

**THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE JOB SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES**



**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARDS OF MASTER DEGREE IN HUMAN RESOURCE MANAGEMENT**

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## **Declaration of the study**

I hereby declare that this thesis is the outcome of my own work and the study prepared for the partial fulfillment of Master's degree in HRM for the best of my own effort and knowledge entitled on "The effect of Performance Appraisal on Employee Job Satisfaction" in the case of Ethiopian Airlines. I have done the study independently under the close supervision of my advisor, Wubshet Bekalu (PhD).

Besides, I further confirm that, all the source materials employed for the study have been acknowledged in the references accordingly.

Declared by: Airmias Jemberie

Signature \_\_\_\_\_

Day \_\_\_\_\_

## **Certification**

This is to certify that Airmias Jemberie has carried out this thesis work on the topic entitled “The effect of Performance Appraisal on Employees job satisfaction in the case of Ethiopian Airlines” under my supervision. In my opinion, his work is sufficient to be submitted as a partial fulfillment requirement for the award of Master’s Degree in Human Resource Management.

Name of Advisor: Wubshet Bekalu (PhD)

Signature \_\_\_\_\_

Date \_\_\_\_\_

**ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS,  
SCHOOL OF COMMERCE**

**THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE JOB  
SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES**

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External Examiner                      Signature                      Day

## **Dedication**

First, I am dedicating this thesis to my lovely mother Alemnesh Abebe who was lost her life during my childhood.

Secondly, I also dedicated to my father who always care and pray for me other than his life.

Thirdly, I would like also dedicate this thesis to the God and his holy mother who has protected, guided and sustained my life in making it possible and reach this height on the academic ladder.

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First of all, I would like to forward my deepest gratitude and thanks to the almighty God who made all the things possible by yielding the strength, courage and health during my educational endeavor and his Holy Mother St. Mary, for giving me the strength, wisdom and the ability to start and complete this thesis successfully without the help of whom I could never have been what I am today.

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I am indebted to thank all the respondents of Ethiopian Airlines Group employees who fill the questionnaire appropriately and for their cooperation. Furthermore, I wish to express my heartfelt gratitude to my employer Ethiopian Airlines for making the data available and I also appreciate the assistance offered by my friends.

## **Abstract**

*The objective of the study is to examine the effect of performance appraisal on employee job satisfaction in the case of Ethiopian Airlines and to provide recommendation as how to Ethiopian bring employee job satisfaction by improving its performance appraisal practices. The success of any organization depends on the quality and characteristics of its employees because employees are the soul and blood steam of the organization and without them the organizations cannot achieve their goals and objectives. The researcher employed explanatory research design and quantitative research approach to analyze the effect of PA on job satisfaction. The data required for study is obtained from primary and secondary data sources. A self-administered structured questionnaire was intended to collect the relevant and required data from the respondents. The researcher was used simple random sampling technique for the selection of respondents. A total of 388 questionnaires were distributed to the sampled respondents randomly among the target 350 questionnaires were answered & returned successfully which denoted 90% response rate. To check the reliability Cranach alpha was employed and to check the validity of the instruments pilot test was carried out. The data was analyzed by using SPSS software and it was presented through descriptive and inferential statistics. The findings revealed that there is a strong positive and high degree of correlation between PA and employees job satisfaction. The study found that 56% of variations in job satisfaction is explained by PA components.*

*The findings indicated that majority of the employees are not satisfied with the current performance appraisal practices. Therefore, Ethiopian should develop a good feedback system and done fair PA result of employees based on objective data. Besides, the highest management should appreciate the effectiveness, importance and fairness of performance appraisal to increase the level of employee job satisfaction.*

**Key Words: Performance appraisal, job satisfaction, Feedback and Fairness**

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## Acronyms

- PM: Performance Management
- **Ethiopian: Ethiopian Airlines**
- EPDMS: Employee Performance Diary Management System
- MBO: Management by Objective
- HR: Human Resource
- HRM: Human Resource Management
- PA: Performance Appraisal
- IATA: International Air Transport Association
- **AFRAA: African Airlines Association**
- SMART: Specific, Measurable, Attainable, Realistic & Time bounded
- BSC: Balanced Score Card
- ISC: Individual Score Card
- ANNOVA-Analysis of Variance
- SD: Standard Deviation

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## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

According to studies the evolution of performance appraisal practice is as far back as World War I; WD Scott was credited with the coming up of performance appraisal. Performance Appraisal systems were well well-known by the mid-1950s with behavior based systems being widely used. According to Armstrong (2006) performance appraisal can be defined as the formal assessment and rating of individuals by the managers and supervisors in annual assessment meeting. In the 1970s, appraisal practices became more open to enquiry as a result, a number of legal cases were brought. Traditionally, job interrelated tasks may have been perceived as the key elements in appraisal now tackles a broader set of concerns. Briscoe and Hall (1999) states that employee development is supported by a set of meta competencies including qualities such as accurate self-awareness, feedback looking for, and openness to a range of thoughts and concepts etc. Other factors such as communication and teamwork skills, stress and conflict lessening, handling of emotion and conscientiousness are now often seen as significant concepts to be measured and managed through performance appraisal and management processes. As per the more recent developments, including the reduced hierarchical nature of numerous organizations have led to the increased use of multi source, multi rater feedback approaches.

The successes of any organization depends on the quality and characteristics of its employees because employees are the soul and blood steam of the organizations and without them the organizations cannot achieve their goals and objectives. Performance appraisal is an extensively used formal assessment in many organizations to determine employees' performance in relation to the achievement of organizational goals, and to settle the ways for future improvements.

According to Fakharyan, Jalilvand, and Dini (2012) performance appraisal covers a number of activities like examines employees' attitude, improve their abilities, maintain performance, and allocate rewards. Performance appraisal is used for promotions, pay, and layoffs of employees. Organizations that have a well-developed performance appraisal process can be advantageous for assessment of employee training needs, employee merit, employee salary determination, feedback, and recommendation for employee performance development. The organizations key aims, goals, and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process (Liza, 2012). According to Luthans (1998) effective performance appraisal system makes the employee more satisfied and committed to their jobs. The appraisal is designed to support and improve employee development and eradicate the performance barriers (Dusterhoff, Cunningham & MacGregor, 2014). Job satisfaction is the attitudes and feeling of employees about their work. The purpose of performance appraisal is to improve the contribution of employees into the achievement of organizational objectives. The perception of fairness towards the PA is a critical for achieving employee's satisfaction and PA can be used to improve the level of job satisfaction.

Job satisfaction is the attitudes and feelings people have about their work. Positive and favorable attitude towards the job indicate job satisfaction, Negative and unfavorable attitude indicate dissatisfaction (Armstrong, 2006).

According to Locke (1969&1976) states that job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one 's job or job experience. This implies that, satisfied employees have positive attitude towards the job which leads to high performance level whereas dissatisfied employees have negative attitude towards their work which yields low performance result. Vroom (1964) defines job satisfaction as affective orientation on the part of individuals toward work roles they presently occupy. Job satisfaction can be understood as the way employees feel about their jobs and different aspects of their jobs (Spector, 1997).

## **1.2 BACK GROUND OF THE ORGANIZATION**

Ethiopian Airlines was founded by emperor Haile Selassie I on 21 December 1945 and started its operations on 8 April 1946 then expanding to international flights in 1951. Ethiopian is the flag carrier and wholly owned by the country's government. Ethiopian has been a member of IATA and AFRAA since 1959 & 1968 respectively. Its hub and headquarters are found at Addis Ababa Bole International Airport from where it serves a network of 125 passenger destinations. Ethiopian is a business enterprise committed to the basic objective of providing safe, reliable, and profitable air transport services for the passenger and cargo as well as other aviation related services.

Ethiopian uses the BSC/ISC as a strategic and communication tool to align the vision and strategy of the organization to the overall business activities and to monitor the performance as compared to the set goals (Essays, UK., 2018). The BSC/ISC maps the Airlines' strategic objectives in four perspectives: namely financial, internal processes, customers, and learning and growth; and specific metrics are attached to each perspective. The performance of employees is monitored thru EPDMS. Therefore, the Airline should due attention for the employee job satisfaction by making performance appraisal as effective as possible because if it is not properly handled it affects the job satisfaction level of employees. The following are the vision and mission of Ethiopian Airlines.

### **Vision**

The vision of Ethiopian Airlines is to become the most competitive and leading aviation group in Africa by providing safe, market driven, and customer focused passenger and cargo transport, aviation training, flight catering, MRO and ground services by year 2025.

### **Mission**

The mission of Ethiopian is to become the leading aviation group in Africa by providing safe and reliable passenger and cargo air transport, Aviation Training, Flight Catering, MRO and Ground Services better than its competitors, it also exists to ensure being an airline of choice to its customers and employer of choice to its employees. Besides, it contributes to socio economic development of Ethiopia in particular and the countries to which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity.

### **1.3 STATEMENT OF THE PROBLEM**

According to Armstrong (2009) most organizations throughout the world irrespective of their size whether they are huge or small, public or private, service or manufacturing use PA with varying degrees of success as a tool to accomplish their HRM objectives. Performance appraisal helps the organization success in realizing its strategic purpose and increasing the effective working process through continuous improvement of individuals' performance and process along with focusing on weak improvable points (Divandari, 2008). As previous studies indicate that some organizations experience dissatisfaction with their performance appraisal practices. This dissatisfaction may signal that PA is not fully successful as a mechanism for developing and motivating employees to achieve high levels of performance with high job satisfaction. Based on Walters (1995) there are a lot of PA challenges in the performance appraisal process such as difficulty to determine the assessment criteria in quantifiable or measurable terms, create a rating instrument, lack of competence of evaluators, rating errors, not provided on time feedback.

In Ethiopian Airlines the effectiveness and practice of performance appraisal highly affect the job satisfaction level of employees through the subjective nature of the performance appraisal criteria, shortage of skills and knowledge of some raters, unfairness or bias of raters, and lack of consistency in the provision of on time and regular feedback to the employees about their strength and weakness thru EPDMS in daily, weekly and monthly basis. Therefore, the researcher was inspired to conduct the thesis in this title based on the following justification. Firstly, based on the observations made by the researcher in different web sites and more than three years of experience even if there are a lot of researches that have been done regarding performance appraisal practice but there was no research that was done to assess the effect of performance appraisal on job satisfaction of employees in Ethiopian Airlines. Secondly, the complaints received from employees regarding fairness of performance appraisal practices during the evaluation period in which the way performance appraisal conducted in Ethiopian Airlines is since I am working in HR department. Therefore, this study is prepared to assess the effect of PA practice on employee job satisfaction in the case of Ethiopian Airlines in order to fill the aforementioned gaps.

## **1.4 RESEARCH QUESTIONS**

Based on the stated problem the researcher prepared the following research questions:

- What type of performance appraisal practice is applied in Ethiopian Airlines?
- What is the level of job satisfaction in Ethiopian Airlines?
- What is the effect of performance appraisal on employee job satisfaction?
- Does fairness of PA practice increase employee job satisfaction in Ethiopian?
- Does on time performance feedback provision increase employee job satisfaction in Ethiopian?

