

**THE EFFECT OF PERFORMANCE APPRAISAL PRACTICE  
ON EMPLOYEE MOTIVATION: THE COMMERCIAL  
BANK OF ETHIOPIA (CBE)**



**A Thesis Submitted to School of Commerce, Addis Ababa  
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**The Effect of Performance Appraisal Practice on Employee  
Motivation: The Commercial Bank of Ethiopia (CBE)**

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## **Statement of Declaration**

I, **Abraham Abebe** declare that the thesis entitled “**The Effect of Performance Appraisal Practice on Employee Motivation: The Commercial Bank of Ethiopia (CBE)**” is my original work. Moreover, this study has not been presented for any other program in this university or any other, and that all sources of material used have been acknowledged accordingly.

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**Abraham Abebe**

### **Statement of certification**

This is to certify that this study paper titled " **The Effect of Performance Appraisal Practice on Employee Motivation: The Commercial Bank of Ethiopia (CBE)** "undertaken by **Abraham Abebe** for the partial fulfillment of Master of Arts Degree in Human Resource Management from Addis Ababa University school of commerce is an original work and fit for partial fulfillment for Masters of Arts Degree in Human Resource Management.

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## ABSTRACT

*The main purpose of this study is to investigate the effect of performance appraisal practice on employee motivation in Commercial Bank of Ethiopia. Explanatory research design was used and quantitative data were collected from a sample of 172 employees using proportionate stratified sampling technique, and the data were analyzed using descriptive and inferential analysis. A Structured questionnaires developed in form of a five point likert scale was used for data collection. Data was collected and analyzed by package for social sciences (SPSS). Pearson's correlation coefficient was used to determine the relationships between performance appraisal practice and employee motivation. A regression model was used to determine the co-efficient of the effect of performance appraisal on employee motivation. The study shows that there is a positive significant correlation between performance appraisal and employee motivation and it was concluded that performance appraisal system has a significant effect on the employee motivation at the CBE. The study also found that 48% of the changes in the employee motivation variables could be attributed to the combined effect of performance appraisal practice predictor variables. In general this research revealed that performance appraisal was associated with higher level of employee motivation. This is attributed to ongoing feedback, open communication between employees and their supervisors, trained appraisers, fairness of appraisal practice, rewarding performance and employees' participation on the planning of appraisal. The level of employee's motivation as related to the current performance appraisal system and employees perceive about the performance appraisal is low in commercial bank of Ethiopia. The recommends that effective feedback and communication; giving training opportunities to employees to acquire skills; and encouraging employees' participation in performance appraisal practice are all essential for effective performance appraisal practice in an organization.*

***Keywords: Performance Appraisal practice, Employee motivation, ongoing feedback, open communication, trained appraisers, fairness of appraisal practice, rewarding performance and employees' participation***

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## **Acronym and Abbreviation**

CBE: Commercial Bank of Ethiopia

ERG: Existence – Relatedness – Growth

HPWP: Higher Performance Work Practices

HR: Human Resource

HRM: Human Resource Management

MBO: Management by Objective

PA: Performance Appraisal

PAS: Performance Appraisal System

SPPS: Statistical Package Social Science

VIE: Valence - Instrumentality - Expectancy

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

In today's world of business environment, sustainable human resource (HR) factor play a vital role in order to remain competitive. Most winning organization in the 21<sup>st</sup> century will be those focuses on integrated HR processes and systems (Ayaz, 2010). Performance appraisal is one of the most critical functions that bring global success in human resource management. Formal performance appraisals of employees, which are typically scheduled annually or semiannually, are one of the most important human resource management practices. Performance appraisal is used for a variety of reasons such as promotions; pay raises, detailed and valuable feedback, continuous open communication and career progression.

All organizations must tackle head on the challenge of how to assess, exploit and grow its human resource to make sure that organizational aim is fulfilled, and also to make sure that employees attain as much satisfaction as possible from their work (Anderson, 1993). This statement can lead us to the concept of performance appraisal. Bacal (1999), explained performance appraisal as the process by which an individual's work performance is assessed and evaluated. It answers the basic question, "How well has the employee performed during the period of time in question?" It's just one part of performance management, not the whole".

The evolution of performance appraisal practice stated as old as human being started social life but well designed and planned performance appraisal system has emerged during industrial revolution in Europe Performance appraisal can be defined as the formal assessment and rating of individual by their managers at, usually, an annual review meeting based on predetermine goals (Armstrong, 2006).

Many scholars like Desseler (2008), defined performance appraisal as evaluating an employee's current and /or past performance relative to his/her performance standards. He explains performance appraisal always assume that the employees understood what his/her performance standards were, and that the supervisor also provides the employees with the feedback, development, and incentives required to help the person eliminate performance deficiencies or to continue to perform above par. This aims at improving employee's

performance. Therefore, to make these effective a system that serves as a tool for performance appraisal process must be developed.

According to Snell and Bohlander (2007), performance appraisal is a process, typically performed/delivered by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success. According to the definition the basic thing for employees understanding the role, objective, which helps the employees to achieve the performance, is performance appraisal. The overall definition of performance appraisal shows that its process that rates employees based on stated standards and that evaluate their role in achieving the organization goal.

Having said that the subject that often comes with performance appraisal is motivation, which is core point of an organizations performance in bringing about the organizations success as well as the employees satisfaction and encouragement. A lot of scholars have defined motivation in different ways:-

According to Butkus & Green (1999), motivation is derived from the word “motivate”, means to move, push or influence to proceed for fulfilling a want (Kalimullah et al, 2010). Motivation is a set of courses concerned with a kind of strength that boosts performance and directs towards accomplishing some definite targets (Kalimullah et al, 2010).

According to Newstrom (2011), motivation is the result of a set of internal and external forces that cause an employee to choose suitable course of action and hold on certain behaviors. These behaviors will in turn be focused at achieving organizational goals. Motivation also requires learning and understanding employee drives and needs, since its origin is from within an individual.

A lot of studies have been done on, performance appraisal and employee’s motivation relationship like Kamiti (2014), stated in his research on the effect of performance appraisal effect on employees motivation of civil servants revealed that performance appraisal is an important factor which touches on the employees’ motivation. The study recommended that promotions and trainings motivate employees in the civil service apart from monetary rewards. Performance appraisal is considered as a technique that has positive effect on employee’s motivation. If the PAS consider being effective and fulfilling the requirement of

these factors, it will have positive effect on motivation but the opposite could result to dissatisfaction.

So, this study focused on the relationship between performance appraisals practice and employee motivation. The Researcher also hopes that it was explained the main problems arise from the Performance Appraisals practice that has effect on employee's motivation.

## **1.2 Statement of the Problem**

Employees are a very important resource in any organization. This can be attributed to the way their performance is appraised, recognized and relevant motivation put in place (Nurse, 2005). Thus, according to Armstrong (2009), people are motivated when they expect certain course of action will likely lead to achievement of a goal and a valued reward one that satisfies their needs and wants.

Only when employees are motivated towards appropriate goals that there is a likelihood of organizational success is enhanced. Since productivity is influenced by employee motivation level, organizations and particularly their line managers have to realize what inspires employees to reach the highest level of their performance (Beardwell and Claydon, 2007).

Based on fourth quarter assessment report on the CBE's Employee Performance Appraisal of October 2016, in Commercial Bank of Ethiopia, the employees motivation towards performance appraisal systems and its practice is found at low stage, the primary result is that the performance appraisal system process less performance feedback on time. Effective PAS helps the organization to achieve its goals by developing productive and motivated employees. The bank has currently initiated the institutionalization of management tool which is called "Balanced score-card", which would enable it to formulate and implement its strategy and to track its performance. Without on time feedback on employee's performance it's difficult to create employee's motivation.

The second reason of employee's low satisfaction is less communication between the employees and administration. Besides, it is difficult to identify employee training needs based on the result of the performance appraisal (the organization secondary data).

Walters (1995), Outlined some main performance appraisal challenges in the performance appraisal processes. The major challenges are employees are not provided with performance

feedback on time and less communication between the employees and administration and the degree of openness and trust between managers and subordinates. In general these problems are facing the Commercial Bank of Ethiopia to the performance appraisal systems to be effective (Walters 1995).

Hence, examining the effect of performance appraisal practice on employee motivation might help organizations to improve its organizational performance appraisal practice and adjust its focus on most important performance appraisal system to bring about employees motivation. Some researchers work on the same title and the same organization focus other performance appraisals element like fairness of PAS and employee's participation, but in this research focus feedback and communication this is the gap of this research.

This study addressed the following research questions;

- What is the level of employee's motivation in CBE?
- How do employees perceive performance appraisal practice of CBE?
- What is the relationship between performance appraisal and employee motivation?
- What is the effect of performance appraisals on employee's motivation?

### **1.3 Objectives of the Study**

#### ***1.3.1 General Objective of the Study***

The general objective of the study was to examine the effect of performance appraisal practice on employee motivation.

#### ***1.3.2 Specific Objectives of the Study***

- To evaluate the level of employee's motivation.
- To examine how employees perceive the performance appraisal.
- To examine the relationship between performance appraisal and employee motivation.
- To show the effect of performance appraisal effect on employee's motivation.

