



Addis Ababa University
School of Commerce

**The Impact of Performance Appraisal on Employee
Motivation in United Bank S.C**

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GSD/0015/06

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIRMENTS FOR AWARD OF MASTER DEGREE IN HUMAN
RESOURCE MANAGEMENT**

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DECLARATION

I, **Tigist Girma**, hereby declare that this thesis is my own work towards in Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Human Resource Management and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree by any university or academic institutions, except where due acknowledgment has been made in the context.

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This is to certify that Tigist Girma has done this study on the topic, **“Impact of performance appraisal on employee motivation: The case of united bank S.C** under my supervision. This work is original and suitable for the submission in partial fulfillment of the requirement for the award of Degree of Masters of Arts in Human Resource Management.

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ADDIS ABABA UNIVERSITY
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*THE IMPACT OF PERFORMANCE APPISAL ON EMPLOYEES
MOTIVATION: THE CASE OF UNITED BANK S.C*

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LIST OF ACRONYMS

HR Human resource

SPSS Statistical Package for social science

MBO Management by objectives

SMART Specific, Measurable, Achievable, Realistic & Time bound

S.C Share Company

ABSTRACT

United bank has been implementing employee performance evaluation system whereby immediate supervisors are involved in the evaluation process. Though there were a few studies that have been conducted, they were not tried to see the issue in consideration of multiple performance variables. Therefore, the main objective of the study is to evaluate the relationship between performance appraisal and employees' motivation in united bank S.C. in order to achieve the objectives, the focus of the study is on constructs of performance evaluation system including participate in objectives setting, quality of performance criteria, availability of pre-set goal, feedback and measuring performance based on evidence. The study employed a survey questionnaire and 331 were distributed of which 195, 95 and 41 are for clerical, non-clerical and managerial group respectively. Sample respondents are selected from nineteen branches and HO using stratified random sampling technique. Collected data through questionnaire were analyzed quantitatively using both descriptive and inferential statistics with the help of SPSS version 20. The result of the study indicated that performance appraisal has positive and significant relationship with employees' motivation.

Chapter One

1.1. Background of the study

Organizations design different strategies which help them to confront the challenges and achieve prosperity. The designed strategy put down on paper will not be thrive unless the employees of an organization are satisfied with it, and or motivated for the tasks fulfillment. In a competitive work environment to arrive at the pre-designed objectives, positive and strong employee and employer relationship must be created and maintained. Now a day's employees of an organization are the most important valuable asset. Hence proper implementation of human resource polices in hiring the right employees, defining their role in job description, recognizing their contributions and coaching them to make use of their talent by motivating them is a compulsory task of managers.

Today, organizations are facing strong challenge in delivering quality customer service. This might be due to the unsatisfied employee resulted from poor implementation of performance appraisal system. Organization tries to satisfy and motivate employee to do their best by various means and the performance Appraisal is one of those. It has become a strategic tool for improving organizational effectiveness. The success of any organization is dependent on how well the performance of every employee is effectively appraised and managed. The performance appraisal is a unique and very important aspect of career development which entails a regular review of the performance of employees in the organization (Caruth and Humphreys, 2008).

Employees of the organization work better when they get appraisal on their performance. They get motivated and when their performance evaluated and rewarded suitably by any organization (Arvinder Kour, 2014). Various researches show that motivated employees are high performer and the basis for organizational success than the non motivated ones. They classify motivation as positive and negative or financial and non financial and they give emphasis on financial ones. Performance Appraisal is directly related to the job performance of the employees. If there are no appraisals given to the employees on their good performance then they will not do that much work again. The purpose of the study is therefore to analyze the impact of performance evaluation on employees' motivation the case of United Bank S.C.

1.2 Background of the organization

United Bank was incorporated as a Share Company on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. Currently it has 151 branch offices out of which 84 branch offices are located in Addis Ababa and the other 67 Branches are in major towns of the country. its mission is to render Quality Commercial Banking Services to the best satisfaction of its Customers; to enhance Shareholders' value; to be one of the best employers in the industry; and, to discharge its corporate responsibility to both the community in which it operates and the environment which it shares with the world. United bank has its human resource management department functioning different activities accompanied by various manuals and guidelines among which performance evaluation guidelines is the major one.

1.3 Statement of the problem

From the foregoing and looking at today's business trend, it is evident that the pace of change in the business environment presents fresh challenges daily. One of the big challenges in today's business environment is employees' motivation. Unless employees of any organization are satisfied and motivated in the course of doing a given task, none of the organization can progress or achieve success. For employees to be fully motivated, managers must be aware that human beings are different in the way they think, see, view, feel, do things and reason (Myer-Briggs, 1956). The success of any organization is dependent on how well the performance of every employee is effectively appraised and managed. Thus effective performance is a key requirement for success and it is a basis for making decision like promotion, feedback, training and development. It is needless to mention that companies need to design effective performance evaluation system so as to maintain the morale and productivity of the employees.

United bank has designed and implement performance evaluation system starting from its establishment. As per the preliminary interview made by the researcher, three types of evaluation forms are used for clerical, non clerical and managerial employees.

The main problem the researcher observed that corporate objectives and goals are not aligned with individual objectives and organization Objectives are not cascaded to individual level. Besides, employees are not participated in objective settings.

Given the fact that case specific studies of this type are not found in abundance; and many of those existed do not try to see the issue in consideration of multiple performance variables; the researcher, wants make my contribution to the filed as well as to the bank. Besides, studying the relationship between the two variables will help management of the bank to assess whether employees' commitment are affected by the existing evaluation system. Above all frustration by both parties (employees and the management) towards performance appraisal triggers the researcher's mind to quest as to why such disconformities exists. Employees and managers are not really interested in doing an appraisal only because it's compulsory they conduct it. I have been with the company for almost 8 years and during this time I have noticed that my colleagues always

Found a reason to avoid it and felt that its time consuming and they do not have time to do this

Given the above facts as a basis, this study has assesses through empirical research method whether the existing performance evaluation system has direct relationship with employees motivation in undertaking their responsibilities at the expected standard.

1.4 Research Questions

To answer the above problems, the following research questions have been derived.

1. What is the Perception of Employees on Performance Appraisal Practice?
2. Is there relationship between Performance Appraisal and Motivation?
3. To what extent Motivation is affected by Performance Appraisal practices of the bank?

1.5 Objectives of the study

The objective of this study is to identify the relationship between performance appraisal and

employee's motivation.

Specific objective includes:

1. To examine the performance appraisal perception of employees of the bank
2. To examine the effect of performance criteria on employees motivation.
3. To assess the relationship between feedback and employees motivation
4. To examine whether employees participate in objective setting and to study its effect on employee's motivation.
5. To determine performance appraisal factors that has significant effect on employee motivation.

1.6 Hypothesis

The research has tested the following hypothesis.

Ho1: Absence of quality performance criteria doesn't have motivational effect on employees.

Ho2: continues feedback have no relationship with employees motivation

Ho3: participation in objective setting has no effect on employee's motivation.

Ho4: there is no association between availability of pre-set goals with employee's motivation.

Ho5: objectivity of performance evaluation system has no effect on employee's motivation.

1.7 Significance of the study

The findings of this research benefit different stakeholders' including the bank, its employees, the management, other financial institutions and future researchers. The research outcome will help the case organization to recognize how the existing performance evaluation system correlates with employee motivation. This knowledge will benefit the managers to have a better

understanding of their employees' perception about performance evaluation and help to identify things that they need to do in order to successfully motivate their employees to perform at their best. Other similar organization will share the experience of the case organization in relation to the topic. Finally based on the research outcome other researchers will conduct further studies in similar research area.

1.8 Scope of the study

The researcher has observed that both the management and employees frustrate when the performance evaluation period reaches. Though it is an important task of human resource managers, they always found a reason to avoid it and feel that it is time consuming. This makes the researcher to focus in the area.

Despite the fact that the researcher has recognized the need to cover all governmental and private financial institutions', resource limitation coupled with unmanageable population size forced the study to focus on united bank S.C.

The workforce to be covered within the context of the project will be clerical and non clerical employees working in nineteen branches found in Addis Ababa. Namely Enderase , Bambis, Ras desta, F.legasion, Gofamazoria, Bethel, Stadium, Kotebe, Oldairport, lebu, Taitu, Welosefer, IT, Bole, HO, Finance, G.service, Control and international banking dept. The study is limited to this because the researcher cannot cover all employees of the bank due to cost and time constraints and unmanageable population size.

In fact, all of the branches are providing similar banking services to impact the overall performance of the bank. Thus, it is believed that the nature of the branches will not bring significant difference on the overall results of the research. The research also reviewed only certain motivational theories though different scholars have crafted their own principles and models.

1.9 Limitation of the study

All employees of the Bank are not covered in the study as they are spatially dispersed across the

nation. Also, the research shall be trying to address performance appraisal factors & practices that affect employee motivation in the bank; apart from other factors that affect employee motivation.

1.10 Definition of terms

- ❖ **Performance:-** refers to the act of accomplishing tasks
- ❖ **Performance Appraisal:-**grading exercise undertaken by an organization on all its employees.
- ❖ **Performance management :-**system is a tool in the strategic human resource management used by organization to evaluate the overall performance of employees
- ❖ **Appraisal Criterion:-** is the standard against which the performance of employees is measured.
- ❖ **Management by objective:-**This is a process where supervisors and subordinates are involved in a joint participative process and form which these organizational goals.
- ❖ **Feedback :-**is the provision of information to people on how they have performed in terms of results, events, critical incidents and significant behaviors
- ❖ **Motivation: -** is something that moves the person to action and continues him/her in the course of action already initiated.