## **1.5 OBJECTIVE OF THE STUDY**

### **1.5.1 GENERAL OBJECTIVE**

The major objective of the study is to examine the effect of performance appraisal practices on employees' job satisfaction in the case of Ethiopian Airlines.

### **1.5.2 SPECIFIC OBJECTIVE**

The study incorporated the following specific objectives

- To assess the type of performance appraisal practice in Ethiopian Airlines
- To evaluate the level of job satisfaction in Ethiopian Airlines
- To find out the effect of performance appraisal system on employee job satisfaction
- To investigate whether fairness of PA process increase employee job satisfaction in Ethiopian Airlines
- To analyze whether on time performance feedback provision increase employee job satisfaction in Ethiopian Airlines

## **1.6 SIGNIFICANCE OF THE STUDY**

At the end this study will have the following contribution:

- The study will contribute for Ethiopian Airlines to identify the gaps exist currently and to take corrective actions through reassess the current PA practices based on the findings and recommendations of this study.
- The study will provide empirical facts regarding PA practices to the management how they implemented PA from beginning to the end.
- The study will serve as a source document and a clue for researchers who want to conduct further detail study in such similar topic.
- This study will be vital for HR practitioners who design and manage employees' PA to achieve their organizational objectives and tackle the problems regarding employee's performance appraisal and to increase the job satisfaction level of employees.

## **1.7 SCOPE AND LIMITATION OF THE STUDY**

The study was geographically delimited to assess the effect of performance appraisal on job satisfaction of employees who are currently working in Ethiopian Airlines at Addis Ababa Bole International Airport Head Office who has more than one-year experience.

The major limitation of the study was stated as follows: Firstly, due to limited time and Geographical distance issues stations in foreign countries and regions of Ethiopian could not take into account to undertake such study as a result, it limits the scope of the study and sampling size of the population. Therefore, the researcher wants to advise the future researchers to expand the scope of study by adding stations of Ethiopian Airline in foreign countries and regions of Ethiopian apart from the head office to increase the sample size and to get more information from all respondents. Secondly, the researcher faced significant challenge in data collection methods which was difficult to distribute and collect the primary data from the respondents because some respondents were not willing to fill the questionnaire due to the fear of the epidemic disease.

## **1.8 DEFINITION OF TERMS**

**Performance:** is the behavior or what employees do, not about what employees produce or the outcomes of their work (Aguinis, 2009, P.171).

**Performance Appraisal:** It is a systematic, periodic and so far as human possible, the unbiased assessment of employee's excellence in matters pertaining to his/her potentialities for a better job (Flippo, 1984).

**Performance Appraisal:** is the way in which a superior evaluates and judges the work performance of subordinates (Harter, Schmidt & Hayes, 2012).

**Job satisfaction:** It is the attitudes and feelings of employees about their work. Positive and favorable attitude towards the job indicate job satisfaction, Negative and unfavorable attitude indicate dissatisfaction (Armstrong, 2006).

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

## **1.9 ORGANIZATION OF THE STUDY**

The study was organized through five chapters. The first chapter, Chapter One introduces the background of the study briefly by giving a conceptual link between PA and Job satisfaction of employees, organization of the study, statement of the problem, Research questions, General & specific Research objectives, significance of the study, limitation and scope of the study. Finally, the chapter concluded by providing a definition of terms.

Chapter Two: This chapter presents a review of relevant literature and explains the theoretical concepts of performance appraisal and job satisfaction of employees written by various scholars in the field.

Chapter Three: This chapter highlights and describe the research methodology that was adopted for the study. This chapter mainly includes research design, data sources and data collection methods, Sampling technique, Target population and sample size, method of data analysis, reliability and validity and at the end research ethics were discussed.

Chapter Four: It presents the analysis, discussion, and results drawn from the study.

Chapter Five: This is the last chapter and it summarizes the findings of the study, concludes the result and forwards recommendations based on the findings of the study

Finally, references and questionnaires were attached.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

This section presents the literature review written by different scholars in line with performance appraisals and employee job satisfaction in an organization. Besides, in this chapter theoretical literatures were reviewed and discussed to provide information to the readers about the effect of performance appraisal on employee job satisfaction. Performance appraisal is an extensively used formal assessment in several organizations to determine employees' performance in relation to the achievement of organizational goals, and to settle ways for future improvements. Performance appraisal system embraces the tools, procedures, and guidelines used by trained assessors in assessing employees (Fletcher, 2003). Finally, the chapter presents the conceptual framework of the study by considering the effect of performance appraisal as independent variable and job satisfaction of employees as dependent variable.

#### **2.2 Overview of Performance Appraisal**

Employees performance appraisal has been existed for centuries. For instance, in the 3<sup>rd</sup> century A.D., emperors of Wei Dynasty in China employed an imperial rater to rate the performance of official family members. Further, in year 1648 it was reported that the Dublin (Ireland) evening post evaluated legislators by using a rating scale based upon personal qualities (Hackett, 1928). In the early 1800s, Robert Owen of Scotland hang different colors of wood blocks with each color denoting different grade of behavior in his cotton mill (white for excellent, yellow for good, blue for indifferent and black for bad). Besides, in 1800s the New York City Civil Service in USA introduced a formal appraisal program shortly before World War the first. However, formal appraisal of employee's performance is believed to have been started for the first time during World War I, when at the instance of Walter Dill Scatt, the US Army: adopted the man to man rating system for evaluating military personnel (Oberg, 1972).

According to the proclamation number 262/2002 chapter four of Ethiopian Federal Civil Service states that the purpose performance assessment is to enable employees to effectively discharge their duties in accordance with the expected level quality standard & time, identify their strengths and weaknesses, improve their future performances and develop self-initiative. Performance assessment shall be transparent and carried out with the collective participation of employees. The performance appraisal process is one of the major HR activities in government and private organizations.

### **2.3 Definition of Performance Appraisal**

According to Armstrong (2009), Performance management is a systematic process of improving the organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements. Performance appraisal is the process assessing or evaluating an employee's skills, achievements and growth. Companies use performance appraisals to give employees big picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions. According to Obisi (2011), Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated.

A performance appraisal is a regular review of an employee's job performance and overall contribution to a certain company. Performance appraisal is the systematic evaluation of a particular function based on prescribed performance indicators and highlighting the areas for further development and growth of an individual employee (Armstrong 2009; Stone 2010). According to Gupta, Sharma and Bhala (1988) performance appraisal is the systematic evaluation of the performance of an employee by his or her supervisors. It is a tool for discovering, analyzing, and classifying the differences among workers in relation to job standards. It refers to the formal system of appraisal in which the individual is compared with others and ranked or rated.

Dessler (2005) states that PA is any procedure that involves setting work standards, assessing employee`s actual performance based on the standards set, providing feedback with the aim of motivating, eliminating performance deficits and reinforcing exceptional performance. It is a fundamental activity of the personnel function and management of the HR and has roots in three well substantiated psychological principles: people work, learn and achieve more when they are given adequate feedback as to how they are performing (the feedback being either negative or positive thus reinforcing expected behavior and performance), having clear attainable goals which should be measurable and quantifiable and involvement in the setting of tasks.

Performance appraisal is the formal process normally conducted by means of completing an instrument that identifies and documents a jobholder`s contributions and workplace behaviors. A primary reason for appraising performance is to encourage employees to put forth their best effort so that the organization can reach its mission and goal. Through the appraisal process organizations identifies and recognizes effort and contributions (Henderson, 2006). Formal employee appraisal is a formal organizational process conducted on a systematic basis in order to enable a comparison between the expected individual and group real performance (Giangreco et al, 2012). Performance appraisal of employee implies to how efficiently the worker is performing their job and to know their aptitudes and other qualities necessary for performing their job and to know their aptitudes and other qualities necessary for performing the job assigned to them. The qualities of employee that are appraisal through performance appraisal are ability to do work, spirit of cooperation, managerial ability, self-confidence, inactive, intelligence etc. Performance appraisal regarded as a most significant tool for any concern. The main objective of performance appraisal is to improve the efficiency of a concern by attempting to mobilize the best possible efforts from individuals employed in it (Gupta, Sharma, and Bhala, 1988).

## 2.4 Performance Appraisal Process

Performance appraisal follows certain stages such as, setting performance objectives, measuring results, feedback of results, rewards linked to outcomes and adjustments to objectives and activities. Some writers use performance appraisal as a convenient framework in which to analyze different aspects of strategic HR. Others argue that by distilling out the essential elements of the performance appraisal process the cycle represents a model of how the process should be conducted by organizations wishing to take a rational and strategic approach to managing human resources, (Mabey, et. al., 1999).

Performance appraisal is the process of assessing employees' performance by comparing the present performance with the established standards which have been communicated to the employees, then providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organization.

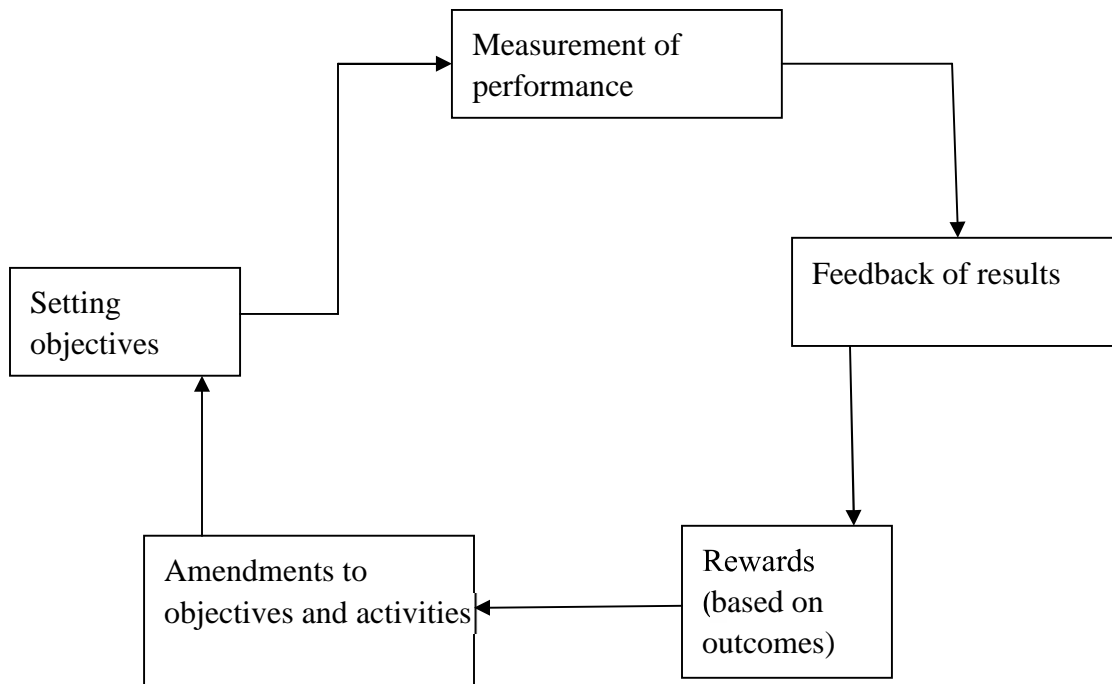


Fig.2.1 Performance Appraisal process

(Source: The book of Christopher Mabey, Graeme Salaman and John Storey, A Strategic HRM (1999,127)

### **2.4.1 Setting performance Objective or Performance Planning**

The performance planning part of the performance appraisal process involves the agreement between the manager and the employee how the employee is expected to perform in terms of results and behaviors. These objectives may have been cascaded down from the strategic objectives of the organization to employee. In addition, success criteria for each area of performance and methods of measuring performance against these objectives will be agreed. (Armstrong, 2009).

