethiopia under my guidance and supervision and this research paper has not previously submitted for the award of any degree fulfilment. Therefore, this thesis work is original in nature and is suitable for submission for the award of Master’s Degree in MSC in Management.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Dr. Ethiopia Legesse Segaro (Phd)**

**Faculty of Business and Economics**

**Department of MSC in management**

**Addis Ababa University - Ethiopia**

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## **Lists of Acronyms**

CBE	Commercial Bank of Ethiopia
PAS	Performance Appraisal System
PA	Performance Appraisal
HRM	Human Resource management
HR	Human Resource
CPC	Central Processing Centers
MBO	Management by Objectives
LGO	Learning Goal Orientation
PGO	Performance Goal Orientation
SPSS	Statistical Package for Social Science
KPI	Key Performance Indicators
OCB	Organizational Citizenship Behaviour
OCQ	Organizational Commitment Questionnaire

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## **Abstract**

*The notion of Performance Appraisal System (PAS) and the attitude of employees towards it have stayed center of study in the science of management discipline over the last two-three decades. As the success of institutions largely depend on its human resource, closely assessing the issue will have a paramount importance to the institutions. Commercial Bank of Ethiopia (CBE), the biggest bank in Ethiopia is practicing performance appraisal using information communication system. However, no study so far have considered to study the effect of employees' attitude towards the effectiveness of performance appraisal system comprehensively. The effect of components of employees' attitude towards the effectiveness of performance appraisal system of CBE, specifically of those who are working the head office organs of the bank, and what determines the employees' attitude towards the performance appraisal system is worth studying. Therefore this research paper has mainly focused on assessing the effect of components of employees' attitude towards the effectiveness of performance appraisal practice of the bank by specifically considering the business processes in the head office organs of the bank. Explanatory research design and quantitative research approach was applied to achieve this overriding objective of explaining the effect of component variables of the attitude of employees of the bank towards the effectiveness of PAS. A multiple regression analysis was applied on the data collected from the selected sample using stratified sampling technique. Finally the data was collected using questionnaires, cleaned, coded in to and analysed using SPSS V20. As per the findings of the study motivation of employees was found to highly affect the overall effectiveness of PAS and most of its dimensions. In addition organizational commitment of employees also have a positive and significant effect on the effectiveness of PAS in the bank. The third variable, job satisfaction has a positive effect on the dimensions of PAS but statistically the effect is insignificant. Hence, it was concluded, as per employees who are working in the head office organs of the bank that among the components of employees' attitude the motivation of employees was the best predictor of effectiveness of PAS. Therefore, the top management of the bank should strongly work on maintaining employees' attitude positive and at high level through enhancing employees' motivation, their commitment and job satisfaction, as well.*

**Key Words: PAS    Employees' Attitude    Component Variables    Multiple Regression**

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## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Background of the Study

Essentially, in one way or another the financial industry in the third world (developing countries) is characterized by the domination of banks where the lion's share of capital flowing in the industry is owned by the banks. Hence, in these countries the strength of the banking industry is an important prerequisite to ensure the stability and growth of the economy. The case is not different for the Ethiopia. Banks are expected to play their role in facilitating the financial matters both in domestic and foreign markets. Therefore, banking based financial system of Ethiopia, dominated by public sector commercial banks, need to be changed, improved and developed so as to cope up with changing environment.

The banks operating in Ethiopia offer same services and propose same investment opportunities but the impact of non-tangible resources towards the success of the company is irreplaceable or is wealth of the organization, which cannot be easily imitated and copied by other competing organizations. These unique resources are the human capital found, which are believed to be the life blood and unparalleled change maker in their respective organizations. This difference in human capital is one of the main reasons for the disparity among the banks, since other main factors are fairly accessible by each. Their behaviour and attitudes in the subject of human Resource management (HRM) recognize an important position (Smith2002). Pickens (2005) indicated motivated, trained, committed and satisfied employees towards their organization's internal business process and its overall growth are a primary tool to mark their organization with successful brand or cause a devastating failure in the reverse scenario. Nickell, 2003 indicates "people are the most valuable resources of an organization, and assessing their attitudes towards their internal business process makes a difference to company performance".

Surfing through the literature one finds that, regardless of the definition or the specific components included, PA in most organizations is formal, and structured. The process is generally defined to include an interview between the ratter and employees as well as performance documentation required by the formal evaluation system. One descriptor left out of most definitions is that performance appraisal is often dread by participants. Folger and Lewis (1993) suggest that performance appraisals typically engender the same degree of

enthusiasm as paying taxes. On the other hand attitudes are difficult to define and cannot be directly seen or measured, so behaviour is inferred from what people say or do. According to Allport (2000), attitude is a mental state of readiness, organized through experience, exerting a directive or dynamic influence on the individual's response to all objects and situations to which it is related (cited from Pickens 2005). According to Sari and Judge (2004), employees' attitudes and opinions revolve around the four pillars of strength in the organization: Communication, motivation, job satisfaction, and Commitment. On the other hand, Milman (2002) specify, job satisfaction, commitment, motivation and training & development can be taken as employees' attitudes predictors.

Job satisfaction has been correlated with enhanced job performance, positive work values, a high levels of employees' motivation, lower rates of absenteeism, turnover and burnout (Spector, 1997). Locke (1991) stated if the number of studies conducted on job satisfaction is an indicator, job satisfaction is probably the most important job attitude. It plays an enormous role in determining the attitudes of employees and their job satisfaction and performance. Job satisfaction is so important in that its absence often leads to lethargy and reduced organizational commitment (Sari and Judge 2004, Sagie 1998). Organizational commitment on the other hand, focuses on employees attitudes towards the entire organization. In addition, effectively training and developing employees will become more aligned for career growth that in turn enhances personal motivation. The study of Pool (2007) also indicates, the organizational commitment or "the relative strength of an individual's identification and involvement in a particular organization" depends on effective training and development programs.

The motivation of employees is one of the other employees' attitude predicting variable. Meyer(2004) described motivation as it comes down to a straight forward formula of inputs (i.e. effort and enthusiasm, skills and abilities, flexibility and adaptability, loyalty and commitment to the organization) must equal outputs (i.e. financial compensation, praise and recognition, additional responsibility and autonomy, job security, a sense of career advancement or personal growth). The sense of fairness, which commonly under pins motivation, is dependent on the comparison a person makes between his or her reward/investment ratio with the ratio enjoyed (or suffered) by others considered to be in a similar situation.

With the changes in management philosophies and the demands of performance management placed onto the performance appraisal, organizations may require the performance appraisal to achieve four main objectives. First, these objectives are it serves as an administrative tool assess and monitor employee performance to determine pay, salary and bonuses. Second, they serve as an organizational strategy tool to communicate and implement the strategies. Third, they function as a training and development tool to enable managers and employees to achieve current or future personal and organizational goals. The last perhaps the most important one is organizational feedback gathering tool so as to determine current and potential strengths and weaknesses of the organization. Although organizations can use appraisals to help them achieve these objectives, some researches provide evidences that many organizations undertake performance appraisal to evaluate and motivate employees (Anjulo, 2017) (Katavich, 2013).

There are other evidences revealing that employee dissatisfaction is commonly reported while organizations make appraisal of employees' performance. The authors have also reported the reasons like time consuming and unfair/ biased nature of the process has caused the dissatisfaction; the main objective of undertaking the performance appraisal was to motivate employees. Organizations where employees are dissatisfied with the practice of performance appraisal ought to recognize that it is a warning signal as the prime objective is paradoxically achieved. Thus, organizations need first to determine how employees might react to performance appraisal practicing, at least to obtain an understanding of the effect of these reactions might be on the organization (Katavich, 2013).

Findings from early studies suggest (Hepner, 1930 and Moore, 1939) that, carefully undertaking actions to increase employees' trust on the performance appraisal system by supervisors is crucial to the system's success. The existence of mounting body of evidence to proof there is an interplay between performance appraisal system and the reaction of its main users; which clearly has a consequential effect on the organization, makes the notion raised an appealing issue to understand.

However, prior to the implementation of the performance appraisal system neither CBE nor other researchers conducted a study on predicting what might be the reaction of employees towards the system. This chance is already missed, but it is still with paramount importance to know the interaction of predicting variables of employees' attitude with performance appraisal system of the bank. Therefore, assessing the relationship between performance

appraisal system and employees' attitude is worth studying. Therefore, this study paper adds values in making a profound analysis of the relationship between employees' attitude and performance appraisal system in the head office organs of the Commercial Bank of Ethiopia.

## **1.2. Background of the Organization**

Originally, the Commercial Bank of Ethiopia was known as the state bank of Ethiopia. However, the Ethiopian government decided to split the bank into the central bank of Ethiopia and the Commercial Bank of Ethiopia in 1863. Eventually, in 1980, the Ethiopian government decided to merge the Addis Bank with the Commercial Bank of Ethiopia, making Commercial Bank of Ethiopia the country's sole commercial bank (Commercial Bank of Ethiopia, 2019).

Before it was merged with the Commercial Bank of Ethiopia, the Addis Bank was created by the Ethiopian government from the merger of the Ethiopian operations of Banco di Naplia and Banco di Roma with the newly nationalized Addis Ababa Bank.

The Commercial Bank of Ethiopia is noted as the pioneer of modern banking in the country. It was the first bank to serve ATM services for its local and the first to serve western union money transfer services in the country. Apart from this, the bank also plays a major role in directing Ethiopia's economy towards development and progress. Currently it has over 1456 branches stretched across the country. The performance appraisal system of Commercial Bank of Ethiopia is performed in Head office organ over country. The process of measuring and evaluating the performance of important processes carried out by human resources management, through the measurement and evaluation to enable the Organization to judge the accuracy of the programs and policies adopted, whether policies to attract and selection and appointment, or programs and policies for training, development and follow-up their human resources. The leading African bank with assets of 711.96 billion Birr as on June 30, 2019.

It plays a catalytic role in the economic progress & development of the country. The first bank in Ethiopia to introduce ATM service for local users .Currently CBE has more than 22 million account holders and the number of Mobile and Internet Banking users also reached more than 2.5 million as of June 30th 2019. Active ATM card holders reached more than 8 million. As of June 30, 2019, 2,513 ATM machine and 9,539 POS machines were available. It has strong correspondent relationship with more than 50 renowned foreign banks like

Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank, CBE has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 37,894 talented and committed permanent employees and more than 22,000 outsourced jobs as of June 30, 2019. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, CBE has opened four branches in South Sudan and has been in the business since June 2009. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world (Commercial Bank of Ethiopia, 2019).

Commercial Bank of Ethiopia is one of the publically owned banks which has digitalized the performance appraisal system in new format form July, 2015; which is again upgraded in July, 2017. This performance appraisal is an ongoing process that involves information from co-workers, customers, the supervisors, and even the employees. CBE's Performance appraisal system is a formal system of review and evaluation of an individual or team task performance. Objectives that were set and achieved by the employee are assessed against the stated standards. Employees covered by the performance management system must be appraised quarterly for their business targets and annually for their business targets, leadership competencies and core value competencies by using digitalized performance appraisal system.

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

As various studies indicate, organizational goals and objectives can be effectively achieved with an active and responsible contribution of its employees (Zingheim and Schuster, 2001) (Marchington and Wikinson, 2000) Amen Imran (2013), (Kessy and Temu, 2010), Mengistu (1997), Jemal (2003), and Adugna (2018), etc. Thus, organizations realizing this fact exhaust quite a huge resource in order to positively shape employees' attitude towards every aspect of the organization. Amen Imran (2013) asserts employees referred as rare, non-imitable and valuable resource of the firm and the success or failure of any business mainly relies on its employee's performance. Positively shaped attitude is considered as a key factor for improved performance of employees' which in turn results in better achievement of organizational goals and objectives (Jemal, 2003).

Since the banking service majorly depend on the quality of employees, in order to overcome the challenges of the banking industry and harness the opportunities, banks

should strongly follow up employees attitude from different perspectives. Performance appraisal system is one of the perspectives to which employees show their attitude. The performance appraisal system is sensitive in its nature, as it directly influence employees' satisfaction. This system is the most critical variable to be seriously followed by both the management and subordinates in banks. One reason for this might be the fact that employees attitude is shaped by their satisfaction(Anjulo, 2017).However, what determines the success of performance appraisal practice is not objectively known; since it varies across intuitions irrespective of being in the same or different industry.Due to fast pace of global and technological development, banks are now facing new changes as well as challenges for profitability and survival. Besides capabilities and competencies, technology advancement have molded the need of motivated and satisfied employees to perform a particular tasks. Thus, to cope up with these challenges, enhancing the motivation of employees, thus building a positive attitude towards performance appraisal system is required by all business organizations.

Further identifying the determinants of performance appraisal practice are vital to withstand the competitors' strategy(Adugna, 2018).Organizations need first to determine how employees might react to performance appraisal practicing, at least to obtain an understanding of the effect of these reactions might be on the organization(Katavich, 2013). Findings from early studies suggest (Hepner, 1930 and Moore, 1939) that, carefully undertaking actions to increase employees' trust on the performance appraisal system by supervisors is crucial to the system's success. Commercial Bank of Ethiopia is one of those organizationswhich started new performance appraisal system from last four to five years. However, prior to the implementation of the performance appraisal system neither the bank nor other researchers conducted a study on predicting what might be the reaction of employees towards the system. The disparity between the desired results and what actually happened being far apart begs for investigation of the issue. Appealed by this fact, researches have been done by Mengistu (1997), Jemal (2003), and Adugna (2018)(Anjulo, 2017).

Mengistu (1997), research conducted on the same topic, where it's setting was on Development Bank of Ethiopia (DBE) specific to Addis Ababa district; has found that the criteria designed by the bank to evaluate the performance of the workers are irrelevant. Lack of skills and knowledge of the evaluators, the subjectivity, favoritism and lack of continuous documentation and inability to provide feedback as to the results of the

performance evaluation are irrelevant. This article doesn't actually highlight the attitude of employees towards the performance appraisal system.

The research by Jemal(2003) had been conducted on Commercial Bank of Ethiopia, head office. The results he found has showed that performance evaluation results do not adequately reflect the ability of the job performer. This could be attributed to the subjective nature of the evaluation criteria and it is positively and significantly. Other variables such as, non-monetary and monetary incentives have positive sign, but are not statistically significant. Once again, beyond exploring the effectiveness of the PAS, this article doesn't attempt to figure out the effect of predicting variables of employees' attitude on PAS.

