

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE



**THE EFFECT OF PERFORMANCE APPRAISAL PRACTICE
ON EMPLOYEE PERFORMANCE: THE CASE OF GOAL
ETHIOPIA**

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**The Effect of Performance Appraisal Practice on Employee
Performance: The Case of GOAL Ethiopia.**

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DECLARATION

I, the undersigned, hereby declare that “*The effect of Performance Appraisal Practice on Employee Performance: the case of GOAL Ethiopia.*” is my original work and has not been presented for a degree in any other university and that all sources of materials used for the work have been duly acknowledged.

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*“...it’s not just learning that’s important. It’s learning
with what to do with what you learn and learning why you learn
things that matters.”*

Norton Juster

Table of Content

Contents	Page
ACKNOWLEDGEMENT	i
TABLE OF CONTENT	ii
LIST OF TABLES	iv
LIST OF FIGURES	v
ACRONYMS	vi
ABSTRACT	vii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1. Background of the Study	1
1.2. Background of the Organization.....	4
1.3. Statement of the Problem.....	5
1.4. Research questions	7
1.5. Objective of the study	8
1.5.1. General Objective	8
1.5.2. Specific Objective.....	8
1.6. Significance of the study.....	8
1.7. Scope of the study.....	9
1.8. Limitation of the study	10
1.9. Definition of terms.....	10
1.10. Organization of the study.....	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1. Introduction	13

2.2. Performance Management and Performance Appraisal	13
2.3. Employee Perception about the Process of Performance Appraisal and Employee Performance	15
2.4. Interpersonal factors and Employee Performance.....	16
2.5. Objective setting towards Employee Performance	18
2.5.1. Management by Objective.....	18
2.5.2. Objective setting	19
2.5.3. Feedback.....	20
2.6. Rater Accuracy and Employee Performance	22
2.7. Recognition and Employee Performance	23
2.8. Empirical Studies.....	26
2.8. The Conceptual framework.....	27
CHAPTER THREE	29
RESEARCH METHODOLOGY.....	29
3.1. Introduction	29
3.2. Research approach.....	29
3.3. Research design	30
3.4. Population, sampling technique, and sample size	30
3.4.1. Population.....	31
3.4.2. Sampling technique	31
3.4.3. Sample size	31
3.5. Data Sources and Types.....	33
3.6. Data Collection procedures	33
3.7. Methods of data analyses.....	34
3.8. Validity and Reliability.....	34

3.8.1. Validity	34
3.8.2. Reliability	35
3.9. Ethical considerations	35
CHAPTER FOUR.....	37
DATA PRESENTATION, ANALYSIS AND INTERPRETATION	37
4.1. Introduction	37
4.2. Analysis of the General Information of Respondents.....	37
4.3. Respondents Attitude towards the Effect of Interpersonal Factors on their Performance.....	40
4.4. Objective.....	42
4.5. Rater Accuracy.....	45
4.6. Recognition.....	46
4.7. Relationship of performance appraisal with employee performance	48
4.8. Independent variables influence on employee performance.....	50
4.9. Summary of the Response on the Interview Questions	53
4.10. Summary of the Findings	53
CHAPTER FIVE	56
CONCLUSION AND RECOMMENDATION	56
5.1. Introduction	56
5.2. Conclusion.....	56
5.3. Recommendation	57
REFERENCE.....	59
APPENDIXES	65

LIST OF TABLES

Table 3.1: Staff Data and Sampling Size	32
Table 3.2: Instrument reliability test.....	35
Table 4.1 the frequency distribution of Respondents demographic characteristics	38
Table 4.2 Respondents Attitude towards the Effect of Interpersonal Factors on Employee Performance	40
Table 4.3 Respondents attitude towards the Effect of Objective Setting on Employee Performance	43
Table 4.5 Respondents attitude towards the Effect of Recognition on Employee Performance.....	47
Table 4.6 Correlation matrix of independent variables with regards to dependent variables.	49
Table 4.7 Overall effect of performance appraisal on employee performance..	51
Table 4.8 Step-wise regression of independent variables on the dependent variable.....	52

LIST OF FIGURES

Figure 1: Conceptual framework showing influence relationship between independent and dependent variable.	28
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ACRONYMS

Admin & HR	-----	Administration and Human Resources
BA	-----	Bachelor of Arts
GE	-----	GOAL Ethiopia
HO	-----	Head Office
HRM	-----	Human Resources Management
HR	-----	Human Resources
MA	-----	Master of Arts
MBO	-----	Management by objective
NGOs	-----	Non-Governmental Organizations
PA	-----	Performance Appraisal
PM	-----	Performance Management
SNNPR	-----	Southern Nation Nationalities & People Representatives
SPSS	-----	Software Package for Social Science

ABSTRACT

The main purpose of this study was to assess the “The effect of Performance Appraisal on Employee Performance: the case of GOAL Ethiopia, an International Non-Governmental Organization” in relation to factors like interpersonal relationship, objective setting, rater accuracy and recognition. In order to conduct the study, the research is designed in explanatory way and qualitative as well as quantitative data was collected as a primary and secondary data resources. Secondary data were collected from different articles, books and online sources as well as the organization human resource manual while the primary data were collected using questionnaire and interview. The Questionnaires were distributed to the employees of GOAL Ethiopia who are found about grade four of the organization structure and interview was also conducted with the Senior Administration and HR staff to gain the management’s point of view and to make the data more comprehensive. The collected data was summarized and analyzed using explanatory and inferential statistics. The questionnaire was designed on a five-point Likert scale to rate the effect of the factors in to question. The research was analyzed using t-test, correlation and regression analysis by SPSS version 20.0 data analysis software. The results showed that all the factors, rater accuracy being the stronger and major influencer one, are significant in ensuring the effectiveness of employee performance. Thus the researcher recommended that the organization should take these factors into strong consideration in order to ensure the effectiveness of employee performance and achieve the objective of the appraisal.

Keywords: performance appraisal, employee performance, interpersonal factor, objective setting, rater accuracy and recognition.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

With frequent and numerous development of new technologies, rapidly increasing the world's globalization strategy as well as the design of very intelligent robots which believed to be probably replace humans capability in the future, still human resource remain to be one of the most effective resource of an organization. Through this resource an organization can improve its performance and achieve its objectives. However for the effective and efficient use of this resource as well as for the improvement and achievement of the organization objectives a well-designed human resource management system should be in place.

Performance management is an important HRM process that provides the basis for the effective use of human resource that lead to an organization performance improvement. According to Armstrong (2006) 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. Julnes, (2008) also stated that performance management as a holistic process bringing together many activities that collectively contribute to the effective management of individuals and teams in order to achieve high levels of organizational performance. The process is strategic, in that it is about broader issues and long-term goals, and integrated in that it links various aspects of the business, people management, individuals and teams.

According to Decenzo & Robbins, (2005) Performance management is a goal-oriented process directed toward ensuring that organizational processes are in

place to maximize the productivity of employees, teams, and ultimately, the organization. It is a major player in accomplishing organizational strategy in that it involves measuring and improving the value of the workforce. In correspondence to this performance appraisal is a formal system of measuring, review and evaluation of individual or team task performance (Armstrong, 2009).