### **2.4.2 Measuring the Actual Performance**

The most difficult part of the PA process is measuring the actual performance of employees with the work done by the employees during the specified period of time. PA is a formal, structured system that compares employee performance to established standards. Assessment of job performance is shared with employees being appraised through one of several primary methods of performance appraisals. Elements in performance appraisal methods are tailored to the organization's employees, jobs, and structure. They include objective criteria for measuring employee performance and ratings that summarize how well the employee is doing. Successful appraisal methods have clearly defined and explicitly communicated standards or expectations of employee performance on the job (Mahapatro, 2010).

### **2.4.3 Performance Feedback**

Feedback may be qualitative or quantitative. Qualitative comments are descriptive and in contrast, quantitative feedback is based on numerical figures. Performance improved substantially in a number of settings when workers were given specific goals to achieve and received performance feedback. (Mahapatro, 2010).

### **2.4.4 Rewarding Performance**

A system of PA will not succeed in bringing about high performance against objectives unless employees consciously act in ways seen as being most likely to achieve the objectives. Expectancy theory and goal-setting theory both emphasize the importance of ensuring that employees make this decision, but each takes a different route in describing what causes this to be made. Expectancy theory specifies the need to tie performance outcomes to rewards which are valued by employees (Mabey, et. al.,1999).

## **2.5 Performance Appraisers**

According to Dessler (2003) PA is the process of assessing and documenting an employees' performance with a view to enhancing work quality, output and efficiency. The basic question within an organization is who rates whom? primarily the immediate supervisor is responsible to evaluate the performance of employees under his/her supervision within the organization. But, performance appraisal can be done by anyone who is familiar with the performance appraisal process. Performance appraisal of an employee is carried out by:

### **2.5.1 Immediate Supervisor**

Rating of supervisors are the heart of most appraisals practices because the immediate supervisor is in the best position to observe and evaluate the subordinates' performance. This is based on the assumption of the immediate supervisor is the most qualified person to evaluate the employee's performance and the supervisor is more familiar with the subordinate's performance (Dessler,2003).

### **2.5.2 Peer Appraisals**

This type of assessment is mostly used in an organization where employees of an organization which have the same level to evaluate each other. In organization which use self-managing team appraisals (Dessler,2003).

### **2.5.3 Self-Rating**

This assessment type provides an opportunity to the employee to evaluate their strengths and weakness. However, it has some problems like most employees usually rate themselves higher than they are rated by supervisors or peers (Dessler,2003).

### **2.5.4 Appraisal by Subordinate**

More organizations today let subordinates to rate their supervisors' performance, a process sometimes caused upward feedback the process helps the top managers to diagnose management styles identify employees' problem and take corrective actions. Subordinates ratings are especially valuable when used for developmental purposes rather than evaluative purposes (Dessler,2003).

## **2.6 Performance Appraisal Methods**

It is a systematic assessment of employees with respect to performance on the job and employee's potential for development. The proper performance appraisal involves the use of a standard formats developed by HR to measure employees' performance. It is obvious, "if you can't measure it, you can't manage it therefore, the assessment should be objective and try to minimize the tendency of subjectivity.

There are various methods of assessing the performance of employees in fact there is no universally accepted method that an organization has to use. This may be determined by issues like the size, nature, financial capability and objectives of the organization.

According to (Flippo, 1984) the different performance appraisal methods can be classified is to two major categories namely, Traditional appraisal methods and Modern appraisal methods.

### **2.6.1 Traditional Appraisal Methods**

These types of appraisals are still widely used in many organizations. The most commonly used traditional performance appraisals methods are the following:

- I. Check List Appraisal:** When this technique is used employee performance and characterize are described by words and statements the ratee is expected to choose one among words that describes the individual's performance. But sometimes the personnel department assigns weights to different items in the list in accordance to their importance without the rater knowledge. The rater indicates the answers of an employee against each question by putting a tick mark within two columns provide to each questions as yes or no that is yes for positive answers and no for negative answers. This method has its own advantage and disadvantage. the major advantages are it's easy to administer and it needs limited training and standardization while Disadvantage is it's costly and time consuming to develop the check list and questioner for each job category (Flippo,1984)
- II. Forced choice Method:** In this method, the ratee is presented with a serious of two or more favorable or unfavorable choices and the rates select one of the statements, by which the employee is best described from the given choices. These methods force the ratees to choose from the alternatives this is the reason it called forced choice method and it have an advantage of easy to administer and it is fit for a wide variety of jobs. (Ramasamy,1998).

- III. Critical Incident Method:** In this method the rater records statements describing extremely good or bad employee behavior related to performance. These statements are supported by explanations of the actual happenings that were recorded at the time they took place. Both negative and positive incidents are recorded and the employee is appraised on all events occurred in a particular time(Ramasamy,1998).
- IV. Ranking Methods:** This is the way of ordering employees' performance of from best to worst or from excellent to poor. Besides, an employee is ranked one against the other in the working group for example if there are 10 workers in the working group, the most efficient worker is ranked as number one and the last efficient worker is ranked as number ten (Ramasamy,1998).
- V. Graphics Rating Scale:** This method is the oldest and most commonly used type of performance appraisal. In this method each individual's trait or characteristics are presented by certain scale from low to high. A graphic rating scale lists traits such as quality and reliability of an employee and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait this method of appraisal is widely used because it is less expensive, easy to raters and it's applicable to a large number of employees. However, it has some limitations like it expose to raters' biases and feedback is limited due to these factors employees sometimes may complain against the results (Dessler, 2003).

### **2.6.2 Modern Appraisal Methods**

This methods of appraisal enable the rater to evaluate either employee's performance in the better way than the traditional methods. This method includes the following appraisal methods:

- 1) **Management by Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under: Establish goals and desired outcomes for each subordinate, setting performance standards, Comparison of actual goals with goals attained by the employee, establish new goals and new strategies for goals not achieved in previous year. MBO is more useful for managerial positions. Management by objectives approach: focuses on the product of one's efforts. It is the most common format for the results approach. Also, it contains different methods during application. (Henenman et al. 1996).

- 2) Behaviorally Anchored Rating Scales: This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are used as a basis for rating employee performance. While, more time consuming than other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feedback to employee (Dessler, 2003).
- 3) Assessment centers: This method is designed to differentiate between the current performance and potential performance of an employee and they used to select managers and supervisors by recognizing their potential performance in their job. The employees who will be examined to be supervisions are brought together into similar condition of job or assessment counters. The assessment includes interview, psychological tests, and personal background histories leaderless group discussions and evaluated by well-trained persons. The evaluate can show and measure their future potential performance depending on the current performance of an employee (Graham, 1998).
- 4) **360 Degree Feedback:** It is a systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360 degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However, on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback (Armstrong, 2009).

## **2.7 Effective Performance Appraisal**

According to the reviewed literature there is no single best method of performance appraisal, even though there are certain common elements throughout all effective methods. Effective performance appraisals are commonly associated with the clear goals that are attached to specific performance criteria and are well accepted by both appraiser and appraisee (Mustapha & Daud, 2012). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

Effective and systematic performance appraisal should be accurate and reliable to bring employee job satisfaction within an organization. The reliable, accurate and effective performance appraisal is obtained when the barriers of performance appraisals are alleviated by the management. Despite, there is no perfect appraisal system in organizations but there are some systems that possess certain characteristics that can provide a more effective means for achieving the appraisal process.

According to Ramasamy (1998) the most important thing is not which form or which method of performance appraisal used but whether managers and employees understand its purposes and obtaining the actual result from the evaluation. There is no perfect performance appraisal system in the world because all performance appraisal methods have their own limitations and negative impact.

According to Flippo (1984) the following are the characteristics of effective a performance appraisal system.

### **2.7.1 Performance Expectations**

The managers should clearly describe the performance expectation to employees in advance of the appraisal period. This enables the employees lead their efforts and emphasis towards the expected performance level.

### **2.7.2 Employee Access to the Result**

An effective performance appraisal system should provide feedback to employees on how well or bad they have performed in a continuing basis to improve the weak side timely.

### **2.7.3 Qualified Appraisals**

The evaluators should be well trained, should be given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisals interviews and documented approaches.

### **2.7.4 Standardization**

Employees in the same job category, under the same supervisor and coordinator should be appraised by the same evaluation instruments, techniques, procedures and work objective.

### **2.7.5 Due Process**

A formal procedure should be developed for appraisal process and it is vital to reduce employees' complaint and grievances performance should be job related. Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees' futures such as having promotion, rewards, demotion or even termination of their job within the organization suggested performance appraisal quality variations will generate strong reactions among employees (Mayer and Davis, 1999).

## **2.8 Factors in Effective Performance Appraisal**

According to Rankin & Kleiner (1988) effective performance appraisals can be affected by the following factors.

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

## **2.9 Significance of Performance Appraisal**

Appraisal is the analysis of the success and failures of an employee and the assessment of their suitability for training and promotion in the future. According to Maund (2001) appraisal is a significant component of performance management of employees. When effective, the appraisal process reinforces the individual's sense of personal worth and assists in developing his/her goals. Accurate appraisals are crucial for the evaluation of recruitment, selection, and training procedures. It can also increase employee motivation through the feedback process and may provide an evaluation of working conditions and it can improve employee productivity, by encouraging the strong areas and modifying the weak sides. Further, employee evaluation can improve managerial effectiveness by making supervisors more interested in and observant of individual employees. Objectives for performance appraisal policy can thus, best be understood in terms of potential benefits. Performance appraisal is vital to provide positive feedback as well as identifying areas for improvement.

According to Lloyd (2014) if performance appraisal systems are well designed and well-executed, it has strong motivational impact on the staff indicating that effective appraisal systems have the power to motivate staff to perform better. Moreover, Aguinis (2007) performance appraisal has a number of importance including, strategic, communication, development, as well as organizational maintenance discussed as follows:

**2.9.1 Strategic HRP:** It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals. The appraisal process helps in human resource planning. Accurate and current appraisal data regarding certain employees helps the management in taking decisions for future employment. Without the knowledge of who is capable of being promoted, demoted, transferred, laid off, or terminated, management cannot make employment plans for the future (Aguinis ,2007).