#### **1.4 Significance of the Study**

The study could benefit the case organization by determining which type of performance appraisal has highest effect on employee's motivation. This could also lead to improvements in workplaces to help employees become more motivated to their jobs. Up until now the impact performance appraisal has on Commercial Bank of Ethiopia employee's motivation is not evidently known. Therefore, this study can help CBE to enrich its organizational performance appraisal practice and adjust its focus on most important performance appraisal type that can bring employee motivation. Lastly, similar stake holders might use it as an input for further study and to investigate more in the area: in a broader and wider scope.

#### **1.5 Scope of the Study**

In Ethiopian banking industry there are 16 private and 2 governmental banks. Among these two governmental banks was only focused on the commercial bank of Ethiopia. Commercial bank of Ethiopia has fifteen districts from fifteen districts was selected only one southern district, due to the difficulties to cover all district of the bank throughout the country regarding with limited time, the bank use uniformly performance appraisal systems and scare of resource.

And also the conceptual scope of this paper was focused only on performance appraisal and employee's motivation on human resource management programs and will not covered other elements of the company's overall business practice. The performance appraisal measure by employees' participation, trained Appraisers, ongoing feedback, continuous open communication, fairness of performance appraisal practice and rewarding performance. The employee's motivation also measure by six independent variables.

The geographical scope of this study was due to resource constraint, it is difficult to cover all districts, and to keep the study manageable, however, the study was focused on the one districts located in Addis Ababa which is, South districts.

#### **1.6 Limitations of the Study**

Since the study used survey in collecting primary data, random and systematic errors may come up, confidentiality of some information and some of the distributed questioners were not respond.

Also the study is limited to one banking service provider, commercial bank of Ethiopia; therefore, it may impede the generalization of the result obtained from this study.

### 1.7 Definition of Term

- ✓ **Performance appraisal** is process by which an individual's work performance is assessed and evaluated (Bacal, 1999).
- ✓ **Motivation** is a set of courses concerned with a kind of strength that boosts performance and directs towards accomplishing some definite targets (Kalimullah et al, 2010).

### 1.8 Organization of the Study

This study is organized in five chapters. The first chapter deals with background of the study, statement of the problem, objectives of the study, significance of the study, scope and limitation of the study, definition of terms and organization of the paper. The second chapter covers the review of literature, empirical study, hypothesis and conceptual framework in the area of study. The third chapter discuss about the methodology employed by the study. The fourth chapter presents about analysis of data collected. And finally chapter five contains finding, recommendation and conclusion of the study.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Performance Appraisal defined

Before defining performance appraisal one has to know what Performance management is, therefore according to Armstrong (2009), Performance management is a systematic process for improving 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. Armstrong (2006), defined performance management is “a systematic process for improving organizational performance by developing the performance of individuals and teams”.

According to Armstrong (2009), performance appraisal defined as it is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society at a large will benefited.

And also Dessler (2005), define performance appraisals “comparing the employee’s present and past performance to his/her performance standards”.

#### 2.2 Performance Appraisal Criteria

According to Armstrong (2009), the criteria for reviewing performance should be balanced between: achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance (competencies); the degree to which behavior upholds the core values of the organization; day-to-day effectiveness. As Mathis and Jackson (1997) stressed, performance criteria are standards commonly used for testing or measuring performances. Criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based.

**Trait based criterion:** identifies a subjective character trait such as “pleasant personality”, “initiative,” or “creativity and has little to do with the specific job. Such traits tend to be ambiguous, and courts have held that evaluation based on traits such as “adaptability” and general demeanor” are two vague to use as the basis for performance-based HR decisions.

**Behavior-based criterion:** focus on specific behaviors that lead to job success.

**Results-based criterion:** look at what the employee has done or accomplished. For some jobs where measurement is easy and appropriate, a result based approach works very well.

Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. But there are also problems with these criteria. Mathis and Jackson (1997) again said, jobs usually include many duties and tasks, and so measuring performance usually requires more than one dimension. If the performance criteria leave out some important job duties, they are deficient. If some irrelevant criteria are included in the criteria, the criteria are said to be contaminated. Managers use deficient or contaminated criteria for measuring performance much more than they should.

### 2.3 Nature of Performance Appraisal

Performance appraisal has traditionally been viewed by industrial and organizational psychologists as a measurement problem (Murphy and Cleveland, 1995). Performance appraisal has increasingly become part of a more strategic approach to integrating human resource activities and business policies and is now a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher and Perry, 2001).

While more organizations are recognizing the value of performance appraisal to organizations and employees, there is much confusion about what appraisals are and how they should be conducted and managed (Khoury and Analoui, 2004). Performance appraisal refers to the process by which an observer, often a supervisor or a peer, rates the job performance of an employee (Murphy and Cleveland, 1995). Kondrasuk, (2012) suggested that the ideal performance appraisal is a format (process), not a form (specific instrument). It is a process that involves setting expectations (of the supervisor and subordinate), having the subordinate perform to achieve the expectations of appraising and feeding back the results, and applying the results of the assessment in ways that benefit the organization, the supervisor and the subordinate involved. In most organizations, these appraisals are conducted periodically, usually annually, and are normally recorded on some standard rating scale. The products of this appraisal process, which are sets of ratings, can play an important role in enhancing organizational effectiveness and have been used in a variety of contexts (Landy and Farr, 1980). However, to gain an understanding of where performance appraisal is today, it is helpful to briefly look at how performance appraisal has evolved. Its origins

can be traced back beyond the 1950s and 1960s. In the 1950s, personality-based appraisal systems were quite common. These were associated with a belief in the importance of feedback as far as the First World War, but to appreciate contemporary perspectives it is not necessary to go an aid to learning and as a motivating mechanism. McGregor (1957) then expressed criticism of personality-based ratings and identified them as a principal reason for the tendency of managers to avoid doing appraisals. This line of thought was taken up by other writers in the field and, with the additional influence of the concept of Management By Objectives (MBO), appraisal practice in the 1960s shifted to a greater emphasis on goal-setting and the assessment of performance-related abilities (and, much more recently, competencies) rather than personality. The late 1980s and the whole of the 1990s saw organizations undergo a process of rapid and successive change. The nature of these changes – downsizing and de-layering - had implications for the way that performance appraisal was applied (Fletcher, 1997).

#### **2.4 Methods of Performance Appraisal**

According to Martin (2010) and Gilley, Gilley, Quattro and Dixon (2009), numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee. Broadly all methods of appraisals can be divided into two different categories as: past Oriented Methods and future Oriented Methods:-

**1) Past Oriented Methods-** Rating Scales, Checklist, Forced Choice Method, Forced Distribution Method, Critical Incidents Method, Behaviorally Anchored Rating Scales, Field Review Method, Performance Tests & Observations, Confidential Records, Essay Method, Cost Accounting Method, Comparative Evaluation Method (Ranking & Paired Comparisons), Ranking Methods, Paired Comparison Methods.

**2) Future Oriented Methods-** Management by Objectives, Psychological Appraisals, Assessment Centers, 360-Degree Feedback.

## 2.5 Effective Components of Performance Appraisal System

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).

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

**Fairness:** - Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.

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

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

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

**Continuous open communication:** - An open communication should be encouraged between the employees and the management with respect to the appraisal process as well as any other concerns or suggestion that the employees may have. It will provide an opportunity to improve communication between the employees and management (Rankin & Kleiner, 1988).

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

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

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

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

Ensuring that the performance appraisal ties in with organizational goals is essential to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Barrett, 1967).

Performance Appraisal is intended to gather vital information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organization wholly (Rahman & Shah, 2012). Effective managers recognize performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They may use performance appraisals to motivate, direct and develop subordinates (Wiese & Buckley, 1998, p244).

Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987), as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal.

Petition, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other harmful outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover. In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money (Cited by Anteneh Admassu 2017).

## **2.6 The purposes of performance appraisal**

The performance appraisal has multiple purposes, but the primary goal is to improve organizations overall performance. It is very important to clarify the objectives that performance appraisal system is attempting to achieve. Striving to achieve multiple objectives could become a disadvantage if it leads to dissipation of effort, energy and lack of

focus (Anderson, 1993); (Rees and Porter, 2001). Fisher, (1995) warned that performance appraisal more likely to fail if employees see performance appraisal as a stick which management has brought in, in order to generate a basis for disciplinary action. Some managers make mistakes including the maintenance of discipline as one of the goals of a multipurpose scheme. In addition, if employees acknowledge that their pay and chance of being promoted depend on the outcome of the appraisal process, they may try to play down any weaknesses and eager to shine their bright side (Rees and Porter, 2001). Consequently, it does get hard to reveal an individual's training and developmental needs.

The primary objectives of performance appraisal system are likely to be (Rees and Porter, 2001) and (Fisher, 1995):

- ✚ Performance review
- ✚ The identification of development needs
- ✚ Pay review
- ✚ Determining upgrading
- ✚ Determining promotion
- ✚ Probationary review
- ✚ Review of duties and setting targets for future performance

Moreover, the objectives can be categorized 3 groups:-like

Administrative – providing an orderly way of determining promotions, transfers and salary increases.

Informative– providing information to management on the performance of subordinates and to the individual on his or her strength and weaknesses.

Motivational– creating a learning experience that motivates staff to develop themselves and improve their performance.

## **2.7 Benefits of performance appraisal**

An effective performance appraisal system brings in benefits to the appraiser and the organization. Performance appraisal has the following benefits (Anderson, 1993); (Fisher, 1995); (Corcoran, 2006).