1.11 Organization of the study

The research is divided in to five chapters. Chapter one deals with the introductory part including background of the study, statement of the problem, research questions, the aims and objectives of the research, significance of the study and scope of the study. The second Chapter presents the literatures review of various HRM books and publications on performance appraisal, motivation and the link between the two. Chapter three explain the research design and methodology

employed. Chapter four shows the findings of the data collected through surveys and interviews. Finally chapter five consists of summary of the findings, conclusion, and recommendations.

Chapter Two

Literature Review

2.1 Performance Appraisal: An Overview

In well-managed organizations, performance appraisal is the most important management tool that influence over individuals' careers and work lives. When effectively utilized, performance appraisal is the most powerful instrument that organizations have to mobilize the energy of every employee of the enterprise toward the achievement of strategic goals subsequently shape every person's attention on the company's mission, vision, and values. As a result its significant role has become indispensable when we talk of organizational success. The success of any organization is dependent on how well the performance of every employee is effectively appraised and managed. The performance appraisal is a unique and very important aspect of career development which entails a regular review of the performance of employees in the organization (Caruth & Humphreys, 2008) Besides There is an old kaizen (Japanese) saying "You can improve only what you can measure", which explains that it is important to evaluate where we are and where we want to head. Thus performance appraisal is a way of measuring an employee's performance.

2.1.1 Definitions of Performance Evaluation

Yong (1996) defines performance appraisal as "an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of performance based on the job content, job requirement and personal behavior in the position". Performance Management is defined as a planned and incorporated method of augmenting the productivity of a company, by enhancing the output of its workforce by improving the abilities of groups and the individual contribution of each worker (Armstrong & Baron, 1998).

Performance management system is defined as a tool in the strategic human resource management used by organization to evaluate the overall performance of employees (Gary Dessler, 2005). Performance management is the system through which the organization set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards (Briscoe and Claus, 2008).

Performance appraisal is a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization (Coutts and Schneider, 2004).

2.1.2 Purposes of Performance Evaluation.

Buhler 2002 says that appraisals are conducted for the purposes of evaluation; provides input for the decision on promotion, transfer, demotions, terminations and compensations, and feedback; development of individuals. The purpose of evaluation provides a guideline for recruitment and selection in HR functions. As recruitment and selection plays a vital role in an organization, PMS provides significant details on the employees' achievement from the last appraisal. Thus, organization can gauge the performance level of each employee and later make decision on the where about of the employees. This will help organization to identify the right people for the right job.

PASs are being administered for fulfilling various purposes in organizations, for instance, to enhance employee performance and productivity (Cardy & Dobbins, 1994; Murphy & Cleveland, 1991), develop employees to enhance their skills (Cook & Crossman, 2004) and to develop those performance areas where employee has low ratings (Flint, 1999). Boswell and Boudreau (2000) argued that PASs are being used for administrative decisions relating to (salary, promotion, retention or termination, layoff) and developmental decisions like (training of employees, furnishing appraisee with regular performance feedback, employees' transfers, determining employees strengths and weaknesses). Likewise, Cleveland, Murphy, and Williams (1989) identified following four purposes of PAS:

- ❖ Administrative purpose. Between employees (setting pay package, promotion to higher grades, termination from service, identifying the poor performer).

- ❖ Developmental purpose. That is within an employee identifying weaknesses & strengths, employee training needs etc).
- ❖ System maintenance (helps in evaluation of personnel system, organizational goal attainment, organizational needs for training and developmental needs of organization).
- ❖ Documentation (documenting personnel actions and having record in case of legal proceedings).

2.1.3 Performance Management Benefits

The performance appraisal is an essential part of the human resources department's contribution to an organization. An effective appraisal may not only eliminate behavior and work-quality problems, it can motivate an employee to contribute more.

One of the many benefits of performance appraisal is, in the rush and bustle of working life, it offers a rare chance for a supervisor and subordinate to have "time out" for a one-on-one discussion of issues that otherwise might not be addressed. Almost universally, where performance appraisal is conducted properly, supervisors and subordinates have reported the experience as beneficial.

Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Then by multiples of individual impact, the performance of the whole is enhanced. The benefit of performance Appraisal by Sharon Armstrong (2005) includes

- Improving Communication

All too often, employees and managers don't get along and can't understand why. Problems that stem from a lack of communication can sometimes be resolved with a performance appraisal. If the appraisal is used as an opportunity to describe the criteria on which performance is judged -- using meaningful and relevant examples -- then the employee will walk away from the meeting with a better understanding of how to best perform his job.

- Providing a Career Path

The performance appraisal is the perfect opportunity to address long-term goals that may not be on the everyday to-do list. Not only does this provide the employee with an opportunity to be of

greater use to an organization, the employee feels pleased and valued. Lighting the way toward a successful career path inspires loyalty and stability and can improve the bottom line, especially when the employee's first concern is the health of the business, and subsequently, her career.

- Encouraging Good Work and Improvement

Celebrating a job well-done is the easy part of the performance appraisal. Noting areas of improvement is not so easy. Nevertheless, no one is perfect, and the performance appraisal is an ideal time to diplomatically highlight areas that need improvement. Even the most valuable employee could benefit from additional training, while those who are on the cusp of dismissal need the heads-up. Be specific by providing examples and clearly explain what needs to occur to turn things around. Showing an employee that you care enough about them by taking the time to work with them may make even the most hardened employee feel better.

- Improving Decision-Making Ability

When a company has detailed information on employee performance, business decisions become easier. Filling open positions with existing staff strengthens the organization and promotes loyalty. Knowing which employees display what strengths improves the speed with which projects can be assigned. Appraisals also provide a framework when making decisions about compensation and layoffs. If the organization becomes the unfortunate party to a lawsuit, the performance appraisal can refute or support claims. As a result, the effective use of performance appraisals helps an organization operate efficiently and with focus.

2.1.4 Factors Affecting Effectiveness of Performance Evaluation

Performance evaluation method must be effective in order to use its results for developmental and/or administrative purposes. Developing the evaluation system that accurately reflects employee performance is not an easy task. Performance evaluation practice is not generic or easily passed from one organization to another; and that their design and administration must be tailor-made to match employee and organizational features and qualities (Boice and Kleiner 1997). It is difficult to find commonly accepted method or efficient approach to evaluate the effectiveness of a performance evaluation based on a set of well-defined variables. Identifying

and organizing the most important variables in performance evaluation has approved to be a challenging task to researchers and practitioners (Walsh 2003). Here, based on the compilation of the work of different authors, some essential characteristics of effective performance evaluation system were identified and discussed.

2.1.4.1 Qualities of Evaluation Criteria

As cited by AL-Jammal (2012), an appraisal criterion is the standard against which the performance of employees is measured. Preparing appraisal criteria is the first step in the process of performance appraisal (Ivancevich 2004). Every employee should be provided with job description so that they know exactly what is expected of them, and the yardsticks by which their performance and results will be evaluated (Khan 2007). According to Ivancevich (2004) Job description is a written description of what the job entails and that it is important for organization to have thorough, accurate, and updated job description.

Appraisal criteria should be based on job description for the position employee holds (Khan 2007). Meaning, appraisal criteria must have the quality of relevance to job duties. Relevance is the degree to which performance measure is related to the actual output of job incumbent as logically as possible (Ivancevich 2004.)

Appraisal criteria must be realistic. Meaning, realistic appraisal criteria are attainable by any qualified, competent, and fully trained employee who has authority and resources to achieve the desired result. It should take in to account the practical difficulty in the environment in which the employee works (Thomas 2006). This implies that the performance of employees should not be evaluated against the standard which is beyond their control. Moreover, appraisal criteria must possess characteristics like reliability in order for the performance appraisal to be effective (Ivancevich 2004). Furthermore, Roberts (2003) noted that the development of reliable, valid, fair and useful appraisal standard is enhanced by employee participation, as employees possess necessary unique and essential information needed for developing realistic standard.

Once evaluation criteria are prepared, it should be communicated to employees on time. Adequate notice involves letting employees know what criteria will be used during the appraisal. Unfortunately, in many companies the first time employees see the appraisal form may be when they are being evaluated. Therefore, they may be rated low on something they didn't understand was part of their performance.

2.1.4.2 Feedback

Effective and timely feedback is a critical component of a successful performance management program and should be used in conjunction with setting performance goals. If effective feedback is given to employees on their progress towards their goals, employee performance will improve. People need to know in a timely manner how they're doing, what's working, and what's not. For challenging goals to lead to high performance, they need to be accompanied by adequate feedback. Feedback is the provision of information to people on how they have performed in terms of results, events, critical incidents and significant behaviors. Feedback can be positive when it tells people that they have done well, constructive when it provides advice on how to do better, and negative when it tells people that they have done badly. Feedback in performance management is positive in the sense that its aim is to point the way to further development and improvement (Greer,2003).

Feedback about the effectiveness of an individual's behavior has long been recognized as essential for learning and for motivation in performance-oriented organizations. Ilgen et al. (1979) stated that feedback is considered as an important tool in performance appraisal process. Goals and objectives set by the employers and employees should be discussed regularly. Erez (1977) asserted that for difficult goals to result in high performance, sufficient feedback is very important.

The performance feedback to employees generally aims at improving performance effectiveness through stimulating behavioral change. Performance feedback not only generates change in job behavior but also improves evaluator's organizational commitment. Roberts (2003) also stated that without feedback, employees are unable to make adjustments in job performance or receive

positive reinforcement for effective job behavior.

Dalton (1996) emphasized that feedback event should be a confidential interaction between a qualified and credible feedback giver and evaluate to avoid denial, venting of emotions, and behavioral and mental disengagement, in such an atmosphere discrepancies in appraisals can be discussed and the session can be used as a catalyst to reduce the discrepancies. Another important point during feedback is it should be with Fair hearing means ensuring that there is two-way communication during the appraisal process and the employee's side of the story is heard.