Bratton and Gold, (2003) stated that employee performance is one of the key elements of any organization's that drive towards competitive advantage through continuous performance improvement. Dulewize, 1989 add in this context that during the absence of a well-structured performance management, managers might have a tendency of judging employee work performance informally and also arbitrarily which comes from an absence of an objective setting and feedback procedure resulting the performance appraisal to be subjective and miss the core value of employee performance improvement and its result on the employee.

Employee performance appraisal is one of the most commonly used employee performance management tool. It has far reaching consequences on people. If evaluators in any way discriminate against employees, these individuals can suffer devastating and potentially debilitating consequences. Given the possibility that adverse judgments can be made about an individual's performance, it is possible that performance appraisals might not be fair. Evaluators might allow their biases, prejudices and stereotypical attitudes to negatively influence the outcome (Henrietta, 2012). Judy (2015), also indicated that performance appraisal is one of the most challenging components of Human Resource. All involved parties including supervisors, employees, and human resource administrators typically are dissatisfied with their organization's performance management and view the appraisal process as either a bureaucratic exercise or a destructive influence of the relationship between the employee and the supervisors. Despite this outcome, managers are hesitant to abandon performance appraisal which they still regard as an essential tool of human resource management.

Performance appraisal is said to be the ongoing process of evaluating employee performance (Aguinis, 2009). Appraising the performance of individuals, groups and organizations is a common practice of all societies. In some instances these appraisals processes are structured and formally sanctioned, in other instances they are an informal and integral part of daily activities according to Foss, (2007). Traditionally it involved documentation and communication of performance between staff members and their supervisors. Currently, the process has been formalized and there is some seriousness that accompanies the procedures including record keeping for future reference (Judy 2015).

According to Ochoti, Maronga & Muathe, et.al (2012) the employee performance appraisal feedback procedure, the relationship between the supervisor and supervisee as well as the rating accuracy increases the employee performance efficiency. The study identified that if the implementation process has taken appropriately it has a relatively high influence on the employee performance. Begum,et.al (2015) also assure that employee performance is determined by factors like accuracy of the rating, its perceived fairness and the communication between the appraiser and the appraisee.

Employee reactions to appraisal in terms of perceived employee fairness, accuracy, and recognition are important components of appraisal effectiveness because these perceived employee reactions can force employees to improve their performance (Taylor, Tracy, Renard, Harrison and Carroll 2015). That is, performance appraisal serves as a means for providing feedback that can result in improved performance (Tornow, 2013). Research in performance appraisal has demonstrated that performance appraisal characteristics (such as appraisal purpose and source) can elicit positive employee reactions to performance appraisal and, which in turn, can motivate employees to improve their performance (DeNisi and Pritchard 2016).

In general we can say performance appraisal is a method of evaluating the behavior of employees in the work spot, normally including both the quantitative

and qualitative aspects of job performance. Performance here refers to the degree of accomplishment of the tasks that make up an individual's job. It indicates how well an individual is fulfilling the job demands. Often the term is confused with effort, but performance is always measured in terms of results and not efforts. Therefore with the help of the performance appraisal one can evaluate, identify gaps, suggesting improvements and rewarding good behavior as well as outstanding performance of the other party.

1.2. Background of the Organization

GOAL is an Irish based non-government international organization established in 1977 following the contribution on the streets of Calcutta. GOAL worked over 50 countries around the world GOAL Ethiopia being one of these countries.

GOAL Ethiopia is registered under the federal democratic republic of Ethiopia charities and societies agency registration number 1472. It has been working in Ethiopia since 1984. GE have been implementing a range of development, resiliency and humanitarian responses - working with street children, pastoralists and rural small holders on child protection, development, nutrition, emergency relief and rehabilitation. Currently GOAL Ethiopia's major funders are USAID/OFDA, ECHO, BPRM, Irish Aid/MAPS, Irish Aid/EHAF, and UNOCHA. GOAL is working in five different regions namely Addis Ababa (its head office), Afar, Gambella, Oromiya and SNNPR under 25 woredas across this five regions of Ethiopia.

GOAL Ethiopia have over 400 employees in over 28 (twenty eight) different position who are working in different regions of Ethiopia. The organization have its own HR manual which includes how the employee performance conducted. The performance appraisal cycle runs throughout the contract period and completed on a format that was last revised in 2007G.C, this format has three different categories namely cover page (objective setting), continues performance appraisal (Monthly or Quarterly) and final supervision meeting (which includes

the rating out of four). Employee Performance for all staff recruited on fixed-term contract starts upon the successful completion of the probationary period and continuing contract. At the end of the contract period every supervisor is expected to submit the completed performance appraisal format to Admin. & Human resource department.

1.3. Statement of the Problem

A lot of research has been done about the linkage between human resource management (HRM) and an organizations performance management as well as the effects and the relationship of performance appraisal with that of employee performance both in an international level of research as well as in Ethiopian academic institutions (mostly for dissertation purpose). However the question of how, has received much less attention.

The main challenge that faces managers in all types of organizations is how to get maximum performance from their employees. Performance appraisal, therefore, seems to be inevitable. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge without a structured performance management system can create serious motivational, ethical and legal problems in the employees as well as on workplace. Without a structured performance management system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate.

In addition if we refer to previous studies, we can notice that performance appraisal research has come in for criticism because of its overemphasis on psychometric problems (Selvarajan & Cloninger, 2009). In this case, according to DeNisi and Pritchard (2006), appraisal researches should put an increased focus on developing functional and effective performance appraisal systems that can be useful in both understanding and affecting employees. Another important moment is determination of related to performance appraisal elements, reaction to which

from employees' perspective would result in increased performance. There were many previous researches where it was stated that different components of performance appraisal may elicit positive employees' reactions, which, eventually, lead to enhanced performance. Thus, Colquitt, Conlon, Wesson, Porter, and Ng (2001) discussed the apprehension of perceived fairness; Taylor, Tracy, Renard, Harrison, and Carroll (1995) and Roberson and Stewart (2006) studied employees' reactions to performance appraisal in terms of perceived accuracy. As it can be noticed these factors as well as their impact on employees' performance were generally studied individually rather than in relation to an appraisal system, while little or no attention was given to the interrelations in between these elements as well.

On top of the above if we see GOAL Ethiopia's employee performance management, the observed experience is that when an employee PA is submitted to the HR department the HR file manager record the performance appraisal on a tracking sheet which this excel format will convert it in to a percentage this is done just to indicate the total percentage collected out of the overall employees of the organization. Finally the HR department will report these percentage to the management which indicates that the organization is heavily concentrated on using the PA for administrative purpose only. Plus the objective setting part of the performance appraisal is also summited at the end of the year while it should have been prepared and completed at the beginning of the performance period.

In the year 2016 GE was confronted a draw back in its budget and was forced to reduce some of the work force as well as closing most of its programme sites. Unfortunately this leads to the use of the performance appraisal as a primary resource for the reduction. Therefore based on the rating of the PA the organization lets over 100 employees to be terminated which later brought lots of arguments from both the supervisors and supervisees on the fairness of the PA. There was continues complaints from the employees who were let go mainly on the PA rating accuracy compared to other employee with the same performance level. They also said it was done based on their relationship with the supervisor

and was not focused on their actual performance in the job. Those who get to stay in the organization due to their higher rate of PA was also very disappointed and were very fearful of their future career within the organization.