- ✓ A greater understanding of the results expected of them
- ✓ Precise and constructive feedback on past performance
- ✓ Greater knowledge of strengths and weaknesses

- ✓ The development of plans to improve on performance by building on strengths and minimizing as far as possible weaknesses
- ✓ An opportunity to communicate upwards views and feelings about the job and the utilization of the appraisers skills in the job
- ✓ Increased motivation and job satisfaction
- ✓ The opportunity to discuss work issues and opportunities

All appraises need to be fully informed about the benefits of the system by their managers who conduct the appraisal. Only if employees completely understand the benefits, they can participate fully and honestly in performance appraisal.

**Managers could earn following benefits from appraisals:**

- ✚ Better understanding of staff, their fears, anxieties, hopes and aspirations
- ✚ The opportunity to re-priorities targets
- ✚ Increased motivation of employees, by managing them individually
- ✚ Developing staff performance
- ✚ Enhanced job satisfaction
- ✚ The opportunity to connect individual and team goals with departmental and organizational objectives
- ✚ More focused staff performance

**Benefits for the organization:**

- ✚ Better communication
- ✚ Generally increased motivation of employees
- ✚ The greater harmonization of objectives
- ✚ Enhanced overall corporate performance, (Anderson,1993); (Fisher,1995); (Corcoran, 2006)

**2.8 Responsible Body to Conduct PA**

PA is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. Tosi, Rossi and Carroll (1986) said (wrote) as follows: “Performance evaluation by one’s superior, groups of management at higher levels subordinated or peers. It has been department and for certain purposes, self-ratings are used.” Additionally, Mathis and Jackson, (1997), also wrote as follows: Again performance appraisal can be done by any one

of familiar with the performance of individual employees. Possibilities are including the following.

- ✚ Supervisors who rate their employees
- ✚ Employee who rate their supervisors
- ✚ Team members who rate each other
- ✚ Outsider sources
- ✚ Employee self-appraisals
- ✚ Multi-score (360°) appraisal

## **2.9 Time to Conduct Performance Appraisal**

In any administration activity of an organization, PA also has its own time to be conducted. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period (Mullins, 1996) with the majority of schemes, staff receives an annual appraisal and for many organizations this may be sufficient. Also more frequent appraisals may be appropriate for new members of staff, those recently promoted or appointed to a new position or for those whose past performance have not been up to the required standard. And also Mathis and Jackson (1997), broadly explained as follows: First an informal appraisal is conducted whenever the supervisor feels it is necessary. The day-to-day working relationships between a manager and an employee performance have to be judged. This judgment is communicated through conversation on the job or over coffee or by on-the-spot examination of a particular piece of work. Informal appraisal is especially appropriate when time is an issue. The longer feedback is delayed the less likely it is motivating behavior change. Frequent information feedback of employee can also avoid surprises (and therefore problems) later when the formal evaluation is communicated.

Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it should not take the place of formal appraisal. When a formalized or systematic appraisal is used, the interface between the HR unit and the appraising manager becomes more important. Therefore, systematic appraisals typically are conducted once or twice a year. Appraisals most often are conducted once a year, usually near the employee's anniversary date. For new employees, an appraisal for 90 days after employment, again at six months, and annually these after is common timing. This regular time interval is a feature of formal appraisals and distinguishes them

from informal appraisals. Both employees and managers are aware that performance will be reviewed on a regular basis, and they can plan for performance discussions. In addition, informal appraisals should be conducted whenever a manager feels they are desirable.

## **2.10 Effect of Performance Appraisal Process on Employee Motivation**

According to Rue and Byars (2005), performance appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities. Performance appraisal process can also be referred to as a procedure for determining employee performance (Herbert et al, 2009). Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development. Performance appraisal system is usually identified as a critical element for boosting employee motivation (Selvarajan and Cloninger, 2011).

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Performance appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization. Performance appraisal is often considered one of the most important human resource management functions (Selvarajan and Cloninger, 2011), and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness Guest 1997 cited in (Selvarajan and Cloninger, 2011).

## **2.11 Motivation**

### **2.11.1 Concept of Motivation**

All organizations are concerned with what should be done to achieve sustained high level of performance through people. This means giving growth attention to how individuals can best be motivated through such means as incentive, rewards leadership, and important the work they do and the organization context with in which they care out that work (Armstrong, 2006). According to (Butkus and Green, 1999) motivation is derived from the word “motivate”, means to move, push or influence to proceed for fulfilling a want.

### **2.11.2 Definition of motivation**

Motivation is the desire to achieve beyond expectations, being driven by internal rather than external factors and to be involved in a continuous striving for improvement (Torrington, Hall, Taylor & Atkinson, 2009).

Motivation, in the context of work, is a psychological process that results from the interaction between an employee and the work environment and it is characterized by a certain level of willingness. The employees are willing to increase their work effort in order to obtain a specific need or desire that they hold (Beardwell & Claydon, 2007).

There are two types of motivation as originally identified by Herzberg et al (1957):

1. Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.
2. Extrinsic motivation – what is done to or for people to motivate them? This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.

### **2.11.3 Theories of Motivation**

**1. Process Theories** of Motivation tries to explain how behavior change occurs and why individuals act in different ways. In other words, they focus on how workers needs influence their own behavior. Process theories originate from early cognitive theories, which state that behavior is the result of conscious decision-making processes. Following are the most famous process theories: reinforcement theory, expectancy theory, equity theory, and goal setting theory, from which the goal setting theory will be closer, discussed (Tosi, Rizzo & Carroll, 1994).

The goal setting theory of Locke and Latham assumes that human behavior is governed by goals and ambitions, which lead to the assumption that an employee with higher goals will do better than an employee with lower goals. This theory states that there is a positive relationship between goal precision, difficulty and performance. Hence, if an employee knows precisely what he or she is expected to do, that individual will do better than someone whose goals are vague. Adequate and timely feedback plays an essential role in the

goal setting theory it has the following effect on the employees: (Beardwell & Claydon, 2007).

- ✚ Increase feelings of achievement
- ✚ Increase the sense of personal responsibility for the work
- ✚ Reduce uncertainty
- ✚ Refine performance

The goal setting theory has been criticized because it does not take into consideration two important factors, individual differences and goal complexity. Individual priorities and goals that differ in specificity and difficulty, as well as some personality differences, such as self-esteem, might affect goal acceptance and willingness to achieve goals (Tosi, Rizzo & Carroll, 1994).

### **A. Equity Theory (Adam, 1963)**

Equity theory is based on the premise that a worker perceives the relationship between outcomes, what the employee gets from a job and organization, and inputs, what the employee contributes to a job and organization. Outcomes include pay, fringe benefits, job satisfaction, and status, opportunities for advancement, job security and status. Inputs refer to the contributions made, such as the amount of time worked, the amount of effort expended, and the number of units produced, education, work experience and anything else that employees perceive that they contribute to the organization. Equity theory is concerned with outcomes and inputs as they are perceived by those involved, and are not necessarily based on any objective standards.

Equity theory states that people compare their outcomes and inputs to those of others and judge the equitableness of these relationships in the form of a ratio. Specifically, they compare the ratios of their own outcomes/inputs to the ratios of others' outcomes/inputs. The "others" who serve as the basis of comparison may be other employees in a work group, other employees in the organization or individuals working in the same field.

### **B. Expectancy theory**

Expectancy theory, proposed by Vroom in 1964, is also known as the valence, instrumentality and expectancy (VIE) theory. Vroom realized that an employee's performance is based on individual level factors, such as personality, skills, knowledge,

experiences and abilities. The theory suggests that, although individuals may have different sets of goals, they can be motivated if they believe that there is a positive correlation between effort and performance, and that favorable performance will result in a desirable reward. The reward will eventually satisfy the need and the desire to satisfy the need is strong enough to make the effort worthwhile. The theory is based upon three aspects, valence, instrumentality and expectancy. 'Valence' refers to the emotional orientations people hold with respect to outcomes (rewards). It also means the depth of the needs of an employee for extrinsic reward (such as money, promotion, time-off, benefits, etc) or intrinsic (such as work satisfaction) reward. Management must discover what employees' values are.

On the other hand, 'expectancy' suggests that employees have different expectations and levels of confidence about what they are capable of doing and management must discover what resources, training or supervision employees need. Whereas, 'instrumentality' means the perception of employees as to whether they will actually get what they desire, even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom suggested that an employee's beliefs about expectancy, instrumentality, and valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

### **C. Procedural Justice Theory**

Procedural justice theory is concerned with the perceived fairness of the procedures used to make decisions about the distribution of outcomes (George and Jones, 1999). Procedural decisions pertain to how performance levels are evaluated, how grievances or disputes are handled, and how outcomes are distributed across workers. In procedural justice theory, as in equity theory, workers' perceptions are keys; workers' reactions to procedures depend on how they perceive the procedures rather than on what the procedures actually are.

Procedural justice theory holds that workers are going to be more motivated to perform at a high level when they perceive the procedures used to make decisions about the distribution of outcomes are fair. Workers will be more motivated, for instance, if they think that their performance will be accurately assessed. Conversely, if workers think that their performance will not be accurately assessed, because the supervisor is not aware of their contributions to the organization or because the supervisor lets personal feelings affect performance appraisals, they will not be as strongly motivated to perform at a high level. Procedural

justice theory seeks to explain what causes workers to perceive procedures as fair or unfair and the consequences of these perceptions.