Feedback can come from many different sources: managers and supervisors, measurement systems, peers, and customers just to name a few. However feedback occurs, certain elements are needed to ensure its effectiveness.

- Specificity

Feedback works best when it relates to a specific goal. Establishing employee performance expectations and goals before work begins is the key to providing tangible, objective, and powerful feedback. Telling employees that they are doing well because they exceeded their goal by 10% is more effective than simply saying "you're doing a good job."

- Timeliness

Employees should receive information about how they're doing as timely as possible. If improvement needs to be made in their performance, the sooner they find out about it the sooner they can correct the problem. If employees have reached or exceeded a goal, the sooner they receive positive feedback, the more rewarding it is to them.

- Manner

Feedback should be given in a manner that will best help improve performance. Since people respond better to information presented in a positive way, feedback should be expressed in a positive manner. This is not to say that information should be sugar-coated. It must be accurate, factual, and complete. When presented, however, feedback is more effective when it reinforces what the employee did right and then identifies what needs to be done in the future. Constant criticism eventually will fall upon deaf ears.

2.1.4.3 Management by Objectives

Management by Objectives (MBO) is the process according to which an organization sets specific objectives as broad organizational goals. This is a process where supervisors and subordinates are involved in a joint participative process and from which these organizational goals, as well as specific goals for an individual, are set. The process of setting and participating in the process of setting these goals, is also then a motivational process for the individual, in selecting own personal goals and discuss and agree on certain evaluation mechanisms and the process of determining performance successes. Management requires two-way communication and the sharing of management power by objectives (Duffy, 1989).

The process of management by objectives requires subordinates to know the organization's purpose, mission long-term goals and strategy. Rogers and Hunter (1991) indicate that productivity gains will correlate with the extent of top management support for and participation in the management by objectives (MBO) programme. It is a motivational process which gives the individual the feeling of being involved and creates a sense of ownership for employees. MBO also creates the environment in which an individual will be measured according to his or her own performance and output, with set standards for evaluation as a participative process. The only concern about the process is that it is time-consuming and involves much paper work. The process needs evaluation on a regular basis.

In a study, Latham et al. (1978) found that consistent with the theory's predictions, employee participation in setting the goals resulted in higher performance than assigning them, not because of greater goal commitment, but rather due to high goals being set. According to Dossett et al. (1979), a similar result was observed with Weyerhaeuser's word processing employees.

2.1.4.4 Goal Setting

Goal theory as originated by Latham and Locke (1979) stated that people perform better when they have specific and challenging but reachable goals or in short, we call them SMART (Specific, Measurable, Achievable, Realistic and Time-bound) objectives. The prime axiom of goal setting theory is that specific, difficult goals lead to higher performance than when people

strive to simply “do their best” (Locke and Latham, 1990). Such goals positively affect the performance of individuals, groups, organizational units, as well as entire organizations. Specific goals can boost motivation and performance by leading people to focus their attention on specific objectives, increase their effort to achieve these objectives, persist in the face of setbacks, and develop new strategies to better deal with complex challenges to goal attainment. By providing direction and a standard against which progress can be monitored, challenging goals can enable people to guide and refine their performance.

A main element for efficiently coaching employees is by using goal setting. Edwin Locke (1968) introduced the Goal Setting Theory whereby employees get motivated to work for the organization when they are given specific and pronounced goals to achieve. This theory emphasizes that hard goals produce a higher level of performance than easy goals. Secondly, particular hard goals produce higher level of output and lastly, behavioral intentions lead to choice behavior.

Many, who study the relationship between performance and motivation in organizations, will agree that goal-setting and explanation creates confidence in the workers. By clearly explaining the meaning of the goals, employees will have a clear view on what the organization wants to achieve. Coetsee (2003) affirms that the most performing workers are goal-directed. Set goals allow employees to accomplish organizational vision, aims and strategic objectives. The assumption made here is that when people recognize and understand what is expected from them and how they are to be met, they will be motivated to achieve them within the time-limit.

2.1.4.5 Judgment based on evidence

It involves documenting performance problems and using factual evidence as opposed to personal opinions when rating performance. For feedback to improve performance of employee it must be timely, specific, and behavioral in nature and presented by a credible source (Roberts 2003).

2.1.5 Performance Appraisal Process

Performance management system is defined as a tool in the strategic human resource management used by organization to evaluate the overall performance of employees (Gary Dessler, 2005).

The starting point for the PA process is identifying specific performance goals. An appraisal system probably cannot effectively serve every desired purpose, so Management should select

the specific goals it believes to be most important and realistically achievable. The next step in this ongoing cycle continues with establishing performance criteria (standards) and communicating these performance expectations to those concerned. Then the work is performed and the supervisor appraises the performance. At the end of the appraisal period, the appraiser and the employee together review work performance and evaluate it against established performance standards. This review helps determine how well employees have met these standards, determines reasons for deficiencies, and develops a plan to correct the problems. At this meeting, goals are set for the next evaluation period, and the cycle repeats.

A performance appraisal meeting is the most important component of a performance appraisal. After the rater uses the company's appraisal form to evaluate the performance of the ratee, both sides meet to discuss positive and negative instances of performance. Thus, the meeting serves as the key medium through which the rater gives feedback to the ratee. The goal of providing performance feedback is to help the ratee solve performance problems and to motivate the employee to change behavior. Conducting this meeting is often stressful for both parties, and training managers in providing performance feedback may be useful to deal with the stress of the managers as well as creating a more positive experience for both parties .Davis, B. L., & Mount, M. K. (1984).

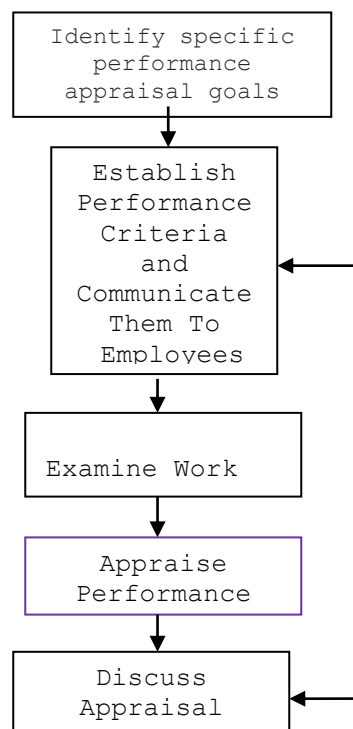


Figure 2.1 Performance Appraisal Process

2.1.6 Common Problems in performance evaluation system

Performance appraisals require the rater to objectively reach a conclusion about performance. The use of ratings assumes that the rater is reasonably objective and accurate. However, in reality, raters' memories are quite fallible, and raters subscribe to their own sets of likes, dislikes, and expectations about people, which may or may not be valid (Ivancevich, 2001). Raters have their own rose-coloured glasses with which they “objectively” view their subordinates. These biases produce rating errors, or deviations between the “true” rating an employee deserves and the actual rating assigned. Rating errors reduce the reliability, validity, and utility of performance appraisal systems. Biases in performance ratings manifest themselves in many forms. Some of the most common types of rater biases are:

- **Halo effect.** Halo error occurs when the rater perceives one factor as having paramount importance and gives a good rating to an employee based on this one factor. The rater fails to discriminate between the employee's strong points and weak points; and the halo is carried over from one dimension to the other.
- **Horns effect.** This is the exact opposite of the halo effect, whereby the appraiser gives an unfavorable rating to overall job performance essentially because the appraisee has performed poorly in one particular aspect of the job which the appraiser considers all-important.
- **Central tendency.** This occurs when a rater avoids using high or low ratings and assign average ratings. The rater may believe that all the employees are equal, and do not want to rock the boat.
- **Standards of evaluation.** Problems with evaluation standards arise because of perceptual differences in the meaning of the words used to evaluate employees. Thus, good, satisfactory, and excellent may mean different things to different raters. Some raters are “easy A’s”, while others almost never give an A.
- **Leniency effect.** Giving undeserved high ratings is referred to as leniency. This behavior is

often motivated by a desire to avoid controversy over the appraisal. The downside of this error is that even poor performers may get good ratings and this could create resentment among the good performers.

- **Strictness effect.** Being unduly critical of an employee's work performance is referred to as strictness. Some managers apply an evaluation more rigorously than the company's standards.
- **Contrast effect.** This occurs when another employee's performance influences the ratings that are given to someone else. For example, when performance of an average employee is evaluated immediately after the performance of an outstanding employee, the rater might end up rating the average person as "below average" or "poor".
- **Similar-to-me error.** This error reflects a tendency on the part of raters to judge employees more favorably who they perceive as similar to themselves. It has been shown that the more closely an employee resembles the supervisor in attitude or background, the stronger the tendency of the supervisor to judge that person positively.
- **Personal bias.** Consciously or unconsciously, a rater may systematically rate certain employees lower or higher than others on the basis of race, origin, gender, age, or other factors.
- **Recency effect.** This error occurs when a rater over emphasizes an employee's most recent behavior.
- **Relationship effect.** Employees in high-quality trusting relationships with supervisors receive higher ratings regardless of how long they have worked for the supervisor, whereas employees in distant, low-quality relationships do better than average when the relationship is long-term.

2.1.7 Performance Evaluation Methods

Managers may choose from among a number of appraisal methods. The type of performance appraisal system used depends on its purpose. If the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method, such as rating scales, may be appropriate. Collaborative methods, including input from the employees themselves, may prove to be more suitable for developing employees. Some of performance evaluation methods are discussed below.