The article by Lidetu (2017) has investigated the attitude and reactions of employees towards the overall performance appraisal system as well as its major components such as standard setting, appraisal instrument, feedback, and appeal procedure in private banking industry in Addis Ababa, Ethiopia. Applying a descriptive analysis from data collected through interview and questionnaires, the article has found out that majority of respondents are not satisfied with the PAS and developed negative attitude towards PAS. Moreover, the purpose of appraisal in their organization was for control and recognition of employee by their respective supervisor and manger. The notion raised by Lidetu (2017) was appealing and the research was undertaken using the latest methodology except for the setting has ignored the major actor in the financial sector. Hence the selected banks doesn't well represent the financial sector of the country. Since there are more than 17 private banks, the sample is not even representative of the private banks(Anjulo, 2017).

The latest article by Adugna (2018), undertaken in the south district of the Commercial Bank of Ethiopia, had a motive to assess the gap between the real and desired outcome of PAS in Commercial Bank of Ethiopian such as increasing employee dissatisfaction, degrading employees commitment on their jobs, reducing the trust between the employees and evaluators. The effect of variables to be included under employees' attitude like motivation, commitment, and job satisfaction on the PAS success is not addressed in this article.

While reviewing the existing body of literature in this topic in Ethiopian context, the notion raised seems well entrenched. However, In Ethiopia out of the researches that has made their settings on CBE, majority of them ignores the head office organs and tend to contact selected districts. However, the head office organs of the bank which are comprised of Central Processing Centers (CPC) of the whole banking business operations are coordinating each and every task performed by districts and branches. This implies the

success of these operations mainly depend on the successful coordination of tasks from these CPCs; thus explaining the attitude of employees working under the CPCs is praise worthy.

Therefore, based on the above identified gaps, assessing the relationship of components of employees' attitude like motivation, commitment, and job satisfaction with performance appraisal system is worth studying in CBE. More specifically, in depth explaining this relationship in head office organs are a paramount importance. Therefore, this study paper adds values in making a profound analysis of the relationship between component variables of employees' attitude and performance appraisal system in the head office organs of the Commercial Bank of Ethiopia.

#### **1.4. Research Questions**

Based on the above research problems, the following questions are for further investigation of the topic:

- What is the effect of motivation of the employees on the effectiveness of performance appraisal system?
- What is the effect of employees' commitment on the effectiveness of performance appraisal system?
- What is the effect of job satisfaction of employees on the effectiveness of performance appraisal system?
- Which predicting variable of employees attitudes have more influence on the effectiveness of performance appraisal system?

#### **1.5. Objectives of the study**

##### **1.5.1. General Objective**

The main objective of this research study is to assess the effect of components of employees' attitudes on the effectiveness of performance appraisal System in head office organs of Commercial Bank of Ethiopia. In addition to the main objective, the research tries to investigate the following specific objectives:

### **1.5.2. Specific Objectives**

- To assess the effect of motivation of employees on the effectiveness of performance appraisal system.
- To evaluate the effect of employees commitment on the effectiveness of performance appraisal system.
- To investigate the effect of job satisfaction on the effectiveness of performance appraisal system
- To examine which predicting variables of employees attitudes have more influence on the effectiveness of performance appraisal system.

### **1.6. Significance of the study**

Implementation of PAS in the banks were the stage for building employees a good commitment on their jobs which consequently leads to services development and improvement. Therefore, conducting this study on public bank like the Commercial Bank of Ethiopia is important because, the finding of this study was significant to the bank in supporting decisions on using its performance management to maintain the existing human resources and attract the new skilled employees in light of its competitors. The result of this study was also assist the responsible bodies by providing knowledge on needs of appraisal and assessment criteria by satisfying employees to improve the quality services. Furthermore, the study is believed to benefit both academicians and other practitioners as a documented study in this area.

### **1.7. Scope of the study**

Comprehensive understanding about an object of a study demands researching that object from every aspect and whole life and in every situation. However, in reality it's not possible to go through the width and breadth of every aspect of an object of a study. Rather researcher often set a scope for their study conceptually, methodologically and geographically. Same is done here.

Conceptually, both the predictor variables in employees' attitude and PAS are broad concepts but the study was limited to take PAS as dependent variable and component variables of employees' attitudes, this research limits itself on the three major variables namely: Job satisfaction, Motivation and Commitment. No mediator or moderator variable is used.

Methodologically, the study was use quantitative approach (cross sectional survey method). The rationale behind using quantitative approach is because of its most appropriateness to address the research questions by using quantitative data. The common technique of collecting quantitative data is the survey method. The major data collection instrument to collect data will be questionnaire.

Geographically, the Commercial Bank of Ethiopia is a very large business organization owned by Ethiopian government having ten districts and more than 1,300 branches. Both structurally and functionally the operations of the bank are coordinated from the central processing centers (CPCs) which are located in the head office. These CPCs are equipped with more than 3464 permanent employees with different job positions and job grades. Since these CPCs are located in Addis Ababa, the researcher has planned to explain the notion raised by focusing the CPCs.

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

This study mainly focused on examining employee's attitude toward to the effectiveness of performance appraisal system. Even though the concept of performance appraisal is very crucial and ought to be seen at an industry level, to conduct the study in depth with limited time, and budget constraint, the scope of this study is limited to investigation of employees' attitude towards the effectiveness of performance appraisal system on the head organs of CBE. To begin with it employed a probability sampling, because the research selected sample on random basis from the available CPCs in the head office organs. For this reason it is not possible to generalize the finding of the research to all branches of the bank. Hence, the researcher is cautious in generalizing the finding; further study shall be conducted.

Although there are many employees' attitudes variables, this research limits itself on the three major variables namely: job satisfaction, motivation, and commitment. The major limitation of the study was that the researcher could not find empirical studies in the area of performance appraisal system and employees' attitudes in Ethiopian context and therefore, literature review part of the study was not rich enough with cases from Ethiopian context.

Finally, due to shortage of time only a single pilot test was made to check the validity of data collection instruments. No further discussion was made with professionals to improve the quality of the instruments. However, the researcher has selected standardized and validated renowned authors in the science of social science and attempted to contextualize the ideas raised.

## **1.9. Organization of the study**

The thesis is organized into five chapters. The first chapter consists of background of the study, background of the organization, statement of the problem, Research questions, and objectives of the study, significance of the study, scope, limitation of the study and organization of the paper. The second chapter reviews the literatures relevant to the study which includes theoretical review, empirical review, theoretical framework and conceptual framework finally hypothesis of the study. Brief description of methodology that is the population and sampling technique of the study; the sources of data; the data collection tools/instruments employed; the procedures of data collection; and the methods of data analysis are presented in the third chapter. The results and discussions of the findings are presented in chapter four. Finally, the conclusion and recommendations of the study are presented in chapter five.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2. Introduction

This section reviews the both the theoretical and empirical literature written by different researchers and scholars in relation to the study and presents a summary of performance appraisal and how employees feel about the appraisal system. Finally, conceptual framework of the study is included by summarizing literature results.

##### 2.1. Theoretical review

##### 2.2. Performance Management

People are important resource,(Wright J. , 2001), and like all resources they must be managed properly so as to assist them perform at their peak. According to (G.Johnson, 2003) Human Resources Management (HRM) refers to all the processes and activities aimed at utilizing all employees to achieve organizational ends. They suggested that HRM involves; Staffing, where the organization employs the right people to help it achieves it goals, Performance management, that these people's actions add value to the organization; they are rewarded and trained appropriately, Retention (through staffing and performance management), Compliance with government legislation and ensuring appropriate policies and procedures are implemented and Change management.

As organizations get bigger, a formal performance appraisal system aids administrative decision such as pay increases and promotions, redundancy or termination, development needs and for employees, the process may assist them in career choices and may increase their commitment and satisfaction due to improvements in organization's communication (Weise and Buckley, 1998).

To get the most of this resource from people, they must be motivated. However, (Cole and Wright, 2001) argue that people cannot be motivated. They went further to say that, people motivate themselves and managers can provide the environment to help them be motivated.

There are many ways to provide a motivational environment for employees and these include developing their skills, giving them feedbacks and rewarding in ways that mean something to them. Therefore performance appraisal can be used as a tool to assist managers in motivating their employees.

The three major objectives of (HRM) are to attract potentially qualified job applicants, retain desirable employees and motivate employees (Kramar, et al 1997). The aim being to influence the financial bottom line, through improved productivity, improved quality of work life and legal compliance. One way of achieving this is by evaluating employees on their job performance. This is said to foster feelings of well-being and enhance performance (Sargent and Terry, 1998) and provide employees with job satisfaction, motivation and involvement in the workplace (Parker, 1993).

### **2.3. The Concept of Performance Appraisal (PA)**

A significant direction of research regarding PA efficacy and approaches for evaluation has concentrated on employee satisfaction and perceptions of the process. As a result of this, researchers and practitioners have taken a more comprehensive view of performance appraisal system efficacy and evaluation of systems. One common theme of recent research is that attitudes of the system's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal system (Roberts, 1990).

Regardless of the definition or the specific components included, PA in most organizations is formal, and structured. The process is generally defined to include an interview between the ratter and employees as well as performance documentation required by the formal evaluation system. One descriptor left out of most definitions is that performance appraisal is often dread by participants. As sighted on Asamoah (2012),Folger and Lewis (1993) suggest that performance appraisals typically engender the same degree of enthusiasm as paying taxes(Asamoah, 2012).

Folger et al (1992) argued that instead of focusing on accuracy, the goal of PA should be ensuring fairness in the process, which is a more achievable goal. Researchers started to adopt the view point that employees" perceptions of fairness are more important than objective accuracy of the appraisal system. If an accurate appraisal system is perceived as unfair, it may lead to negative consequences or, it is possible that an accurate appraisal tool that is perceived as fair may not lead to negative outcome. Fairness should be adopted not only because accuracy is not achievable but also because it is an important societal value and feelings of injustice have important consequences for the society and the workplace (Sabbagh, et al, 1994, Sashkin and Williams, 1990). Fairness of HR practices deserves attention from a humanistic point of view as well (Koys, 1991; Ogilvie, 1986; Bretz and Judge, 1994).

Employee perceptions of fairness of PA have been shown to be linked to satisfaction with the system. Fairness of performance appraisal has been studied by a number of researchers over time. In their review of performance appraisal research Bretz et al (1992) indicated that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system. Their findings suggested that most employees perceive their performance appraisal system as neither accurate nor fair. Skarlicki and Folger (1997) suggest that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political or irrelevant. A major problem for organizational leaders is that the PA process and the performance evaluation system are often perceived as both inaccurate and unfair (Latham and Wexley, 1981).

#### **2.4. Determinant Factors of Performance Evaluation**

#### **2.5. Performance Appraisal Practice**

Performance appraisal practices are now considered as one of the key contributing factors to the success of an organization. In order to solve the problem of defensiveness of rates that resulted as a result of conflict in the goals of performance appraisal, ratters should conduct two separate performance appraisal one focused on evaluation and the other coaching and development. The other solution is choosing appropriate performance data. For instance, using behavioural rating scales and behaviour related appraisal techniques may solve this problem.

Performance rating is the step in the work measurement in which the analyst observes the worker's performance and records a value representing that performance relative to the analyst's concept of standard performance. Performance rating helps people do their jobs better, identifies training and education needs, assigns people to work they can excel in, and maintains fairness in salaries , benefits, promotion, hiring, and firing. Most workers want to know how they are doing on the job. Workers need performance feedback to work effectively. Accessing an employee timely, accurate, constructive feedback is a key to effective performance. Motivational strategies such as goal setting depend upon regular performance updates. While there are many sources of error with performance ratings, error can be reduced through ratter training and through these of behaviourally anchored rating scales. In industrial and organizational psychology such scales are used to clearly define the behaviours that constitute poor, average, and superior performance (Thomas &Bretz, 1994).

## **2.6. Supervisor – subordinate relations in performance management and development**

The quality of the appraisal process is dependent on the nature of the day-to-day boss Subordinate relationship. In an effective relationship, the supervisor is providing feedback and coaching on an ongoing basis. Thus, the appraisal interview is merely a review of the issues that have already been discussed. On the other hand, if a relationship of mutual trust and supportiveness exists, subordinates are more apt to be open in discussing performance problems and less defensive in response to negative feedback.

There are no easy techniques for changing a boss subordinate relationship. It is highly affected by the context with in which the boss and subordinate work, the broader culture of the organization, and the climate of the primary work group will have important influence son boss subordinate relationship. If the organization culture encourages participative Management, open communication, supportiveness accompanied by high standards of Performance, a concern for employees, and egalitarianism, it is more likely that these values will characterize.

## **2.7. Perception towards employee growth and achievement**

Basset-Jones et al. (2005) indicate that motivation theory is underlined by the fact that many behaviourist theorists, such as Bandura (1977) posited that an employee's needs are a function of personality, and that behaviour emerges as a result of the operation of the cognitive processes in interaction with the environment around them. The assumption here is that people are goal seeking, growth, achievement and always search for positive reinforcement. If the organization provides such reinforcement through crafting appropriate rewards, a good match is achieved and high motivation results. Performance appraisal might be perceived not only as irreplaceable tool for recognizing and rewarding good performance and correcting poor performance, but mainly as a way to maintain employee growth and their achievement within an organization. During a research carried out when preparing this work, an author found a variety of views on PA and all of its aspects. Often, opinions were completely opposed. That gives evidence that, in contrast to management topics, performance appraisal as a whole is very hard to do "Right", since there are not many "Right" solutions that would have no opponents.

## **2.8. Non-financial incentives**

In large performance management systems many elements are included and these can be categorized as financial or non-financial. According to Taylor and Pierce (1999), the two major components of a performance management system are the performance planning/goal setting and the appraisal rating/merit pay. Goal theory was developed by Latham and Locke who claimed after their research that the level of production can be increased when goals are specific; challenging but reachable; fair and reasonable; people participate in goal-setting; and there is always the feeling of satisfaction when achieving a goal (Armstrong and Murlis, 2007). Moreover, based again on goal theory, goals are those who increase productivity, because they function as motives and additionally they show what has to be achieved, so in this way employee performance is increased as well (Taylor and Pierce, 1999).