**2.9.2 Administrative:** It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases (Aguinis ,2007).

**2.9.3 Communication/ Feedback:** It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are the most important. Appropriate performance feedback can improve the employee's future performance. Feedback gives satisfaction and motivation to the employee (Aguinis ,2007).

**2.9.4 Developmental:** Which allows the managers to coach employees and help them to improve performance on an ongoing basis. Deficiencies in performance may be due to inadequate knowledge or skills (Aguinis ,2007).

**2.9.5 Organizational Maintenance:** It produces information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of HR interventions. According to Armstrong (2009), an effective performance management process sets the foundation for rewarding excellence.

## **2.10 Problems in Performance Appraisal**

To achieve the intended goal and objective of the organization performance appraisal must be accomplished in objective and effective manner. There may like, disliking and preferences in performance appraisal evaluation process which affects the performance of employees. According to Bratton and Dessler (2012), proper care should be taken into account to give fair and unbiased assessment. The below stated problems are occurring in performance appraisal process (Bratton and Dessler,2012).

### **2.10.1 Halo Effect**

It is a situation where rater let his/her positive or negative feelings towards an employee to influence once evaluation easily. It is necessary to judge each criterion independently without compromising what rater feel for the employee. What the rater needs to do is to ensure that he/she do not color the entire evaluation with a particular impression.

### **2.10.2 Bias**

Bias is one of the problems with performance appraisal raters often encounter. In fact, everyone has some biases towards someone or something irrespective of how the assessor represent the employee. However, as a rater it is imperative not to let the biases hinder the manner in which rater approach performance evaluation process. These biases can manipulate the objectivity of appraisal hence it is important to ensure that the rater keep it off as much as possible to make sure that he/she do not compromise the results of his/her findings. Biases may also lead to inconsistencies among different employees bearing in mind that the key element for attaining best results from appraisal is consistency.

### **2.10.3 Recency Effect**

This is a way of carrying out an appraisal for a short period before it takes place. As stated earlier, an appraisal is an activity that takes place continuously, which means that the focus should not only be for the short period before it happens but rather the entire time of the year. In many organizations, problems with performance appraisal usually arise when a rater decides to determine results by basing their evaluation on what an employee has achieved just before the assessment. In this case, it sounds unfair to employees who have been outstanding throughout but later faulted few days to assessment and vice versa because the appraisal will not be able to reveal the actual reality.

### **2.10.4 Attribution Error**

This is one of the trickiest problems with performance appraisal. It involves making once independent belief on possible causes of some behaviors or outcome and letting that influence the rater's judgment. It is never a good idea to develop an assumption of what made the employee behave in the manner that he or she did and later use it as a basis for reviewing the appraisal process. It only becomes a fair when the employee is judged on their performance in line with the set standards rather than preconceived notion.

### **2.10.5 Stereotyping**

Stereotyping is closely related to biases in which the rater tends to make his/her judgment by his/her predetermined mindset towards a particular employee's race, gender, political affiliation, religious background, culture and other characteristics.

### **2.11 Fairness and Job Satisfaction**

Fairness of performance appraisal system has a significant influence on employee attitude, behavior and performance (Kaleem, Jabeen, and Twana, 2013). If employees observe unfairness, inequity and dissatisfaction then any performance appraisal system will be doomed failed (Palaiologos, Papazekos, and Panayotopoulou, 2011). According to Greenberg (1986) if the rater or the supervisor does fair, unbiased and accurate evaluation of an employee performance it causes a considerable effect on fairness perceptions.

A researcher Hui, and Qin-Xuan (2009) argued that a sound performance appraisal system will be subjected to failure if rater and particularly employees did not extend their support, acceptance and satisfaction to it. If employee's perception is not in accordance with the system fairness ultimately their performance will be reducing rather than develop. According to Kim, and Rubianty (2011) fairness is the bench mark of performance appraisal through which employee's actual job performance has been assessed perfectly.

### **2.12 Performance Appraisal and Job Satisfaction**

According to Locke (1969&1976) states that job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one 's job or job experience. This implies that, satisfied employees have positive attitude towards the job which leads to high performance level whereas dissatisfied employees have negative attitude towards their work which yields low performance result. Job performance on the other hand, comprises apparent behaviors that people observe in their job that are important in achieving organizational goals and these behaviors must be pertinent to the goals of the organization. According to Anderson (2002), for an organization to be effective for its goals, it is very important to monitor and measure the performance of its employee on a regular basis. Effective monitoring and measuring includes providing timely feedback and reviews the employees work and their performance according to the pre-determined goals and solving the problems faced. Rudman (2003) highlights that timely recognition of the accomplishment also encourages and helps to improve the performance of employees.

According to Kuvaas (2006), communication and motivation are the key elements to employee performance. Likewise, performance appraisal policy creates a learning experience that motivates employees to develop themselves and improve their performance.

Robbins and Coulter (2002) highlight that performance appraisal fulfills an important communicative function by reinforcing and entrenching the organization's core values and competencies. Performance appraisal policy should constitute an open communication, where both manager and employee state what is done well and what needs improvement.

According to Tyson and York (2000) states that performance appraisal forms are a vehicle for management and employees to develop a mutual understanding of responsibilities and goals. Effective performance appraisal has direct impact on employee's job satisfaction. Therefore, we can say that enhancing the effectiveness and quality of performance appraisal process is helps to enhance employee's job satisfaction. Effective performance appraisal is important to bring high level of employee job satisfaction. But the process of performance appraisal should be accepted, clear, fair, effective and there must be good communication between the rater and the employee.

### **2.13 Concepts of Job Satisfaction**

Job satisfaction simply explains the attitude of employees toward their job. In other words, it describes the level of happiness of employees in fulfilling their desires and needs at the work. Hence, it is the pleasurable feelings that result from an employee perception of achieving the desire level of needs. Job satisfaction as an intangible variable could be expressed or observed through emotional feelings. In other words, it hinges on the inward expression and attitude of individual employee with respect to a particular job. For instance, an employee satisfaction is high if the job provides expected psychological or physiological needs. However, satisfaction is said to be low if the job does not fulfill the physiological needs (Cook, 2008). The concept of job satisfaction, viewed through different lenses by various scholars, is defined differently (Greenberg and Baron, 2008), for instance, viewed job satisfaction as a feeling that can produce a positive or negative effect toward one's roles and responsibilities at work and added that it is

important to understand the concept of job satisfaction as there is no single way to satisfy all workers in the workplace.

Job satisfaction can also be defined as a worker's emotional response to different job related factors resulting in finding pleasure, comfort, confidence, rewards, personal growth and various positive opportunities, including upward mobility, recognition and appraisal done on a merit pattern with monetary value as compensation. Greenberg and Baron (2008) saw it as a positive feeling toward a person's job. Locke (1976) defines job satisfaction as pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important. Vroom (1964) defines job satisfaction as affective orientation on the part of individuals toward work roles they presently occupy. According to Mitchell and Lasan (1987) it is generally recognized in the organizational behavior field that job satisfaction is the most important and frequently studied attitude. While Luthan (1998) suggested that there are three important dimensions to job satisfaction. First it is an emotional response to a job situation thus it can't be seen but can only be inferred. Secondly it is determined by how well outcome meet or exceed expectations and Thirdly job satisfaction represents several related attitudes which are the most important characteristics of a job about which people have effective response.

Lack of job satisfaction is a predictor of quitting a job. Job satisfaction can be understood as the way employees feel about their jobs and different aspects of their jobs (Spector, 1997). Job satisfaction can be defined as an emotional state related to the positive or negative appraisal of job experiences. Job satisfaction is a global construct or as a constellation of different dimensions to which the employee reacts affectively (Locke, 1969). McNamara defines job satisfaction as one's feelings or state of mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors, e.g. the quality of one's relationship with their supervisor, the quality of the physical environment in which they work, degree of the fulfillment of their work, etc. (McNamara, 1999).

## **2.14 Factors Affecting Job Satisfaction**

Job satisfaction is a big factor in employee engagement and the level of discretionary effort team members are likely to make. Genuine job satisfaction comes from a feeling of security whereby one's performance is judged objectively by the quality of work performance rather than artificial criteria (Kaliski, 2007).

Job satisfaction can be determined by numerous factors such as satisfaction with pay, promotion opportunities, fringe benefits, job security, and relationship with co-workers and supervisors, etc. The level of job satisfaction is affected by intrinsic and extrinsic motivating factors, the quality of supervision, social relationships with the work group and the degree to which individuals succeed or fail in their work (Armstrong, 2006).

## **2.15 Effective Practice Guidelines for Performance Management**

According to Pulakos (2004) Managers are reluctant to provide candid feedback and have honest discussions with employees for fear of reprisal or damaging relationships with the very individuals they count on to get work done. Employees feel that their managers are unskilled at discussing their performance and ineffective at coaching them on how to develop their skills. Many complain that performance management systems are cumbersome, bureaucratic and too time consuming for the value added. This leads managers and employees to treat performance management as a necessary evil of work life that should be minimized rather than an important process that achieves key individual and organizational outcomes.

According to Pulakos (2004) the following are possible outcomes from effective performance management:

- Clarifying job responsibilities and expectations,
- Enhancing individual and group productivity,
- Developing employee capabilities thru effective feedback & coaching,
- Driving behavior to align with the organization's core values, goals and strategy,
- Providing a basis for making operational human capital decisions (e.g., pay) and
- Improving communication between employees and managers