Decenzo & Robbins, (2010) indicated that performance appraisals must convey to employees how well they have performed on established goals. It's also desirable to have these goals and performance measures mutually set between the employee and the supervisor. Without proper two-way feedback about an employee's effort and its effect on performance, we run the risk of decreasing his or her performance. Plus the performance management should be set in a way that is very clear and measures should be clearly identified and a well-structured communication should be there.

However if there is the issue of subjectivity, a very law up and down ward communication system as well as lack of objective setting procedure one cannot see the effect and the change that brought to the employee as well as the organization other than its administrative purpose. On the other hand employees themselves will be between in dilemma on the performance management and how their performance is going to be measured. Therefore it is in the light of this, that the present study tends to investigate the effects of performance appraisal on employee and make sense of the performance appraisal in relation to factors like objective setting, rating accuracy interpersonal factors and recognition to the contribution of their own performance improvement.

1.4. Research questions

In order to address the stated research problems, the following research questions were developed:-

1. Does the setting of objective setting prior to the performance appraisal lead to an effective employee performance?

2. Does the interpersonal relationship between the supervisor and supervisee has an impact on employee performance?
3. Does the accuracy of rating on performance appraisal has an impact on employee performance?
4. Does linking the outcome/result of the performance appraisal with any type of recognition method has an impact on employee performance?

1.5. Objective of the study

The objectives of this study are divided into general and specific objectives.

1.5.1. General Objective

The main objective of this study is to assess the effect of performance appraisal on employee performance.

1.5.2. Specific Objective

The study has the following specific objectives:-

- To determine if interpersonal factors and rater accuracy affect the performance of an employee at GOAL Ethiopia.
- To assess how objective setting in a performance appraisal contribute to effective employee performance in GOAL Ethiopia.
- To examine the effects of linking performance appraisal outcomes to a recognition methods on the overall performance of an employee of GOAL Ethiopia.

1.6. Significance of the study

This study brings into light employees understanding and appreciation of the employee performance management and the relevance of an interpersonal factor,

objective setting, rater accuracy and recognition for the effectiveness of employee performance.

Although the primary purpose of this study is for academic use it is expected that findings from this study will be important to the management and members of GOAL Ethiopia as well as to other organizations especially those who are found in the same industry, to understand how performance management should be managed and its importance for the improvement of employee performance if a well-structured performance management is exercised. Plus the findings of the study would contribute to knowledge and literature and can also serve as a stepping stone for future researchers who will be interested in related studies.

1.7. Scope of the study

Geographically, the scope of this study will be delimited to the five regions (A.A, Gambella, Oromiya, Afar and SNNPR) that GOAL Ethiopia is currently operating and the scope of the research is limited to “the effect of performance appraisal on employee performance of GOAL Ethiopia” who are found above grade four of the organization structure. The employees who are found below grade four are excluded in the intension of they are non-professional staff and their employment contract is based on a project period.

In addition this research is bounded on explaining the relationship between performance appraisal and employee performance concentrating related to concepts like interpersonal factor, rater accuracy, objective setting and recognition as it is perceived these concepts are the vital and critical issues that GOAL Ethiopia is having compared to those other many concepts of performance appraisal.

There is also a methodical scope which will be based on explanatory research approach on the determined targeted population using stratified random sampling. The questionnaires are analyzed using SPSS 20.0. The research is relied on the

organization for vital information of secondary source. The existing performance appraisal were also analyzed to ascertain its effect.

1.8. Limitation of the study

The thesis was concentrated on the effect of performance appraisal on employee performance related to objective setting, interpersonal factor, rater accuracy and recognition thus, this brought questions about other factors that will have an impact in this context. Plus this study was completed based on one organization which also raise a question of generalization in to other organizations.

In addition data were collected from individual employees using questionnaires and the main findings was only based on these employees perception on the performance appraisal system of the organization. As a result, the generalizability of the findings in to other similar organization was an issue.

1.9. Definition of terms

Performance Appraisal: is a measurement of work and its results by using the scale and index so that we can measure the desired quantity and quality with precision and free of personal judgments and vague criteria of evaluation. Measurement of an activity is done by activity and comparison of its results with a criterion that we can evaluate the desired quantity and quality precisely. Performance is the way through which employees perform their duties and the evaluation is judging the performance of employees. (Scott, 2009)

Employee Performance: is job related activities expected of a worker and how well those activities were executed. Performance criteria are standards for employee behavior at work. This criteria contains much more than how an employee does the work. Employees are rated on how well they do their jobs compared with a set of standards determined by the employer.

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. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management. (Armstrong, 2009)

Objective Setting: Objectives or goals (the terms are used most of the time interchangeable) define what organizations, functions, departments and individuals are expected to achieve over a period of time. It results in an agreement on what the role holder has to achieve and is an important part of the performance management processes of defining and managing expectations. It forms the point of reference for performance reviews.

Rater Accuracy: on its dictionary term accuracy is the degree to which the result of a measurement, calculation, or specification conforms to the correct value or a standard. Rater accuracy related with perceived fairness, consistency of measuring employee contribution to the job, removing error/biasness.

Interpersonal Factors: are those factors that relate to the kind of treatment the appraisee receives in the hands of the appraiser (Thurston & McNall, 2010). Interpersonal factors are important in the employee performance as they influence the outcome of the interactions. The quality of these interactions during the process also contribute to fairness perceptions in the whole process. (Greenberg 1993)

Recognition: is ways to make those who work feel valued and appreciated for their work. It is an effective tool to encourage and motivate others to strive for superior performance by allowing others to be motivated to strive for excellence and for others to see the great work of their peers.

https://www.creighton.edu/fileadmin/user/StudentServices/SLIC/LEAD_Center/Recognition_PDF.pdf - Leader Tips)

1.10. Organization of the study

This dissertation shows the effect of performance appraisal on employee performance and the organization of this thesis was organized into five chapters.

Chapter one introduces the thesis title and how performance appraisal practice impact an employee performance. In this chapter the research objective as well as questions, the significant, scope, limitation of the study is included as well.

In Chapter two we find the literature review which overviews different scholars' perception and identification about performance appraisal and its relation with the interpersonal relationship, rater accuracy, recognition as well as objective setting and their contribution to the employee performance.

Chapter three is all about the methodology, by providing the population and sampling size as well as the method of sampling, research instrument used, data collection techniques and data analysis procedures. Following in Chapter Four the data collected based on the sampling and the method used are analyzed and interpreted.

Finally on Chapter five the researcher summarized the findings of the study and also make recommendations that contributes to solve the raised problem, as well as a recommendation for future use.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Greater emphasis has been putted on human resource capability as it is the core competitive advantage for the success of an organization. People are important resource, Wright (2001), and like all resources they must be managed properly so as to assist them perform at their peak. According to Marcky and Johnson (2000) Human Resources Management (HRM) refers to all the processes and activities aimed at utilizing all employees to achieve organizational ends. This was further explained by Mathis and Jackson (1997), as “the strategic role of human resource management emphasizes that the people in an organization are the valuable resources representing a significant investment of organizational efforts. These human resources can be a source of competitive strength if managed effectively”. Performance appraisals are one of the most important HRM processes (Kauhanen 2010; Sumelius et.al. 2014). Therefore considering these as a base the researcher be able to review some literatures.