Another theory to support this strong linkage of goal-setting and performance can be found in the model of management-by-objectives. In MBO, every level of the organization, hierarchically, sets specific objectives that must be aligned with the organizational targets and in this way goals are achieved step-by-step by transforming the organizational objectives into an individual's goal (Price, 2007, p.451-2). Many writers split the orientation of goals in two general groups, the learning goal orientation (LGO) and the performance goal orientation (PGO). The first one refers to goals that are oriented towards the development of competences by handling problems and tasks that never faced in the past (Fletcher, 2001). In PGO the goal is to avoid criticism and hunt assessments that are favourable and you can perform well in order to show the sufficiency of someone's competence. The advantage of LGO against PGO is that LGO deals with using the feedback provided and self-efficacy as well (Fletcher, 2001).

The non-financial rewards are centralized to the needs that many people have, such as the need for achievement, recognition, responsibility, influence and personal growth. The most powerful of those needs in a person's working life is considered to be the need for recognition. Non-financial means of recognizing an employee's efforts and achievements are praise, promotion, delegation of high-profile projects, enlarge of the content of job and several forms of esteem symbols (Armstrong &Murlis, 2007).

## **2.9. Financial Incentives**

As far as the financial rewards are concerned, there are several theories that describe the relationship between motivation and money such as the "economic man" approach, the

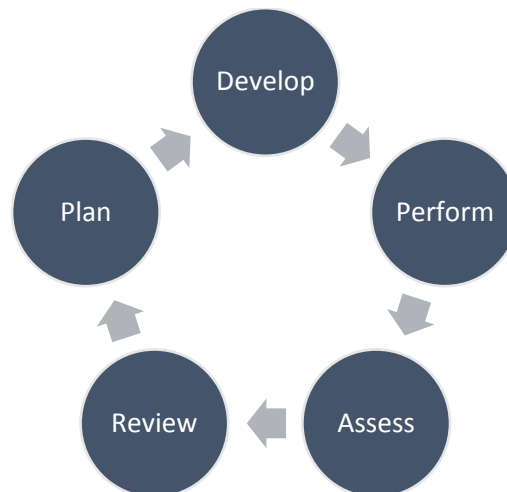
instrumental theory, the Herzberg's two factor model, the equity theory and the expectancy theory (Armstrong & Murlis, 2007). The topic of performance-based pay is the most popular in human resource policies and most controversial at the same time, and merit-based systems are widely used as a way to form individual awards according to their performance over a defined period (Torrington et al. 2005, p. 639). According to Milkovich and Newman, merit pay is a short-term plan of pay-for-performance, which links the increase with someone's pay according to the rating that obtained on his performance evaluation. In contrast, there is a negative nature in merit pay systems due to the fact that in reality, merit pay does not improve employee and organizational performance (Milkovich and Newman, 1986).

Financial rewards hold a very important position in people's life, not only because with money they can satisfy a large number of their daily needs but also because it is a tangible way for their work, effort and achievement to be recognized. Additionally, among the employees of an organization, pay when compared with others is a way of providing the feeling of equity and fairness mentioned above (Armstrong & Murlis, 2007). Concluding, the most powerful way of motivating employees is the combination of financial and non-financial motivators. Nevertheless, the individual's needs differ a lot and this is ought to psychological reasons, educational background, experience, occupation and position in the organization (Armstrong & Murlis, 2007).

#### **2.10. The process of Performance Appraisal**

The process of performance differs from one organization to another due to the difference in type of business. However, practically the process includes the following steps regarding the period of the appraisal. Firstly, preparing the sample after insuring the right task mentioned to the right position; secondly, distributing the form in the appropriate date; thirdly, specifying the due date of recollecting all the forms in order to enter all the data to start in analysing it to identify the development areas required. In professional way, performance appraisal dictates a proactive approach to review process that follows the multi-phase design (Hiba Hashem & DR. Saher Annan, 2014).

**Figure 1: Phases of Performance Appraisal Process**



*Source: Hiba Hashem, 2014*

In the forthcoming Paragraphs the phases of PAS are discussed in more detail:

**Planning Phase:** is related to setting agreed goals and guidelines for employee evaluation, determining the key objectives for measuring success in the position and setting developmental goals to encourage greater productivity and results.

**Development and Performance Phase:** The longest phase that allows the employee to meet goals and objectives, develop new skills and track accomplishments. In other side, managers review performance and make notes as well.

**Assessment Phase:** Employees are given an opportunity near the end of the performance cycle to provide feedback on the pre-set goals, competencies and objectives to deliver to their manager. This is when the manager will document feedback on the employee performance as well. The system allows senior managers to review all submitted documentation and sign off before the actual review is complete.

**Review Phase:** Manager and employee sit down together to communicate and discuss the year in review. Reviews can be presented online or printed and e-signature that the review took place can be captured in the system to protect the organization if legal review should occur. In addition to planning for the following year, it is important to mention the needs of training to each employee assigned for the next year, which aims to improve the capabilities of the employees.

Therefore, based on the theoretical understanding gained from the literature, we have attempted to assess the extent to which these and other related problems exist in relation to the performance evaluation practice of CBE.

## **2.1.Theoretical Framework**

### **2.2. Effectiveness of Performance Appraisal System**

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee". All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003) (Piggot-Irvine, 2003). As previously mentioned Rankin & Kleiner (1988, p.14) believed that effective performance appraisals have six key factors. These six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programs should tie personal rewards to organizational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 1981). Employee perceptions of the fairness of their performance appraisals are useful in

determining the success of performance appraisal systems. A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, but it is reasonable to suppose that employees' reactions to the appraisal system could have just as much influence on the success of an appraisal system. An organization might develop the most precise and sophisticated appraisal system, but if the system is not recognized by the staff, its effectiveness will be limited. (Erdogan, et al., 2001).

Fletcher (2004) listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being.

As sighted on Megira, (2017) Cawley et al (1998) subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

(Boachie-Mensah, 2012) advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognize it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an opportunity to network with others, but if employees perceive Performance Appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won't welcome the scheme as easily.

(Barrett, 1967), as sighted on Alemneh Admassu, (2017) has noted that ensuring the performance appraisal ties in with organizational goals is pivotal to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning.

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the

appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987), as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal (Alemneh Admassu, 2017).

Pettijohn, C.E., et al., (2001) identified participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown & Benson, 2005 ; Gabris & Ihrke, 2001). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money (Pettijohn et al., 2001).

To avoid such drawbacks in performance appraisal processes and ensure its effective implementation, the PMAS: Guideline System and Reference Manual (2006) pointed out the following factors that the system should positively reinforce.

- **Effective Communication:** Employees at all levels should have a clear understanding of their roles, responsibilities and what is expected of them. Feedback on performance must be given on a continuous basis.
- **Objectivity:** Assessments should be made against agreed, clearly stated targets.
- **Transparency:** There should be no “surprises”. Evaluations and decisions should be based on evidence drawn from well documented processes that can stand scrutiny.
- **Fairness:** Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.

- **Equitable Treatment:** All employees should be treated equally and must have equal and appropriate access to benefits, training and resources to achieve targets.
- **Mutual Respect and Trust:** Discussions about performance should be conducted with due regard to accepted principles of courtesy, respect and an understanding of each other's roles and responsibilities.

By ensuring the proper application of the above requirements organizations should be able to build mutual trust among the different levels of the organizational structure.

Based on the preseding review the following can be identified to measure effectiveness of PAS:

**Ongoing Feedback:** It can provide employees with Clear understanding of their strengths and weaknesses to develop into a better performer in future and this might be increased motivation, job satisfaction, and self-esteem of employees. It also create an opportunity to discuss career aspirations and any guidance. It will improved working relationships with supervisors. To keep employees motivated and informed, the supervisor needs to tell them when they are doing something right, not just when they are making a mistake

**Employees Participation:** On the other hand, employees Participation will create better understanding for employees of their role and it will create belongingness in the organization. When the management provides a room to employees for participation in PAS, it conveying the message to the employees that they have value to organization. And also, employees can generate important ideas for improvements.

**Rewarding performance:** Like feedback, rewards should be timely and tied to actual performance appraisal. Employees should be appropriately rewarded, recognized, and compensated for efforts put in by them in the growth of the company. Employee needs acknowledgement for their contributions or for their performance.

**Trained appraisers:** The appraisers should be diligently trained in the performance appraisal process to help them overcome the errors caused in appraisals.

**Continuous open communication:** An open communication should be encouraged between the employees and the management with respect to the appraisal process as well as any other concerns or suggestion that the employees may have. It will provide an opportunity to improve communication between the employees and management Performance appraisal is considered as a technique that has positive effect on work performance and employees

motivation. If the PAS consider being effective and fulfilling the requirement of these factors, it will have positive effect on motivation but the opposite could result to dissatisfaction.

### **2.3. Attitudes**

An attitude can be defined as a positive or negative evaluation of people, objects, events, ideas or just about anything in your environment (Zimbardo et al, 1999). All attitudes take a stance either positive or negative but they can vary in intensity.

According to Robbins and Judge (2001), attitudes are evaluative statements either favourable or unfavourable about objects, people, or events. They reflect how we feel about something.

Social psychologists use the term attitude to refer to people's evaluation of virtually any aspect of their social world (Olson and Maio, 2003; Petty, et al 2003). People can have favourable or unfavourable reactions to issues, ideas, objects, a specific behaviour, or entire social groups.

Some attitudes are quite stable and resistant to change while others may be unstable and show considerable variability depending on the situation (Schwarz and Bohner, 2001). We may hold some attitudes with great certainty, while other attitudes may be relatively unclear or uncertain.

Attitudes can influence our thoughts, even if they are not reflected in our overt behaviour. Moreover, while many of our attitudes are explicit attitude conscious and reportable other attitudes may be implicit attitudes- uncontrollable and perhaps not consciously accessible to us (Fazio and Olson, 2003).

Attitudes represent personal beliefs of an evaluative nature, such as good or bad, likeable or not likeable. Attitudes are of practical as well as theoretical interest, since they involve such basic concerns as attraction and prejudice. Understanding who likes whom, and why, requires an understanding of how attitudes are formed, and how they are altered (Festinger 1957).

### **2.4. Components of attitude**

Traditionally, attitudes are regarded by researchers as having three components, cognitive affective and behavioural. This is believed to emanate from what social psychologists have examined and divided attitudes in to three components: Cognitive, Affective, and Behavioural. It should be noted that there is always an objective of the attitude, the items towards which the attitude is directed. Cognitive component of attitude is the aspect of an

attitude that is descriptive of or belief in the way things are. It sets the stage for the more critical part of an attitude which is its affective component, Affective Component is the emotional or feeling segment that is associated with an attitude, and Behavioural Component of attitude refers to an intention to behave in a certain way toward someone or something.

### **Job Satisfaction**

Employees have attitudes or viewpoints about many aspects of their jobs, their careers, and their organizations. However, according to Khaleque, A. & Choudhary (1984), Job satisfaction is one of the most researched attitudes in the literature of industrial/organizational psychology, social psychology, and organizational behaviour. Job satisfaction is essential for organizations interested in developing and retaining productive employees for organizational success (Siegel and Lane, 1974).

As described by Locke (1960), Job satisfaction is the feelings people have toward their job. Likewise, it is pleasurable or positive emotional state resulting from the appraisal of one's job or job experience and it is an individual's contentment with their work. Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important (Locke and Lathan 1976). Locke stated if the number of studies conducted on job satisfaction is an indicator, job satisfaction is probably the most important job attitude. Worker attitude and job satisfaction deals with how an organization behaves. It involves the management directing employees into improving organizational and personal effectiveness. It plays an enormous role in determining the attitudes of employees and their job satisfaction.

Other researchers (e.g. MacDonald, 1996; O'Toole, 1980) in the other side argue in favour of the control of job satisfaction by factors intrinsic to the workers. Their arguments are based on the idea that workers deliberately decide to find satisfaction in their jobs and perceive them as worthwhile.

When an employee is happy, it is usually because they are satisfied with their work. This also improves the quality of their work. Attitude and job satisfaction may not fall completely on the management but also on the employees. If employees enjoy their work, they will not need external motivation from management, but instead the satisfaction they attain from completing their work will motivate them (Robbins, 2004).

Job satisfaction is a form of attitude towards work related conditions or aspects (Wiener 1982). In the reverse scenario, Jepsen and Sheu (2003) observed that such an

attitude, either in the form of liking or disliking a job is a universal and an essential aspect of career development.

According to Luthans, (1992) four features are necessary in measuring the job performance like salary, uniqueness of job, working environment and management political affairs. Variety of uniqueness in the job is there in employee performance and Kreitner and Kinicki elucidate that highly satisfied employees can demonstrate high level of performance.

A well-defined set of rules, clearly defined prospects of long-term employment and clearly set career ladders that signal steady and predictable progression are critical in reducing employee risk and increasing employee satisfaction with the organization. Moreover, when employees are evaluated on a clearly stated SMART goal they enjoy their work and will not need external motivation from management. Job satisfaction has been correlated with enhanced job performance, positive work values, a high levels of employee motivation, lower rates of absenteeism, turnover and burnout (Spector, 1997).

## **Commitment**

Through the literature search, organizational commitment was found to have a diverse set of definitions. One particular good definition of organizational commitment was stated as “multidimensional in nature, involving an employee’s loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization, and desire to maintain membership” (Bateman, 1984). To Northcraft and Neale (1996), commitment is an attitude reflecting an employee’s loyalty to the organization, and an ongoing process through which organization member express their concern for the organization and its continued success and well-being.

Commitment is defined as “the employee’s emotional attachment to, identification, and involvement in the organization” (Meyer and Allen, 1991, p. 67). Commitment creates a positive interaction between the individual and the organization because both have similar values (Meyer and Allen, 1997). Those who stay in their organizations with a strong commitment retain their position not only because they need the occupation, but also because they want it (Meyer et al., 1993, p. 539).

Most employees are hesitant to accept the introduction of new system to their organizations. Those employees who want to stay connected to their organizations are believed to adjust their behaviour, attitudes, and thinking towards the new system.

Employees' attitudes, thinking, behaviour and trust towards organization and work setting, increase job performance and commitment (Oliver, 1990). The notion of employee commitment comprises of constructive behaviours and attitude in route for organization. Thus, employee commitment can be considered as behaviour forecaster. Oliver (1990) emphasized that there is positive relationship between job commitment and employee performance.