2.1.7.1 360-Degree Feedback Evaluation Method

The 360-degree feedback evaluation method is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. The 360-degree method is unlike traditional performance reviews, which provide employees with feedback only from supervisors. (Tracy Gallagher, 2008) In this method, people all around the rated employee may provide ratings, including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and internal or external customers. (Sean Drakes, 2008)

The 360-degree feedback method may provide a more objective measure of a person's performance. Including the perspective of multiple sources results in a broader view of the employee's performance and may minimize biases that result from limited views of behavior. Having multiple raters also makes the process more legally defensible. However, it is important for all parties to know the evaluation criteria, the methods for gathering and summarizing the feedback, and the use to which the feedback will be put. An appraisal system involving numerous evaluators will naturally take more time and, therefore, be more costly.

2.1.7.2 Rating Scales Method

The rating scales method is a performance appraisal method that rates employees according to defined factors. Using this approach, evaluators record their judgments about performance on a scale. The scale includes several categories, defined by adjectives such as outstanding, meets expectations, or needs improvement. Although systems often provide an overall rating, the method generally allows for the use of more than one performance criterion.

One reason for the popularity of the rating scales method is its simplicity, which permits quick evaluations of many employees.

2.1.7.3 Critical Incident Method

The critical incident method is a performance appraisal method that requires keeping written records of highly favorable and unfavorable employee work actions. When such an action, a "critical incident," affects the department's effectiveness significantly, either positively or negatively, the manager writes it down. At the end of the appraisal period, the rater uses these

records along with other data to evaluate employee performance.

2.1.7.4 Ranking Method

The ranking method is a performance appraisal method in which the rater ranks all employees from a group in order of overall performance. For example, the best employee in the group is ranked highest, and the poorest is ranked lowest. We follow this procedure until we rank all employees. A difficulty occurs when all individuals have performed at comparable levels (as perceived by the evaluator).

2.1.7.5 Behaviorally Anchored Rating Scale Method

The behaviorally anchored rating scale (BARS) method is a performance appraisal method that combines elements of the traditional rating scales and critical incident methods; various performance levels are shown along a scale with each described in terms of an employee's specific job behavior. It differs from rating scales because, instead of using terms such as high, medium, and low at each scale point, it uses behavioral anchors related to the criterion being measured. This modification clarifies the meaning of each point on the scale and reduces rater bias and error by anchoring the rating with specific behavioral examples based on job analysis information.

2.1.7.6 Results-Based System

The manager and subordinate jointly agree on objectives for the next appraisal period in a results-based system, in the past a form of management by objectives. At the end of the appraisal period, an evaluation focuses on how well the employee achieved the set objective.

2.1.7.7 Work Standards Method

The work standards method is a performance appraisal method that compares each employee's performance to a predetermined standard or expected level of output. Standards reflect the normal output of an average worker operating at a normal pace.

2.2 Motivation

It is a fact that to thrive in the chaotic and turbulent business environment, firms need to constantly innovate and be “ahead of the curve” in terms of business practices and strategies. It is from this motivation to be at the top of the pack that HRM becomes a valuable tool for management to ensure success.

One of the factors behind organizations giving a lot of attention to their people is the nature of the firms in the current business environment. Given the fact that there has been a steady movement towards an economy based on services, it becomes important for firms to keep their employees motivated and productive.

2.2.1 Definition of Motivation

Scientists have defined motivation as the process of arousing, directing, and maintaining behavior toward a goal. McFarland (2003), motivation is the way in which urges, desires, aspirations, control or explains the behavior of human being. Research publication by Dublin 2012 says it is the complex of forces starting and keeping a person at work in an organization. Motivation is something that moves the person to action and continues him/her in the course of action already initiated. Hall (1988) believes motivation to be a process where members of a group pull together to effect an organization through loyalty and commitment. Jones et al, 2000 define motivation as physical forces that determine the direction of a person’s behavior, a person’s level of effort and a person’s level of persistence in the face of obstacles.

A.H. Maslow (1943) developed a theoretical framework for understanding motivation. The framework arises from the needs and wants of an individual and drives the people through action and work by doing which he makes efforts to fulfill the needs and wants of an individual.

2.2.2 Types of Motivations

According to Deckers, L (2010) work motivation is a set of energetic forces that originate both within as well as beyond an individual hence motivation can be extrinsic and intrinsic motivation.

2.2.2.1 Extrinsic Motivation

Extrinsic motivation refers to our tendency to perform activities for known external rewards, whether they can be tangible (e.g., money) or psychological (e.g., praise) in nature (Brown, 2007).

Motivation can come from the outside, such as the motivation to win medals, receive financial rewards, and attract attention from the media. This is known as external or extrinsic motivation because it involves participation in sport for some kind of reward that is external to the process of participation (Karageorghis & Terry, 1969).

2.2.2.2 Intrinsic Motivation

Intrinsic motivation refers to the reason why we perform certain activities for inherent satisfaction or pleasure. You might say performing one of these activities is reinforcing in-and-of itself (Brown, 2007). Intrinsic motivation occurs when we act without any obvious external rewards. We simply enjoy an activity or see it as an opportunity to explore, learn, and actualize our potentials (Coon & Mitterer, 2010).

(Coon & Mitterer, 2010).

2.2.3 Importance of Motivation

Rensis Likert, while pointing out the importance of motivation, has called it the ‘core of management’. Similarly, Allen while stressing the need and importance of motivation has observed that ‘poorly motivated people can nullify the soundest organization.’ The importance of motivation is brought out by (Kondalkar, 2007) as follows.

2.2.3.1 Improves Performance Level:

The ability to do work and willingness to do work both affect the efficiency of a person. The

ability to do work is obtained with the help of education and training and willingness to do work is obtained with the help of motivation. Highly motivated workers would be regular for work and have a sense of belonging for the organization. Quality of the product and service will be improved, wastage will be minimal and there will be increase in productivity and performance level will be high.

2.2.3.2 Helps to Change Negative or Indifferent Attitudes of Employees:

Some employees of an organization have a negative attitude. They always think that doing more work will not bring any credit. A manager uses various techniques to change this attitude. A motivated employee can easily accept the change introduced in the organization and can also have an impact on others.

2.2.3.3 Reduction in Employee Turnover:

When dissatisfaction is increased, employees do not enjoy the work assigned to them. Therefore, there is a tendency of absenteeism. The workers hunt for an alternative job and leave the organization whenever they get an opportunity. Then a lot of time and money go waste in repeatedly recruiting employees and giving them education and training. Only motivation can save an organization from such wastage. Motivated people work for a longer time in the organization and there is a decline in the rate of turnover.

2.2.3.4 Organizational image

Employees are the mirrors of any organization. Managers must lay down high performance standards coupled with rewards. Training and development programmes should be regularly organized and employee skill improved. This will have a positive impact on the employee and the image of the organization will be improved. High organizational image will contribute towards brand image of the product and services the organization is making.

2.2.4 Motivational Theories

In review of literature one might find different scholars that tried to address the question: “what motivates an employee?”. There are many theories of motivation that employers can use to improve their understanding of why people behave as they do. As various psychologists explained in their theory, we might get various motivational factors that direct an individual to action but none provides a universally accepted explanation of human behavior. Most of these

theories can be divided into four broad categories. Need based, cognitive process, behavioral, and job-based. The researcher tries to discuss some of the theories as follows.

2.2.4.1 Maslow's Hierarchy of Needs

The psychologist Abraham Maslow developed a theory that suggests we, humans, are motivated to satisfy five basic needs. These needs are arranged in a hierarchy. Maslow suggests that we seek first to satisfy the lowest level of needs. Once this is done, we seek to satisfy each higher level of need until we have satisfied all five needs. The five needs Maslow explains in his pyramid as follows.

❖ Physiological Needs

These needs concern the needs of human body and are basic to the preservation of human life. These are primarily satisfied through economically induced behavior and have finite limits. After reasonable gratification they cease to be that demanding. That is why they are motivational only till they remain unsatisfied. This category consists of the very basic needs of survival, such as food, water, and sex.

❖ Safety needs

When physiological needs are adequately met, the next higher level assumes importance. Safety needs include protection from physical harm, ill health, economic disaster, and the unexpected. In relation to this employee need stable physical and emotional environment issues such as benefits, pension and safe work environment.

❖ Social Needs

These needs are related to social nature of people and their need for companionship. Here, the hierarchy departs from the physical or quasi-physical needs of the two previous levels. This includes social acceptance issues such as friendship or cooperation on the job. Non-satisfaction of this level may affect the mental health of the individual.

❖ Esteem Needs

The need for both awareness of importance to others (self-esteem) and actual esteem from others is included. This includes positive self-image and respect and recognition issues such as job titles, nice work spaces, and prestigious job assignments. Satisfaction of these needs lead to feeling of self-confidence and prestige.

❖ **Self- Actualization Needs**

Maslow defines these needs as the “desire to become more and more what one is to become everything one is capable of becoming. This means that the individual will realize fully the potentialities of talents and capabilities. Now the employee reaches in recognizing achievement issues such as workplace autonomy, challenging work, and subject matter expert status on the job.

The basic idea of Maslow’s Hierarchy of Needs is that our needs are constantly changing. As one need is met, we desire other needs. This is what Maslow’s theory of motivation emphasis. Employee needs change with time. This means that managers must continually adapt to employees’ changing needs if they want to keep their workforce motivated.

2.2.4.2 Herzberg Theory of Motivation

In the late 1950s, Frederick Herzberg considered by many to be a pioneer in motivation theory, He developed a theory that differentiated between factors that satisfied employees, and factors that dissatisfied employees. In his theory the opposite of 'satisfaction' is not 'dissatisfaction' but rather 'no satisfaction'. Likewise, the opposite of 'dissatisfaction' is 'no dissatisfaction'.

Frederick Herzberg published his theory in 1959 in a book entitled “motivation to work”. While developing a theory he interviewed a group of employees to find out what made them satisfied and dissatisfied on the job. In his findings Herzberg split his factors of motivation into two categories called Hygiene factors and Motivation factors.