2.2. Performance Management and Performance Appraisal

Performance management can be defined as 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 employee performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2009). It includes any management activity aimed at improving performance through training and developing employees, establishing performance standards, appraising performance, setting performance plan, and through managing career mobility (Matheny, 2003). According to Armstrong (2006) this PM processes exist for establishing shared understanding about what is to be achieved, and for managing and developing

people in a way that increases the probability that it will be achieved in the short and longer term. It focuses people on doing the right things by clarifying their goals. It is owned and driven by line management.

According to Ann & Jerry Gilley (2009) the performance challenge facing every organization is to develop management systems that make employees the firm's greatest asset. Designing, developing, and implementing an organization-wide performance management that links performance to the organization's strategic goals and objectives, constituent needs and expectations, and employee compensation and rewards. Applying the concepts, principles, and ideas of the performance management process at both the organizational and individual levels promotes maximum efficiency and performance throughout the firm. Greenberg & Haviland (2008) note that Performance appraisal can be an important tool that can be used to manage performance and get the expected results from the employee.

Performance appraisal was first introduced by Lord and Taylor (1914). As a result, many companies were influenced by Frederick Taylor's "Scientific Management" efforts of the early twentieth century. It is therefore believed that the continued success of each organization depends on its performance appraisals. Employee performance appraisal is one of the most commonly used management tools. It serves many purposes, improved results and efficiency are increasingly critical in today's globally competitive marketplace. There has been large number of researches in past several decades on performance appraisal (Bretz, Milkovich & Read, 1992; Fisher, 1989). Performance appraisal sounds simple but researches tell us that it is commonly used in performance feedback and identify individual Employee's strengths and weaknesses (Ruddin, 2005). Therefore, abandoning the only objective with performance and employees as its focus would seem to be an ill-advised over reaction. On top of these considerations, managers must be concerned about legal consequences. Developing an effective performance appraisal system has been and will continue to be a high priority for management.

Performance appraisal systems are used for different purposes in which include Human resource decisions, evaluation and feedback (Cleveland, Murphy & Williams, 1989). However now a days it seems the role of performance appraisal has moved beyond an instrument for assessing employees to one that is used to reinforce the desired behavior and increase performance of the employees. Performance appraisal is the single most powerful tool for marshalling employees in a sophisticated and well managed organization in order to achieve strategic goals (Singh et al, 2010). Still as identified by Lee (2005), most traditional performance schemes are fundamentally flawed as they are counterproductive by design. The stated purpose of these systems is to measure and rate past performance when, in reality, the goal of any performance management system should be performance enhancement.

2.3. Employee Perception about the Process of Performance Appraisal and Employee Performance

The performance management process is the process by which the company manages its performance in line with its corporate and functional strategies and objectives. The objective of this process is to provide a pro-active closed loop system, where the corporate and functional strategies are deployed to all business processes, activities, tasks and personnel, and feedback is obtained through the performance measurement system to enable appropriate management decisions (Bitici, Carrie and McDevitt, 1997). However according to Ann & Jerry Gilley (2009), the term ‘performance appraisal’ restricts the manager’s ability to work collaboratively with employees in their development. This is because the term ‘appraisal’ often is perceived negatively, which can create defensiveness on the part of employees when engaging in the review process.

On a survey conducted by Pulakos, Mueller & O’Leary (2008) the main problems with employee performance management is, it regarded as an administrative burden to be minimized rather than an effective strategy to obtain business results which leads to managers and employees reluctant to engage in candid

performance discussions. A good performance appraisal process should develop method for successful performance, give performance feedback and enable a more equitable reward system. Performance method forms the basis of evaluating the employee's performance and their contribution towards the organizational goal. It entails the desired outputs expected of employees. Performance method should be in line with goals, relevant to given roles, specific and measurable, under employees control and understood and accepted by participants (Dattner, 2010).

According to Armstrong (2009), Performance is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement plans. It is not something that is done to people. As Buchner (2007) emphasizes, performance management should be something that is done for people and in partnership with them. However performance appraisal is often a negative, disliked activity and one that seems to elude mastery. Managers do not like giving them and employees do not like receiving them. Some managers avoid if they did not need to provide feedback, encourage performance improvement, make valid decisions, justify terminations, identify training and development needs, and defend personnel decisions.

Performance appraisal serves many purposes, and improved results and efficiency are increasingly critical in today's globally competitive marketplace. According to McDawall & Fletcher (2004), employee attitudes towards the appraisal process on the other hand bear some significance on creating appraisal's effectiveness. It is essential to decide the effectiveness of appraisal process by understanding employee attitudes.

2.4. Interpersonal factors and Employee Performance

Interpersonal factors are those factors that relate to the kind of treatment the appraisee receives in the hands of the appraiser (Thurston & McNall, 2010). Greenberg (1993), also stated that interpersonal factors are important in the employee performance as they influence the outcome of the interactions. The

quality of these interactions during the process also contribute to fairness perceptions in the whole process. Perception of fairness in appraisal system is also recognized as a vital criterion in analyzing the effectiveness and efficiency of the employee and organization (Jacobs, Kafry, & Zedeck, 1980). In fact, a survey conducted by Fortune magazine for top100 companies also emphasized the importance of perceived fairness in performance appraisal system among the corporate managers (Thomas & Bretz, 1994; Berrin, 2002).

According to Armstrong (2006), Interpersonal factors are closely linked to feelings about procedural fairness. Five factors that contribute to perceptions of procedural fairness have been identified as adequate considerations of an employee's viewpoint; suppression of personal bias towards the employee; applying criteria consistently across employees; providing early feedback to employees concerning the outcome of decisions and providing employees with an adequate explanation of the decision made. However Armstrong also criticize that every organization is a social system, a network of interpersonal relationships. Even though a person doing an excellent job per to the objective standards of measurement may fail miserably as a partner, superior, subordinate or colleague. (Armstrong 2009), meaning interpersonal factors may have an effect on the employee performance. In addition to this Darmawan (2013) indicated that an organization is a network of relationships (relationships). Therefore, a relationship is very important. Wheatley (2001, in Sias, 2008) further suggests relationships are necessary for existing systems and are the hub of organizations. It is through relationships that organizations maintain stability (Katz & Kahn, 1978).

It has also been said to be one of the most problematic components of human resource management and is viewed as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (Coutts and Schneider, 2004).

The factors which assist to predict the perceived fairness in the employee performance appraisal are: regularity in performance feedback, supervisor knowledge about work performance standards, continuous opportunity to the

employees to show their positive or negative feelings about performance appraisal review and mutual understanding and effective communication between supervisors and subordinates in setting new performance goals. Moreover, the main issue in the performance appraisal review and performance appraisal system is the perception of its employee about its fairness (Walsh, 2003). Employee satisfaction and perception of fairness in the system is mainly affected by the bureaucratic nature of the performance appraisal system where all the decisions related with employees are in hand of upper level of management or on their supervisor. Sudin S., (2011) indicated that employee satisfaction and perception of fairness in the system has complex and active relationship with employee performance appraisal and it is highly important for the organization to focus on perceived fairness or organizational justice in the work setting to improve employees performance. Perceived fairness (justice) in PAS has greater effect on the individual's attitude and behavior like job satisfaction, organizational commitment, turnover intentions etc. and ultimately it affect the performance of individual in the workplace. Perception about fairness mainly depends on the standards followed by supervisor' in implementing the performance appraisal system by performing equal treatment and fair distribution of rewards among employees.