#### **D. Goal-setting theory**

Goal-setting theory, as developed by Latham and Locke, (1979) highlights four mechanisms that connect goals to performance outcomes, as follows: I) direct attention to priorities; II) stimulate effort; III) challenge people to bring their knowledge and skills to bear to increase their chances of success; and, IV) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory underpins the emphasis in performance appraisal on setting and agreeing objectives against which performance can be measured and managed. Goal theory supports the agreement of objectives, feedback and the review aspects of performance appraisal. Goal-setting theory asserts that people with specific and challenging goals perform better than those with vague goals, such as 'do your best', specific easy goals or no goals at all. Thus, goal-setting theory assumes that there is a direct relation between the definition of specific and measurable goals and performance: if managers know what they are aiming for, they are motivated to exert more effort, which increases performance and Challenging goals are usually implemented in terms of specific levels of output to be attained (Latham and Locke, 1979).

**2. Content Theories** of Motivation are based on the needs of individuals. These theories try to explain why the needs of individuals keep changing overtime and therefore focus on the specific factors that motivate them. In general, these theories explain motivation as the product of internal drives that encourage an individual to move towards the satisfaction of individual needs. Major content theories of motivation are Maslow's hierarchy of needs, McClelland's learned needs theory, Alderfer's ERG theory and Herzberg's motivation-hygiene theory from which the firstly mentioned will be closer discussed. Beardwell & Claydon (2007), Maslow's hierarchy of Needs is a theory of personality that identifies five basic need categories:

**1. Physiological needs** are basic human needs that are vital for survival. Examples of these needs are food, water, air and comfort. The organization provides a financial reward by paying a salary and this way helps to satisfy employees' physiological needs.

2. **Safety needs** reflect a desire for security and stability. Examples of these needs include desire for steady employment, health insurance and safe neighborhoods.

3. **Social needs** are the desire for affiliation. They reflect the person's desire for love, affection and belonging. These needs can be fulfilled by the organization through sport teams, parties and celebrations. The managers can help to satisfy employees' social needs by showing direct care and concern for employees.

4. **Esteem needs** include the need for things that reflect on personal worth, self-respect and social recognition. Individuals need to attain a good reputation in a group or strive to increase their status in the eyes of others are driven by these needs. The organization can help to satisfy employees' esteem needs by showing workers that their work is appreciated and recognized.

5. **Self-actualization needs** are the individuals desire for self-fulfillment and the realization of doing what he or she has the potential of doing. Assigning tasks that challenge employees' minds and encouraging their aptitude and training are examples on how the organization can help fulfill self-actualization needs (Beardwell & Claydon, 2007).

➤ **Fredrick Herzberg (two factors)**

The two factors theory was developed by Fredrick Herzberg during 1960's. His theory mainly focused on two factors; motivation and hygiene factors. The motivation are more towards intrinsic reward like respect, recognition, Self-esteem, and hygiene factors are more toward extrinsic reward like performance of the job, financial reward and etc. This theories focal point is on the eternal factors of motivation.

➤ **Clay Alderfer (Hierarchy of need)**

Alderfer's theory can be called as a simplified version of Maslow's hierarchy of needs. Instead of five levels, Alderfer has three levels and it's called as ERG theory which is Existence – Relatedness – Growth. This theory main objective is that there is on such hierarchy of any needs and all needs are considered to be equal. All needs are equal motivators. Needs do not have any order in which they are satisfied. If higher needs are not satisfied then needs may be looked to be fulfilled.

#### ***2.11.4 Performance Appraisal and Employee Motivation***

In most organizations the performance of individual employees determines success of that organization. Performance appraisal and motivation are important for organizations to make the most out of the effectiveness of individual employees. Performance of each employee is affected by a number of factors such as their capability, the support they receive from the organization and expanded efforts. For competitive organizational and individual performance, human resource management activities should be developed, evaluated and changed when necessary (Mathis and Jackson, 2005).

Several studies have been done in relation to the effect of performance appraisal on employee motivation. Chaponda (2014) conducted a case study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation. Njeru (2013) conducted a descriptive research study on the role of performance appraisal on performance of job in the public sector at Kirinyaga Central District. The study established that majority of civil servants set goals and attains them while a few received feedback on their performance.

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Performance appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization. Performance appraisal is often considered one of the most important human resource management functions (Selvarajan and Cloninger, 2011), and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness Guest 1997 cited in (Selvarajan and Cloninger, 2011).In generally performance appraisal and employees motivation have a strong relation in organization.

### *2.11.5 Empirical studies*

Many empirical studies have revealed that an effective performance appraisal as part of the human resource management makes a difference to achieve goals of the organization. A study by Higher Performance Work Practices HPWP (2004), based on a case study of ten organizations and a survey of two hundred and ninety four companies in United Kingdom identified specific higher performance work practices being employed in a number of public sector organizations. The study concluded that performance appraisal creates a chance for correcting under performance and also motivating the workforce or employees.

Kamiti (2014), in his research on the effect of performance appraisal on motivation of civil servants revealed that performance appraisal is an important factor which touches on the employees' motivation. The study recommended that promotions and trainings motivate employees in the civil service apart from monetary rewards.

Contemporary research studies have also linked performance appraisal to performance of employees as Resell a, 2011 revealed that performance evaluation practices have a significant and positive impact on the performance of employees and motivation.

A study conducted in Kenya by Lillian, Mathooko and Sitati (2011) assessed the effect of PAS in employee motivation in the Ministry of State for Public Service (MSPS). This study concluded that employees at the MSPS are usually involved in the setting of performance targets and are also substantially appraised against the targets set at the beginning of the appraisal period. The study revealed that employees were given feedback to enable them improve their performance demonstrating that PA has a positive impact on the employee's performance which leads to motivation. The significance of the findings to the current study is based on the fact that it reveals the current state of PA in Kenya's civil service.

To summarize, most of these empirical studies have revealed existence of a relationship between appraisal of performance and employee motivation. In addition it is important that organizations link performance to rewards and to sanctions. As a result the employees' behavior will be facilitated through motivation in order to increase productivity and improve performance in the organization.

### *2.11.6 Hypothesis*

Based on the conceptual framework developed in the previous section, and for achieving the research objectives, the following research hypothesis were developed for this study.

H1: Ongoing Feedback has positive significant relationship with employee motivation.

H2: Employees' participation has positive significant relationship with employee motivation.

H3: Trained Appraisers has positive significant relationship with employee motivation.

H4: Continuous Open Communication has positive significant relationship with employee motivation.

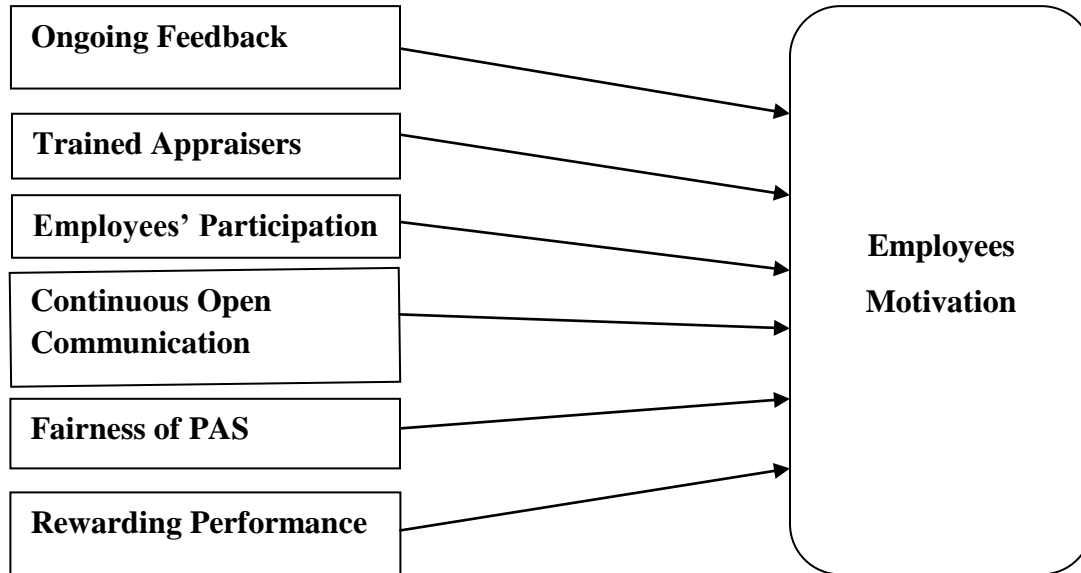
H5: Fairness of PAS has positive significant relationship with employee motivation.

H6: Rewarding Performance has positive significant relationship with employee motivation.

### 2.11.7 Conceptual Framework

Conceptual framework performance appraisal system and motivation

**Figure 2.1:- Practices of Effective Performance Appraisal System**



**Independent variable**

**Dependent variable**

Source: Adopted from literatures. Fletcher, C. (2004); Manuel, L. (2009) Cited by Anteneh Admassu 2017.P 37

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Approach**

The research approach used in this study is only quantitative approach. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon. Quantitative research approach used to show and represent questionnaires response.

#### **3.2 Research Design**

The type of academic research can be exploratory, descriptive, or explanatory. Exploratory studies aim for basic knowledge within the problem area. Descriptive research is appropriate when a problem is clearly structured but the intention is not to conduct research about connections between causes and effects. Explanatory research is useful for studying relations between causes and effects (Kothari, 2004).

In this study, as explanatory research, this study was examined the relations between causes and effect of performance appraisal and employees motivation. Accordingly, this study was employed explanatory research. The study is cross-sectional in the sense that relevant data collected at one point in time.