Hygiene factors include company policies, supervision, salary, interpersonal relations and working conditions. They are issues related to the employee’s environment (context) (Nwachukwu, 1988). Motivators, on the other hand, create satisfaction by fulfilling individuals’ needs for personal growth. They are issues such as achievement, recognition, work itself, responsibility and advancement (content). Once hygiene areas are addressed, said Herzberg,

motivators will promote job satisfaction and encourage production. Although hygiene issues are not the source of satisfaction, these issues must be dealt with first to create an environment in which employee's satisfaction and motivation are even possible.

On the basis of this factors Herzberg reached the conclusion that people feel motivated if the job is interesting and challenging, if the possibilities of growth exists in it, if they are able to procure a sense of achievement out of it, or if they get to exercise responsibility and authority to use their discretion and advance in the profession and receive recognition for the task they do. This are embedded in the job itself. Thus, Herzberg suggests job enrichment instead of enlargement as a strategy of inducing motivation.

2.2.4.3 Expectancy Theory

Vroom (1964) defined motivation as a process, controlled by the individual that governed choices among alternative forms of voluntary activities. A framework that says a person will decide to behave or act in a certain way because they are motivated to select a specific behavior over other behaviors due to what they expect the result of that selected behavior will be.

It assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and to minimize pain. Vroom realized that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities. He stated that effort, performance and motivation are linked in a person's motivation. He uses the variables Expectancy, Instrumentality and Valence to account for this.

Expectancy is the belief that increased effort will lead to increased performance.

Instrumentality is the belief that if you perform well that a valued outcome will be received. The degree to which the first level of outcome will lead to the second one accordingly.

Valence is the importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. For example, if someone is mainly motivated by money, he or she might not value offers of additional time off. Thus, Vroom's expectancy theory of motivation is not about self-interest in rewards but about the

associations people make towards expected outcomes and the contribution they feel they can make towards those outcomes.

2.2.4.4 Incentive theory

Workers who are motivated to help reach the goal of the employer and do so should be recognized with an incentive/reward. When considering what type of incentives to use there are two types to be aware of, extrinsic and intrinsic. Extrinsic rewards are external rewards that occur apart from work, such as money and other material things. On the other hand, intrinsic rewards are internal rewards that a person feels when performing a job, so that there is a direct and immediate connection between work and reward.

Incentives are usually defined as tangible rewards that are given to those who perform at a given level. Such rewards may be available to workers, supervisors, or top managers. Whether the incentive is linked directly to such items as safety, quality or absenteeism, the reward follows successful performance (MaKenzie and Lee, 1998).

Every organization is concerned with what should be done to achieve sustained high levels of performance through its workforce. This means giving close attention to how individuals can best be motivated through means such as incentives, rewards, leadership etc. and the organization context within which they carry out the work (Armstrong, 2006).

2.2.4.5 Reinforcement Theories

This theory is based on the contention that proper work environment and praise for the desired type of performances can motivate employees. It means that rewarding employees for a particular behavior can induce desired behavior. Skinner has called these rewards positive reinforces. Similarly, they do not repeat responses that lead to negative consequences. The significant implication of this policy is that the 'environment' should be conveniently doctored to continuously and consistently provide stimulus for desired behavior.

2.2.4.6 Alderfer's ERG Theory

The ERG theory is a theory of motivation based on human needs. The ERG theory hypothesizes that individual motivation in organization can be understood in terms of E-existence needs (refers to material needs, necessities for basic survival and environmental factors such as food,

water, fringe benefits and working conditions and can be related to Maslow's psychological need),

R-relatedness (refer to significant relationship in which the individual is involved and is related to Maslow's) Social needs and G-growth needs (refers to need of certain individuals to be creative and productive while desiring opportunities for personal development and achievement and is related with Maslow's self-actualization need).

2.2.4.7 McClelland's Need Theory

McClelland's group of Harvard after World War II in a research identified three types of basic motivating needs. They classified them as need for power (n/PWR), need for affiliation (n/AFF) and need for achievement (n/AFF). All three drives viz. the need for power, affiliation and achievement are of particular relevance to management. The need for achievement is of paramount importance. People with a strong preference for power, wish to exercise influence and control. Such people seek to assert their dominance over people and make good teachers and demagogues. People with a high need for affiliation wish to be in pleasant social relationships and enjoy the bonhomie of people around.

Managers who rate high on achievement motivation tend to advance faster than those who do not as managing requires characteristics besides the achievement drive. Every company should probably have managers who in addition to possessing a fairly strong achievement motivation have a high need for working with people and for coordinating the efforts of individuals working in groups. McClelland was convinced that achievement motivation could be induced in people.

2.2.5 Factors for Employee Motivation

As explained above different researcher identified various factors affecting employees' motivation in a work place. Among them, the following are the major ones that are relevant to my research.

Recognition: - manager should recognize and praise employees for what they have done. Performance appraisal provides employees with recognition for their work efforts. The power of

social recognition as an incentive has been long noted. In fact, there is evidence that human beings will even prefer negative recognition in preference to no recognition at all.

If nothing else, the existence of an appraisal program indicates to an employee that the organization is genuinely interested in their individual performance and development. This alone can have a positive influence on the individual's sense of worth, commitment and belonging.

Mahazril et al. (2012) concluded that rewards and recognition and communication may motivate them to work. Recognition enhances the level of productivity and performance at job whether it is a first time performance or a repeated action at the job in a progressive way and ultimately reinforces the behavior of employee.

Interesting work: - As per Herzberg theory of motivation the content of the job is one the motivating factor. This factor can be sited in relation to goal setting theory that advocates setting challenging but achievable goals. Provide an employee with a challenging task, opportunities for development, prestige and a place that they can feel proud to work at.

Career advancement Opportunities (promotion):- one of the purposes of performance appraisal is to use the outcome for administrative purpose. Promotion or advancement, which has to be awarded based on merit, build strong level of motivation (Oosthuizen, 2001).

Koch and Nafziger (2012) specified that promotions are desirable for most employees, only because they work harder to compensate for their “incompetence.” As a result, promotion at regular interval of time has an optimistic approach behind and they are generally given to satisfy the psychological requirements of employees in the organization.

Good wages and benefits:- organization need to determine compensation strategies including benefits, bonus, profit sharing, medical scheme etc and need to be communicated to employees. Beretti et al. (2013) discussed that monetary incentives used to build a positive environment and maintain a job interest, which is consistent among the employee and offer a spur or zeal in the employees for better performance. For reason, monetary incentive motivate employees and enhance commitment in work performance, and psychologically satisfy a person and leads to job

satisfaction, and shape the behavior or outlook of subordinate toward work in the organization.

Good working condition:-interaction with peers and supervisors, office layout and flexible working hours. In (2012), Jung and Kim stated that good work environment and good work conditions can increase employee job satisfaction and an employee organizational commitment. So the employees will try to give their best which can increase the employee work performance. Employees having poor working conditions will only provoke negative performance, since their jobs are mentally and physically demanding, they need good working conditions.

Job Security: - as far as the employees delivered what is expected of them, continuity of the job can be secured and employees feels motivated to perform as job description.

As per Yamamoto (2013) if an employee perceives they will be getting rewards for good work and their job is a secured one, the performance will automatically be better. Similarly, Zhang and Wu (2004) indicated that with Job security, an employee gets confident with the future career and they put their most efforts to achieve the objectives of the organization. So we can say job satisfaction is the most influential tool of motivation and put the employee very far off from mental tension and he gives his best to the organization, ultimately it leads to profit maximization.

Loyalty_ fair and equal treatments on performance appraisal process from management aspect affect their motivation level.

2.2.6 Performance Appraisal and Employees Motivation

In a complex and dynamic environment, leader of the organization used to create the environment in which employee feel trusted and are empowered to take decisions in the organization which leads to enhance motivation level of employee and ultimately organizational performance are enhanced. Many a research have been carried out in past on performance appraisal and motivation. They viewed performance appraisal from different perspectives and arrived at different results.

A study conducted on the impact of performance appraisal on employee motivation from The

Islamia University of Bahawalpur, Punjab, Pakistan reveals that there is significant relationship between the two variables. Jabeen (2011) in his study tries to examine motivation level of employees from remuneration, training and responsibility perspectives. He concludes that Performance Appraisal has a collision on employee's motivation with respect to remuneration, training and responsibility. This study can also supported by Aguinis et al. (2013) stated that monetary rewards can be a very powerful determinant of employee motivation and achievement which, in turn, can advance to important returns in terms of firm-level performance. A study done by Muhammad Faseeh ullah khan (2013) also support the above studies in that 85% of the employees in an organization are motivated by performance appraisal and a good deal of respondents felt that appraisal is likely to be more successful when it is linked with financial and semi-financial incentives like promotion, bonus, increments..

Rashmi Rathi and Mrs. Sarita Goyal (2015) from India tried to figure out the relationship between these two variables whereby factors that are driven by a Performance Appraisal that influences an employee's motivation were considered. I.e. Salary, incentives, promotion, carrier development and change in job profile. The result has shown that performance appraisal does have an impact on employee motivation.

A study was conducted on employee reactions of performance appraisal in scenario of telecom sector of Pakistan by Muhammad Shaukat Malik and Surayya Aslam. The findings revealed that there was significant influence of employee's reactions towards performance appraisal on employee motivation. Another study conducted in Simbhaoli Sugar Limited where Z-test was used to understand the impact of Performance Appraisal System (PAS) on employee motivation and it was revealed that PAS has a significant impact on employees' motivation at Simbhaoli Sugar Limited.