2.5. Objective setting towards Employee Performance

2.5.1. Management by Objective

Management by objectives (MBO) is a management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

According to DeCenzo & Robbins, Management by Objectives (MBO) includes mutual objective setting and evaluation based on the attainment of the specific objectives. The common elements in an MBO program are goal specificity, participative decision making, an explicit time period and performance feedback will effectively increases employee performance and organizational productivity.

Bagraim et al (2003) state that the MBO system should keep employees focused on the deliverables of their job and in this way, the organization would have delivered on a strategic promise.

2.5.2. Objective setting

An objective is the aim of an action or task that a person consciously desires to achieve or obtain (Locke and Latham, 2002). Objective setting is a motivational technique used extensively in organizations as a method of directing individuals' efforts at work and providing a standard against which performance can be assessed (Lunenber, 2011).

Performance of an individual can be defined as the achievement level of the individual towards set targets (Hellriegel and Slocum, 1996). Erasmus et al (2003) argue that objective setting system concentrates on setting and aligning individual and organizational goals but it can also be used for evaluating performance. Objective setting is a key ingredient for effectively coaching employees as well (Locke & Latham, 2002). If these objectives are not achieved, they either improve their performance or modify the objectives and make them more realistic (Salaman, 2005).

Research support (Latham & Locke; 1984; Yearta, Maitlis & Briner, 1995) predictions that the most effective performance seems to result when objectives are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of objectives may be affected by moderators such as ability and self-efficacy. Managers widely accept objective setting as a means to improve

and sustain performance (DuBrin, 2012). Based on hundreds of studies, the major findings of objective setting is that individuals who are provided with specific, difficult but attainable goals perform better than those given easy, nonspecific, or no objectives at all (Latham, 2003).

Based on the survey conducted by Armstrong & Baron (2004), 62% the organizations that have been surveyed have used objective setting for the purpose of aligning individual and organizational objective, to improve organizational performance as well as employee performance, to provide the basis for personal development and to inform performance pay decisions. According to Latham & Locke (2006) who developed the concept of goal (objective) setting in 1997 also indicated setting an objective for employee will also increase performance and subjective well-being of that employee.

2.5.3. Feedback

One point of important moderator of the effectiveness of objective setting is feedback. It goes without saying that without the presence of some kind of feedback in relation to goal pursuit, goal setting loses its power because one cannot assess progress toward his or her goals (Kurose, 2013). Feedback helps employees attain their performance objectives and is critical in order for goals to remain effective and retain commitment (Redmond, 2015). Without feedback, people are oblivious of their progression or regression; it also becomes difficult to measure the level of effort needed to pursue the objective effectively (Sorrentino, 2006). Feedback is most effective when it is directed at setting more challenging objectives (Locke and Latham, 2002) because it allows for individuals and teams to identify any weaknesses in their current goals, which allows modifications to be made (Smith and Hitt, 2005).

According to Gilley, Gilley, Quatro, & Dixon, (2009) Feedback is the sharing of work related performance or behaviors that were observed through the performance period and it can be upward, downward or lateral. Feedback is one of the characteristics of performance management that provides for information to

be presented to people on their performance, which helps them to understand how well they have been doing and how effective their behavior has been. The aim is for feedback to promote this understanding so that appropriate action can be taken. This action can be positive that is taken to make the best use of the opportunities or corrective where the feedback has revealed that the performance was as expected or something has gone wrong. (Armstrong 2009)

Lawler and McDermott (2003) remarked that ongoing feedback by managers is strongly related to performance management effectiveness, But Buchner (2007) observed that even though many performance management systems promise regular or quarterly progress updates, annual formal feedback is still the norm in many organizations. In contrast, control theory points out the importance of close, ongoing feedback loops necessary for stable self-regulated behavior. However in assessing performance, account should be taken not only of what has been achieved but how it has been achieved, that the emphasis should be on development as well as evaluation, that performance is best improved through practical challenges and experiences on the job with guidance and feedback from managers, and that people should make their own appraisal of what they have accomplished relative to the targets they had set earlier. (Lee, 2005)

On one meta-analysis which was conducted of 131 empirical studies that had tested how well feedback interventions worked come up with an overall results that indicated a modest, but positive effect of feedback on performance and the study recommended that all feedback interventions should:

- Focus on the task and task performance only, not on the person or any part of the person's self-concept.
- Be presented in ways that do not threaten the ego of the recipient.
- Include information about how to improve performance.
- Include a formal goal-setting plan along with the feedback.

- Maximize information relating to performance improvements and minimize information concerning the relative performance of others. (DeNisi A S and Kluger A N, 2000)

The general theme that emerges from researches about feedback in the workplace is that feedback is an essential component of the objective setting process, but that the precise role of feedback varies depending on characteristics of the feedback as well as contextual and individual-level factor (Lunenberg, 2011). Feedback accompanying objective attainment may also enhance a workers job performance and ability to become more innovative and creative on the job (Fincham and Rhodes, 2015).

2.6. Rater Accuracy and Employee Performance

According to Cleveland and Murphy (1992), Performance ratings are based on rater evaluations which are subjective to human judgments. Personal factors and prejudices are likely to influence the ratings. On the other hand, errors based on age, gender or race can influence rater's evaluations. Sometimes raters can be too harsh or too lenient on the ratee and this affects the accuracy of evaluations.

Fairness in measuring the performance is the key factor of effective performance appraisal as shown by many researchers. Henderson (1984) for example said that a good performance appraisal should be created on measuring employees' contribution to the job and which should be opposed to the employees' activities or behaviors. Naturally employees are very restless about the appraisal's fairness (Erdogan, 2002).

According to Fink and Longenecker (1998) in order to successfully achieve broad objectives performance, performance appraisal systems need to have two key components in place. First, they must have a technically sound rating process in place. That is to say, the organization must have clearly developed rating procedures; an appropriate, user-friendly instrument (form); and a system in place to monitor compliance and to store appraisal data. The second key component to a

successful performance appraisal system is the manager who is actually called upon to evaluate employee performance. The manager, placed in the challenging role of performance “rater,” must have both the skills and motivation to conduct effective performance appraisals.

Ivancevich (2001) also strength the issue of rater accuracy by indicating “performance appraisals require the rater to objectively reach a conclusion bout performance. The use of ratings assumes that the rater is reasonably objective and accurate. However, in reality, raters’ memories are quite fallible, and raters subscribe to their own sets of likes, dislikes, and expectations about people, which may or may not be valid.

2.7. Recognition and Employee Performance

Herzberg introduced a well-known motivation theory which is called the two-Factor Theory, he described in his theory between motivators and hygiene factors. He emphasized that the factors can either be motivators or hygiene factors, but can never be both at the same time. This motivation theory was expressed in the below table.