According to Nortcraft and Neale (1996), Organizational commitment is determined by a number of factors including; Personal factors (e.g., age, tenure in the organization, disposition, internal or external control attributions); Organizational factors (job design and the leadership style of one's supervisor); Non-organizational factors (availability of alternatives). All these things affect subsequent commitment.

### **Motivation**

A recent database comprehensive analysis concluded that competitiveness problems appear to be largely motivational in nature (Mine, Ebrahimi, and Wachtel, 1995). Along with perception, personality, attitudes, and learning, motivation is a very important element of behaviour. Luthan (1998) defined motivation as, "a process that starts with a physiological deficiency or need that activates behaviour or a drive that is aimed at a goal incentive". He asserts that motivation is the process that arouses, energizes, directs, and sustains behaviour and performance. This implies motivation is a process of stimulating people to action and achieve desired task.

Many researches significantly identified that job attitude and working morale are the key sources to enhance performance of employees (Milman, A., 2002, Goymour, D., 2002, Powell and D. Wood 1999). Leader influence the attitude, affect psychologically on their subordinate in building higher organizational performance and augment employees' satisfaction all the way through motivation. If managers know what drives the people working for them, they can tailor job assignments and rewards to what makes these people "tick." Organizations that motivate their employees have higher level of performance than the less motivating organizations (Hall, 1971).

The major variables to explain and describe how people start, sustain and direct behaviour aimed at the satisfaction of needs or the reduction of inner tension is explained by Vroom's expectancy theory and Adam's equity theory.

Adam's Equity Theory of Motivation - Equity theory suggests that individuals engage in social comparison by comparing their efforts and rewards with those of relevant others. It is based on the premise that employees will put forth a particular level of effort that they feel compares to the reward potential. It comes down to a straightforward formula of inputs (effort and enthusiasm, skills and abilities, flexibility and adaptability, loyalty and commitment to the organization) must equal outputs (financial compensation, praise and recognition, additional responsibility and autonomy, job security, a sense of career advancement or personal growth). The perception of individuals about the fairness of their rewards relative to others influences their level of motivation. Equity exists when individuals perceive that the ratio of efforts to rewards is the same for them as it is for others to whom they compare themselves. Inequity exists when individuals perceive that the ratio of efforts to rewards is different (usually negatively so) for them than it is for others to whom they compare themselves.

## **2.5. Empirical Review**

An Investigative study into the effects of performance appraisal on employees' attitude at FASL (First Allied Savings and Loans Company Limited) conducted by Henrietta Asamoah (2012) has found out that the main shortcoming to performance appraisal was favouritism. Furthermore performance appraisal had Positive/negative impact on employees' performance when done fairly/unfairly. The article has used a mixed type of research design and collected data by observation and survey method using questionnaires and interview from the total population of the study and applied a descriptive analysis using the SPSS software. Asamoah (2012) has applied two known theories namely, theory of cognitive dissonance and theory of equity. The article has finally suggested performing same studies in the rest of the branches of the company in the case study (Asamoah, 2012).

Another article entitled with "*A Review on Performance Appraisal System: An Ineffective and Destructive Practice?*" By Choi Sang Long, Tan Owee Kowang, Wan Khairuzzaman Wan Ismail and Siti Zaleha Abdul Rasid (2013) has discussed the issues pertaining to the implementation of performance appraisal exercise. The authors have reviewed the existing body of literature and described the overall situation as; the fairness of a performance appraisal system has been recognized as an important effect on the success of any

organization because perceived fairness was connected to the acceptance of this system and eventually, the performance of employees and organization. Further, employees' perceptions of outcome fairness depend largely on their judgment about the consequences of a decision and the procedure to make such decisions and understanding and perceptions of performance appraisal purpose have been connected to employee satisfaction with both appraisal and supervisor. The theory of organizational justice was applied in this research.

Anjulo (2017) has investigated in to the attitude and reactions of employees' towards the overall performance appraisal system as well as its major components such as standard setting, appraisal instrument, feedback, and appeal procedure in private banking industry in Addis Ababa, Ethiopia. This article was a mixed type research design in nature which applied a descriptive method of analysis from a data collected from both questionnaires and interviews. The findings were as per the expectation of the authors where majority of respondents are not satisfied with the PAS and developed negative attitude towards PAS. The purpose of appraisal in their organization was for control and recognition of employee by their respective supervisor and manger.

Another mixed type research conducted by Lawrenzia Kania Wonnia Monica Dede & Tekyi Ansah Yawson (2015) has found out that performance appraisal is practiced in the University of Development Studies and that both appraisers and appraisees are aware that their performance is evaluated in the University of Development Studies. Appraisers' level of understanding of the PAS in the UDS was higher than that of appraisees. And most of the respondents with higher credential level of understanding of the current appraisal scheme in the University of Development Studies were higher than those with lower credentials. The last finding was most appraisers to some extent have let their subordinates involved in the setting of performance targets. Methodologically the article has used a descriptive and inferential statistical method of analysis on the data obtained from both primary and secondary data sources using questionnaires and interview guide. The sample of the population was 360 out of 964 employees with more than 30% representation which are selected by applying a stratified sampling technique.

Same is done by Adugna (2018); which has focused on the south district, CBE. The latest article by Adugna (2018), undertaken in the south district of the commercial bank of Ethiopia, had a motive to assess the gap between the real and desired of PAS in commercial bank of Ethiopian such as increasing employees' dissatisfaction, degrading employees'

commitment on their jobs, reducing the trust between the employees and evaluators. The results he obtained reveal that, there is also a strong, positive and significant relationship between PAS determinants (performance rating, supervisor-subordinate, growth and achievement, non-monetary incentives, and monetary incentive) and employees' attitude. Similarly, from multiple regressions analysis result, He has found that variability in attitudes of employees towards PAS is resulted from the variability in PAS determinants (performance rating, supervisor-subordinate, growth and achievement, Non-Monetary incentives, and Monetary Incentive) (Adugna, 2018).

Mengistu (1997), research conducted on the same topic like Adugna (2018) where it's setting was on Development Bank of Ethiopia (DBE) specific to Addis Ababa district; has found that the criteria designed by the bank to evaluate the performance of the workers are irrelevant. Lack of skills and knowledge of the evaluators, the subjectivity, favoritism and lack of continuous documentation and inability to provide feedback as to the results of the performance evaluation are irrelevant.

The research by Jemal (2003) was conducted on Commercial bank of Ethiopia, head office. The results he found has showed that performance evaluation results do not adequately reflect the ability of the job performer. This could be attributed to the subjective nature of the evaluation criteria and it is positively and significantly. Other variables such as, non-monetary and monetary incentives have positive sign, but are not statistically significant.

In conclusion, one can understand that the interaction between variables predicting employees' attitude and performance appraisal system is an appealing point of investigation for researchers in management discipline. In most studies the more fairly performed the performance appraisal system the more positive will be its effect on employees' attitude. The results he obtained reveal that, there is also a strong, positive and significant relationship between PAS determinants (performance rating, supervisor-subordinate, growth and achievement, non-monetary incentives, and monetary incentive) and employees' attitude. The determining factors for the success or failure of employees' performance appraisal system includes employees attitude, lack of skills and knowledge of the evaluators, subjective nature of the evaluation criteria, favouritism and lack of continuous documentation and inability to provide feedback as to the results of the performance evaluation are irrelevant. Furthermore, the findings from empirical body of literature reveal that variability in determining variables of attitudes of employees towards PAS is resulted from the variability in PAS

determinants(performance rating, supervisor-subordinate, growth and achievement, Non-Monetary incentives, and Monetary Incentive). In almost all the studies having the banking industry as a setting, it was observed that majority of respondents are not satisfied with the PAS and developed negative attitude towards PAS. They have perceived that the purpose of appraisal in their organization was for control and recognition of employee by their respective supervisor and manager.

Hence, in this study it is hypothesized that employees don't have negative attitude towards the performance appraisal practice of the bank. Moreover, employee attitude has a negative effect on the successful implementation of performance appraisal system.

## 2.6. Conceptual Framework

This study tried to examine employees' attitudes towards the performance appraisal system in Commercial Bank of Ethiopia. It situates the topic under study within prior theoretical and empirical studies and explains key constructs and terms. The theoretical framework of this study was premised based on the concept that the predicting variables of employees' attitude could influence the characteristics of an effective PAS. Referring various theoretical and empirical studies, the following self-developed conceptual framework is constructed. The selection of the variables under each category has been made as per the identified research gaps and according to the research question under study.

### Independent Variable

**Employees' Attitude**

**Job Satisfaction**

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**Motivation**

---

**Commitment**

### Dependent Variable

**Effectiveness of Performance Appraisal System**

- **Fair and Responsive PAS**
- **Continuous Open Communication**
- **Employee Participation**

Source: Researcher's own work

From many factors that impact the effectiveness of the performance management system, Pulakos (2004), indicate, the employees' attitude and use of the system has a potential to bring visible, value-adding benefits in the areas of performance planning, monitoring, developing, rating and feedback. From several theories under the subject matter, the researcher has identified two theories (i.e. Behavioural theory and Justice Theory), which are supposed to be suitable considering the functionality and flexibility to study the employees' attitudes in relation to performance appraisal practice.

According to Armstrong (2006), positive and favourable attitudes towards the job indicate job satisfaction, motivation, commitment and responsiveness for the training and development program. Relating employees attitudes to behaviour and hence to performance is relatively new in HRM but there are a growing number of studies that have done this (for example Stroh & Bowen, 2000; Judge et al., 2001, Msiza 2012). Their study suggests that positive workforce attitudes create value to the organization. In seeking to understand this downstream connection between attitudes and performance and upstream between HR practices and attitudes social exchange theory explains as HR practices that are viewed by employees are personalized commitment to them by the organization which is then reciprocated back to the organization by employees through positive attitude and behaviour (Olivia Msiza 2012).

Bussim, M (2012) emphasized that attitudes towards performance appraisal affect the performance of employees in organizations. Employees with good attitudes tend to exhibit motivation, commitment, and job satisfaction and be responsive for the training and development programs included in the performance appraisal system. Hence the above structural framework indicates employees with positive attitude (satisfied, motivated, and committed) tend to exhibit positive contribution to the success of performance appraisal system that is being undertaken in the bank (Bussim, 2012).

In order to explain the relationship and association of employees attitudes towards the performance appraisal practice, three important employees attitude variables have been taken as independent variables and these include; job satisfaction, commitment and motivation. Generally speaking the basic purpose of the PAS is to improve performance of individuals, team, and the entire organizations. The system may also serve to assist in making administrative decision concerning pay increase, promotion, transfer or termination and the following factors would assist in accomplishing the PAS to serve its purpose by making it

effective. These factors are necessary for one PAS to be called an effective PAS. These important factors are, ongoing feedback, open communication, trained appraisers, rewarding performance, fairness, and employees' participation. With the context of this study, on the dependent variable side, we have set effectiveness of PAS measured by three dimensions; namely, fairness and responsiveness of PAS, continuous open communication and employee participatory PAS.

## **2.7. Hypothesis of the study**

In order to investigate the effect of employees' attitude on the fairness and responsiveness of PAS the following alternative hypothesis is proposed:-

*Ha1: There is positive and significant relationship between predicting variables of employees' attitude and the fairness and responsiveness of PAS*

In order to investigate the effect of employees' attitude on the employee participatory of PAS the following alternative hypothesis is proposed:-

*Ha2: There is positive and significant relationship between predicting variables of employees' attitude and employee participatory of PAS*

In order to investigate the effect of employees' attitude on the openness and continuousness in communication of the PAS the following alternative hypothesis is proposed:-

*Ha3: There is positive and significant relationship between predicting variables of employees' attitude and the openness and continuousness in communication of the PAS*

Finally to examine the effect of employees' attitude on the overall effectiveness of PAS the following alternative hypothesis is proposed

*Ha4: There is positive and significant relationship between employees' attitude and the overall effectiveness of PAS*

## CHAPTER THREE

### 3. METHODOLOGY OF THE STUDY

#### 3.1. Research Design and Approach

##### 3.1.1. Research design

According to C. R. Kothari (2004), Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. As the very nature of this research is to identify the effect of component variables of employees' attitude on effectiveness of performance appraisal system, the research design to be chosen has to enable the researcher use both qualitative and quantitative data. Thus an explanatory research design is adopted in order to achieve the paramount objective set for this study. In addition, this research design allows us to explain every aspect of the causal and effect relation that job satisfaction, commitment and motivation has on effectiveness of performance appraisal system. Explanatory research design is also preferable to descriptive research when the object of the study has been repeatedly studied and painstaking documented but still the problems persist being unsolved.

##### 3.1.2. Research Approach

In order to satisfy the objectives of the research under study, quantitative approaches is majorly employed. Quantitative research approach is best suited to grasp the advantage of objectively measuring variables and forwarding explicit interpretations of analysis results. As the major approach used in this research is quantitative research approach, it has been used to gather data in the form of structured questionnaire.

#### 3.2. Population and Sampling Frame

Population is represents the group or the individuals to whom the survey applies. Sample frame is the listing of all units in the population from which the sample is drawn or was selected. In other words, populations contain those group or individuals who are in a position to answer the questions and to whom results of the survey apply (Kitchenham, 2002).

Currently, the Commercial Bank of Ethiopia has employed more than 35 thousand employees out of which 3464 are serving under the head office organs of the bank. In number this proportion workin in the head office organs doesn't constitute more than 10% but they mean a lot the bank in their contribution to the success of the company through coordination of

tasks to be performed by other employees. Thus in the study, the population sample will be the permanent employees who are working in the head office organs of the bank.

### 3.3.Sampling Technique and Sample size

As mentioned above the total population in the study area that means head office organs of the bank are 3464 permanent employees. It is very expensive in terms of money and time to collect data from all these employees, so that the study had to determine sample which is representative for the total population. In this study a multistage stratified sampling technique was applied; since all the head office organs have to be covered for good representation. There are 12 departments comprised of employees with both managerial and non-managerial positions. Therefore, we have two stage strata; i.e. the 12 departments are 12 strata identified at the first stage. Then the second stratum is constructed based on job positions. Hence, under each department we have two strata i.e. managerial and non-managerial. Respondents from each positions were selected randomly based a lottery method. This has increased the quality of the research as the opinions of employees from different positions are included.

(Sekaran, 2003) Provides a simplified formula to calculate sample sizes of finite population, which is used to determine the sample size for this particular study. A 95% confidence level is assumed for this formula to determine the sample size, at  $e=0.05$  and the sample size is determined by the following formula.