#### **3.3 Sampling Design**

A sample is a subset from a larger population. Sampling involves a set of process including define the target population, determine the sampling location, decide the sampling elements, select the sampling technique, determine the sample size and execution of the entire sampling process (Kothari, 2004).

##### **3.3.1 Target Population**

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study (Kothari, 2004). The target population of this study was managerial and professional employees of the bank who have experience of more than or equal to one year. These employees were selected as respondents because they at least face performance appraisal two times in CBE and it is believed that they have enough knowledge about appraisal practice of the bank. Thus, the study excluded those employees who are non-

clerical positions and below one year of experience in the bank. In addition, staffs of outlying branches were not considered because of the remoteness of data access.

### ***3.3.2 Sampling Location***

Sampling location is the place where the researcher was conducted onsite fieldwork via distributing and collecting of questionnaires. CBE has totally fifteen districts in Ethiopia. But the performance appraisal system in CBE not difference district to district. Due to resource constraint, it is difficult to cover all these districts, and to keep the study manageable, however, the study was focused on the one districts located in Addis Ababa which is, South districts. Southern district has 76 branches out of outlying branches. The researcher was decided to choose 10 branches of the bank in southern district which are accessible and approximate in Addis Ababa. The sampling frame from which participant's was selected all professional staff and managerial position.

### ***3.4 Sample Size & Sampling Technique***

Malhortra and Peterson (2006), state that, larger the sampling size of a research, the more accurate the data generated but the sample size will be different due to different situation. Due to time and financial limitations and the nature of the population sample determination method developed by (Carvalho, 1984) was applied to determine a sample size.

**Table 3.1 Sample Size**

No	Population Size	Small	Medium	Large
1	51-90	5	13	20
2	91-150	8	20	32
3	151-280	13	32	50
4	281-500	20	50	80
5	501-1200	32	80	125
6	<b>1200-3200</b>	<b>50</b>	<b>125</b>	<b>200</b>
7	3021-10000	80	200	315
8	10,001-35,000	125	315	500

Source: Carvalho (1984)

For this study the researcher has taken samples from the total population due to shortage of time, resource and for proper organization of data. Since the scope was delimited to Addis Ababa and samples from ten branches in Addis Ababa (Gofa Sefer, Kera, Lideta, Hiwot Amba, Bulgaria Mazoria, Gofa Gebriel, Pushikin Adebabay, Mexico, Balcha Aba Nefso and Sarbet Branch), these ten branches were selected randomly.

In order to provide equal chance for the heterogeneous groups and proportionality allocated between professional staff and management employees, questionnaires have been distributed to staff members in ten selected branches using proportionate stratified sampling method. 181 and 19 questionnaires were distributed among professional staff, and management employees respectively.

As to the sample size determination, from the different methods available, the one, which was developed by (Carvalho, 1984) was used in this study. As per the suggestion of Carvalho a population size in the range of 1200 to 3200 could be represented by 200. Since the population size for the current study was 2329 a sample size of 200 was considered. The numbers of employees who are under the above category were depicted as follows.

**Table 3.2 Sample size determination using proportional**

<b>NO</b>	<b>Branch</b>	<b>Category</b>	<b>No.of Population</b>	<b>Proportional Sample Size</b>
1	Gofa Sefer	Managerial	7	$(7/324)*200=4$
		Professional	52	$(52/324)*200=33$
2	<i>Kera</i>	Managerial	2	$(2/324)*200=1$
		Professional	19	$(19/324)*200=12$
3	Lideta	Managerial	6	$(6/324)*200=4$
		Professional	50	$(50/324)*200=32$
4	Hiwot Amba	Managerial	2	$(2/324)*200=1$
		Professional	14	$(14/324)*200=9$
5	Bulgaria Mazoria	Managerial	2	$(2/324)*200=1$
		Professional	18	$(18/324)*200=11$
6	Gofa Gebriel	Managerial	2	$(2/324)*200=1$
		Professional	23	$(23/324)*200=14$
7	Pushikin Adebabay	Managerial	2	$(3/324)*200=1$
		Professional	11	$(11/324)*200=7$
8	Mexico	Managerial	4	$(4/324)*200=2$
		Professional	28	$(28/324)*200=17$
9	Sarbet	Managerial	4	$(4/324)*200=2$
		Professional	41	$(41/324)*200=26$
10	Balcha Aba Nefso	Managerial	4	$(4/324)*200=2$
		Professional	33	$(33/324)*200=20$
<b>Total</b>			324	200

### **3.5 Source of data**

Both primary and secondary data is used. Primary data in order to obtain up to date information from the concerned body by using self-administer questioners (Cited by Anteneh Admassu).It was collected from commercial bank of Ethiopia employees through questioner. And Secondary data was used in order to determine the conceptual framework of the study like books and internets record files.

### **3.6 Methods of data collection**

As John (2007), indicates, there are many research techniques and there are many methods of data collection. In this study, quantitative data was collected by a questionnaire. The questionnaire had two main parts. The first part of the questionnaire was focused on the demographic of the respondents and the second part of the questionnaire was emphasized the main parts of the research objective.

### **3.7 Data Analysis and Interpretation**

Statistical Package for Social Science (SPSS) software version 20.0 was employed to analyze and present the data through the statistical tools, namely descriptive and inferential analysis.

#### **Descriptive Analysis**

The descriptive statistical results were presented by tables, frequency distributions and percentages to give a condensed picture of the data. This was achieved through summary statistics, which includes the means, standard deviations values. The data collected through different organizational documents were also summarized, coded and presented in a way that communicates the finding of the study.

#### **Inferential Analysis**

Pearson's correlation coefficient was used to determine the relationships between performance appraisal practice and employee motivation. Regression analysis was used to investigate the effect of performance appraisal practice (independent variable) on employee motivation (dependent variable).

### **3.8 Ethical Consideration**

In this study, approval for this study formally obtained from Addis Ababa University School of commerce. And formal consent was obtained from each participant/sampling unit before data collection will be commenced. The Researcher undertaken to protect the rights of the respondents by:

- ◆ Ensuring that none of the respondents were not named during the research or subsequent thesis;
- ◆ Respondents were select to participate without compulsion;
- ◆ All respondents were properly informed of the reason and purpose of the research; and Informed consent will sought from the management of the selected organizations before the commencement of this research initiative.

### **3.9 Validity and Reliability of the Research**

#### **3.9.1 Validity**

Validity is the extent to which difference found with measuring instrument reflecting true differences among those being tested. Construct validity establishing correct operational measures for the concepts being studied (John, 2007).The literature review was conducted and thoroughly examined to make sure that the content of measuring is relevant to the study. A questionnaire paper was modified according to literatures within the topic and review by professionals and academicians.

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004).In order to ensure the validness of this study the instruments were checked and evaluated by professionals in the subject matter area. Moreover my advisor had evaluated and commented on the instruments before they are distributed to the respondents.

#### **3.9.2 Reliability**

Chronbach's alpha used to assess the internal consistency of variables in the research instrument. Chronbach's alpha is a coefficient of reliability was used to measure the internal consistency of the scale. According to Zikmund (2010), scale with coefficient alpha between 0.6 and 0.7 indicate fair reliability so for this study a Chronbach's alpha score of 0.70 or higher is consider adequate to determine reliability.

**Table 3.3 Reliability Statistics**

	Cronbach's Alpha	N of Items
Ongoing Feedback	.892	4
Trained Appraisers	.824	4
Employees' Participation	.857	4
Continuous Open Communication	.823	4
Fairness of PAS	.804	4
Rewarding Performance	.888	4
Employees Motivation	.806	6

Source: Own survey, 2018

The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. Cronbach's Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. The findings of the pilot study shows that all the seven scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Pallant, 2005).

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **Introduction**

This chapter covers all the analysis undertaken with the data collected. Both descriptive and inferential techniques of data analysis were employed to see characteristics of the sample and also identify and discuss the relationship between the independent and dependent variables.

The study targeted a total of 200 respondents. However, only 172 respondents responded and returned the questionnaires contributing to 86% response rate. According to (Pallant, 2005) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate is adequate for analysis and reporting.

#### **4.1. Descriptive Analysis**

##### ***4.1.1 Demographic Profile of Respondents***

This aspect of the analysis deals with the personal data of the study participants which include: Sex, age, level of education and year of working experience. The table below shows the details of background information of the respondents.

**Table 4.1 Demographic characteristics of respondents**

<b>Employees</b>			
<b>Demographic Variables</b>		<b>Frequency</b>	<b>Percentage</b>
<b>Sex</b>	Male	107	62.2
	Female	65	37.8
	<b>Total</b>	<b>172</b>	<b>100.0</b>
<b>Age</b>	Below 25	27	15.7
	25-35	114	66.3
	36-45	27	15.7
	46-55	4	2.3
	Above 55	-	-
	<b>Total</b>	<b>172</b>	<b>100.0</b>
<b>Education</b>	Diploma	18	10.5
	First degree	106	61.6
	Master's Degree	48	27.9
	Above MA	-	-
	<b>Total</b>	<b>172</b>	<b>100.0</b>
<b>Years of Experience</b>	1-5	84	48.8
	6-10	46	26.7
	11-15	30	17.4
	Above 15	12	7.0
	<b>Total</b>	<b>172</b>	<b>100.0</b>

Source: own survey, 2018

Analyzing the data obtained from the questionnaire, Table 4.1 reveals that most of the sample employees who had participated in this study are male with total of 107 (62.2%) while the remaining 65 (37.8%) were female. Table 4.1 also shows the age composition of the respondents. Out of 172 sample participants 114 employees were between 25-35 years representing the majority which is 66.3% and 27 (15.7%) of them have below 25 years and 27 (15.7%) between 36-45 years age representing this study. While the remaining 4 employee were in the age category of 46-55 which represents 2.3% from the total employee participant of this study.