## **2.16 Empirical Literature on Performance Appraisal and Job Satisfaction**

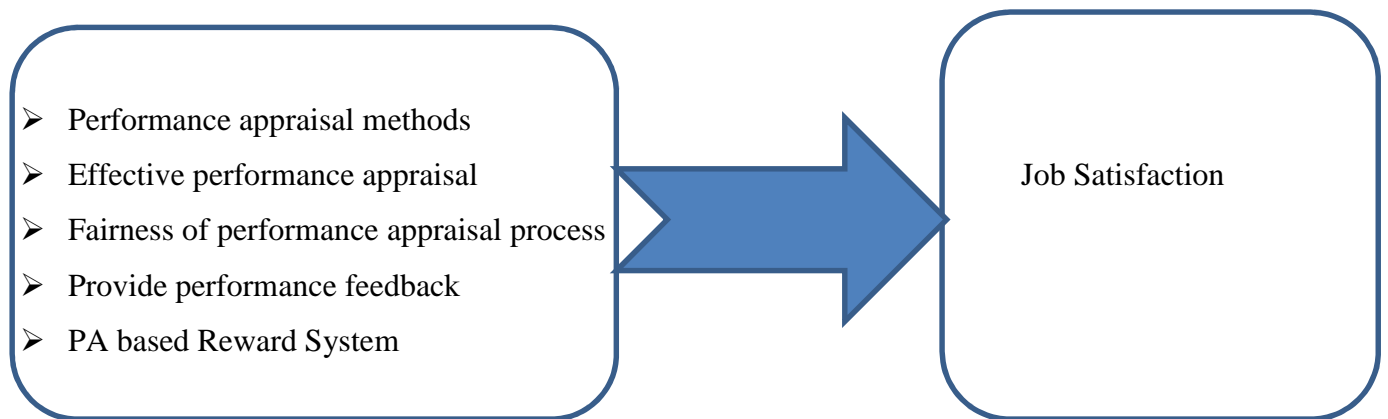
A research study conducted by Muhammad Asad Khan, Fadillah Binti Ismail, Rosman MD Yusoff and Altaf Hussain in (2018) results of this study showed that there was significant and positive relationship between performance appraisal, fairness and employee job performance in public sector universities of Khyber Pakhtunkhwa, Pakistan. In other words, it means that if performance appraisal is fair enough, accurate then employee will be satisfied and get motivated to enhance their performance in particular and organizational performance in general. According to Murphy & Cleveland, (1991) state that when the following criteria are met, performance appraisals are most likely to be perceived by employees as accurate and fair: appraisals are conducted frequently; There is a formal system of appraisal; Supervisors have a high degree of job knowledge; Ratees have an opportunity to appeal ratings; Performance dimensions are seen to be highly relevant; Action plans are formed for dealing with present weaknesses; and the organizational climate is cooperative rather than competitive cited by (Walsh 2003). According to the research conducted by Victoria Mutile Kithuku in (2012) at Kenya Commercial Bank the researcher concluded that the method of performance appraisal used by the bank have an effect on employee motivation and general job satisfaction. Another study conducted by Caroline W. M'mbui at Kenya Revenue Authority in (2011) that deal with performance appraisal system and employees job satisfaction the findings has indicated a positive and significant relationship between performance appraisals and job satisfaction.

As per the research study conducted by Henrietta Asamoah in First Allied Savings and Loans LTD in (2012) the study discovered that, Performance appraisal had an impact on employees' performance thus, when appraisal is fairly done employees tend to be pleased and it reflects in their work output. On the other side, when it's poorly done employees become bitter and it affects their performance. Effective and fair performance appraisal process would enhance employees' performance and job satisfaction. Another study conducted by Ifeyinwa Ndulue, Henry Chinonso Okechukuin in (2016) at Nigeria their research findings revealed that there is a linear relationship between job satisfaction (nature of job, job reward and job security) and employee's performance proxy which is employee's morale.

Additional study conducted by Meklit in (2017) Justice for All-Prison Fellowship in Ethiopia, the result of here study reveals that there is a significant relationship between employee’s performance with reward system, performance planning and performance feedback. According to Gupta &Upadhyay (2012) conducted research on the effectiveness of performance management system on employee satisfaction and commitment. In their findings, they indicated that there is significant correlation between performance management system and satisfaction and moderate correlation between employee job satisfaction and commitment.

### 2.17 Conceptual Framework

Conceptual framework is a specific assessment of an aspect of the theoretical framework. Based on the reviewed literatures standard target setting, PA methods &practices, fairness of appraisal process, performance feedback and performance based reward systems were the components of performance appraisal system which forms the framework of this study. As a result, the researcher developed the following conceptual framework accordingly.



Independent Variables

Dependent variables

Fig.2.2 Conceptual framework of the study

Source: The researcher’s conceptual framework of the study based on Literature Review

In this study employee job satisfaction is the dependent variable and standard setting, fairness of appraisal process, performance feedback and performance based reward system are the independent variables.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section will present primarily the frame work of the study in which how it was done. In order to achieve the objective of this study using right research methodology is the priority attention given by the researcher. Research methodology is the systematic way of dealing with the research problem successfully and finding out the scientific way of conducting a study. It supports the researcher to be aware of the choice of steps usually adopted to study research problem together with the underling logic behind them (Rajasekar, et al., 2013). Therefore, this chapter includes the research design, data sources & data collection methods, target population of the study, the sampling techniques used in selecting the respondents, the sample size, data analysis techniques, the validity and reliability and at the end of this chapter ethical considerations of the study were discussed.

#### **3.2 Research Design and Approach**

According to Singh (2006) research design is fundamentally a statement of the object of the inquiry and the strategies for gathering the evidence, analyzing the evidences and reporting the findings. Besides, Burns and Bush (2002) research design is a set of advance decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information. Therefore, the researcher employed explanatory research design and quantitative research approach. Explanatory research design helps to explain why events occur to build, elaborate, extend or test theory.

As a result, to analyze the relationship between the dependent & independent variables the researcher employed quantitative type of research approach. This research approach helps the researcher in order to use objective measurement, to quantifying the relationships between variables, collect data in the form of numbers and use statistical tools for data analysis. According to Creswell (2003) the quantitative survey is vital to create quantifiable causes and effect association between the variables of the study.

### **3.3 Data Sources and Collection Methods**

To collect the data, the researcher used both primary and secondary data sources for the purpose of this study. The primary data was collected through structured questioners and the questioners were self-administered. Whereas, Secondary data sources were collected from available books, publications, research studies, articles, websites and from unpublished sources i.e. website, annual report of the organizations which related to performance appraisal and employee job satisfaction.

The rational and purpose of being used structured questionnaires were because of the following justification: the results gathered from respondents increased the promptness and truthfulness of recording, suitable for quantitative data, eliminate the personal influence of the researcher, direct reply and feedback from the respondents in an easy manner & short period of time and it makes better the processes of analyzing the data from the respondents.

The questionnaire was designed and developed based on Likert five scales point namely: Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1). The study was done in the form of a cross-sectional study in which data were collected once across the population. Cross-sectional studies are observational in nature and it allows the researcher to look at numerous characteristics at once in a given time.

### 3.4 Target Population

According to Saunders (2007) research population is the full set of cases from which a sample is taken. Target population is a well-defined collection of individuals or objects known to have similar characteristics. The population is the universe of units from which the sample is to be selected (Bryman and Bell 2007). The target population of this study is employees of Ethiopian Airlines in the business units namely: Ethiopian MRO, Ethiopian Cargo, Ethiopian Ground Service, Ethiopian Aviation Academy, Ethiopian customer Service, Ethiopian Flight Operation and Group Human Capital Management at Addis Ababa Bole International Airport Head Office.

The total population comprised of 388 Ethiopian Airlines employees in head office. This population had the potential to provide the relevant information regarding the effects of performance appraisal practices on employee job satisfaction.

Table 3.4.1 Target Population and Sample Size Determination

No.	Business Unit	Sample Taken
1	Ethiopian MRO	100
2	Ethiopian Cargo	50
3	Ethiopian Ground Service	90
4	Ethiopian Customer Service	30
5	Ethiopian Flight Operation	25
6	Ethiopian Aviation Academy	35
7	Group Human Capital Mgt	58
	Total	388

Source: Own Survey,2020

### 3.5 Sample Size

According to Saunders (2007), offer a variety of different methods that allow the researcher to lessen the total quantity of data desired to be collected by taking into account only data from a subgroup other than the entire population. A sampling size is the group of participants from which a model is taken. It allows the researcher to achieve truthful and realistic interpretation of the population in cases where the direct element sampling is not possible. It was impossible to collect data from the whole population considering the size and the time available to the researcher. Whenever it is impossible to access the entire population, it is better to take a sample and use the behavior within the sample to infer things about the behavior of the population. Due to high cost and time limit it is quite essential to take a sample from the total population (Field ,2005). Field also states that the bigger the sample size, the likely it reflects the whole population.

Accordingly, the sample size of the study is determined by using the formula adopted from Yamane (1967, 581):

$$n = \frac{N}{1 + Ne^2}$$

In this formula,  $N$  represents the population, while  $n$  is the sample extracted from this population. A 5 percent error rate ( $e$ ) was selected because that allows a high level of confidence (95%) in the results while keeping the sample size manageable.

$N=14,000/1+14,000(0.05)^2=388$ . Therefore, the sample size of the study is 388.

### **3.6 Sampling Technique**

Probability sampling certifies that each element of the population of interest has an equal chance of selection as they are drawn from the sampling frame (Haer and Becher, 2012). Among the probability sampling methods, the researcher employed simple random sampling technique to select respondents from the population. Simple random sampling is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. The rationale being used simple random sampling technique is because it provides equal chances of being selected for all participants so, it is fair and unbiased representation of the entire group. Besides, simple random sampling provides information with a lower chance of data errors and helps the researcher to accomplish the data analysis and it creates a lower margin of error within the information collected.

The researcher dividing the population into strata. The strata were based on the business unit of Ethiopian Airlines. Finally, the sample was randomly selected from each stratum or business units. Each business units' employees were accessed in headquarters at Addis Ababa Bole International Airport. For this study the researcher used sample from the total population due to time, resource and proper organization of data. From the given scope, sample is taken from the seven business units of Ethiopian Airlines at head office and selected based on the selected sample randomly.

### **3.7 Data Analysis Methods**

The objectives of data analysis are to summarize the collected data in understandable way. To do so, the researcher was employed Statistical Package for Social Science (SPSS) software version 20 to analyze and present the data through descriptive and inferential statistical tools. The descriptive statistical results were presented thru tables, frequency distributions and percentages to provide a summarized picture of the data to the readers. This was achieved through summary statistics which includes the means, standard deviations values.

From inferential analysis Pearson correlation coefficient was employed to determine the relationship between performance appraisal and job satisfaction of employees.

Regression Analysis also used to examine the influence of one or more independent variables (Performance Appraisal) on a dependent variable (Employee job satisfaction). Regression analysis is a statistical methodology that helps to estimate the strength and direction of the association between two or more variables.

### **3.8 Data Collection Methods and Procedure**

The respondents were requested for their time prior to sending the actual questionnaire. A pilot test involving 50 respondents was carried out to evaluate the completeness, precision, accuracy and clarity of the questionnaires. This ensured the reliability of the data collection instruments used. After the amendment of the final questionnaire, the researcher explained the purpose of the research and sought permission from Ethiopian Airlines to carry out the actual research study. The final questionnaires were distributed to the respondents with self-administered. This enhanced the speed of data collection. Each completed questionnaire was treated, as a unique case and a sequential number given to each. The collected data was edited and entered into the Statistical Package for the Social Sciences (SPSS) version 20 software to enable the carrying out of the analysis. Survey questionnaire was adopted as the study tool for data collection. The questionnaire was made up of two parts consisting of 25 questions. The first part dealt with the demographic characteristics of the respondents while the second part focused on closed ended questions based on five points Likert scale.