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

“n” is the required sample size

“N” is the population size and

“E” is the level of precision (sample error)

Applying the above formula:-

$$n = \frac{3464}{1 + 3464(0.05)^2} = 360$$

Hence the sample size for this research are 360 employees of Commercial Bank of Ethiopia Head Office organ.

Construct a proportionate number of departments' samples, using the number of employees in each department proportional. Select a stratified sampling of employees from the total group for each department.

$$\text{Sample size in each department} = \frac{\text{No of employees}}{\text{Total no. of population}} * \text{sample size}$$

The same logic of proportionate is made to determine the number of respondents under each position. Once the number of respondents is determined first in the department stratum, then in positions stratum, the final selection of respondents were made randomly. The main benefit of the simple random sampling is that each member of the population has an equal chance of being chosen. This means that it guarantees that the sample chosen is representative of the population. In turn, the statistical conclusions drawn from analysis of the sample was valid.

Table Sample distribution proportion in each department and response rate

**Table 1 Sampling Distribution and Response Rate**

S.no	Departments	Position	No. Of Employees in each department	Sample size	Return ed	Response Rate
1	Customer Accounts & Transaction Services (CATS CPC)	Managers	60	10	8	82%
		Non-managers	296	27	23	84%
2	Credit Process	Managers	82	17	15	91%
		Non-managers	303	23	22	96%
3	Trade Service	Managers	36	4	4	93%
		Non-managers	265	25	22	89%
4	Interest Free banking	Managers	74	14	11	78%
		Non-managers	306	23	19	81%
5	Human Resource Management	Managers	54	11	10	87%
		Non-managers	216	19	16	86%
6	Information Systems	Managers	19	2	2	98%
		Non-managers	216	24	20	85%
7	Facilities Management	Managers	26	2	2	94%
		Non-managers	203	21	19	90%
8	Finance	Managers	31	3	3	96%
		Non-managers	252	27	22	82%
9	Business Development	Managers	17	1	1	92%

		Non-managers	307	32	26	81%
10	Risk & Compliance Management	Managers	27	3	3	93%
		Non-managers	211	23	22	94%
11	Internal Audit	Managers	17	1	1	93%
		Non-managers	261	29	25	85%
12	Legal and Loan Recovery	Managers	12	1	1	89%
		Non-managers	173	18	16	87%
			Average Response Rate			89%

Source: (CBE, 2019) From *Org.web/oracle* (June, 2019) and own calculations  $n=360$

As clearly depicted in the table above, out of the total sampled 360 respondents 313 questionnaires were returned with completed responses, thus the response rate was 89%.

### 3.4.Data Type and Source

This research paper used both qualitative and quantitative data type. These types of data are expected to be collected both from primary and secondary data sources. The primary data source instruments are questionnaires which the researcher believes about getting enough information. The secondary data sources are from the bank's procedures, manual and website and other related literature.

#### 3.4.1. Sources of Data and Data Collection Instruments

In order to carry out any research activity, information was collected from relevant sources. To comply with the research objectives, the study focuses mainly on primary sources, which was collected from CBE employees. This Primary source of data was collect from employees of the sample at the head office process.

The main tool for data collection is questionnaire. A questionnaire is a formalized set of questions for obtaining information from respondents that translate the researcher's information needs into a set of specific questions that respondents are willing and able to answer. For the purpose of data collection, the study was use closed-ended questionnaires. Closed-ended questionnaires was prepared by considering employee attitudes towards performance appraisal system.

#### 3.4.2. Procedures of Data Collection

A self-administered, structured questionnaire was used to gather data from employees. The researcher was formally request permission from the bank for the study. After getting

permission, distribution and collection of questionnaires of the sample population was made by the researcher as per the schedule.

### 3.5. Method of Data Analysis

As this explanatory study mainly focus on explaining employees attitude toward to performance appraisal system the researcher has plan to use a descriptive analysis to study the effect of predicting variables of employees attitude on performance appraisal system of the bank. These set of predicting variables are job satisfaction, commitment and motivation. For analysing demographic data, descriptive data analysis method is used. After information is gathered through the pre-set methods, it was encoded, processed, analysed and interpreted using SPSS version 20.

### 3.6. Measurement of variables

In the table below the measurement of variables and their source is depicted.

**Table 2 Measurement of Variables**

		Variables	Measures	Source
Independent Variables	Employees' Attitude	Commitment	Part-B Questions from 1.1 – 1.6	Questions to Measure Commitment and Job Satisfaction by Sue Hayday from Institute of Employment Studies Research Fellow
		Job Satisfaction	Part-B Questions from 2.1 – 2.9	Questions to Measure Commitment and Job Satisfaction by Sue Hayday from Institute of Employment Studies Research Fellow
		Motivation	Part-B Questions from 3.1 – 3.6	Work Motivation Behaviour Scale of the Akinboye's 2001 Executive Behaviour Battery. And Motivation questionnaire from ASPINA ( <a href="http://www.aspina.com">www.aspina.com</a> )
Dependent Variables	Effectiveness of PAS	Fair and responsive PAS	Part – C Questions from 5.1 – 5.10	Lawler, (2012), Meenakshi, G. (2012)
		Employee participation	Part – C Questions from 6.1 – 6.4	Lawler, (2012), Meenakshi, G. (2012)
		Continuous Open Communication	Part – C Questions from 7.1 – 7.3	Lawler, (2012), Meenakshi, G. (2012)

### 3.7. Model Specification

To examine the effect of employees' attitude on the effectiveness of PAS the following multiple linear regression model is developed. Variables are carefully selected in review of literature which needs to be specified. As a rule of thumb, the higher R<sup>2</sup> value in multiple regressions implies more likely that the important variables included in the model. Multiple Regression technique is employed to analyse the linear relationships between a dependent variable and two or more independent variables and estimates the β's in the equation. Sample regression model equation for linear relationship among variables is;

$$y_j = \beta_0 + \beta_1 x_{1j} + \beta_2 x_{2j} + \dots + \beta_p x_{pj} + \epsilon_j$$

Where

Y<sub>j</sub>'s represents dependent variable for observation j.

X<sub>j</sub>'s represents the independent variables (IV's) for observation j

β<sub>0</sub> is the intercept

β's is the unknown regression coefficients.

ε<sub>j</sub> is the error term (stochastic term) of observation j.

Based on the above, a model is developed based on the research variables that was described in the conceptual framework in chapter two, to examine the effect of predicting variables of employees' attitude on effectiveness of PAS.

$$\text{FAIRRESPAS} = \beta_0 + \beta_1 \text{ORGCOMMIT} + \beta_2 \text{JOBSATFN} + \beta_3 \text{MOTVN} + \epsilon \dots \text{Model -1}$$

$$\text{OPCOCOMPAS} = \beta_0 + \beta_1 \text{ORGCOMMIT} + \beta_2 \text{JOBSATFN} + \beta_3 \text{MOTVN} + \epsilon \dots \text{Model -2}$$

$$\text{EMPPARPAS} = \beta_0 + \beta_1 \text{ORGCOMMIT} + \beta_2 \text{JOBSATFN} + \beta_3 \text{MOTVN} + \epsilon \dots \text{Model -3}$$

$$\text{EFFPAS} = \beta_0 + \beta_1 \text{ORGCOMMIT} + \beta_2 \text{JOBSATFN} + \beta_3 \text{MOTVN} + \epsilon \dots \text{Model -4}$$

Where;

<b>EFFPAS:</b>	the overall effectiveness of the performance appraisal system
<b>FAIRRESPAS:</b>	fairness and responsiveness of performance appraisal system
<b>OPCOCOMPAS:</b>	openness and continuousness in communication of PAS
<b>EMPPARPAS:</b>	Employee participatory of performance appraisal system
<b>COMM:</b>	Organizational commitment of employees
<b>JOBSAT:</b>	Job satisfaction of employees
<b>MOT:</b>	Motivation of employees

**$\beta_1$ (coefficient of COMM):** Measures the partial change in effectiveness of PAS due to change in organizational commitment of employees, other things remain unchanged.

**$\beta_2$ (coefficient of JOBSAT):** Measures the partial change in effectiveness of PAS due to change in job satisfaction of employees, other things remain unchanged.

**$\beta_3$ (coefficient of MOT):** Measures the partial change in effectiveness of PAS due to change in motivation of employees, other things remain unchanged.

### **3.8.Pilot Study**

Though the instruments have already been standardized and validated, the situation under which they were standardized are different from the environment of the present study site. Hence, considering the time constraint, pilot test was distributed to 20 employees who are other than sampled employees in main sample. However, from the questionnaires distributed, a total of 17 completed questionnaires were returned to the researcher and the researcher conducted analysis in order to check on if necessary amendments are needed for the instruments and to find the reliability of the instruments

The questionnaires considered by the researchers were distributed for two experts and advisor in the field of Management for validation. The main thrust was to determine whether the questionnaires items and dimensions are adequately reflected by the instruments prescribed by the objectives and were in consistent with the establishment of content validity and the face validity.

From the pilot study, the researcher has got constructive feedback which has been used as inputs to make adjustments. This includes; some ambiguous words in the questionnaire has been replaced with clear and precise words contextualizing the organization under study, the questions are printed on front and back page so as to minimize the frustration some employees might exhibit seeing many pages of the questionnaire. Moreover, prior to the distribution of the questionnaire, the researcher has planned to include some open-ended questions but the pilot study respondents suggested the content is sufficiently included in the lists of closed ended questionnaire thus the researcher considers the given suggestions and corrected accordingly.

## Results of Validity

It is the strength of conclusions, inferences or propositions. It involves the degree to which one is measuring what is supposed to measure or the accuracy measurements(Adams, et al,..2007). The instruments used are almost standardized as adopted from commonly used scales globally. In addition, the views of experts in the subject area like research advisor and course instructors have judged the validity of the questionnaire according to its content, clearness of its meaning, appropriateness to avoid any misunderstanding and to assure its linkage with the study objectives. Other than these,most distributed questionnaires are given selectively to those clerical employees who are exposed to the PAS. In addition, the informal questions comments and discussions, which the investigator had with the mentioned individual revealed that the instrument had significant face and content validity.

## Reliability

It estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency(Adams, et al,..2007). To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

The researcher has made a pilot test on 20 employees and got a result of overall Cronbach's Alpha 0.848; for individual items ranging from 0.725 to 0.868.

### **Table 3 Report on Scales Reliability Analysis**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.848	.882	7

*Source: scale reliability analysis output from SPSS version 20,*

The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have complete the questionnaire through making the distribution and collection time gap short as much as possible.

## CHAPTER FOUR

### 4. DATA ANALYSIS, DISCUSSION AND INTERPRETATIONS

In this chapter, the data collected through the distributed questionnaires to sampled respondents are presented and the analysis was done by using appropriate analysis tools of SPSS version 20. The data presentation and discussion regarding the general background of respondents are summarized in counts and frequencies with a widely used method of cross tabulation technique. Since the main objective of this study was to assess the effect of employees' attitudes (measured in terms of component variables, namely: job satisfaction, motivation, and commitment) on the Performance Appraisal System, the opinions of respondents are discussed by using frequencies and percentages.

#### 4.1. General Background of Respondents

In this sub section, the general characteristics of the respondents were presented and the subsequent two tables has summarized the counts and percentage shares of each category. In the first table, the age of respondents is cross tabulated with gender and marital status of respondents. In the second table, cross tabulation of gender, educational qualification and years of services in the bank with job grade of respondents is presented. The cross tabulation of demographic profiles is deliberately chosen as it is suitable for portraying the inclusion of the respondents with varies profile.

According to table 2 below, majority of the respondents are males accounting 55.8% share and from this category those whose age lies below 40 takes the lions share. Single males whose age is between 21 and 30 dominate the respondents share. The proportion of females above the age of 41 outweighs the male counter parts in the same age group. Majority of respondents are married accounting about 68%, followed by singles. In terms of age group, the lion's share goes to respondents between 31-40 followed by 21-30 and 41-50, in the order written.

Generally speaking there are respondents from each age group and gender with proportional share. In terms of marital status, as it is naturally expected we don't have single (unmarried) respondents in the upper age group (i.e. greater than 51 years old).

We can confidently say that the respondents are sufficiently represented from each gender, age group and marital status.

**Table 4 Cross tabulation result of respondents' age group with gender and Marital Status**

			Cross tabulation of gender and marital status with age					
			21-30 years	31-40 years	41-50 years	51-60 years	33.00	Total
Gender	Male	Count	69	82	16	5	0	172
		% within Age	64.5%	54.7%	39.0%	38.5%	0.0%	55.0%
	Female	Count	38	68	25	8	2	141
		% within Age	35.5%	45.3%	61.0%	61.5%	100.0%	45.0%
Marital status	single	Count	69	15	5	0	0	89
		% within Age	64.5%	10.0%	12.2%	0.0%	0.0%	28.4%
	Married	Count	37	131	34	13	2	217
		% within Age	34.6%	87.3%	82.9%	100.0%	100.0%	69.3%
	Divorced	Count	1	2	2	0	0	5
		% within Age	.9%	1.3%	4.9%	0.0%	0.0%	1.6%
	Widowed	Count	0	2	0	0	0	2
		% within Age	0.0%	1.3%	0.0%	0.0%	0.0%	.6%
Total	Count	107	150	41	13	2	313	
	% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

*Source: Cross tabulation of respondents' age group with gender and Marital Status Output from SPSS version 20,*

The preceding part was exhausted in describing respondents' background solely from social perspective variables like age, gender and marital status. In the following segment, some interpretation from cross tabulation of variables related to respondents' profession as an employee of the bank including job grade, years of service, level of education and gender.

Accordingly, the sampled respondents are above job grade 9 but below job grade 14, which was rationally decided with evidence from the preliminary data collection made in the bank about relevance of this target. As per the table 3 below, majority of the respondents are under job grade twelve; out of which 59% are males; followed by job grade 13 and 14. Only 6 individuals who have 1-5 years of service are under Job Grade 9 and the rest job grade categories are all above 5 years of service. In terms of service year, most of the respondents (more than 75%) have served from 6 to 20 years. This will have a paramount importance to this research, as majority of respondents had enough observation time for the variables of interest under this study. Very few respondents have a diploma level of education and the

majority of respondents have bachelors' and master degree, which will give confidence over the responses are made based on better understanding of issues raised in the questionnaires.