This implies that employees are mature enough to provide accurate data which improve the quality of the study and it is possible to say that respondents from different age group have participated in this study. Regarding that educational qualifications, majority of the sample employee were first degree holders with total number of 106 which represents 61.6% from the total employee participant of this study. While 48(27.9%) of the sample employee respondents were master's degree. The remaining 18(10.5%) were diploma holder. With regard to the respondents educational background it shows that majority of them are literate enough in order to understand and answer the research instruments correctly and respondents with different educational background are represented in the study.

Out of the total sample of employees, 84(48%) of them have an experience of 1-5 years. While 46(26.7%) of them have an experience of 6-10 years, 30 (17.4%) of them have 11-15 years of experiences and the remaining 12(7%) above 15 years' experience. Most of the respondents have a lot of working 1-5 years' experience which provides them with the ability to view the subject matter under consideration in detailed and elaborated manner.

#### ***4.1.2. Summary statistics of performance appraisal practice and employee motivation in CBE***

The objective of this study is to point out the effect of performance appraisal practice on employee motivation in case of CBE. In order to measure the extent of actual practices 30 items were provided for employees that were selected. Table 4.2 summarizes the data collected from employees with regard to their performance appraisal practice and employee motivation.

**Table 4.2 Summary statistics of Performance Appraisal Practice indicators and Employee Motivation in CBE**

	N	Mean	Std. Deviation
Ongoing Feedback	172	2.7515	1.15928
Trained Appraisers	172	2.6483	.92550
Employees' Participation	172	2.6279	.94687
Continuous Open Communication	172	2.5814	.90518
Fairness of PAS	172	2.4244	.89677
Rewarding Performance	172	2.5262	.84986
Employees Motivation	172	2.3682	.88398

Source: own survey, 2018

The above descriptive statistics clearly indicates the corresponding arithmetic mean and standard deviation of every construct totals (total of every individual categorical construct). Thus, rewarding performance categorical has a mean of 2.5262 and a standard deviation of .84986, trained appraisers categorical total has a grand mean of 2.6483 and a standard deviation of .92550, employees' participation categorical total has a mean of 2.6279 and a standard deviation of .94687; continuous open communication categorical total has a mean of 2.5814 and a standard deviation of .90518, fairness of PAS categorical total has a mean of 2.4244 and a standard deviation of .89677, ongoing feedback categorical total has a mean of 1.15928 and a standard deviation of 1.322 and finally employees motivation categorical total has a mean of 2.3682 and a standard deviation of .88398 which shows that all performance appraisal practice in doctoring CBE is below the average cut-off point of three.

This analysis of mean of categorical constructs showed that with the all performance appraisal practice indicators of ongoing feedback of appraisal process, rewarding performance, trained appraisers, employees' participation, level of communication between employees and supervisors in performance appraisal process and fairness of PAS has a mean value less than the average standard. This implies that the ongoing feedback, rewarding performance, trained appraisers, employees' participation, level of

communication between employees and supervisors in performance appraisal process and fairness of PAS is weak and employees are not happy with performance appraisal practice indicators in the organization. While employee motivation categorical total has a mean of 2.3682 and a standard deviation of .88398, this implies that the performance appraisal practice affected employee motivation in the organization and it is revealed that ongoing feedback, rewarding performance, trained appraisers, employees' participation, open communication between employees and supervisors in performance appraisal process, and fairness of PAS had a greater influence on employee motivation.

#### **4.2 Correlation between Variables**

According to Pallant (2005), correlation analysis is used to describe the strength and direction of the linear relationship between two variables. In this analysis, Bivariate Pearson Product-Moment Coefficient ( $r$ ) has been used to see the relationship between the dependent and independent variables. Correlation analysis, in this study determines the strengths of relationship between (Performance appraisal practice and employee motivation).

In the hypothesis testing, the item that should be noticed is the probability ( $p$ ) value. If  $p > 0.05$ , it means that independent variable does not influence the dependent variable. If  $p < 0.05$  it means that independent variable influences the dependent variable (Pallant, 2005). The test also indicates the strength of a relationship between variables by a value that can range from -1.00 to 1.00; when 0 indicates no relationship, -1.00 indicates a negative correlation, and 1.00 indicates a perfect positive correlation (Pallant, 2005). The result tabulated in Table 4.3 below.

**Table 4.3: Pearson Correlation between Performance Appraisal Practice Indicators and Employee motivation**

Performance appraisal practice indicators		Employee motivation
Ongoing Feedback	Pearson Correlation	.403**
	Sig. (2-tailed)	.000
	N	172
Open communication	Pearson Correlation	.405**
	Sig. (2-tailed)	.007
	N	172
Fairness of PAS	Pearson Correlation	.662**
	Sig. (2-tailed)	.076
	N	172
Rewarding Performance	Pearson Correlation	.344**
	Sig. (2-tailed)	.000
	N	172
Trained Appraisers	Pearson Correlation	.490**
	Sig. (2-tailed)	.000
	N	172
Employees' Participation	Pearson Correlation	.446**
	Sig. (2-tailed)	.000
	N	172
**. Correlation is significant at the 0.05 level (2-tailed).		

Source: Own Survey, 2018

Correlation results presented in Table 4.3 above shows that there is significant positive relation between ongoing feedback in performance appraisal process and employee's motivation (sig=.000, r= .403).

There is significant positive relation between open communication and employee motivation (sig=.007, r= .405).

There is insignificant relation between Fairness of PAS and employee motivation (sig=.076, r= .662).

There is significant and positive relation between rewarding performance and employee motivation (sig=.000, r=.344).

There is significant and positive relation between trained appraisers and employee motivation (sig=.000, r=.490).

There is significant and positive relation between employees' participation and employee motivation (sig=.000, r=.446).

As shown in table 4.3 above, of the total of six explanatory variables tested in this study, there is a significant correlation between five of the independent variables (ongoing feedback, open communication, employees' participation, rewarding performance and trained appraisers) except fairness of PAS and the dependent variable i.e. Employee motivation of CBE. The correlation between ongoing feedback, open communication, employees' participation, rewarding performance and trained appraisers and motivation has a weak value. Based on the results in table 4.3 shows there are positive relationships between employee performance and all of the independent variables except fairness of PAS, these shows that most of the hypotheses are supported.

#### **4.3 Regression analysis**

This section reports the results of multiple regressions and linear regression Analysis conducted. Multiple regression analysis is “an analysis of association in which the effects of two or more independent variables on a single, interval scaled dependent variable are investigated simultaneously” (Zikmund et al., 2010). In examining the factors that could affect employee motivation, the researcher used a regression analysis to test the effect of six independent variables on the dependent variable i.e. employee motivation. Thus, in this study the researcher used multiple regression analysis and liner regression, in which tests have been made to examine whether one or more independent variables influence the variation on dependent variable.

To show how well the model containing those of six explanatory variables actually explains the variations in the dependent variable, i.e. employee motivation, it is necessary to test it through goodness of fit statistic.

## Simple Linear Regression Analysis

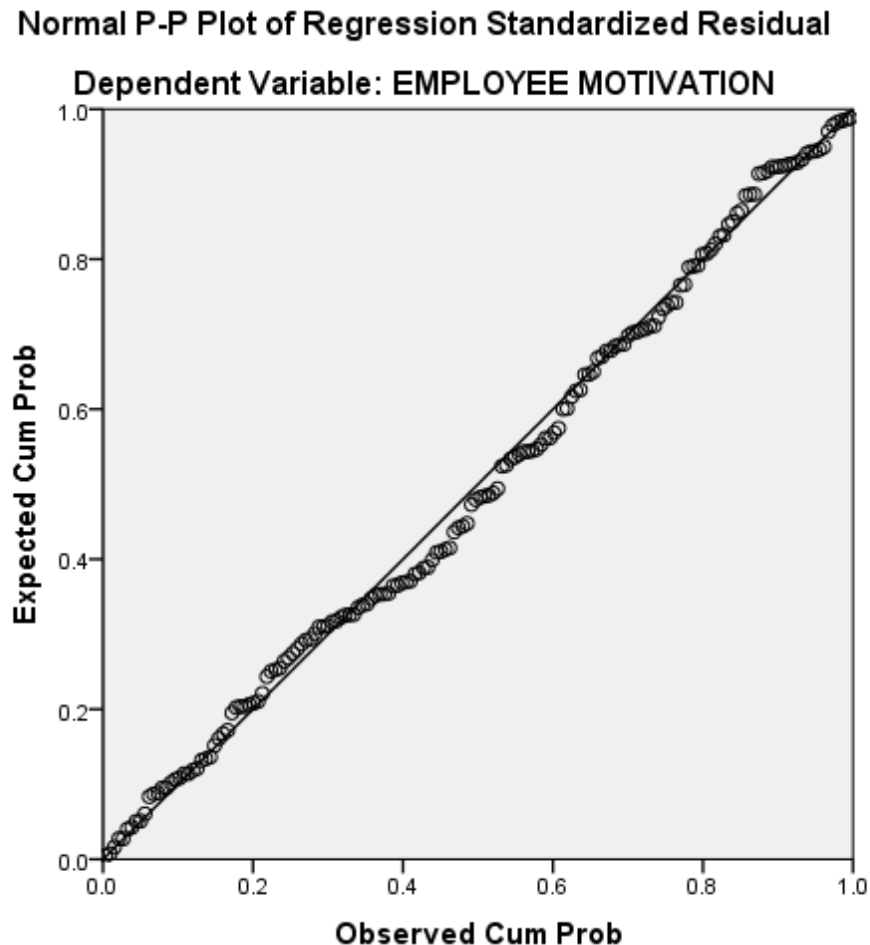
### Assumptions of simple linear regression analysis

#### Normality

As Field (2009), noted, the assumption of normality is important in research using regression (or general linear models) and helpful to generalize the results of the analysis beyond the sample collected.