### 3.9 Measurement of Reliability and Validity

#### 3.8.1 Reliability

Reliability is concerned with the consistency and stability of measurement results of certain study (Sekaran, 2003). The reliability measures the extent of the instrument is without bias or error free and offers consistent measurement across time and across the various instrument (Cavana et al., 2001). In order to check the reliability of the instrument the researcher was employed Cronbach's alpha method. Cronbach's alpha ( ) is concerned with the degree of interrelatedness among a set of items designed to measure a single construct (Netemeyer, et al., 2003). As indicated in table 3.8.1 below all the Cronbach alpha value is greater than 0.7. According to Hair et al. (2010) stated that a coefficient which is greater than 0.7 is highly satisfactory for most research purposes. Therefore, the instruments employed in this study was reliable since the Cronbach alpha score for all items are highly satisfactory.

Table 3.8.1 Reliability Analysis Result Test by Cronbach Alpha

No.	Variables	Cronbach's Alpha	No. of Items	Comments
1	PA Methods and Practices	.857	4	Accepted
2	Effectiveness of Performance Appraisal	.856	4	Accepted
3	Fairness of Performance Appraisal Process	.869	5	Accepted
4	Provide Performance Feedback	.843	6	Accepted
5	PA Based Reward Systems	.891	2	Accepted
6	Job Satisfaction	.854	4	Accepted

Source: Own Survey, 2020

### **3.8.2 Validity**

According to Mooi and Sarstedt (2011) validity refers to whether we are measuring what we want to measure. It is related to research methodology because its primary drive is to increase the correctness and effectiveness of the findings by eliminating confounding variables as possible, which allows for greater confidence in the findings of any given study (Marczyk et al. 2005). In order to ensure the validity of the instrument the researcher was used pilot test to ensure the clarity of the questionnaire.

A pilot study is usually carried out before the main data collection process in order to check its feasibility in terms of reliability and validity and to improve the design of the instrument (Zikmund, 2003). According to Kriel (2006), pre-testing allows the testing of the most aspects of the questionnaire with respect to time taken, ease of completion and ease of data collection. Besides, Ticehurst and Veal (2000) stressed the importance of piloting in order to eliminate the possible weaknesses and flaws in the survey instrument. For the purpose of this study the researcher used 50 questionnaires as a samples to check the instruments feasibility. Besides, the validity of the instrument was checked thorough literature review and it also evaluated by professionals who has experience in the subject matter. Furthermore, my advisor was evaluated and commented on the questionnaire before the distribution to the respondents.

### **3.10 Research Ethics Aspect**

Ethical conduct states that it is the responsibility of the researcher to assess carefully the possibility of harm to research participants, and to the extent that it is possible, the possibility of harm should be minimized Bryman & Bell (2007). The researcher requested Addis Ababa university, school of commerce to write supportive letter for Ethiopian Airlines Group to get consent before the study conducted within the company. Finally, Ethiopian accepted and approved the request to conduct the study. The researcher was also requested the voluntary consent of the participants through covering letter and informed the purpose of the study appropriately to all participants in this study. Moreover, the consent and willingness of respondents were secured before distributing the questionnaire. Generally, in this research all ethical requirements were followed throughout all phases of the research study. The data collected was not used for any purpose other than the stated objectives.

## **CHAPTER FOUR**

### **4. DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **4.1 Introduction**

The objective of the study was to assess the effect of performance appraisal on employee job satisfaction in the case Ethiopian Airlines. This section deals with the presentation, analysis and interpretation of the final result. The analysis includes the background information of respondents, the statistical methods of the analysis namely, the descriptive analysis, the correlation and regression analysis.

#### **4.2 Descriptive Analysis**

Descriptive analysis is used to summarize the demographic characteristics of the respondent and to know the level of employees' job satisfaction on performance appraisal.

##### **4.2.1 Response Rate**

The total number of questionnaires distributed for employees of Ethiopian Airlines Group were 388 among these 350 respondents were completed and returned the questionnaire successfully which represents 90% response rate. Some questionnaires were left with the respondents and not returned because the respondents were unavailable during the collection time. Finally, the researcher used the completed and returned questionnaires to analyze and interpret the data.

According to Mugenda (2003) a response rate of 50% is considered as adequate for analysis and reporting while a rate of 60% is well thought out as good and a response rate of 70% and above is considered as excellent. As a result, the response rate is adequate for final analysis and reporting of the study.

##### **4.2 Background Information of Respondents**

The researcher intended to identify the gender, age, marital status, work experience and educational back ground of the respondents in Ethiopian Airlines. Hence, the discussion of the data analysis begins with the profiles of the respondents.

Table 4.2.1 Back ground of Respondents

No.	Variable	Category	Frequency	Percent	Valid Percent	Cumulative Percent
1	Gender of Respondents	Male	232	66.3	66.3	66.3
		Female	118	33.7	33.7	100.0
		Total	350	100	100	
2	Age of Respondents	18-30	161	46	46	46
		31-40	146	41.7	41.7	87.7
		41-50	38	10.9	10.9	98.6
		51-60	5	1.4	1.4	100
		Total	350	100	100	
3	Marital Status	Single	213	60.9	60.9	60.9
		Married	137	39.1	39.1	100
		Total	350	100	100	
4	Work Experience	<1 Year	30	8.6	8.6	8.6
		2-5 years	158	45.1	45.1	53.7
		6-10 years	99	28.3	28.3	82
		11-15 years	35	10	10	92
		>16 years	28	8	8	100
		Total	350	100	100	
5	Educational level	Certificate	35	10	10	10
		Diploma	72	20.6	20.6	30.6
		BA/BSC	208	59.4	59.4	90
		MA/MSc	35	10	10	100
		Total	350	100	100	

Source: Own Survey, 2020

As table 4.2 above reveals that most of the employees who were participated in this study were male with total number of 232(66.3%) while the remaining 118(33.7%) were females. This results suggests that majority employees in Ethiopian Airlines were male.

Therefore, Ethiopian Airlines management may review and maximize the number of female employees to balance the sex composition.

As per the data presented in table 4.2 above showed 46% of the respondents were between the ages of 18 to 30 years, 41.7% were aged between 31 to 40 years, 10.9% were aged between 41 to 50 years and 1.4% were above 51 years old. From here the researcher infers that Ethiopian Airlines Group have young workforce and this age group is the most productive working force in any business because this age group is dedicated, passionate, active and vigorous to work hard, eager to learn, build their experience and apply their skills in the workforce to maximize the performance of the organization.

Regarding to the marital status most of the respondents who were participated in this study were single with total of 213(60.7%) while the remaining 137(39.1%) were married.

With respect to work experience of the respondents 8.6% of them had less than 1 years' work experience, 45.1% of the respondents had 2-5 years of work experience, 28.3% of the respondents had from 6-10 years' work experience, 10% of the respondents had from 11-15 years' work experience and employees who had greater than 16 years' work experience represents 8%. From here the researcher concludes that employees who were more experience have a comprehensive knowledge about the performance appraisal practices.

On the subject of the education qualification 59.4% of the respondents were BA/BSC Degree holders while 20.6% of the respondents were Diploma graduated, 10% of the respondents were MA/MSC degree awarded and the remaining 10% of the respondents had Certificate level of education. Therefore, the researcher concluded that most of Ethiopian employees were well-educated in order to understand and reply the research surveys correctly. This also implies that respondents with different educational background represented in the study.

As a conclusion the profile of employees in Ethiopian Airlines were male dominated, youngsters, first degree holders and well experienced.

### 4.3 Mean and Standard deviation for effective PA and Employee Job Satisfaction

In order to measure the effect and actual performance appraisal practices in Ethiopian Airlines Group 25 questionnaires were distributed for employees to get their genuine feedback and insight about the subject. The researcher collected and summarized the reply in terms of mean and standard deviation of the study in the following table. To analyze the data, the researcher applied Pihie (2009) decision rule for mean score interpretation. According to the author when the mean score is less than 3.39 it can be considered as low, when the mean score is between 3.4-3.79 it is categorized as moderate and when the mean score is greater than 3.8 it considered as high.

**Table 4.3.1 Performance Appraisal Methods and Practices**

To review the performance appraisal methods and practices in Ethiopian Airlines Group the respondents were asked four questions and their response is summarized in the below table.

No.	Items	N	Mean	Std. Deviation
1	Are you satisfied with the method of performance appraisal systems of Ethiopian Airlines	350	2.48	1.391
2	Are you satisfied with the way performance appraisal is done &practiced in Ethiopian Airlines	350	2.87	1.329
3	Is your performance evaluation based on the standard target set for you at the beginning of the budget year and based on your accomplishment	350	2.87	1.299
4	Do you think that performance appraisal practice in Ethiopian Airlines is being implemented well	350	2.72	1.258

Source: Own Survey, 2020

According to Pihie (2009) when the mean score of the analysis is less than 3.39 the decision rule is considered as low. As per the collected data from respondents most of them were less satisfied with the method of performance appraisal system and the way performance appraisal is done &practiced in Ethiopian Airlines.

Therefore, Ethiopian should take corrective actions by reviewing the current performance appraisal methods & practices to increase the job satisfaction level of its employees because PA is an effective tool for job satisfaction that leads to improving employee's performance.

**Table 4.3.2 Effectiveness of Performance Appraisal**

To assess and check the effectiveness of performance appraisal questionnaires were distributed to respondents and their response is summarized hereunder.

No.	Items	N	Mean	Std. Deviation
1	Is the appraisal system of Ethiopian effective in encouraging employees to work hard & satisfy	350	3.05	1.246
2	Is EPDMS an effective tool to bring employee job satisfaction by recording accurate data in daily, weekly & monthly basis to do the performance appraisal of employees successfully	350	3.27	1.303
3	Is the current performance appraisal system of Ethiopian Airlines is effective & helps to bring employee job satisfaction	350	2.97	1.213
4	Is your target in Ethiopian prepared based on SMART goal setting method	350	3.30	1.179

Source: Own Survey, 2020

This summarized data shows the effectiveness of performance appraisal is low as per the decision rule of analysis of Pihie (2009). Hence, Ethiopian should have utilized different tools to make and increase the PA effectiveness such as EPDMS. When there is an effective performance appraisal system it encourages employees to work hard & satisfy employees.

**Table 4.3.3 Fairness of Performance Appraisal Process**

No.	Item	N	Mean	Std. Deviation
1	Is fairness and clarity of performance appraisal system critical for satisfaction	350	3.66	1.279
2	Is your appraisers treat you fairly during performance appraisal process	350	3.13	1.248
3	Is the performance appraisal process of Ethiopian is fair and unbiased	350	2.71	1.175
4	Is your recent performance rating was based on the effort you put into your job and reflects how much work you do	350	3.21	1.245
5	Is your performance appraisal is based on the quality and quantity of your work and not your personality and position	350	3.20	1.250

Source: Own Survey, 2020

Even though, fairness is critical for performance appraisal systems and base for job satisfaction of employees. But, the performance appraisal level of fairness is low in Ethiopian Airlines Group according to Pihie (2009) analysis decision rule except item number one. This indicates that unless there is fair and unbiased performance appraisal practice in the company it is difficult to bring and secured employees job satisfaction. Therefore, Ethiopian shall check the fairness and transparency whether appraisers treat employees respectfully and based on the effort, quality and quantity of their work in unbiased manner.