A research done by Kamphorst and Swank revealed that a positive appraisal motivates an employee more than a negative appraisal. Employee perceived reactions including perceived satisfaction, perceived acceptability, perceived utility, perceived fairness and perceived accuracy of performance appraisal are significantly important to determine the employee work motivation. Another finding by R Vignaswaran conducted in Peninsular Malaysia concluded that performance appraisal satisfaction may enhance employees work performance and effective commitment thus reducing turnover intention. The findings also highlighted that employees must experience positive appraisal reactions in order for performance appraisal to positively influence

employee attitudes and behavior.

On the contrary another study made by Arvinder Kour(2014) focuses on establishing relationship between Performance Appraisal and Motivation and the study has covered the Employees of Cooperative bank of Nagpur City. Quantitative approach was adopted and result Were analyzed using Regression and correlation analysis. It is noted that relationship of Performance Appraisal and work motivation is not significant as R Square is 0.02646 only and P value is more than 0.05 so that there is insignificant relationship between Motivation and Performance Appraisal.

Unlike the above studies, this research focuses on the impact of performance appraisal on employee motivation with respect to its effectiveness. As various theories support us performance appraisal is effective if it has quality performance criteria, adequate feedback, objectivity of the appraisal process, participation in objective setting and if goals are pre-set.

2.2.7 Conceptual Framework

Performance evaluation should be conducted based on certain performance benchmarks to which performance result should be compared (Alkalaldehy, 2007). Al Kahrki(2001) indicate the major five factor influencing the effectiveness of performance evaluation system which positively affects employees motivation. These are employee have to know their job well and they need to have specific job descriptions, objectives have to set that and cascaded down from corporate goals, employees should be given the chance to assess their own performance, performance measurement should be free from bias and feedback must be effective.

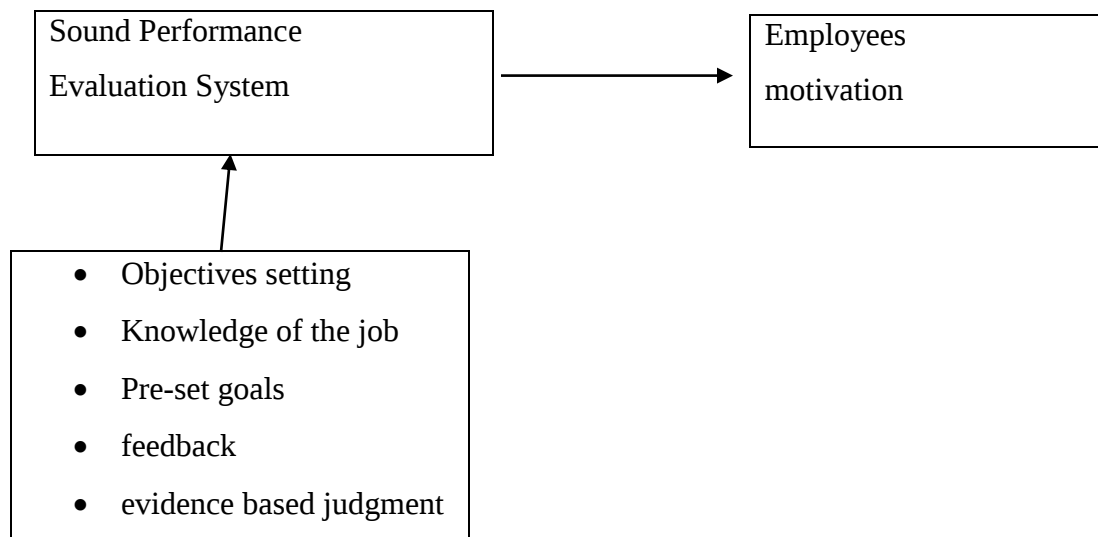
Taylor, M. S., Tracy, K. B., Renard, M. K., Harrison, J. K., & Carroll, S. J. (1995) also describe the factors that contribute to have sound performance evaluation system. Notice should be given to employees what criteria will be used during the appraisal. Unfortunately, in many companies the first time employee see the appraisal form may be when they are being evaluated. Therefore they may be rated low on something they didn't understand was part of their performance.

The next factor explained by Taylor was objectivity. Judgment based on evidence involves documenting performance problem and using factual evidence as opposed to personal opinions when rating performance.

Based on the above facts, the researcher assumed that the evaluation process is effective and sound under the following situations. Employees have to know their job well and they need to have specific job description; objective should be set first and cascaded from the corporate goal

and will be used as a basis for evaluation and adequate notice should be given on criteria that will be used in the appraisal process; Manager should have to keep track of performance record and judgment should be based on evidence: performance feedback should be given on time and there should be fair hearing from the employer side.

Figure 2.2 Conceptual Frame work



Source: Researcher's own design adopted based on Al Kahrki(2001) & Taylor,1995)

Figure 3.1 indicates the major five factors contributing to have sound performance evaluation system which positively affect employees' motivation. In other word the study assumed that the evaluation process is effective under the following five situations: employees have to be involved in a joint and participative way to set smart objectives, employees should have to know their job well and be clear of the criteria used in the evaluation process, there should be clear pre-set goal that are cascaded from organizational and departmental goals that will be used as a basis for evaluation, continues and timely feedback should be given to employees to improve performance and managers have to keep track of performance records and performance measurement should be free from bias.

Chapter Three

Research Design and methodology

This section describes the overall research design the researcher follows. Specifically measuring

instrument that has been used, type of research utilized, the procedure follows in data collection, the sample of the study and statistical technique that has been used in data analysis.

3.1 Research Design

This research is conducted using survey research method. Explanatory research method has been employed as it seeks to describe and explain the relation between the two variables

3.2 Research Approach

This study deploys quantitative research method because it is appropriate to look at relationship between variables; it can establish cause and effect in highly controlled circumstances and are more reliable and objective. k.popper (1959)

3.3 Population

The population size for the study has been limited to HO and branches located in Addis Ababa. There are 1936 employees found in Addis Ababa region of which 243 are managerial, 1140 clerical and 553 are non clerical. The main reason for choosing branches located in Addis Ababa is that majority of the bank branches (60%) are found in Addis Ababa city and Due to time constraint and the expectation of high response rate, sampling frame is limited to city branches. Since the bank uses same evaluation criteria for all based on their category, data collected from employees in Addis Ababa fairly represent all staff members with in their category.

3.4 Sample size

The sample size needs to be determined technically in order to get appropriate representatives. Since the standard deviation of the population is unknown, the study uses the formula:

$$n = \frac{N}{1 + Ne^2}$$
 as proposed by yemane (1997) (as cited in Israel 2003).

Where:

n= sample size

N= population size

E= margin of error or maximum tolerable error.

Accordingly the sample size for the study is 331.

3.5 Sampling Technique

This research is an empirical study of performance appraisal and employee motivation for the case of united bank S.C. As an assessment made by the researcher, the bank has been using three types of performance evaluation form designed for clerical, non clerical and management group. In order to provide equal chance for heterogeneous group proportionately allocate between clerical, non-clerical and management employees, 331 questionnaires have been distributed to staff members in head office in nineteen branches (i.e. selected randomly) including HO using stratified random sampling. 195, 95 and 41 questionnaires are distributed and 271 questionnaires are collected.

Table 3.1 Population Vs Sample size

Category	Population	Sample size
CLERICAL	1140	195
NON-CLERICAL	553	95
MANAGEMENT	243	41
TOTAL	1936	331

3.6 Data Source and Collection Technique

To achieve its objective, the researcher design to collect information both from primary and secondary sources of data. Data gathered for review of related literature and company profile are

secondary data obtained from books, articles, magazines and from the company website. This method was used basically to collect data that was assumed to show what performance appraisal is and its purpose. Moreover different motivational theory from different psychologist point of view is gathered from secondary source. The use of such secondary research method also assists the researcher to clarify the research questions that need to be addressed in the study.

Primary source of data also be used to gather information about the impact of performance evaluation on employee motivation and the existing evaluation method exercised so far is obtained through questionnaire. In questionnaire general questions are about gender, age, service years, job classification, marital status, and education level .the researcher have used Likert scale of fifth continuum from 1 to 5. 1= strongly agree, 2=agree, 3= uncertain, 4=disagree and 5= strongly disagree. Questionnaire are used with the assumption that it gives freedom to the respondent to express their views in their own terms and also give reliable and firsthand data to the research.

3.7 Reliability

It refers to the repeatability of the findings and truthiness' of the measuring instrument that is used to conduct the study. In order to insure its reliability questionnaires are distributed and tested in sample base and try to ensure consistency with in the test instrument. Reliability assessment for the variables was done using Cronbach alpha coefficient and the result shows a threshold of 0.856 and 0.896 for performance evaluation and motivation respectively. As per Hayward (2005), Cronbach alpha coefficient of 0.7 and above is acceptable.

3.8 Validity

It refers to the credibility and believability of the research. The instrument used in this study i.e. questionnaire which is the major source of data has been drafted from different literature in line with construct of dependent and independent variable and was commented and endorsed by my advisor.

3.9 Ethical Consideration

Before commencing any activities, Consent and endorsement of United Bank employees and

management has been received. The purpose of the research and their secrecy has been guaranteed. The data collected from the respondent kept confidential and used only for the purpose of the study.

3.10 Method of Data Analysis

Both descriptive statistics and inferential statistic have been used to analyze the data. Descriptive statistics including mean and standard deviation have been used to examine the data among clerical, non clerical and managerial group. Besides one of the inferential statistics tool, correlation coefficient was used to test the relationship and significance of difference among the variables. Among the construct of performance evaluation system, the factor that best explains employee motivation has been discovered through simple linear regression.

Chapter Four

Data analysis, Discussion and interpretation

In this chapter, findings of the study are presented, analyzed and discussed. The first part discusses about demographic characteristics of the respondent. Though there are many demographic characteristics, job classification, gender, age, marital status, academic qualification and tenure are considered for the purpose of this study. The next topics presented based on the sequence of the objectives for which the study was conducted. Based on the data obtained from respondent descriptive and inferential statistical analysis is done.