Herzberg Two-Factor Theory

Motivators (Leading to Satisfaction)	Hygiene (Leading to dissatisfaction)
Achievement	Company policy
Recognition	Supervision
Work itself	Relationship with boss
Responsibility	Work condition
Advancement	Salary
Growth	Relationship with peers
	Security

As indicated on the above table recognition is one of the drive for employee motivation to perform on their work. Usually people are motivated towards some kind of reward as well. Recognition system is very crucial in any organization as the process that is in control of human attitude within organization. It helps to assert not only performance in relation to present goals but also determines the possibility of people joining and remaining in an organization. It also influences the degree to which effort is directed in the growth of the organization future capacities. If correctly dispensed, employee recognition can lead to charming attitude for an organization. On the other hand, if incorrectly dispensed, it can lead to the rapid drop of an organization (Flamholtz, 1996).

According to Armstrong 2002, a reward system classified as financial and non-financial. Non-financial rewards are incorporated of recognition, praise, achievement, responsibility and personal growth in many cases of performance management processes. Therefore the scope of performance management gives to recognize achievements and provide opportunities for growth means that it is part of the total reward system. It can be used to generate ratings to inform performance pay decisions, but this is neither an inevitable nor a necessary part of the process. Performance management is essentially a developmental process that aims to improve the performance and potential of people through their own efforts and with the help of their managers and the organization (Armstrong 2009).

Armstrong also note that the recognition that the reward system should embrace non-financial as well as financial rewards and that non-financial rewards such as recognition and growth opportunities could be provided through performance management processes. As Wilson (2003) add recognition, either formal (written remarks and events) or informal (oral), has been the most cost efficient way to strengthen needed actions for performance inside an organization. Still, when recognition is acting in isolation of compensation and equity rewards, it's frequently loses much of its appeal.

According to Daniel and Metcalf (2009), recognition is a return on an employee's effort and dedication at work, as well as his or her results. An employee

recognition program can be a great morale-building tool for any organization, whether large or small. An effective recognition program can lead to innovation, higher productivity and greater job satisfaction for the workers (Beer and Walton, 2014). Employee recognition programs could include several levels of recognition, from a simple Certificate of Appreciation to Employee of the Month to awards given on the division and companywide level, recognition should be provided to those who exceed expectations and earn the award (Steers and Porter, 2011). Recognition is one of the strong motivation factors; employees feel comfortable when they are praised and recognized (Armstrong, 2007).

According to Parker, 2003 recognition has two important goals; to encourage the employee or team to continue or repeat the behavior and to encourage other employees to do the same. Most team recognition plans fall into celebrating organizational target habitually as an event, developed to admit the success completion of important company goals. This is to create a bigger consciousness or to remind people of the significance of the goals achieved inside the company. Latham, Sulsky and Macdonald (2007) described recognition as an ongoing performance management is more effective than an annual appraisal in bringing about a positive change in an employee's behavior, and that context must be taken into account in doing so. Plus one of the specifics that performance management is concerned with is motivating people by providing them with recognition and the opportunity to use and develop their skills and abilities (Armstrong 2009). Therefore recognition is one of the most powerful methods of rewarding people and employees need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated. (Stredwick, 2005).

Note that for this research recognition could be financial and non-financial or positive or negative that is followed after favorable or unfavorable employee performance.

2.8. Empirical Studies

A research study titled “Factors Influencing Employee Performance Appraisal System” undertaken by Ochoti, Maronga & Muathe, (2012) identified that communication, and the relationship between the supervisor and supervisee as well as the rating accuracy increases the performance system efficiency. According to the finding the study concludes that if the implementation process has taken appropriately it has a relatively high influence on the performance.

One study conducted on Pharmaceutical Industry by Sumayya, Mafruha and Mohammad (2015) titled “Factors Determining the effectiveness of Performance Appraisal System” identified some important factors which influence the effectiveness of performance appraisal system of pharmaceutical companies and concludes that rater accuracy is the most influential factor and consequently this factor affects directly and very sharply the effectiveness of performance. In addition, performance appraisal process, communication, employee attitude and training have significant positive relationship with the effectiveness of performance management system.

Regarding to the performance rating an article written by Harari, M.B., & Rudolph, C.W. et al. (2016) titled “The effect of rater accountability on performance ratings” highlighted rater accountability and suggested that efforts to develop models of contextual determinants of performance ratings should incorporate rater accountability meaning the supervisor should be accountable for the reason that it could be used for performance pay decisions; to identify high performers for management purposes or poor performers for remedial action or dismissal; and can tell employees where they stand.

Obiekwe Nduka (2016) conducted a thesis on “Employee Motivation and Performance” concluded that intrinsic factors (one of the factor is recognition) in particular can greatly enhance employee Performance. In addition according to Stephen Nyambegera1 & Caroline Gicheru. et al. (2016), research titled

“Extrinsic and Intrinsic Factors Influencing Employee Motivation” which studies appreciation of employees by the organization, the degree of skill requirement, influence of employee view of the job, employee perception on skill development, and the perception about contributing to the firms’ growth were the most highly correlated intrinsic factors influencing employee motivation. Finally based on the identification the study conclude that appreciation of employees by the organization among other recognitions influences employees’ motivation and enhances employee job satisfaction and motivation. This is because when an employee is rewarded or recognized for the given activity done employees feel like they are part of the organization and will actually contribute to the organizational achievements.

The findings from the above researches and articles described the importance of performance appraisal, objective setting, interpersonal factors, rater accuracy and recognition on employee performance as well as in the achievement of the organizations objectives.

2.8. The Conceptual framework

According to scholars like Risher (2005), Meyer (1991), Lee (2005), Furnham (2004), Deming(1986),Henderson (1984), Erdogan (2002), Longenecker (1998), Cleveland and Murphy(1992) and Ivancevich (2001) inaccurate ratings can stigmatize performance of an employee and cause unnecessary resistance to the acceptance of feedback. They also indicate that the validity and accuracy of the most commonly used performance, supervisory ratings, has always been a major concern. These measures are also likely to suffer from both deficiency and contamination problems, including subjectivity, personal bias, deliberate distortion, and various other intentional and unintentional rating errors (eg halo, contrast, central tendency, etc).

According to Decenzo & Robbins (2005), Hellriegel & Slocum (1996), Locke & Latham (2002) and an article by Erasmus et al(2003) and Bagraim et al(2003) performance improves most when specific objectives are established and mutual

objective are stated on performance. On top of the above Mone and London (2002) and Buchner (2007) states that goal-setting theory makes a solid case for the use of difficult and specific goals to create the strong situations necessary for substantial achievement.

Daniel and Metcalf (2009), Beer and Walton (2014), Armstrong (2007), Denisi and Pritchard (2016) and Storey (2013) discussed on employee recognition program as it can be a great morale-building tool for any organization, whether large or small. An effective recognition program can lead to innovation, higher productivity and greater job satisfaction for the workers. Employee recognition programs could include several levels of recognition, from a simple Certificate of appreciation to employee of the month to awards given on the division and companywide level, recognition should be provided to those who exceed expectations and earn the award. They also add that recognition is one of the strong factor for employee performance improvement as employees feel comfortable when they are praised and recognized.