**Table 4.3.4 Provide Performance Feedback**

No.	Item	N	Mean	Std. Deviation
1	Is your manager &supervisor frequently give constructive feedback about your job performance progress & this helps you to improve your weakness	350	2.89	1.325
2	Are you satisfied with the performance feedback system of Ethiopian Airlines	350	2.98	1.218
3	Is the feedback you receive on how you do your job is highly relevant and makes you happy	350	3.03	1.289
4	Is the result of your evaluation openly explained and discussed with you the weak sides to enhance your performance the way forward	350	3.17	1.233
5	Can you challenge the performance evaluation result of yours if you think it is unfair &have evidence	350	3.29	1.251
6	Is the performance appraisal system feedback able to show the areas in which an employee needs improvement	350	3.24	1.180

Source: Own Survey, 2020

The objectives of performance feedback are to improve individual and group performance as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009). However, from the data the researcher infers the performance feedback provision culture is low in Ethiopian Airlines. This implies unless managers &supervisors give regular &constructive feedback to employees' it is difficult to improve the weakness of employees' job performance progress. Derven (2010) recommends that performance feedback should be clearly and timely communicated to the employees to improve the weakness. On the other hand, many errors based on personal bias like stereotyping, halo effect may affect the feedback process. Bannister and Balkin (2010) recommends that performance appraised feedback should have greater acceptance of the appraisal process and makes the employees feel more satisfied with their performance.

Performance appraisal feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011). Therefore, Ethiopian should encourage the performance feedback provision culture on time regarding the strength and weak sides of employees to enhance employees job satisfaction thru EPDMS.

**Table 4.3.5 Performance Appraisal Based Reward Systems**

No.		N	Mean	Std. Deviation
1	Are you motivated when you rewarded to work hard and to improve the performance of the organization	350	3.72	1.189
2	Is performance based reward opportunities encourage staff to be creative & interested	350	3.61	1.222

Source: Own Survey, 2020

This implies that when there is performance based reward employees are satisfied and motivated to work hard as per the finding. Besides, performance based reward is a good opportunity to encourage employees to be creative and improve the performance of the organization. Therefore, the researcher recommends for Ethiopian to provide some framework to managers for recognizing and differentiating employees' contribution and rewarding them through devolved pay because it motivates and satisfy employees.

**Table 4.3.6 Level of Job Satisfaction**

No.	Item	N	Mean	Std. Deviation
1	Is objective performance appraisal the basis for job satisfaction	350	3.40	1.241
2	Is the feedback aspect of Ethiopian performance appraisal system satisfied you	350	2.86	1.225
3	Are you agree that effective performance appraisal system is an important indicator of job satisfaction	350	3.66	1.283
4	Overall, are you fully satisfied with the criteria used in the current performance appraisal system of Ethiopian Airlines Group	350	3.05	1.307

Source: Own Survey, 2020

From the data analysis the respondents agree that objective performance appraisal is the basis for job satisfaction. Besides, they also agree that effective performance appraisal system is an important indicator for job satisfaction.

The respondents had low level of job satisfaction with the criteria used in the current performance appraisal system of Ethiopian Airlines Group. Therefore, the Airline shall due attention and review all the performance appraisal practices to check its effectiveness and employee job satisfaction.

#### **4.4 Correlation Analysis**

According to Pallant (2010), correlation is the measure of linear relationship between independent and dependent variables. It also important to describe the strength and direction of the linear association between the two variables. In order to check and overview the correlation between the dependent and independent variables the researcher employed bivariate correlation with Pearson coefficient and two tailed significance test. In this study the correlation analysis determines the strengths of the relationship between effective performance appraisal and job satisfaction of employees.

The values of the correlation coefficient analysis ranging from negative one to positive one. When the correlation coefficient negative one which indicates negative association between the independent and dependent variables while when the correlation coefficient is zero it implies no linear relationship between the independent and dependent variables. On the other hand, a correlation coefficient of positive one indicates positive association between the independent and dependent variables (Pallant, 2010).

The correlation results presented in table 4.4.1 shows that (**Refer in the appendixes**)

- ☞ There is a positive relation between performance appraisal methods and practices and job satisfaction of employees (sig= 0.000, r= 0.544).
- ☞ There is a positive relation between effectiveness of performance appraisal and job satisfaction of employees (sig= 0.000, r= 0.588).
- ☞ There is significant and positive relation between fairness of performance appraisal process and job satisfaction of employees (sig= 0.000, r= 0.525).
- ☞ There is significant and positive relation between providing performance feedback and job satisfaction of employees (sig= 0.000, r= 0.672).

- ☞ There is significant and positive relation between performance appraisal based reward systems and job satisfaction of employees (sig= 0.000, r= 0.507).
- ☞ In conclusion, the researcher infers that effective performance appraisal is highly correlated with employee job satisfaction.

As a result, there is strong, positive and a high degree of correlation between effective performance appraisal and job satisfaction of employees.

#### 4.5 Regression Analysis

Regression analysis helps to measure the comparative strength of independent variable (effective performance appraisal) on dependent variable (job satisfaction). Therefore, multiple regressions were conducted to examine the effect of performance appraisal on employee job satisfaction. Multiple regression analysis is the analysis of association in which the effects of two or more independent variables on a single, interval scaled dependent variables are investigated simultaneously (Zikmund et al., 2010). According to Hair Jr. et al. (2007), multiple regression is a form of general linear modeling and it is a suitable statistical method when examining the relationship between dependent and a number of independent variables.

Table 4.5.1 Regressions Analysis results for effective PA and job satisfaction

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.748 <sup>a</sup>	.560	.554	.755	.560	87.551	5	344	.000

- a. Predictors:(Constant), PA based reward systems, Fairness of PA process, PA methods and practices, Effectiveness of PA, Provide performance feedback

Source: Own Survey, 2020

Based on the above regression analysis result there is the degree of association between the major components of effective performance appraisal and job satisfaction which is 0.560. This implies 56% of variation in job satisfaction is explained by the five variables of effective performance appraisal where as 44% of variance is explained by other factors which contributes to the enhancement of employee job satisfaction however, the model is significant. The difference between  $R^2$  and adjusted  $R^2$  is 0.6% ( $0.560 - 0.554 = 0.006$ ).

This means that if the model were derived from the population rather than a sample it would contribute 0.6% less variance in outcome.

Table 4.5.2 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	238.126	5	47.625	83.299	.000 <sup>b</sup>
	Residual	196.678	344	.572		
	Total	434.804	349			

a. Dependent Variable: Job Satisfaction Source: Own Survey,2020

b. Predictors: (Constant), PA Based Reward Systems, Fairness of PA Process, PA Methods and Practices, Effectiveness of PA, Provide Performance Feedback

ANOVA shows the appropriateness of the model which implies the extent to which each independent variables influence the dependent variable. Therefore, the ANOVA table indicated that the regression model predicts the outcome variable significantly well and also indicated the statistical significance of the regression model that was applied. As shows in the table 4.5.2 above ( $p < 0.01$ ) which indicated the applied statistical regression model significantly predicted the outcome variable.

Table 4.5.3 Summary of Regression Coefficients for PA and job satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.139	.166		.836	.404
	Performance Appraisal Methods and Practices	.168	.053	.161	3.148	.002
	Effectiveness of Performance Appraisal	.107	.058	.099	1.840	.067
	Fairness of Performance Appraisal Process	.153	.047	.144	3.249	.001
	Provide Performance Feedback	.352	.059	.339	5.978	.000
	Performance Appraisal Based Reward Systems	.213	.042	.210	5.103	.000
a. Dependent Variable: Job Satisfaction						

Source: Own Survey,2020

This regression coefficient shows the extent of each independent variables influence the dependent variable. The results of this study shows that if performance appraisal is effective enough, fair, provide on time feedback and when there is performance based reward then employees will be motivated and satisfied and in turn their performance will be improved in particular and organizational performance in general. The comparative importance of independent variables in contributing to the variance of the dependent variable is described by the standardized beta coefficient.

Provide performance feedback have the highest beta value (0.339) followed by PA based reward (0.210), PA methods and practices (0.161), fairness of PA (0.144) and effective of PA (0.99). As it is shown in the table the degree of the effect exerted on job satisfaction differs from variable to variable. The higher value of Beta coefficient showed a higher positive effect of performance appraisal associated with higher job satisfaction. From the finding of the multiple regression coefficient the researcher infers that provide performance feedback, PA based reward systems, performance appraisal practices and fairness of performance appraisal process had a positive effect to the enhancement of employee job satisfaction.

Finally, from the independent variables provide performance feedback have significant and statistically meaningful for employee job satisfaction at 33.9%. The beta value signifies robust correlation with the dependent variable.

#### **4.5 Discussion**

The results generally reflected that performance appraisal have a direct and positive effect on job satisfaction. Derven, (2010) suggests that the outcomes of performance appraisal can lead to improvements in employee work performance. Malcolm and Jackson (2002) add that the benefits of performance appraisal are the identification of high performers and poor performers as well as the identification of strengths and development areas.

Similarly, Derven (2010) explains that performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals as well as to align the individual performances with the organizational goals and also review employees' performance appraisal.

##### **4.5.1 Performance Appraisal Methods and Practices**

Majority of the respondents were not satisfied with the method of performance appraisal system and the way performance appraisal is done & practiced in Ethiopian Airlines. Therefore, Ethiopian should take corrective actions by reviewing the current performance appraisal methods & practices to increase the job satisfaction level of its employees because PA is an effective tool for job satisfaction that leads to improving employee's performance. Similarly, Brown and Benson (2013) suggest that performance appraisal can be linked to performance improvement process and the decision to identify training needs and potential, agree on future objectives, support a career development plan and resolve existing problems.

##### **4.5.2 Effectiveness of Performance Appraisal**

One of the challenges that confront the implementation of an effective performance appraisal is the fact that some supervisors do not due and ensure effective performance appraisal. As studies indicated that effective performance appraisal practice had significant effect on employee job satisfaction.

But the effectiveness of performance appraisal is low as per the collected data from respondents. Therefore, the concerned must comply an effective performance appraisal system because it encourages employees to work hard & satisfy.

#### **4.5.3 Fairness of Performance Appraisal Process**

In the study some respondents doubted the fairness of the performance appraisal process and practice in Ethiopian Airlines. To totally erase this impression, since it has the potential to affect the performance appraisal practice, there is the need to ensure that fairness is maintained in the appraisal process to create the necessary trust on employees. Besides, unless there is fair and unbiased performance appraisal practice in the company it is difficult to bring and secured employees job satisfaction. Mone and London (2010) study found that that unfair evaluation of employee performance makes them feel insecure or discouraged leading to the development of poor relationship between the employer and employee.

#### **4.5.4 Provide Performance Feedback**

As the study identified that the performance feedback provision culture is low. This affects the objectives of the organization performance appraisal system. The objectives of performance feedback are to improve individual and group performance as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009). However, from the data the researcher infers in Ethiopian Airlines. Performance appraisal feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011).