**Table 5 Cross Tabulation results of Job Grade with Gender, Service year and Education level**

			Cross Tabulation of Job Grade with Gender, Service year and Education level						
			JG9	JG10	JG 11	JG 12	JG 13	JG 14	Total
Gender	Male	Count	20	21	60	36	32	3	172
		% within Job Grade	54.1%	56.8%	50.8%	54.5%	62.7%	75.0%	55.0%
	Female	Count	17	16	58	30	19	1	141
		% within Job Grade	45.9%	43.2%	49.2%	45.5%	37.3%	25.0%	45.0%
Service Year	1-5 years	Count	6	0	0	0	0	0	6
		% within Job Grade	16.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%
	6-10 years	Count	2	22	74	25	11	3	137
		% within Job Grade	5.4%	59.5%	62.7%	37.9%	21.6%	75.0%	43.8%
	11-15 years	Count	0	1	26	14	16	0	57
		% within Job Grade	0.0%	2.7%	22.0%	21.2%	31.4%	0.0%	18.2%
	16-20 years	Count	0	0	10	20	18	1	49
		% within Job Grade	0.0%	0.0%	8.5%	30.3%	35.3%	25.0%	15.7%
21 years or longer	Count	29	14	8	7	6	0	64	
	% within Job Grade	78.4%	37.8%	6.8%	10.6%	11.8%	0.0%	20.4%	
Educational Qualification	Diploma	Count	2	0	2	0	0	0	4
		% within Job Grade	5.4%	0.0%	1.7%	0.0%	0.0%	0.0%	1.3%
	Degree	Count	30	26	81	50	18	1	206
		% within Job Grade	81.1%	70.3%	68.6%	75.8%	35.3%	25.0%	65.8%
	Masters	Count	5	11	35	16	33	3	103
		% within Job Grade	13.5%	29.7%	29.7%	24.2%	64.7%	75.0%	32.9%
Total		Count	37	37	118	66	51	4	313
		% within Job Grade	100.0 %	100.0%	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Cross tabulation of respondents' Job Grade with Gender, Service year and Education level output from SPSS version 20,

According to the table above, major share of respondents have served the bank for longer period with an educational level of bachelors' and masters' degree. Each Job grade is represented with satisfying proportion for confirming the fairness of compiled opinions.

In conclusion, three exciting facts generated from the above two tables makes the researcher confident about the data on major variables of interest in this study. First, the variety of respondents included in the sample contacted for data collection is comforting for taking the opinions on major variables of the study for grant. Second, the domination of respondents in some categories like educational level, years of service is also another square of confidence for the researcher. Thirdly, the representation of satisfying proportion of respondents in each job grade makes the researcher's confidence full, as the benefit packages of the bank significantly varies across grades.

#### **4.2.Mean of constructs**

The corresponding mean (total mean of each scale which makes a construct) and standard deviation of the constructs is depicted in the table below. In order to analyze the effect of employees attitude on the effectiveness of PAS three components of employees attitude are identified and the score of the responses of the Commercial Bank of Ethiopia (CBE) employees on the practices of these variables has been analyzed on SPSS V20. The effectiveness of PAS was also measures in three different dimensions; namely, fairness and responsiveness of PAS, employees participatory of PAS and openness and continuousness in communication of PAS and was scored by the CBE employees and has been analyzed with SPSS V20.

**Table 6 Mean of Constructs**

	N	Minimum	Maximum	Mean	Std. Deviation
ORGCOMMIT	313	1.83	5.00	3.9127	.48298
JOBSATFN	313	2.22	5.00	3.8616	.49403
MOTVN	313	2.00	5.00	3.7758	.59816
FAIRRESPAS	313	2.50	4.60	3.7808	.38707
EMPPARPAS	313	1.25	4.50	3.2460	.76963
OPCOCOMPAS	313	2.33	4.67	3.4835	.41495
EFFPAS	313	2.50	4.94	3.8500	.40527
Valid N (listwise)	313				

(Source: Own Survey, SPSS V20, 2020)

Based on the table 6 above the result of SPSS V20 descriptive statistics on the employees attitude components every construct of employees attitude has a score above the mean score 3 which is above the midpoint. This result implies the majority of CBE employees have believed that their attitude have been expressed by the three components identified in this research. Based on the result, organizational commitment of employees has the highest mean (3.91 with Standard deviation (SD) of 0.48 implies that employees of CBE were highly convinced that their attitude is expressed by their organizational commitment. while motivation and job satisfaction has relatively the lowest mean (3.86 and 3.77) with SD of (0.49 and 0.5) respectively. The likert scale was converted to scale to interpret mean level of agreement of the respondents. The limits of the scale were 1.00 to 1.49 = strongly disagree, 1.50 to 2.49 = disagree, 2.50 to 3.49 = neutral, 3.50 to 4.49 = agree, and 4.50 to 5.00 = strongly agree.

Regarding the effectiveness of PAS the three constructs fairness and responsiveness of PAS, employees participatory of PAS and openness and continuousness in communication of PAS had a mean of 3.78, 3.24 and 3.48 and SD of 0.38, 0.76 and 0.41 respectively. This is above the cutpoint of three. Thus, this indicates employees of CBE believe that the effectiveness of PAS in the bank can be improved with the changes in employee attitude predicting variables. From the above table, we can see that the standard deviation (SD) of employee attitude constructs is less than one; this implies the variations in respondents' opinion/view concerning employee attitude and effectiveness of PAS of Commercial Bank of Ethiopia is small.

### **4.3. Correlation Analysis**

Correlation analysis is a widely used method of analysis which helps in signaling the direction and magnitude of relationship among variables based on the data at hand under a study. The coefficients in correlation analysis enables to quantify the strength of the linear relationship between two variables. Cohen and Holliday (1982), as cited by Bryman and Cramer (1999) proposed the range of correlation coefficient as 0.19 and below = very low; 0.20 to 0.39 = low; 0.40 to 0.69 = modest; 0.70 to 0.89 = high, and 0.90 to 1 = very high.

The above range is applied in order to make suitable categorization of the strength of the variables on interest in the current study. As per the summary of results under table 7 below, PAS has a positive and strong significant relationship with the components of attitude;

namely, commitment, motivation and job satisfaction. The highest correlation that PAS has is with job satisfaction, motivation and organizational commitment. Moreover, the independent variables also have a low and positive relationship among each other.

**Table 7 Pearson Correlation Analysis**

		ORNGCO MMIT	JOBS ATFN	MOT VN	FAIRR ESPAS	EMPPA RPAS	OPCOCO MPAS	EFFPAS
ORNGCO MMIT	Pearson Correlation	1	.420**	.265**	.159**	.135*	.070	.698**
	Sig. (2-tailed)		.000	.000	.005	.017	.216	.000
	N	313	313	313	313	313	313	313
JOBSATFN	Pearson Correlation	.420**	1	.490**	.285**	.057	.065	.814**
	Sig. (2-tailed)	.000		.000	.000	.314	.254	.000
	N	313	313	313	313	313	313	313
MOTVN	Pearson Correlation	.265**	.490**	1	.381**	.017	.008	.796**
	Sig. (2-tailed)	.000	.000		.000	.758	.893	.000
	N	313	313	313	313	313	313	313
FAIRRESPAS	Pearson Correlation	.159**	.285**	.381**	1	-.273**	-.151**	.367**
	Sig. (2-tailed)	.005	.000	.000		.000	.007	.000
	N	313	313	313	313	313	313	313
EMPPARPAS	Pearson Correlation	.135*	.057	.017	-.273**	1	.272**	.085
	Sig. (2-tailed)	.017	.314	.758	.000		.000	.132
	N	313	313	313	313	313	313	313
OPCOCOMPAS	Pearson Correlation	.070	.065	.008	-.151**	.272**	1	.058
	Sig. (2-tailed)	.216	.254	.893	.007	.000		.307
	N	313	313	313	313	313	313	313
EFFPAS	Pearson Correlation	.698**	.814**	.796**	.367**	.085	.058	1
	Sig. (2-tailed)	.000	.000	.000	.000	.132	.307	
	N	313	313	313	313	313	313	313

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

\* . Correlation is significant at the 0.05 level (2-tailed).

(Source: Own Survey, SPSS V20, 2020)

However, correlation analysis shows only the strength and directions of relationships among variables considered in the study. It does not permit the researcher to make analysis of more than one independent and dependent variables, and fall short in predicting the specific value of the effect of independent variables that explains the dependent variable, and in making inferences regarding the overall relationship between the identified variables. Hence, to assess the effect of attitude of employees towards PAS in Commercial Bank of Ethiopia

a further detailed analysis was made using regression analysis. The researcher believes this will overcome the shortcomings of correlation analysis.

#### 4.4. Diagnostics in Regression Analysis

A number of assumptions need to be met before we can use regression analysis with confidence. The important assumptions that are to be tested in this section are; independent variables shouldn't be too strongly correlated to one another (Multicollinearity), the value of residuals to be independent from one another and the residuals should be normally distributed. The following tests performed to check whether the data fits the assumptions of linear regression in order to conclude the analysis results are valid and reliable.

#### 4.5. Test of Multicollinearity

If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the problem of multicollinearity. This is essentially the assumption that the components are not too highly correlated with one another.

**Table 8 Multicollinearity Test**

	ORGCOMMIT	JOBSATFN	MOTVN
ORGCOMMIT	1	.420**	.265**
JOBSATFN	.420**	1	.490**
MOTVN	.265**	.490**	1

(Source: Own Survey, SPSS V20, 2020)

When predictor variables are very highly correlated, we have to wonder whether they are not in fact measuring the same thing and would be better combined into one new variable (Muijs D, 2010, p.180).

As a rule of thumb, Bryman and Cramer (1999, p.154) stated that the independent variables that show a relationship at or in excess of Pearson correlation coefficient of 0.80 are suspected to exhibit multicollinearity. In this study as shown in the table above, there is no relationship that equals or exceeds Pearson correlation coefficients of 0.80 (the highest correlation Pearson Correlation coefficient is 0.42).

We can also test this assumption by looking at the coefficients table. As explained by Muijs (2010, p.181) Tolerance and Variance Inflation Factors (VIF) do exactly the same thing,

tolerance is the amount of variance in the individual variable not explained by the other predictor variables. It varies from 0 to 1, a value close to 1 indicates that the other components do not explain the variance in that variable. A value close to 0 implies almost all the variance in the variable is explained by the other variables. This permits us to more formally check that our independent variables are not too highly correlated. To meet multiple regression assumptions we need tolerance score above 0.2 and VIF scores below which doesn't exceed a threshold of 3 (Muijs D, 2010).

**Table 9** Second Test on Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
Independent Variables	ORGCMMIT	.819	1.221
	JOBSATFN	.669	1.494
	MOTVN	.756	1.323

(Source: Own Survey, SPSS V20, 2020)

As we see from the above table analysis of collinearity statistics show this assumption has been met, as no relationship of components equals or above Pearson correlation coefficient value of 0.8 and VIF scores shown below 1.5, and tolerance scores above 0.7.

#### 4.6. Test of Autocorrelation

It is an assumption that the value of residuals to be independent from one another (or uncorrelated). To check this assumption we need to look at the regression output of model summary box. Durbin-Watson statistic uses to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For no Auto correlation assumption, Durbin-Watson statistic value needs to be close to 2. A value of two indicates no autocorrelation. A value of towards zero indicates positive autocorrelation. A value towards four indicates negative autocorrelation (Mark Saunders, Philip Lewis and Adrian Thornhi, 2009 p.466–467).

**Table 10** Autocorrelation Test

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.830 <sup>a</sup>	0.689	0.673	.27638	2.018
<b>a. Predictors: (Constant), JOBSAT, MOT, COMM, RESTRDE</b>					

## b. Dependent Variable: EFFPAS

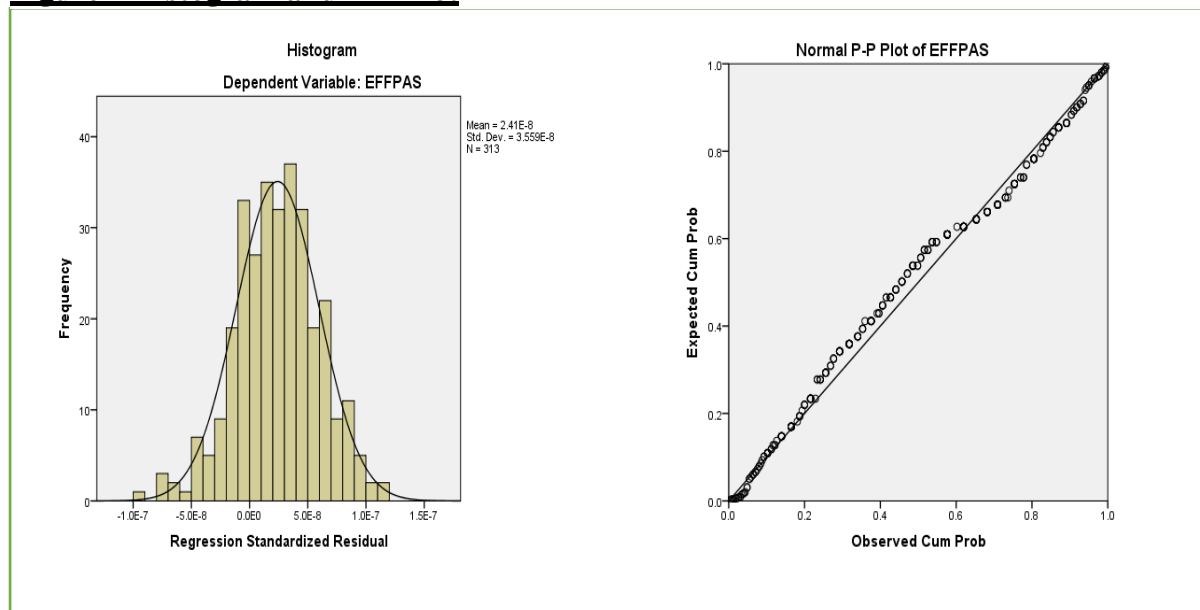
(Source: Own Survey, SPSS V20, 2020)

Thus, from the above table, we can see that Durbin-Watson value for model is 2.018 which is a score near 2. Thus we can conclude that there is no Autocorrelation problem as the Durbin-Watson statistic showed the value close to 2.