Therefore this research study will be developed by the below conceptual framework. The study will apply independent and dependent variables in order to put the research into practice. The variables under study as represented on the below diagrammatically show the relationship between them by illustrating the influence of the independent variables on the dependent variable thus that it will give coherence to this research.



Figure 1: Conceptual framework showing influence relationship between independent and dependent variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

Research methodology is a way of solving the research problem systematically. As per Kotler, 2004 “When we talk of research methodology we are not only talking about the research methods but also considering the logic behind the methods that we are using in the context of our research study”. Therefore this chapter presents the research methodology. It covers research approach and design, population and sampling design, data collection methods, research procedures and data analysis methods. The validity and reliability tests is also discussed.

The chapter gives highlights on the research design and details of the research approach that is used during the study. Data was collected by using questionnaires, which was implemented after conducting pre-testing on samples of employees. The data entry and analysis is processed using a statistical analysis package of SPSS software.

3.2. Research Approach

This study used both quantitative and qualitative data collection approach because it includes a range of methods such as documentation, interview, questioner and observation. As the combination of qualitative and quantitative approaches provides the most complete or insightful understanding (Rwegoshora, 2006) this research is expected to provide better understanding of the raised research problems. According to Creswell, 2003 it can also provide better opportunities for testing alternative interpretations of the data, for examining the extent to which the context helped to shape the results and for arriving at convergence in tapping a construct.

The explanatory and inferential research approach is used to interpreting and analyzing the data collected as it can be more explanatory on the identified variables. The open ended questions that are stated on the questionnaires results qualitative information in relation to employee's perception, opinions and attitudes in relation to the thesis title focusing on the main elements. The final data is analyzed using SPSS 20.0 and using t-test so that the significance level towards the selected variables can be measured. Correlation analysis is done to see the relationship between the dependent and independent variables. Plus, regression analysis is included to identify the effect of independent variables on the dependent one.

3.3. Research Design

The explanatory research design is undertaken on this study. For quantitative methodology the researcher used employ cross-sectional study in that the respondents are from different departments, different regions and on different level of the organizational structure.

To measure the impact of the factors on the effect of performance appraisal on employee performance, five Point Likert-types of scales were developed. As Likert scale is simple to construct it is also highly reliable and easy to understand. Plus it takes much less time to construct. (C. R. Kothari, 2004) Therefore the questionnaire was ranged from 1 ("strongly agree") to 5 ("strongly disagree"). There were 20 questions relating to 4 variables. The variables are identified by the reviewing of various literatures. Regarding to the secondary data of the research the organization human resources manuals, human resource data & recordings as well as journals and news articles that were written about the organization were used.

3.4. Population, Sampling Technique and Sample size

According to (Kish 1965 & Robert 2004) sampling is related with the selection of a subset of individuals from within a population to estimate the characteristics of

whole population. The two main advantages of sampling are the faster data collection and lower cost.

3.4.1. Population

This studies targeted population are the professional employee of GOAL Ethiopia that are found above grade four based on the organization structure. Out of the 462 total number of employees around 291 employees are above grade IV of the organization structure. The reason for selecting grade four and above is that those employees found on grade four and above are believed to be professional employees. Plus they are involved in both supervisor and supervisee role. While those who are found below the grade four are mainly found in a position of guard, cook & cleaner and mostly recruited locally for a duration of the project period.

3.4.2. Sampling technique

Currently the organization is working under five different regions of Ethiopia and contain employees who are found under different demographic background which makes it a heterogeneous organization. Therefore for the purpose of this research the sampling technique used were stratified random sampling.

Stratified random sampling is recognized for its accuracy in data collocation and working in heterogeneous structure. The researcher attempts to stratify the population based on the programme regions believing that classifying the population in such a way results an accurate, specific and combination of all group data.

3.4.3. Sample size

The sample size is a smaller set of the larger population as indicated by Cooper and Schindler, (2006). Determining sample size is a very important issue for collecting an accurate result within a quantitative research design. Thus Mugenda, (2003) argues that the sample must be carefully selected to be representative of the population. Therefore this research selected the simplified formula for

proportions developed by Yamane T (1967:886) to calculate the sample size with 95% confidence level, 0.5 degree of variability and 5% of level of precision/sampling error.

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

Where n is the sample size, N is the population size and e is the level of precision.

On July 2018 staff data GE have a total of 462 employees out of which 291 employees are found on grade four and above of the organization structure. According to Kothari, (2004) the size of the sample drawn from the population should be less than the total population. Therefore the total sample size is indicated as follows in the below table.

Table 3.1: Staff Data and Sampling Size

No.	Programme Region	Total No. Of Employees	Employee on grade IV & Above			Number of staff in percentage from total population	Sample size per to each strata
			No. of employees	F	M		
1	Addis Ababa_HO	110	94	34	60	32%	54
2	Oromiya						
	Borena	58	44	7	37	15%	25
	Bale	24	14	4	10	5%	8
	East & West Hararghe	36	20	9	11	7%	12
3	SNNPR	34	20	12	8	7%	12
4	Gambella	85	46	20	26	16%	27
5	Afar	115	53	24	29	18%	31
Total		462	291	110	181	100%	168

Data Source: Researcher's own list, 2018.

The sample is determined as;

$$n = N / (1 + Ne^2)$$

$$n = 291 / (1 + 291(0.05)^2)$$

$$n = 291 / 1.7275$$

$$n = 168 \text{ (rounded)}$$

Therefore based on the result 168 employees are the total sample size selected from the total study population of 291 grade four and above employees which fulfills the requirements of efficiency, representative, reliability, flexibility and precision of the study.

To calculate the sizes of the samples from the different strata, the researcher used the formula “ $n_i = n.P_i$ ” which is developed by C. R. Kothari (2004). If we take the head office employees that are located in Addis Ababa as an example we got the result as follows;

$$n = 168 * (94/291)$$

$$n = \underline{54} \text{ for Addis Ababa (same goes to the other calculation result)}$$

3.5. Data Sources and Types

During the study, both primary and secondary data collection were used. Primary data collection methods includes; observation, questionnaires to respondents and conducting interviews with the Head of HR and Admin.

Questionnaires and interviews contain open and close ended questions. A method for the secondary data collection was documentation as it is stated previously.

3.6. Data Collection procedures

As it was indicated before this study used both quantitative and qualitative data collection methods. Quantitative data was collected using questionnaires, document review and an interview with Head of HR and Admin was conducted. The questionnaire was distributed to each of the regional offices using the regional office admin and finance officers. Regarding the Head Office staff

located in Addis Ababa the researcher herself was responsible for distributing and collecting the questionnaires. The head of HR and Admin is located in Addis Ababa as well therefore the interview was conducted by the researcher.

The all idea of the research was explained for regional focal persons and for those staff who have an email address to put the clarity of the objective of the research in place. Critical and continues follow up was made by the researcher to meet the confidence level.