#### **4.5.5 Performance Appraisal Based Reward Systems**

When there is performance based reward employees are satisfied and motivated to work hard as per the finding. Besides, performance based reward is a good opportunity to encourage employees to be creative and improve the performance of the organization.

#### **4.5.6 Level of Job Satisfaction**

From the data analysis the respondents agree that objective performance appraisal is the basis for job satisfaction. Besides, they also agree that effective performance appraisal system is an important indicator for job satisfaction. The respondents had low level of job satisfaction with the criteria used in the current performance appraisal system of Ethiopian Airlines.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

In this section, the researcher indicates the findings of the research result on the effect of performance appraisal on employee job satisfaction. Based on chapter four data analysis and explanation the summary, conclusions and recommendations of the study are presented hereunder.

#### **5.1 SUMMARY**

The major objective of this research was to assess the effect of performance appraisal on employee job satisfaction in the case of Ethiopian Airlines Group.

The study employed descriptive research design and quantitative research approach. To collect the data both primary and secondary data sources employed for the purpose of this study. Simple random sampling technique was employed to select the respondents from the target population. Structured questionnaire was developed based on Likert 5-point scale rating from strongly disagree to strongly agree and distributed to employees of Ethiopian Airlines Group.

The study was targeted a total of 388 respondents. But, only 350 respondents were responded and returned the questionnaires which represents 90% response rate. The result of the background indicated that the majority of respondents were male, aged between 18-30 years, BA/BSC degree holder and served Ethiopian from two to five years. Improper usage of appraisal makes the employees to have a negative attitude and perception towards it and this will affect the moral of employees and reduces the productivity and the job satisfaction level of employees and the organization (Bratton and Gold, 1999).

Majority of the employees were not satisfied towards the overall performance appraisal practice and implementation.

Based on the correlation analysis result, there is strong, positive and a high degree of correlation between effective performance appraisal and job satisfaction of employees.

According to the regression analysis result there is the degree of association between the major components of effective performance appraisal and employee job satisfaction which is 0.560. This implies 56% of variation in job satisfaction is explained by effective PA.

Based on the regression coefficient outcome provide performance feedback have the highest beta value followed by PA based reward, PA methods and practices and fairness of PA. This coefficient shows the extent of each independent variables influences the dependent variable differently.

## **5.2 CONCLUSION**

The objective of the study was to assess the effect of performance appraisal on employee job satisfaction using structured questionnaire in Ethiopian Airlines Group. Performance appraisal process is a major and decisive component and activity of HRM in government and private organizations. Effective performance appraisal system makes employees more satisfied and committed to their jobs. It also helps to strengthen good performance, alert managers to the need for training and development in certain areas or the need to offer support to poorly performing employees. Managing performance appraisal through coaching, observation and 360-degree feedback helps the employee to maximize their full contribution & potential for the company. Besides, regular and constructive PA feedback helps to identify poor performers quickly and support employees to eliminate/improve their weakness. But poor performance may be a result of inadequate leadership, bad management or defective systems of work.

According to this study Ethiopian Airlines Group carried out performance appraisal twice a year at the end of December and June for Management and non-Management employees who are worked more than three months. Ethiopian Airlines employed forced distribution method of performance appraisal to appraise their employees. This method is one of the most widely used and the most criticized method of performance appraisal. Employees were less satisfied with the forced distribution method of performance appraisal systems and the way performance appraisal is done & practiced in Ethiopian Airlines.

With regard to fairness of performance appraisal process unless there is fair and unbiased performance appraisal it is difficult to secure employees' job satisfaction. On the other hand, regular performance appraisal feedback provision is critical and helps the employee to improve their job performance progress & their weakness as per the finding.

There is a positive and significant relationship between effective performance appraisal and Job satisfaction as per the result of correlation analysis.

The result of the regression analysis shows that the variance on Job satisfaction is explained by the performance appraisal by 56%. Effective performance feedback has the potential to enhance employee's engagement, motivation, and job satisfaction level.

### 5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations were given by the researcher:

- ✧ To avert the problems in the practice of PA Ethiopian should implement effective performance appraisal practices in the best possible by developing a good feedback system and done fair performance appraisal results based on objective data.
- ✧ There need to be review the type and practice of performance appraisal in Ethiopian Airlines to use other methods such as 360 degrees.360-degree is a multidimensional performance appraisal method that evaluates the performance of employees' by the feedback collected from managers, peers, and customers.
- ✧ Ethiopian should ensure regular, immediate, continuous and proper feedback provision to the employee with proper record thru EPDMS in daily, weekly and monthly basis to make the performance appraisal effective.
- ✧ The performance appraisal discussion should follow an interactive discussion method to get further information or feedback from the employee to know the gap the way forward.
- ✧ Ethiopian should ensure fairness and transparency of employees' evaluation in the performance appraisal process. If, ineffective and unfair performance appraisal system prevail within Ethiopian it is hard to find the desired output from employees.
- ✧ Appraisal systems should address the skill deficiencies by providing training to the employees to make the performance appraisal process effective and to bring job satisfaction.
- ✧ Ethiopian HR department must encourage, take the initiative and follow up managers and team leaders to record real data timely to do the PA fairly &in unbiased manner.
- ✧ Give appropriate performance based rewards to employees who have shown an exemplary performance to motivate and satisfy employees and could be practiced consistently.
- ✧ The feedback Provision should be based career development to initiate the best performers and the feedback should be targeted on job other than other relationships
- ✧ Further research is recommended to evaluate the level of employee job satisfaction in Ethiopian Airlines other than performance appraisal.

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## **Appendix: A Letter of Introduction**

Dear Respondents,

I am a student of pursuing MHRM at Addis Ababa University, School of Commerce. I am inviting you to participate in this study by completing the attached questionnaires. This questionnaire is designed to collect data on the title “The effect of performance appraisal on employees’ job satisfaction: in the case of Ethiopian Airlines” in partial fulfillment of Master Degree in HRM. Your genuine feedback has the utmost importance in determining the study’s outcome hence, please answer all questions as honestly as possible then return the completed questionnaires. I would like to forward my deepest gratitude for your unreserved assistance to fill the questionnaire in advance. Once again thank you for taking the time to assist me in my educational endeavors.

Please be advised and sure that this study is only for academic purpose authorized by Addis Ababa University, Thus the information you provide, your ideas and comments are highly honored and will be treated with utmost confidentiality. Finally, if you require additional information or have questions, please feel free to contact me @ +251-918487194 or via my email address: Airmiasj3@gmail.com

Kind regards,

Airmias Jemberie

## Appendix: B Research Questions

### General Guidelines:

Please put a tick “ ” mark to reply each question as per your choices.

- a) The response scale of the questions is as follows: 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1= Strongly Disagree
- b) You are not required to write your name

### Part I: Background Information

- 1) Gender: Male  Female
- 2) Which is your age category?  
 18-30  31-40  41-50  51-60  61
- 3) Marital Status  
 Single  Married  Divorce
- 4) Work Experience within Ethiopian  
 1 year  2-5 years  6-10 years  11-15 years  16 years
- 5) Educational level  
 Certificate  Diploma  BA/BSC  MA/MSc  PHD

### Part II: Closed Ended Questions

Please indicate the extent to which you agree with the following statements: (Strongly Agree-5 Agree-4 Neutral-3 Disagree-2 Strongly Disagree-1)

No.	Statements	Level of Agreement				
		Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
	<b>Performance Appraisal Methods and Practices</b>					
1	Are you satisfied with the method of performance appraisal systems of Ethiopian Airlines Group					
2	Are you satisfied with the way performance appraisal is done & practiced in Ethiopian Airlines Group					
3	Is your performance evaluation based on the standard target set for you at the beginning of the budget year and based on your accomplishment					

4	Do you think that performance appraisal practice in Ethiopian Airlines Group being implemented well					
	<b>Effectiveness of Performance Appraisal</b>					
5	Is the appraisal system of Ethiopian effective in encouraging employees to work hard & satisfy					
6	Is EPDMS an effective tool to bring employee job satisfaction by recording accurate data in daily, weekly & monthly basis to do the performance appraisal of employees successfully					
7	Is the current performance appraisal system of Ethiopian Airlines Group is effective & helps to bring employee job satisfaction					
8	Is your target in Ethiopian prepared based on SMART goal setting method					
	<b>Fairness of Performance Appraisal Process</b>					
9	Is fairness and clarity of performance appraisal system critical for satisfaction					
10	Is your appraisers treat you fairly during performance appraisal process					
11	Is the performance appraisal process of Ethiopian is fair and unbiased					
12	Is your recent performance rating was based on the effort you put into your job and reflects how much work you do					
13	Is your performance appraisal is based on the quality and quantity of your work other than your personality and position					
	<b>Provide Performance Feedback</b>					
14	Is your manager & supervisor frequently give constructive feedback about your job performance progress & this helps you to improve your weakness					
15	Are you satisfied with the performance feedback system of Ethiopian Airlines Group					
16	Is the feedback you receive on how you do your job is highly relevant and makes you happy					
17	Is the result of your evaluation openly explained and discussed with you the weak sides to enhance your performance the way forward					
18	Can you challenge the performance evaluation result of yours if you think it is unfair & have evidence					
19	Is the performance appraisal system feedback able to show the areas in which an employee needs improvement					
	<b>Performance Appraisal Based Reward Systems</b>					

20	Are you motivated when you rewarded to work hard and to improve the performance of the organization					
21	Is performance based reward opportunities encourage staff to be creative & interested					
	<b>Level of Job Satisfaction</b>					
22	Is objective performance appraisal the basis for job satisfaction					
23	Is the feedback aspect of Ethiopian performance appraisal system increase job satisfaction					
24	Is effective performance appraisal system important indicator for job satisfaction					
25	Overall, are you fully satisfied with the criteria used in the current performance appraisal system of Ethiopian Airlines					

**Appendix-C Correlations Result for effective PA and employee job Satisfaction**

		PA Methods and Practices	Effectiveness of PA	Fairness of PA Process	Provide PA Feedback	PA based Reward Systems	Job Satisfaction
PA Methods and Practices	Pearson Correlation	1	.682**	.524**	.648**	.334**	.544**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	350	350	350	350	350	350
Effectiveness of PA	Pearson Correlation	.682**	1	.531**	.647**	.382**	.588**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	350	350	350	350	350	350
Fairness of Performance Appraisal Process	Pearson Correlation	.524**	.531**	1	.650**	.272**	.525**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	350	350	350	350	350	350
Provide Performance Feedback	Pearson Correlation	.648**	.647**	.650**	1	.453**	.672**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	350	350	350	350	350	350
Performance Appraisal Based Reward Systems	Pearson Correlation	.334**	.382**	.272**	.453**	1	.507**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	350	350	350	350	350	350
Job Satisfaction	Pearson Correlation	.544**	.588**	.525**	.672**	.507**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	350	350	350	350	350	350

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

Source: Own Survey, 2020

PA-performance Appraisal