### 4.7. Test of Normality

This assumption is used to determine whether the residuals are normally distributed. This can be tested by looking at the Histogram and P-P plot for the model. To say the Normality assumption of this study is met, the Histogram should be symmetric along the center 0 and the dots at the P-P Plot should be closer to the diagonal line; Normal P-P plot –points should lie in reasonably straight diagonal line from bottom left to top right. In this case Histogram is symmetric and the P-P plot the dots are drawn closer to the diagonal line, indicating that

**Figure 2 Histogram and P-P Plot**



assumption of normality is met(Chris, 2008, p.161).

(Source: Own Survey, SPSS V20, 2020)

### 4.8. Hypothesis Testing

To test hypothesis of this research, multiple linear regression technique is performed. Chris, (2008, P 193) explains that it should also be noted that the diagnostic tests previously presented should be cautiously interpreted as general rather than specific tests. The researcher is required to ensure that the model satisfies all of the assumptions of the classical linear

regression model (CLRM). If the assumptions are violated, appropriate actions should be taken to address or allow for this, e.g. taking logs, adding lags, adding dummy variables. Under the specific case of this study, we didn't face any violation of the basic assumptions of CLRM, hence we can proceed to the multiple regression analysis to test our hypothesis.

#### 4.9. Multiple Regression Analysis

Multiple regression analysis is a type of analysis that is used to describe estimation of and inference in the multiple linear regression model. As discussed in the methodology of this study, the multiple linear regression model is a model linear in its parameters, where the dependent variable is a function of independent variables plus an error term (Wooldridge, 2000, P.798). This technique is often implemented to explore the most sophisticated interrelationship among variables, for instance the technique can be used to identify which employees' attitude predicting variable is the best predictor of effectiveness of PAS. Generally this method enables the researcher to make stronger causal inferences from observed interrelationships among variables and to predict a dependent variable based on values of a number of independent variables.

***Ha1: There is positive and significant relationship between component variables of employees' attitude and the fairness and responsiveness of PAS***

This study assumed that employees' attitude has a positive and significant effect on improving the effectiveness of PAS. In correlation analysis we have seen FAIRRESPAS has a high and moderate correlation coefficient with all of the component variables of employees' attitude; namely, commitment, job satisfaction and motivation.

Correlation analysis alone do not provide enough information regarding the interrelationships between the variables and not implies a cause-effect relationship between the variables, multiple regression has been used to test this hypothesis. To investigate the contributions of employees' attitude on effectiveness of PAS, all components of employees' attitude were entered in to the regression model at the same time.

**Table 11 Regression Model Statistics**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	.940 <sup>a</sup>	.884	.883	.17538		
		Sum of Squares	df	Mean Square	F	Sig.
Regression		72.493	3	24.164	15.592	.000 <sup>b</sup>
Residual		9.505	309	.031		
Total		81.998	312			

a. Dependent Variable: FAIRRESPAS
b. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN

(Source: Own Survey, SPSS V20, 2020)

The coefficient interpretations are slightly altered in the multiple regression context. Each coefficient is now known as a partial regression coefficient, interpreted as representing the partial effect of the given explanatory variable on the explained variable, after holding constant, or eliminating the effect of, all other explanatory variables. For example,  $\beta$ 's measures the effect of the corresponding explanatory variable on the explained variable after eliminating the effects of the other regressors. Stating this in other words, each coefficient measures the average change in the dependent variable per unit change in a given independent variable, holding all other independent variables constant at their average values (Chris, 2008, P.89).

As shown in the above table, the coefficient R in model – 1 summary shows the R squared and the correlation between the independent and dependent variable.

From the table above,  $R = .940$  indicates that there is a moderate positive correlation between the dependent variable (FAIRRESPAS) and the set of three independent variables (components of employee attitude). The overall model – 1 statistics of dependent variable fairness and responsiveness of PAS revealed that the R-squared value of 0.884. It means that all independent variables (organizational commitment, job satisfaction, and motivation) included in the model explained 88.4% of the variation ( $.884 \times 100\%$ ) in the dependent variable (fairness and responsiveness of PAS). The remaining 11.6% of the variation in FAIRRESPAS can be attributed to other variables which are not included in this study. Hence, the overall model –1 statistic in table 11, ( $R^2 = .884$ ), is supported by the view that employees attitude has a positive influence on the fairness and responsiveness of PAS.

To test significance of this model ANOVA (F- test) was performed. As shown above on multiple regression analysis (table 11), it can be observed from the ANOVA table that the model as a whole is significant ( $F_{(3, 309)} = 15.592, P=.000$ ). F test is a statistical test its purpose is to examine whether the independent variables, taken together, have a significant effect to the dependent variable. If the significance value of the F statistic is small; that means smaller than the error margin 0.05, then the independent variables explain the variation in the dependent variable significantly.

It can be observed in the table above, there is a significant relationship between employees' attitude components and fairness and responsiveness of PAS ( $P < 0.01$ ,  $F > 1$ ) which indicates that the proposed hypothesis which states that *there is positive and significant relationship between component variables of employees' attitude and the fairness and responsiveness of PAS* is accepted.

**Table 12 Regression Model Coefficients**

Coefficients <sup>a</sup>							
Model – 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			L-Bound	U-Bound
(Constant)	.639	.082	0.613	7.789	.000	.477	.800
ORGCMMIT	.208	.057	.196	3.630	.000	.321	.095
JOBSATFN	.195	.096	.190	2.039	.042	.384	.007
MOTVN	.228	.062	.269	19.795	.000	.106	.350

a. Dependent Variable: FAIRRESPAS

(Source: Own Survey, SPSS V20, 2020)

Based on the table above, we can compare the contribution of each employees' attitude predictors to the change in dependent variable fairness and responsiveness of PAS by using beta value under standardized coefficients. We need to look at standardized coefficient beta so that the variables all measured changed to same scale.

From the above coefficient table, we can see the positive and significance relationship found at independent variables like motivation of employees ( $\beta = .269$ ,  $p = .000$ ) and organizational commitment ( $\beta = .196$ ,  $p = .000$ ). On the other hand, the independent variables job satisfaction ( $\beta = .190$ ,  $p = .042$ ) have a positive effect but not statistically significant at 1% level of significance. However, at 5% level of significance all the three variables are statistically significant with positive relationship with the dependent variable.

Regarding selection of best predictor of the independent variables, motivation of employees have stronger effect on the dependent variable fairness and responsiveness of PAS.

***Ha2: There is positive and significant relationship between component variables of employees' attitude and employee participatory of PAS***

To test the hypothesis which stated that there is positive and significant relationship between predicting variables of employees' attitude and employee participatory of PAS a multiple regression analysis is performed and the following result is summarized.

To test significance of the model-2, ANOVA (F- test) was performed. As shown above on multiple regression analysis (table 13), it can be observed from the ANOVA table that the model as a whole is significant ( $P=.000$ ,  $F_{(3, 309)}15.329$ ). Thus, it is possible to conclude that the proposed hypothesis which states that *there is positive and significant relationship between predicting variables of employees' attitude and employee participatory of PAS* is accepted.

**Table 13 Regression Model Statistics**

Model Summary <sup>a</sup>						
Model – 2	R	R Square	Adjusted R Square	Std. Error of the Estimate		
2	.778a	.606	.602	.33463		
a. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	53.189	3	17.730	15.329	.000 <sup>b</sup>
	Residual	34.602	309	.112		
	Total	87.791	312			
a. Dependent Variable: EMPPARPAS						
b. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN						

(Source: Own Survey, SPSS V20, 2020)

As shown in the above table, the overall model – 2 statistics of dependent variable employees' participatory PAS  $R = .778$  indicates that there is a moderate positive correlation between the dependent variable (EMPPARPAS) and the set of three independent variables (Employee attitude component variables). These set of three independent variables (organizational commitment, job satisfaction, motivation) included in the model have explained 60.6% of ( $0.606 \times 100\%$ ) the variation in the dependent variable (employees' participatory PAS). The remaining 39.4% variation in the dependent variable EMPPARPAS is due to other factors that are not included in this study. Hence, the overall model statistic ( $R^2 = 0.606$ ), is supported the view that employees' attitude has a positive influence on employees' participatory PAS.

From the coefficients summary table below, we can see the positive and significance relationship found at independent variables like organizational commitment ( $\beta = .401$ ,  $p= .000$ ) and the motivation of employees ( $\beta = .258$ ,  $p= .000$ ). Whereas, the independent variable job satisfaction ( $\beta = .211$ ,  $p= .220$ ) has a positive effect but it is not statistically significant.

**Table 14 Regression Model Coefficients**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% C – I for B	
	B	Std. Error	Beta			L – Bound	U –Bound
(Constant)	1.556	.156	1.531	9.945	.000	1.248	1.864
ORGCMMIT	.440	.109	.401	4.027	.000	.655	.225
JOBSATFN	.224	.183	.211	1.228	.220	.584	.135
MOTVN	.261	.118	.258	10.649	.000	.028	.494

a. Dependent Variable: EMPPARPAS

(Source: Own Survey, SPSS V20, 2020)

Regarding selection of best components of the independent variables, organizational commitment of employees have stronger effect on the dependent variable, i.e employees’ participatory PAS.

**Ha3: There is positive and significant relationship between component variables of employees’ attitude and the openness and continuousness in communication of the PAS**

To test the hypothesis which stated that there is positive and significant relationship between component variables of employees’ attitude and the openness and continuousness in communication of the PAS, a multiple regression analysis is performed and the following result is summarized.

**Table 15 Regression Model Statistics**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.856a	.733	.730	.28262		
a. Predictors: (Constant), MOTVN, ORGCMMIT, JOBSATFN						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67.623	3	22.541	18.202	.000 <sup>b</sup>
	Residual	24.682	309	.080		
	Total	92.305	312			

a. Dependent Variable: OPCOCOMPAS

b. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN

(Source: Own Survey, SPSS V20, 2020)

To test significance of the model–3, ANOVA (F- test) was performed. As shown above on multiple regression analysis (table 15), it can be observed from the ANOVA table that the model as a whole is significant ( $P=.000$ ,  $F_{(3, 309)}= 18.202$ ). Thus, it is concluded that the proposed hypothesis which states that *there is positive and significant relationship between predicting variables of employees’ attitude and the openness and continuousness in communication of the PAS* is accepted.

As shown in the above table, the overall model – 2 statistics of dependent variable employees’ participatory PAS  $R = .856$  indicates that there is a moderate positive correlation between the dependent variable (OPCOCOMPAS) and the set of three independent variables (components of Employees’ attitudes- organizational commitment, job satisfaction, and motivation) included in the model explained 73.3% of variance ( $0.733 \times 100\%$ ) in dependent variable (openness and continuousness in communication of the PAS), remaining 26.67% variance in dependent variable OPCOCOMPAS is due to other factors that are not included in this study. Hence, the overall model statistic ( $R^2 = 0.733$ ), is supported and the view that employees’ attitude has a positive influence on openness and continuousness in communication of PAS holds.

**Table 16 Regression Model Coefficients**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			L – Bound	U – Bound
Constant	1.078	.132	1.036	8.159	.000	.818	1.338
ORGCOMMIT	.504	.092	.448	5.463	.000	.686	.323
JOBSATFN	.066	.154	.061	.429	.668	.370	.238
MOTVN	1.276	.100	1.242	12.764	.000	1.080	1.473

a. Dependent Variable: OPCOCOMPAS

(Source: Own Survey, SPSS V20, 2020)

When we compare the individual contribution of each components of employees’ attitude to the dependent variable openness and continuousness in communication of PAS from coefficient table 16 above by using beta value under standardized coefficients, we can see a positive and significant relationship of independent variables motivation of employees ( $\beta =$

1.242,  $p = .000$ ) and organizational commitment  $\beta = .448$ ,  $p = .000$ ). while all the independent variables assume a value equal to zero, the dependent variables will have a value 1.036 and it is significantly different from zero. On the other hand the variable job satisfaction,  $\beta = .061$ ,  $p = .668$ ), was found to be positively affecting the openness and continuousness in communication of PAS but it is not statistically and significantly different from zero. Hence, motivation of employees is the best significant predictor for the variation in the dependent variable.

***Ha4: There is positive and significant relationship between employees' attitude and the overall effectiveness of PAS.***

To test the hypothesis which stated that there is positive and significant relationship between employees' attitude and the overall effectiveness of PAS, a multiple regression analysis is performed and the following result is summarized.

**Table 17 Regression Model Statistics**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.758a	.733	.728	.40428		
a. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN						
ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.614	3	12.871	18.751	.000 <sup>b</sup>
	Residual	50.505	309	.163		
	Total	89.119	312			
a. Dependent Variable: EFFPAS						
b. Predictors: (Constant), MOTVN, ORGCOMMIT, JOBSATFN						

(Source: Own Survey, SPSS V20, 2020)

To test significance of the model-4, ANOVA (F- test) was performed. As shown above on multiple regression analysis (table 17) it can be observed from the ANOVA table that the model as a whole is significant ( $P = .000$ ,  $F_{(3, 309)} = 18.751$ ). Thus, it is concluded that the proposed hypothesis which states that *there is positive and significant relationship between employees' attitude and the overall effectiveness of PAS* is accepted.

As shown in the above table, the overall model – 2 statistics of dependent variable the overall effectiveness PAS  $R = .758$  indicates that there is a moderate positive correlation between the dependent variable (EFFPAS) and the set of three independent variables (Employee attitude

predictors-organizational commitment, job satisfaction and motivation) included in the model explained 73.3 % of variance ( $0.733 \times 100\%$ ) in the dependent variable (the overall effectiveness of PAS), remaining 26.7% variance in dependent variable EFPAS is due to other factors that are not included in this study. Hence, the overall model statistic ( $R^2 = 0.733$ ), has supported the view that employees' attitude has a positive influence on the overall effectiveness of PAS.

**Table 18 Regression Model Coefficients**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			L – Bound	U – Bound
(Constant)	2.090	.189	1.983	11.057	.000	1.718	2.462
ORGCOMMIT	.451	.132	.407	3.413	.001	.711	.191
JOBSATFN	.281	.221	.263	1.275	.203	.716	.153
MOTVN	1.184	.143	1.173	8.281	.000	.903	1.466

a. Dependent Variable: EFPAS

(Source: Own Survey, SPSS V20, 2020)

The coefficient summary table above shows the individual contribution of each components of employees' attitude to the dependent variable overall effectiveness of the PAS and interpretations are by using beta value under standardized coefficients. Accordingly, we can see a positive and significant relationship of independent variables (organizational commitment  $\beta = .407$ ,  $p = .001$ , motivation,  $\beta = 1.173$ ,  $p = .000$ , with the overall effectiveness of the PAS.