4.1 Response Rate of respondents

As we can see from table 4.1, from 331 questionnaires 271 (82%) employees have responded the questionnaire. When we see their share contribution 60%, 27.7% and 12% respondents are from clerical, non-clerical and management group respectively.

Table 4.1 Respondents per branch and job classifications

	Category	Questionnaires Distributed (A)	Questionnaires Collected (B)	Percentage (B/A)
IBD	Management	2	1	50%
	Clerical	15	12	80%
	Non-Clerical	2	2	100%
Control	Management	3	2	66%
	Clerical	18	13	72%
	Non-Clerical	2	2	100%
Finance	Management	5	2	40%
	Clerical	25	19	76%
	Non-Clerical	10	10	100%
G.Service	Management	2	1	50%
	Clerical	0	0	
	Non-Clerical	30	20	66%
HO	Management	2	2	100%
	Clerical	0		
	Non-Clerical	22	12	54%
BOLE	Management	2	1	50%
	Clerical	8	5	62%
	Non-Clerical	2	2	100%
IT	Management	2	2	100%
	Clerical	25	23	92%
	Non-Clerical			
Welo Sefer	Management	2	1	50%
	Clerical	13	10	76%
	Non-Clerical	2	2	100%
Taitu	Management	2	2	100%
	Clerical	13	13	100%
	Non-Clerical	2	2	100%
Lebu	Management	2	2	100%
	Clerical	8	8	100%
	Non-Clerical	5	5	100%
Old Airport	Management	2	2	100%
	Clerical	9	9	100%
	Non-Clerical	2	2	100%
Kotebe	Management	2	2	100%
	Clerical	9	9	100%
	Non-Clerical	2	2	100%
Stadium	Management	2	2	100%
	Clerical	8	5	62%
	Non-Clerical	2	2	100%
Bethel	Management	2	2	100%
	Clerical	7	7	100%
	Non-Clerical	2	2	100%
Gofa Mazoriya	Management	2	2	100%
	Clerical	9	7	77%
	Non-Clerical	2	2	100%
F.Legasion	Management	2	2	100%
	Clerical	7	5	71%
	Non-Clerical	2	2	100%
Ras Desta	Management	2	2	100%
	Clerical	8	6	75%
	Non-Clerical	2	2	100%
Bambis	Management	1	1	100%
	Clerical	8	8	100%
	Non-Clerical	2	2	100%
Enderase	Management	2	2	100%
	Clerical	5	4	80%
	Non-Clerical	2	2	100%
Total	Management	41	33	80%
	clerical	195	163	84%
	Non-clerical	95	75	79%

When we compare it from our sample size, the highest response rate goes to clerical employees and the lowest response rate was registered for non clerical employees. This is mainly due to majority of non-clerical employees are found in head office and working in a shift moreover because of the nature of their job, they will not have a definite place. In fact some of them believes that it is useless to express their feeling and are reluctant to fill the questionnaire.

4.2 Background of respondents.

Some characteristics of the respondents are considered and compositions of the sample size with respect to these characteristics' are presented below.

Table 4.2 **Demographic variables**

	Descriptions	Frequency	Percent
Gender	FEMALE	112	41.3
	Male	159	58.7
AGE	Under 24	16	5.9
	24.1-34	149	55.0
	34.1-44	94	34.7
	44.1-54	7	2.6
	Above 54	5	1.8
Qualifications	HIGH SCHOOL	43	15.9
	DIPLOMA	60	22.1
	DEGREE	137	50.6
	MASTERS	31	11.4
Service	LESSTHAN 3 YEARS	53	19.6
	3.1-6	88	32.5
	6.1-10	88	32.5
	10.1-15	29	10.7
	ABOVE 15	13	4.8
Marital Status	SINGLE	135	49.8
	MARRIED	132	48.7
	DIVORCED	4	1.5

Source: SPSS Output, V20

As we can see from table 4.3 above the gender proportion of male is 58% were as the female proportion is 41%.

It also indicates that the majority i.e. 61% of the respondents' ages falls under 34 years of age. This age group is known to be productive, vibrant and change agent.

Regarding academic qualification 51% of the respondents are degree holders whereas masters' degree holders are few in numbers (11%). None of them have doctorate degree or PHD.

When we look at the table, equal portion of the respondent are married i.e. 48% and 49% are single.

When we see the respondent year of service 19.6%, 32.5%, 32.5%, 10.7% and 4.8% stay in the bank for less than 3 years, 3.1-6 years, 6.1-10 years, 10.1-15 years and above 15 years respectively. From this we can clearly see that employees who serve the bank for a maximum of six years are 52%.

4.3 Analyzing the perception of Employees towards performance Appraisal

Descriptive statistics in the form of arithmetic mean and standard deviation were computed and presented below.

Five performance appraisal variables (criteria, feedback, objective setting, preset goal and evidence based judgment) that contribute to its effectiveness and factors for employees' motivation (recognition, interesting work, promotion, benefit, working condition, job security and loyalty) are analyzed using their mean and standard deviations.

From the table 4.4 below we can clearly see that the mean value of interesting work (3.8) and job security (3.85) have a prominent score as compare to others. This insures that majority of respondent have showed their consensus towards intrinsic issues related with security of the job and availability of interesting work as a major factor that describes their motivation. We can also infer that majority of the employees are interested in their job and feels that their job will continue as far as they deliver that is expected from them.

Employees feeling towards the existing salary and benefit in relation to their work are fair and satisfactory as it score mean and standard deviation value of 3.68 and 1.11.

It is also noted that employees of united bank S.C are relatively motivated with the provision of

clear and specific job description as it shows mean and standard deviation of 3.70 & 0.77 respectively. Majority of them beliefs that the performance appraisal criteria's' are realistic, relevance to the job and clear. Knowledge of their day to day activities gives them the chance to positively contribute towards achievement of organizational expectations.

Table 4.3 Descriptive statistics of performance appraisal and motivation

Variables	Mean	Std. Deviation
Performance Evaluation		
PERFORMANCE CRITERIA	3.7023	.88469
FEEDBACK	2.3948	.65821
OBJECTIVE SETTING	2.3247	.75259
PRE-SET GOALS	3.3985	1.09029
EVIDENCE BASED JUDGMENT	3.2251	1.07715
EMPLOYEES MOTIVATION		
RECOGNITION	3.5904	.90172
INTERESTING WORK	3.8007	1.09416
PROMOTION	2.2435	.56741
BENFIT	3.6827	1.11672
WORKING CONDITION	2.2085	.71355
JOB SECURITY	3.8561	.88063
LOYALITY	3.2399	1.18542

Source: SPSS Output, V20

On contrary there is lack of continues feedback and guidance that should be provided by supervisor in carrying out the job as it score mean value of 2.3948 i.e. below the average. In addition performance management system doesn't incorporate employee participation in objective setting as it shows below average mean value of 2.3247. Participation of employee in objective setting creates the environment in which an individual will be measured according to

his or her own performance and output, with set standards for evaluation as a participative process.

Almost majority of united bank employees agree on the availability of clear goal that will be used in performance evaluation process as it score average value of 3.39.

Majority of the employees agrees that bonus payments are based on performance result. The association of performance with the employee benefits is considered to be the major motivational factor as it scores mean and standard deviation of 3.59, 0.90. The criteria for promotion are less acceptable and are not practiced in a fair and transparent manner as the mean and standard deviation accounts for 2.2435 and 0.5674 respectively. On other hand employees are treated equally in performance appraisal process as the mean value shows 3.23. As to working condition, majority of employees agrees that the bank's office layout is not conducive as it shows below average mean value of 2.20.

4.4 Analyzing the relationship between Performance Appraisal and Employee Motivation

Correlation coefficient measures the strength and direction of the linear relationship between two variables i.e. the dependent variables (motivation) and the independent variable (employees performance appraisal system) but doesn't indicate that the cause of independent variables on dependent variable. Pearson's product moment correlation coefficient was computed and summarized in the following table.

Table 4.4 Correlation result of study variables

Performance Evaluation system		MOTIVATION
CRITERIA	Pearson Correlation	.561**
	Sig. (2-tailed)	.000
	N	271
FEEDBACK	Pearson Correlation	.157**
	Sig. (2-tailed)	.010
	N	271
OBJECTIVE	Pearson Correlation	.296**
	Sig. (2-tailed)	.000

	N	271
GOALS	Pearson Correlation	.513**
	Sig. (2-tailed)	.000
	N	271
EVIDENCE	Pearson Correlation	.567**
	Sig. (2-tailed)	.000
	N	271

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

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

Source: SPSS Output, V20

Ho1: Absence of quality performance criteria doesn't have motivational effect on employees.

The result in the above table shows that provision of quality performance criteria and employee motivation have a statistically significant linear relationship ($P < 0.01$). The direction of relationship is positive (quality performance criteria and motivation are positively related), meaning that these variables tend to increase together (i.e. greater the provision of quality performance criteria is associated with high in motivation). The magnitude or strength of the association is strong as $r > .5$. Thus the null hypothesis is rejected.

Ho2: continues feedback have no relationship with employees motivation

As depicted in the above table feedback has positive significant relation with motivation as $p < 0.01$ hence employees motivation will increase through provision of timely and continues feedback. Therefore the null hypothesis is rejected.

Ho3: participation in objective setting has no effect on employee's motivation.

A statistical significance and positive relationship was also observed between participation in objective setting and employees motivation ($r = .296$, $p < 0.01$). Therefore employee involvement in objective setting will enhance their motivation. The null hypothesis is rejected.

Ho4: there is no association between availability of pre-set goals with employee's motivation.