Accordingly, among several ways to check for the normality assumptions for simple linear regression analysis, it is advisable to inspect to see if a distribution is normal through a P–P plot (probability–probability plot). Therefore, to establish the validity of these assumptions, the researcher also checks for the normality through P-P plot as follows.

**Figure: 4.1 normally distributed**



Source: Own Survey, 2018

The normal probability plot also shows up deviations from normality. The straight line in this plot represents a normal distribution, and the points represent the observed residuals. Therefore, in a perfectly normally distributed data set, all points will lie on the line (Field, 2009). Likewise, as we seen in the above figure (figure 4.1), the dots are closely plotted to the straight line, which indicate a small or no deviation from normality and there are no extreme cases observed. Therefore, the assumptions of simple linear regression have been met and we can possibly assume that the model is accurate and can probably generalize to the population.

**Table 4.4 Model Summary of Performance Appraisal Practice and Employee Motivation**

Model	R	R Square	Adjusted R Square	Std. Error of the variable Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.693 <sup>a</sup>	.480	.461	.64907	.480	25.362	6	165	.000
a. Dependent Variable: Employee Motivation									
b. Predictors: (Constant), Ongoing Feedback, open communication, Fairness PAS, Employees' Participation, Rewarding Performance and Trained Appraisers									

R Represent the relationship between dependent and all the independent variables.

R<sup>2</sup> Represent how much of the dependent variable can be explained by the independent variable.

*Source: Own Survey, 2018*

As shown in the table 4.4 above, it was realized that motivation had a moderate relationship with performance appraisal system. The correlation value was 0.693 which is considered a moderate relationship because the value falls greater than 0.70 (Pallant, 2011). The value was also positive indicating that, when the independent variables increase dependent variable also increases and vice versa. The R<sup>2</sup> indicates that 48 % (0.480) of employee motivation could be explaining using the independent variables (Performance Appraisal

system). Thus, we can understand that the model of the study is providing a good fit to the data. This outcome empirically indicates that the independent variables in this study are the major determinants of employee motivation.

**Table 4.5 ANOVA on Performance Appraisal Practice and Employee Motivation**

**ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.(p-value)
1 Regression	64.110	6	10.685	25.362	.000 <sup>b</sup>
Residual	69.514	165	.421		
Total	133.624	171			

a. Dependent Variable: Employee Motivation  
 b. Predictors: (Constant), Ongoing Feedback, open communication, Fairness PAS, Employees' Participation, Rewarding Performance and Trained Appraisers

*Source: Own Survey, 2018*

Table 4.5 above summarizes the information about the variation of the dependent variable explained by the existing model used for this study and the residual that indicates the variation of the dependent variable that are not captured by the model. It is observed that the independent variables give a significant effect on the dependent variable, where F-value is 25.362 with a p-value of less than 0.05 (i.e. p value 0.000) indicating that, over all, the model used for the study is significantly good enough in explaining the variation on the dependent variable. To ensure the statistical adequacy of the model, the goodness of fit can also be measured by the square of the correlation coefficient also called R<sup>2</sup>.

**Multiple Linear Regression Analysis**

**Assumptions of multiple linear regression analysis**

**Multi co linearity Assumptions**

In multiple regression analysis, the regression coefficients become less reliable as the degree of correlation between the independent variables increases. Thus, if there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the problem of multi co linearity (Kothari, 2004).

**Table 4.6 Multi co linearity test**

Model	Correlations			Collinearity Statistics	
	Zero-order	Partial	Part	Tolerance	VIF
(Constant)					
FEED BACK	.403	.060	.043	.616	1.624
REWARDING PERFORMANCE	.344	.044	.032	.700	1.428
TRAIND APPRAISALS	.490	.125	.091	.550	1.818
CONTINUOUS OPEEN COMMUNICATION	.405	.078	.057	.654	1.530
FAIRNESS PA SYSTEM	.662	.462	.375	.577	1.734
EMPLOYEE PARTICIPATION	.446	.069	.050	.611	1.638

a. Dependent Variable: EMPLOYEE MOTIVATION

*Source: Own Survey, 2018*

Table 4.6 shows the tolerance test for the independent variables through Co-linearity in SPSS. The tolerance values were quite acceptable i.e. tolerance > 0.2. One other method of testing multi-co linearity was estimating Variance Inflation Factor (VIF). As a rule of thumb, if VIF exceeds 10, the variable was highly collinear and could pose a problem to regression analysis. From the above table all the variables have VIF values of less than 10, which is VIF value ranging between 1.428 and 1.818 that is acceptable as they were likely free from serious co linearity problem.

**Table 4.7: Regression coefficients of Performance Appraisal Practice and Employee Motivation**

**Coefficients <sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
	B	Std. Error	Beta		
(Constant)	.327	.200		1.631	.105
Ongoing Feedback	.042	.055	.055	.773	.441
Open Communication	.069	.068	.070	1.010	.314
Fairness PAS	.487	.073	.494	6.682	.000
Employees' Participation	.060	.067	.064	.892	.374
Rewarding Performance	.040	.070	.038	.572	.568
Trained Appraisers	.117	.072	.122	1.617	.108

a. Dependent Variable: Employee Motivation

B Represent co-efficient of the independent variable

Source: Own Survey, 2018

As shown in table 4.7 above, of the total six explanatory variables tested in this study, ongoing feedback (p-value= .441), fairness PAS (p-value=.000), open communication (p-value=.314), employees' participation (p-value=.374), rewarding performance (p-value=.568) and trained appraisers (p-value=.108) were statistically significant at 5 percent or lower. In this study, there is significant positive relationship between fairness of appraisal process and employee performance with a regression coefficient of 0.487, and P-value of 0.000. The other variable there is insignificant positive relationship between performance appraisal practice and employee motivation.

#### 4.4. Hypothesis Testing

This particular section presents the results of the study indicated by statistics, using correlation analysis. The correlation between independent variables and employee motivation were compared against the hypotheses tested in the investigation. The results show that there are significant relationship between independent variables such as ongoing feedback, open communication, employees participation, fairness of PAS, rewarding performance and trained appraisers and the dependent variable i.e. employee motivation. Even though most of the hypotheses are supported, the study found that there is a weak relationship between Ongoing Feedback, open communication, employee's participation, Fairness of PAS, Rewarding Performance and Trained Appraisers and employee motivation.

In the next section the effect of each independent variable tested under this study is discussed and analyzed based on the theoretical predictions, prior empirical studies and hypothesis formulated.

**H1:** There is significant positive relationship between ongoing feedback and employee motivation in CBE.

As it is presented on table 4.3, the correlation result shows there is a significant positive relationship between ongoing feedback and employee motivation. As it is presented on table 4.3, the Pearson correlation result shows a significant positive correlation between ongoing feedback and employee motivation with correlation coefficient of  $r = 0.403$  and significant at 0.000. Thus, from the result it can be concluded that ongoing feedback significantly affects employee motivation. Hence, it is concluded that the hypothesis (H) which states that there is significant positive relationship between ongoing feedback and employee motivation in CBE is accepted.

Consistent with the result of this study prior empirical evidence found significant relationship between ongoing feedback and employee motivation (Roberts 2003).

**H2:** There is significant positive relationship between open communication between employee and their supervisor and employee motivation in CBE.

As it is presented on table 4.3, there is a positive correlation between employee motivation and open communication with a correlation coefficient of 0.405 and significant at 0.007.

The correlation between open communication and employee motivation has a good value. This indicates that open communication between employee and their supervisor affect employee motivation significantly. Hence, it is concluded that the hypothesis (H) which states that there is significant positive relationship between open communication between employee and their supervisor and employee motivation in CBE is accepted.

The finding of this study is supported by the conclusions forwarded by (Rankin & Kleiner, 1988). They also concluded that open communication between employee and their supervisor affected the employee's motivation to a great extent.

**H3:** There is insignificant relationship between fairness PAS and employee motivation in CBE.

As it is presented on table 4.3 the correlation result shows there is an insignificant relationship between fairness PAS and employee motivation. The results of the Pearson correlation indicate that the value for the correlation coefficient ( $r$ ) is .662 and significant at 0.076. This indicates that fairness of PAS between employee and their supervisor affect employee motivation insignificantly. Hence, it is concluded that the hypothesis (H) which states that there is insignificant relationship between fairness PAS and employee motivation in CBE is rejected.

**H4:** There is significant positive relationship between Reward performance and employee performance in CBE.

As it is presented on table 4.3, there is a positive correlation between employee motivation and Reward performance with a correlation coefficient of .344 and significant at 0.000. The correlation between Reward performance and employee motivation has a good value. Therefore, it is concluded that the hypothesis (H) which states that there is significant positive relationship between Reward performance and employee motivation in CBE is accepted.