Individual independent variable with higher beta value has stronger effect on dependent variable EFPAS, thus according to table 18 above, among independents variables with positive and significance relationship, motivation ( $\beta = 1.173$ ) is the best predictor of EFPAS followed by organizational commitment ( $\beta = .407$ ). Hence, an improvement on these employee attitude components will highly contribute to the effectiveness of PAS.

The job satisfaction of employees ( $\beta = .263$ ,  $p = .203$ ) was found to be positively contributing to the overall effectiveness of PAS but it is not statistically and significantly different from zero. While all the independent variables assume a value equal to zero, the dependent variables will have a value 1.983 and it is significantly different from zero.

#### 4.10. Summary of multiple regression results and hypothesis testing

Summary table below (table 23) shows summary of multiple regression results of the four models which was discussed in the above sections.

**Table 19 Summary of Multiple Regressions**

	Model – 1	Model – 2	Model – 3	Model – 4
	Effect of EA* on FAIRRESPASS	Effect of EA* on EMPPARPAS	Effect of EA* on OPCOCOMPAS	Effect of EA* on EFFPAS
<b>R-value</b>	0.940	0.778	0.856	0.0758
<b>R-squared</b>	88.4%	60.6%	73.3%	73.3%
<b>F-statistics (ANOVA)</b>	(P=.000, F(3, 309) 15.592)	(P=.000, F(3, 309) 15.329)	(P=.000, F(3, 309) 18.202)	(P=.000, F(3, 309) 18.751)
<b>Sig B coefficients</b>	Organizational commitment ( $\beta = .196$ , $p = .000$ ). Motivation of employees ( $\beta = .269$ , $p = .000$ )	Organizational commitment ( $\beta = .401$ , $p = .000$ ). Motivation of employees ( $\beta = .258$ , $p = .000$ )	Organizational commitment $\beta = .448$ , $p = .000$ . Motivation of employees ( $\beta = 1.242$ , $p = .000$ )	Organizational commitment $\beta = .407$ , $p = .001$ . Motivation of employees ( $\beta = 1.173$ , $p = .000$ )
<b>Best Predictor</b>	Motivation of employees ( $\beta = .269$ , $p = .000$ )	Organizational commitment ( $\beta = .401$ , $p = .000$ )	Motivation of employees ( $\beta = 1.242$ , $p = .000$ )	Motivation of employees ( $\beta = 1.173$ , $p = .000$ )

(Source: Own Survey, SPSS V20, 2020) \*EA: Employees Attitude

**Table 20 Hypothesis Summary**

	Hypothesis	Result
Ha 1	Ha1: There is positive and significant relationship between predicting variables of employees' attitude and the fairness and responsiveness of PAS	Accept
Ha 2	Ha2: There is positive and significant relationship between predicting variables of employees' attitude and employee participatory of PAS	Accept
Ha 3	Ha3: There is positive and significant relationship between predicting variables of employees' attitude and the openness and continuousness in communication of the PAS	Accept
Ha 4	Ha4: There is positive and significant relationship between employees' attitude and the overall effectiveness of PAS	Accept

Source: Hypothesis testing result, 2020

## CHAPTER FIVE

### 5. CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusions

The basic aim of this study was to evaluate the attitude of employees of Commercial Banks of Ethiopia who are working in the head office organs towards the effectiveness of performance appraisal system of the bank. Motivation, job satisfaction, and commitment are used as proxy measure for employees' attitude. As evidenced by the existing body of literature these set of variables are component variables of employees' attitude and their corresponding measures are taken from reliable and validated instruments prepared by scholars. Each predicting variable of employees' attitude and dimensions of effectiveness of PAS has contained its own set of particulars for making final judgement. Where as fairness and responsiveness of PAS, employees participatory of PAS and openness and continuousness in communication of PAS were taken as dimensions to measure the effectiveness of performance appraisal system.

- From the descriptive statistics finding on the employees attitude components every construct of components of employees attitude has a score above the mean score 3 which is above the midpoint. This result implies the majority of CBE employees have believed that their attitude has been expressed by the three components identified in this research. Based on the result, organizational commitment of employees has the highest mean (3.91 with Standard deviation (SD) of 0.48 implies that employees of CBE were highly convinced that their attitude is expressed by their organizational commitment. While job satisfaction & motivation has relatively the lowest mean and standard deviation.
- The overall result from the multiple regression analysis has revealed that there is a positive and significant relationship between the component variables of employees' attitude and the effectiveness of performance appraisal system. The effectiveness of PAS in the bank are highly affected by employees' attitude implying the bank has to focus on improving the status of these predicting variables among employees.
- The fairness and responsiveness of PAS was found to be significantly and positively affected by organizational commitment of employees and motivation of employees. The employees' feeling about being treated fairly with PAS was found to be affected by their motivation and organizational commitment. Their feeling about being benefited from the feedback they get from the evaluation of PAS is also affected by these two components of

PAS. Their motivation and organizational commitment has affected their perception of bonus payments, promotion and salary increment are done fairly with the result from PAS.

- On the other hand the inclusiveness in participating employees of PAS practice was found to be positively and significantly affected by the organizational commitment and the motivation of the employees sampled. For employees feel that they are doing interesting, satisfying and challenging works and get full credit from these jobs they participate in the overall PAS implementation. As employees have clear understanding of their job responsibilities and feel that their opinions count, they tend to participate in PAS implementation. Since committed employees tend to participate at every phase of PAS, the bank has to work towards improving the commitment and motivation of its employees.
- As per the findings of the study the only variable to affect openness and continuousness of communication of PAS was motivation and commitment of employees. The employees' feeling about their adequacy of works given, being equipped with necessary materials and the good relationship they have with supervisors and team mates has affected the two way communication between managers and employees for expressing views. The employees' belief about the contribution of PAS in providing opportunities to communicate with supervisors about the overall business and plans was affected by the clarity of mission and purpose statements in signaling how their work is important to the institution. Hence, motivated employees are willing to make open discussions and they also continually communicate over the full implementation of the PAS.
- The overall effectiveness of PAS was found to be affected by the motivation, commitment, and job satisfaction of employees. Among these components of employee attitude the motivation of employees is found to positively and significantly affect the effectiveness of PAS. The implication of this finding is that, The employees' feeling about their adequacy of works given, being equipped with necessary materials and the good relationship they have with supervisors and team mates has affected the two way communication between managers and employees for expressing views is highly proved to affect the effectiveness of PAS. This also suggest that the bank has to scientifically handle the motivation of employees.

Generally speaking, in the case of head office organs of CBE the effect of the attitude of employees measured in terms of the three predicting variable; commitment, job

satisfaction and motivation towards the effectiveness of PAS is positive. This will guarantee the bank, while working on employees' attitude the successful implementation of each phase of the PAS and effectiveness of the PAS.

## **5.2. Recommendations**

The current study has evaluated the attitude of employees towards the effectiveness of PAS in Commercial Bank of Ethiopia, head office organs. Based on the findings and subsequent conclusions drawn in the study the following recommendation were forwarded:

- The respondents profile has revealed that there is a domination males in higher job grades. The top management of the bank has to act accordingly and match the proportion without compromising the spirit of working environment and quality of outputs.
- Motivating employees through raising awareness about the bank's mission and purpose statement, allocating adequate work with sufficient variety, and maintaining good working relationships with supervisors and teammates has to be implemented so as to improve fairness, responsiveness, openness and continuousness in communication of PAS.
- In order to get employees participated in the full process of PAS and make them feel they are part of the organization, the top management of the bank together with the HR department managers has to work towards improving employees' job satisfaction. The mechanisms for this include assigning interesting, challenging work with adequate variety with full recognition of accomplishment. In addition, creating clear understanding about responsibilities and expectations, improving their feeling about their opinion counts and team mates treat them respectfully and improving transparency of supervisors over letting employees what they do can serve for better employee participation.
- To ameliorate the participation of employees in each phase of PAS, the bank has to work on bettering the motivation of employees through designing relevant, timely, helpful, clear and scientifically designed training programs.
- Finally, to best improve the overall effectiveness of the performance appraisal system of the bank special emphasis has to be given primarily to mend the motivation of employees across the bank. Next more focus shall be given the organizational commitment of employees. A final point to note is that, it doesn't necessarily mean that job satisfaction of employees has to be ignored.

### **5.3. Recommendation for Further Research**

This study was conducted based on a data collect merely from the permanent employees of the bank who are working in the head office organs which will affect the applicability of recommendation forwarded on conclusions drawn across the bank. The situation in district offices and branches is not covered, hence future studies shall collect data from the different segments of the bank. Furthermore, as the first hand employeement opportunities available to bankers are in other banks, future researchers shall study the notion raised in this study at industry level with use of secondary data from HR departments and apply modern and appropriate methodologies.

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## Appendix – A: - Questionnaire

**Addis Ababa University**  
**College of Business and Economics**  
**Graduate Program in MSC in Management**  
**Questionnaire to be filled by Employees**

**Dear Respondents,**

The main purpose of this questionnaire is designed to collect data for the research entitled *“Effects of components of Employees’ Attitude on Performance Appraisal System “at Commercial Bank of Ethiopia”*. The information that you offer me with this questionnaire will be used as a primary data in my study, which I am conducting as a partial fulfilment of the requirements for **MSC in Management** from **Addis Ababa University**. I kindly request you to provide reliable information and genuine response. I would like to express my deep appreciation for your generous time, honest and prompt responses.

***Some reminders***

Remarks;

- No need of writing your name.
- All the questions are closed ended questions and where answer options are available, please put (√) in the appropriate space provide.
- However, space is provided for any additional opinions, please don’t hesitate to write short and brief answers.

**Confidentiality:** -I want to assure you that this research is only for academic purpose authorized by the **Addis Ababa University**. No other person will have to access this collected data.

If you have any queries concerning the questionnaire, please contact me:

Phone Number: +251 911-44-32-76

***Thank you very much for your time and cooperation!***

## A. Biographical Information

1. Gender

- A. Male
- B. Female

2. Marital Status

- A. Single
- B. Married
- C. Divorced
- D. Widowed

3. Age

- A. under 20 years
- B. 21 –30 years
- C. 31 – 40 years
- D. 41 – 50 years
- E. 51 – 60 years
- F. 61years &older

4. Educational Qualification

- A. Diploma
- B. Degree
- C. Masters

Other (Please specify) \_\_\_\_\_

5. Job Grade

- A. JG 9
- B. JG 10
- C. JG 11
- D. JG 12
- E. JG 13
- F. JG 14
- H. JG 15

Other (Please specify) \_\_\_\_\_

6. How long have you been employed at this company?

- A. Less than 1 year
- B. 1 year – 5 years
- C. 6 years – 10 years
- D. 11 years – 15 years
- E. 16 years – 20 years
- F. 21 years or longer

**Instruction: Please tick (X) ONLY one answer for each statement based on the scale below.**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

**B. Questions related to component variables of employees' attitude**

	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>	<b>Organizational Commitment</b>					
1.1.	I find that my values and the organisation's values are very similar.					
1.2.	I understand how my job contributes to the organisation's goals and objectives					
1.3.	I am willing to put in a great deal of extra effort to help this organisation be successful.					
1.4.	I am extremely glad that I chose to work here rather than one of the other jobs I was considering at the time I joined.					
1.5.	My organisation inspires the best job performance from me through PAS.					
1.6.	I am proud to tell others that I am part of this organisation.					
<b>2.</b>	<b>Job satisfaction</b>					
2.1.	I am satisfied with my job because the PAS is fair.					
2.2.	I do interesting and challenging work.					
2.3.	I get full credit for the work I do through the PAS of the bank.					
2.4.	There is a lot of variety in my job.					
2.5.	I have a clear understanding of my job responsibilities and what is expected of me.					
2.6.	I feel my opinion counts in the PAS implementation in the bank.					
2.7.	I feel my colleagues treat me with respect.					
2.8.	I get a feeling of accomplishment from my job through PAS					

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
2.9.	My immediate manager lets me know how I am doing					
	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>3.</b>	<b>Motivation</b>					
3.1.	The mission or purpose of my organisation makes me feel my job is important.					
3.2.	The quantity of my work is enough to keep me busy but not too much to over-burden me.					
3.3.	There is sufficient variety of work to maintain my interest.					
3.4.	I have all the materials and equipment I need to do my best every day.					
3.5.	The relationship with my boss enables me to be open when discussing work problems and concerns in practicing PAS.					
3.6.	My team's working relationships in practicing PAS are good.					

### C. Questionnaire related effectiveness of Performance Appraisal System

	<b>Description</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>4.</b>	<b>Fair and responsive PAS</b>					
5.1.	I believe the PAS in my organization is rational and fair					
5.2.	I feel fairly treated in every way in the PAS.					
5.3.	I get fair feedback from my supervisor and proportion reward to my performance.					
5.4.	I am evaluated fairly according to the setting standards without subjectively and biased.					
5.5.	I receive regular and timely performance feedback beside the annual performance review.					
5.6.	The information provided by my supervisor during my performance feedback is accurate.					
5.7.	The performance feedback I receive helps me to improving my job performance and to attain my goals.					
5.8.	The feedback I get helps me to gain insight about my weakness and strength.					
5.9.	Performance appraisal is linked with salary increase, promotion and payment of bonus in CBE?					
5.10	I receive annual bonus based on my performance and it's really motivated me.					

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

<b>5.</b>	<b>Continuous Open Communication</b>						
6.1.	The PAS provide me an opportunity to communicate with supervisors to facilitate my job performance.						
6.2.	There is a two way communication with both managers and employees for expressing their views.						
6.3.	The PAS provide a scope for well communication of the overall business and plans to the employees.						
<b>7.</b>	<b>Employee Participation</b>						
7.1.	I am personally involved in the process of setting objectives and targets of my future Performance.						
7.2.	Participating in the PAS motivate me, because it make me feel I am part of the organization.						
7.3.	I would prefer my performance to be evaluated by an instrument developed and design with help of employees.						
7.4.	There is no/low involvement in decisions making regarding to PAS process.						