The result in the above table shows that pre-set goals and employee motivation have a statistically significant linear relationship ($P < 0.01$). The direction of relationship is positive (pre-determined goals and employee's motivation are positively related). The magnitude or strength of the association is strong as $r > .5$. Thus the null hypothesis is rejected.

Ho5: objectivity of performance evaluation system has no effect on employee's motivation.

A statistical significance and positive relationship was also observed between objective performance evaluation system and employee motivation ($r = .567$, $p < 0.01$). Thus the null hypothesis is rejected.

4.5 Analyzing the effect of performance Appraisal on Employee Motivation

Regression analysis measures the steepness of linear relationship between two variables. It is the process of looking for predictors and determining how well they predict. Based on the results obtained indicating a direct positive relationship between performance evaluation system and motivation, all five dimensions were assessed using linear simple regression analysis to ascertain the extent to which they explain the dependent variables i.e. employees' motivation and the result shows as below.

Table 4.5 Dependent variable (motivation) Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 ^a	.465	.455	.42518

a. Predictors: (Constant), OBJECTIVE, FEEDBACK, CRITERIA, EVIDENCE, GOALS

In the model summary table above, R^2 of .465 indicates that 46.5 % of variation in motivation is explained by the variation in the independent variables. This percentage is good enough in determining the goodness of fit for the model (regression equation). After taking into account the number of predictor variables in the model, adjusted R^2 yielded 42.5 % variation which is moderately significant in this analysis

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.655	5	8.331	46.085	.000 ^b
	Residual	47.906	265	.181		
	Total	89.561	270			

a. Dependent Variable: MOTIVATION

b. Predictors: (Constant), OBJECTIVE, FEEDBACK, CRITERIA, EVIDENCE, GOALS

The ANOVA table shows the assessment of the statistical significance (sig=0.000), in which the F-value is equal to 46.085, and less than or equal to 0.05. Therefore the independent variables do a good job explaining the variation in the dependent variable.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.454	.145		10.060	.000
	CRITERIA	.200	.037	.307	5.340	.000
	FEEDBACK	.008	.040	.009	.200	.841
	GOALS	.075	.031	.142	2.410	.017
	EVIDENCE	.175	.029	.327	6.072	.000
	OBJECTIVE	.086	.036	.112	2.360	.019

a. Dependent Variable: MOTIVATION

Source: SPSS Output, V20

The study wants to know the relative importance of each factor in predicting the dependent variable. The unstandardized (B) coefficients are the coefficients of the estimated regression model. The beta coefficient tells us how strongly the independent variable associated with the dependent variable. It is equal to the correlation coefficient between the two variables. Therefore provision of quality performance criteria is a significant predictor of employee motivation (Beta=0.200, t 5.34, p<0.01).

Chapter Five

Major Findings, Conclusion and Recommendation

In the first part of this chapter, summary and conclusions drawn from major findings of the study are presented followed by recommendations that the researcher forwarded to increase employee motivation through effective employee evaluation system. Finally, the identified area for further research is presented.

5.1 Summary of major Findings

After assessing the relationship between performance evaluation system and employee's motivation and testing the impact of independent variables including quality of performance evaluation criteria, timely feedback, participation in objective setting, availability of pre-set goals and objectivity of performance management system on employee's motivation which is explained with recognition, interesting work, career advancement, wage and benefit, working condition, job security and loyalty, the following findings were achieved.

- 82% employees have responded the questionnaire. When we see their share 60%, 27.7% and 12% respondents are from clerical, non-clerical and management group.
- Mean value of interesting work (3.8) and job security (3.85) have a prominent score as compare to others. This insures that majority of respondent have showed their consensus towards intrinsic issues related with security of the job and availability of interesting work as a major factor that describes their motivation. Employees feeling towards the existing salary and benefit, provision of clear and specific job description, realistic performance criteria and association of performance with the employee benefits have score mean value of 3.68, 3.39, 3.70 and 3.59 respectively. On contrary there is lack of continues feedback and guidance that should be provided by supervisor in carrying out the job as it score mean value of 2.3948 i.e. below the average. In addition performance management system of united bank doesn't incorporate employee participation in objective setting as it shows below average mean value of 2.3247. The criteria for

promotion are less acceptable and are not practiced in a fair and transparent manner as the mean and standard deviation accounts for 2.2435 and 0.5674 respectively. As to working condition, majority of employees agrees that the bank's office layout is not conducive as it shows below average mean value of 2.20

- Correlation coefficient was computed to determine the relationship between performance evaluation system and motivation. Quality of performance evaluation criteria ($r=.561$, $p<0.01$), feedback ($r=.157$, $p<0.01$), participating in objective setting ($r=.296$, $p<0.01$) availability of pre-set goal ($r=.513$, $p<0.01$) and Evidence ($r=.567$, $p<0.01$). All variables show positive and strong relationship with employees' motivation.
- All five dimensions were assessed using linear simple regression analysis to ascertain the extent to which they explain the dependent variable i.e employee motivation. The result shows that 46.5 % of variation in motivation is explained by the variation in the independent variables. This is evidenced by the value of $R=0.682$ $F=46.085$ at $P< 0.05$. This percentage is good enough in determining the goodness of fit for the model (regression equation). Provision of quality performance criteria is a significant predictor of employee motivation ($Beta=0.200$, $t\ 5.34$, $p<0.01$).

5.2 Conclusions

Performance appraisal has become a fundamental tool used for enhancing employee motivation in the workplace. The study pointed that if performance appraisal system is well designed and implemented; it will increase their motivation and forward them for the change thereby lead to competitive positioning. Majority of them beliefs that the performance appraisal criteria's are realistic, relevance to the job and clear. Knowledge of their day to day activities gives them the chance to positively contribute towards achievement of organizational expectations.

Large number of respondent agrees that their bonus payment depends on their performance and it

is the source of motivational factor but appraisal is conducted by immediate supervisor's only, that could have an impact on the performance appraisal process, as in those cases the supervisor's bias/judgment may cloud the appraisal output. Has the evaluation been crosschecked by peers and other stakeholders, some of the problem could have been minimized.

As indicated in the study the existing performance feedback is ineffective as it lacks continuous and timely follow up. Employees are communicated their performance at the end of the evaluation period. Employees agreed that if they got regular feedbacks about their performance on the jobs, it could secure competitive positioning for the organization. As this will help them to identify their strengths and weaknesses which could invariably produce opportunities or threat to the organization they are working with. Therefore employers should endeavor to practice a consistent good feedback system so as to make the employers have a feeling of involvement in the appraisal system.

As the study shows participation in objective setting has positive correlation with motivation, Employee should be given the chance to participate and share ideas in creating common objectives as it gives the individual feeling of being involved and creates a sense of ownership for employees. MBO also creates the environment in which an individual will be measured according to his or her own performance and output, with set standards for evaluation as a participative process. Besides it requires subordinates to know the organization's purpose, mission long-term goals and strategy. Theoretically, the goal setting theory supported the findings that individual goals set by employees would motivate them to perform better in the organization this is because the employees keep following those set goals and in situations where it seems the goals cannot be actualized, the goals are either modified or made more realistic.

The result has shown that the criteria for promotion are less acceptable and not practiced in a fair and transparent manner. As to working condition, majority of employees agrees that the bank's office layout is not conducive as it shows below average mean value of 2.2085. However majority of them satisfied with the existing salary and benefit in relation to their work as it score mean and standard deviation value of 3.68 and 1.11

The result of correlation has revealed that there holds a positive relationship between

performance evaluation system and employee motivation. Moreover all factors of performance evaluation have significant and strong relationship with motivation. The strength of relationship varies from variable to variable, as indicated in the conceptual framework effective performance evaluation system incorporate quality performance criteria, adequate feedback, participation in objective setting, availability of pre-determined goals and objectivity of performance management system leads to enhanced employees motivation. Based on the result obtained from simple linear regression analysis, employee's motivation is mainly explained by quality of performance criteria and objectivity of the performance management system.

As a conclusion, we can see that majority of the employees are aware of their responsibilities, the bank mission and strategic goals and are satisfied with benefit package they have. Nevertheless performance evaluation system of the bank need to incorporate timely and continues feedback before the final evaluation takes place. Moreover objectives are sanctioned by the top officials and don't involve employees. Hence the management has to keep strengthen its performance management system in order to be competitive in the market.

5.3 Recommendations

Based on the finding and analysis of the study, the following recommendations are forwarded.

- Management need to give attention in designing a system where managers keep track of performance records for employees. Besides two ways communication on how they are performed in terms of expected outcome and desire behavior need to be communicated and discussed before the final evaluation.
- Employee should be given the chance to participate and share ideas in creating common objectives as it gives the individual feeling of being involved and creates a sense of ownership for employees. Thus New appraisal process should be adopted so that both appraiser and the appraise take interest in the appraisal process. Objective setting should not be one sided process rather it has to be conducted in a consultative manner with the involvement of both parties.

- In order to minimize biasness and subjectivity the bank shall consider other performance evaluation technique that can reduce human error. Subjectivity will lead the supervisors to rating error and it reduces the reliability, validity, and utility of performance appraisal systems.
- The management should devise clear and transparent career development program as employees show their dissatisfaction with the existing system.
- Performance appraisal should effectively link to the performance management system of the organization not only financial, non-financial incentive should be linked to the annual appraisal system so that employees would be motivated to perform better.

To summarize performance evaluation has tremendous effect on employee's motivation. Thus all need to acknowledge its importance as it affects organizational growth.

5.4 Future Research Directions

Finally this paper attempt to examine the correlation between performance evaluations, from its effectiveness perspective and employee motivation but there are a number of human resource practices that affects employees' motivation and performance evaluation also can be seen from different perspectives. Hence, the overall human resource practices need be assessed in relation to motivation so as to identify focus areas hence maximize employee's motivation.

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