**H5:** There is significant positive relationship between employees participation and employee motivation in CBE.

As it is presented on table 4.3, there is a positive correlation between employee motivation and employees participation with a correlation coefficient of .446 and significant at 0.000. The correlation between employees participation and employee motivation has a good value. Therefore, it is concluded that the hypothesis (H) which states that there is significant positive relationship between employees participation and employee motivation in CBE is accepted.

**H6:** There is significant positive relationship between Trained Appraisers and employee motivation in CBE.

As it is presented on table 4.3, there is a positive correlation between employee motivation and Trained Appraisers with a correlation coefficient of .490 and significant at 0.000. The correlation between Trained Appraisers and employee motivation has a good value. Therefore, it is concluded that the hypothesis (H) which states that there is significant positive relationship between Trained Appraisers and employee motivation in CBE is accepted.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of Major Findings

- According to the regression output fairness of PAS affect contributed to employee motivation. Therefore, CBE should give emphasis to this factor variable to enhance employee motivation.
- According to the correlation output ongoing feedback, rewarding performance, trained appraisers, employees' participation, level of communication between employees and supervisors in performance appraisal process are positively relationship between employee motivations.
- Moreover ongoing feedback, rewarding performance, trained appraisers, and employees' participation, communication between employees and their supervisors were the major factor affecting employee motivation in the bank.
- Furthermore, in this research, it is revealed that fairness of PAS in appraisal had a greater influence on the motivation of the employees. However, fairness of appraisal process was significantly important for employee motivation at CBE.
- This study finds that the composite measure of ongoing feedback, rewarding performance, trained appraisers, employees' participation, level of communication between employees and supervisors in performance appraisal process and fairness of PAS accounts for 48% ( $R^2 = 0.480$ ). That means, the impact of these six independent variables contributed for the dependent variable employee motivation were 48%, and the remaining 52% were other variables that are not included in this study. In generally all independent variables have significant effect on employee's motivation (dependent variable).
- From this research finds the areas of ongoing feedback, open communication and rewarding performance are weak implementation.

## 5.2 Conclusion

The purpose of this study was to show the effect of performance appraisal practice on employee motivation. The study targeted a total of 200 respondents. However, only 172 respondents responded and returned their questionnaires contributing to 86% response rate. The Data was collected using structured questionnaires. The data was analyzed into frequency distribution, percentages, Pearson correlations, and multiple regressions using the SPSS. The data was presented using tables. Respondent from different age group, sex, educational background, and year of experience are represented in the data collected. From the summary of the findings and based on the objectives of the study the researcher draw the following conclusion concluded.

- The current performance appraisal system factor has great impact on employee motivation. This is due to; fairness of PAS helps them to improve the system of performance appraisal for the organization.
- The Regression analysis conducted on the effect of performance appraisal practice on employee motivation revealed a positive and significant between fairness of PAS and employees motivation. This signified that performance appraisal if conducted well in an organization leads to improved employee motivation.
- Strong effects of the performance appraisal practice are witnessed in the area of fairness of performance appraisal system. These implied clarifying objectives and setting clear future objectives needs to be established to enhance employee motivation plays a significant role so it should always be preserved to ensure an organizations existence and to enhance employee's motivation as well.
- Lastly it was conclude that the level of employee's motivation regarding to the current performance appraisal system and employees perceive about the performance appraisal was low in CBE.
- In addition, the performance appraisal practice in CBE is the ultimate responsibility of conducting performance appraisal falls on the shoulder of the human resource management department of the bank. Supervisors, assistant branch managers and managers take the lion share of filling appraisal forms for each employee in branches.

### 5.3 Recommendations

Based on the research findings and objective of this study to investigate how performance appraisal practice affects employee motivation in CBE, the researcher provides the following recommendations to the bank

- Since weaknesses are observed in the areas of ongoing feedback, open communication and rewarding performance. The bank needs to put in place well performance appraisal practice regarding feedback, open communication and rewarding performance. In this area the organization must focus because without feedback, communication and reward employees not motivate.
- Ongoing feedback plays a significant role so it should always be preserved to ensure an organizations existence and to enhance employees' motivation. Employees give ongoing feedback or communication to supervisors is important for determining satisfaction with the appraisal system.
- Open communication should plays a significant role where both managers and employees have clear understanding of nature of appraisal, purpose of the appraisal and benefit of the appraisal it helps to identify what improvement need to be done by communicating with employees.
- The recommends that effective feedback and communication; giving training opportunities to employees to acquire skills; and encouraging employees' participation in performance appraisal processes are all essential for effective performance appraisal practice in an organization.
- Performance appraisal policy should constitute an open communication, where both manager and employee state what is done well and what needs improvement. It has to provide employees with the chance to express his or her opinion is appreciated in it and certifies his or her belongings in the organization.
- And also they need to establish objectives at the beginning of the assessment cycle which brings employees with obvious performance goals view, also the supervising of performance during the assessment cycle. Employees need to be familiar with the purpose and role of the performance appraisal process and appraisal should be set in a way that it clarifies objectives and sets clear future objectives with provision for training and development needs to establish the performance objective.

- The company, especially the human resource department should arrange continuous training and development program based on the evaluation result for managers/ supervisors who conduct performance appraisal periodically to alleviate problems associated with appraisal of employee motivation pointed on the findings.

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# APPENDIX

**ADDIS ABABA UNIVERISTY**

**SCHOOL OF COMMERCE**

**HUMAN RESOURCE MANAGEMENT DEPARTMENT**

**Questionnaire**

**Dear Respondents**

I am Abraham Abebe who is a graduating student of MA in human resources Management program at Addis Ababa, School of Commerce. This questionnaire is prepared for research purpose entitled “**The effect of performance appraisal practice on employee motivation in Commercial Bank of Ethiopia**”. As member of your organization, your participation in this study will be valuable and greatly appreciated. Information gathered will be treated with utmost confidentiality and will not be used for any other purpose.

**INSTRUCTIONS:** The questionnaires contain statements about performance appraisal and employee’s motivation. Give your own opinion and feeling about each item.

Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement.

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

**Dear respondent here is my address, contact me for any inconvenience**

**Name: Abraham Abebe**

**Email:abrahamabebe244@yahoo.com and Phone No: + 251920648880**

**Part I – Demographic profile of the respondent**

1. Sex: Male  Female

2. Age: Below 25  25-35  36-45  46-55  Above 55

3. Educational back ground:

Diploma  Master’s Degree

First degree  Above MA

4. Years of experience in the present organization:

1-5  11-15

6-10  Above 15

**Part II: Items Related to performance appraisal system**

No	Description of Items	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
<b>Determinant Factors of effective Performance Appraisal System</b>						
<b>Ongoing Feedback</b>						
1	I receive regular and timely performance feedback beside the annual performance review.					
2	The information provided by my supervisor during my performance feedback is accurate.					
3	The performance feedback I receive helps me to improving my job performance and to attain my goals.					
4	The feedback I get helps me to gain insight about my weakness and strength.					
<b>Rewarding Performance</b>						
5	Performance appraisal is linked with salary increase, promotion and payment of bonus in CBE?					
6	I rewarded proportional to my individual performance.					
7	I receive annual bonus based on my performance and it's really motivated me.					
8	Hard work is not necessarily recognized or rewarded.					
<b>Trained Appraiser</b>						
9	The Performance Appraisal System is regularly carried by the responsible appraiser.					
10	I am confident because the appraiser knows enough about the Performance Appraisal to appraise me.					
11	The appraiser helps me to understand what need to be done to improve my performance.					
12	I am satisfied with the way the appraiser conducted my performance review.					
<b>Continuous Open Communication</b>						
13	The Performance Appraisal System provides an opportunity to communicate with the supervisors to facilitate my job performance.					
14	There is a two way communication with both managers and employees for expressing their views.					
15	I find difficult to discuss work issues with my managers.					
16	The Performance Appraisal System provides a scope for well communication the overall business and plans to the employees.					

<b>Employees Perception about Fairness of Performance Appraisal System</b>						
17	I trust the Performance Appraisal System in my organization is rational and fair.					
18	I feel fairly treated in every way in the Performance Appraisal System.					
19	I get fair feedback from my supervisor and proportion reward to my performance.					
20	I evaluated fairly according to the setting standards without subjectively and biased.					
<b>Employees Participation on Performance Appraisal System process</b>						
21	I personally involved in the process of setting objectives and targets of my future Performance.					
22	Participating in the PAS motivate me, because it make me feel I am part of the organization.					
23	I would prefer my performance to be evaluated by an instrument developed and design with help of employees.					
24	There is no/low involvement in decisions making regarding to PAS process.					

**PART III: Level of Employees' Motivation regarding to the Performance Appraisal System.**

<b>Statement about the level of Motivation</b>						
25	I am satisfied with the current rewarding linked to the performance appraisal system in enhancing my motivation.					
26	I am satisfied with the current appraisers in enhancing my motivation.					
27	I am motivated by and satisfied with the participation provided in the whole performance appraisal process in the Bank.					
28	I am satisfied with the current ongoing feedbacks applied in CBE and it helps me to improve my performance.					
29	I am motivated by the ways of communication between the employees and the management with respect to the appraisal process as well as any other concerns.					
30	I am satisfied and motivated with the Performance Appraisal System because it is fair.					

If any comment please well come

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Thank you for your cooperation and cooperative!!!