3.7. Methods of data analyses

Before the actual data is analyzed, the questionnaires were checked for completeness and consistency. Data was analyzed using the Statistical Software Package for Social Sciences (SPSS 20.0) which shows the correlation of efficiencies using Pearson rank, and then determined the degrees of significance using T-test on employees' performance. Therefore SPSS was used for Correlation test (Pearson's rank), Reliability analysis–Cronbach's alpha, t-test and for analysis of regression. The interview result is included in a summary form to explain the qualitative data of the research.

3.8. Validity and Reliability

3.8.1. Validity

Validity is defined as the extent to which the instrument measures what it purports to measure (Miller.n.d, 2000). Therefor to make sure the validity of research instrument, the questionnaires was adapted from previous researchers. Plus was pre tested in 20 of the employees that are located in Addis Ababa. The findings of the study and lessons learnt is incorporated in the questionnaire and used to re-design and improve the data collection instruments.

3.8.2. Reliability

According to Miller.n.d (2000) reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. Therefore in terms of reliability the questionnaire was checked for consistency basing on Cronbach's alpha and meet the acceptable level for attitude 0.7 and above as seen on the below table.

Table 3.2: Instrument reliability test

No.	Items	Cronbach's Alpha	N of Items
1	PA- interpersonal factors	.745	5
2	PA-Objective setting	.742	5
3	PA-Rater Accuracy	.703	5
4	PA- Recognition	.733	5
5	PA-Employee Performance	.745	5

Data Source: Researcher's own list, 2018.

3.9. Ethical considerations

One of the very critical issues in a research as well as in the organization in which the research is going to be conducted is ethics. Especially ethics regarding confidentiality, therefore the researcher started by getting the proper approval from the organization and the respondents.

The researcher enumerates on how privacy and confidentiality concerns are approached and was sensitive to not only how information is protected from unauthorized access, but also if and how participants are going to be notified of any unforeseen findings from the research that they are not meant to know. The data collected was kept on a personal computer with a pass word and was only accessible by the researcher.

To give a clarity of the idea all the necessary information regarding ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents was stated on the questioner. The purpose of the study would also be stated well to make participants respond with their own consent.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter discusses the results of the findings of the data analyzed from the questionnaires. In total 168 questionnaires were distributed to the employees of GOAL Ethiopia according to the sample strata 162 were received. After cleaning the data by carefully scrutinizing the data to ensure all questions were filled appropriately, 159 remained, giving this study a response rate of 95%.

The data was analyzed based on the research objectives and questionnaire items using a statistical tool to generate frequency distribution tables, t- tests, correlations, regressions and the results are hereby presented.

4.2. Analysis of the General Information of Respondents

On the below table the first section of the questionnaire the demography characteristics of respondents which includes gender, age, marital status, educational background, service year, location, department and period performance appraisal completion is presented.

Table 4.1 the frequency distribution of Respondents demographic characteristics

Respondent Characteristics		Frequencies	Percent
Gender	Male	86	54.1
	Female	73	45.9
Age	20-30	71	44.7
	31-40	80	50.3
	41-50	7	4.4
	51 and above	1	.6
Marital Status	Single	68	42.8
	Married	91	57.2
	Total	159	100.0
Level of Education	Diploma	43	27.0
	BSc/BA	103	64.8
	Masters	13	8.2
Year of Service	< 1 Year	13	8.2
	1-4 Years	98	61.6
	5-9 Years	44	27.7
	above 9 years	4	2.5
Location	Addis Ababa	52	32.7
	Afar	29	18.2
	Oromiya	42	26.4
	Gambella	27	17.0
	SNNPR	9	5.7
Department	Programme	112	70.4
	Support	47	29.6
Period Performance Appraisal Completed	Every Month	6	3.8
	Quarterly	32	20.1
	Half Yearly	57	35.8

	Yearly	64	40.3
Total		159	100.0

Data Source: Researcher's own list, 2018.

The above table is indicative of the results which were obtained from the respondents. 54% of the respondents were male and 46% were female, thereby indicating that GOAL Ethiopia has more male employees compare to female employees. Plus on the age dimension of the respondents 44.7% of the respondents are between 20 up to 30 years of age while around 50% are between 31-40 years of age, 4.4% are between 41-50 years of age and only 0.6% are above 51 years of age. This shows that majority of the respondents are aged between 31 and 40 years of age. In addition to this if we sum it up almost 95% of the employees are found at the age of between 20 up to 40 indicating GOAL Ethiopia employees are mixed of younger and middle-aged.

When reviewing the service year frequency of the employees we also find the higher respondents percentage is that of employees working for the organization between 1-4 years consisting 61.6% followed by employees working between 5-9 years. Therefore we can conclude that 89% of the respondents have been working for the organization between 1-9 years which make the response on the questionnaire more accurate as they have more exposure on the organization performance management.

With regards to the questionnaires on period of performance appraisal completed 40% of the respondents respond their performance appraisal is completed on yearly basis while around 36% say it's completed half a year. The other 20% and around 4% respond on quarterly and monthly basis respectively. This shows the performance appraisal system in the organization is not constant and the information which the employees have on the procedure is not clear as well as transparent. Further information, on the demographic characteristics of the respondents can be seen on the above table.

4.3. Respondents Attitude towards the Effect of Interpersonal Factors on their Performance

On the second section of the question the respondents were requested to put their point of view in related of the four factor. The first one being their attitude toward the interpersonal factor. Following the response a statistical technique, one sample t-test was used to test the significance level of their agreement. In this test the level of agreement is said to have a significant difference, if p value is less than 0.05 (the conventional statistical significant level of error). Which gives the interpretation that the sample mean is significantly different from the average test value (3). See the below table for the result of the one sample t-test with regards respondents response on the interpersonal factor to the employee performance.

Table 4.2 Respondents Attitude towards the Effect of Interpersonal Factors on Employee Performance

One-Sample Statistics				Test Value = 3					
				t-value	df	p-value	Difference	95% CI - Difference	
Statement	N	Mean	Standard Deviation					Lower	Upper
My supervisor take my performance throughout the evaluation period rather basing on the relationship I have with him/her.	159	3.23	1.37	2.09	158	.039	.23	.01	.44
My supervisor complete the performance appraisals reflecting his/she personal like or dislike towards me.	159	2.42	1.36	-5.38	158	.000	-.58	-.79	-.37
Measuring employee's contribution to the job rather than employee's behavior/relationship will be more effective on the improvement of employee performance.	159	3.78	1.22	8.09	158	.000	.78	.59	.97
My supervisor treat me with kindness and show concern about my rights as well as able to suppress personal biasness during performance evaluation process.	159	3.45	1.11	5.06	158	.000	.45	.27	.62
The appraisal system exists in GE is fair enough in terms of procedures, outcome received on the basis of performance and treatment of top management with the	159	3.13	1.12	1.42	158	.158	.13	-.05	.30

employees.									
PA_ Interpersonal factor	<u>159</u>	<u>3.20</u>	<u>0.74</u>	<u>3.42</u>	<u>158</u>	<u>.001</u>	<u>.20</u>	<u>.08</u>	<u>.32</u>

Data Source: Researcher's own list, 2018.

The interpretation on the above table is further explained on the below statements to have the general idea of the respondents. Note that the average level of agreement to each question is taken as moderate or 3 (test value).

According to the respondents to the first statement average level of agreement is, $M=3.23$. This level of agreement, (for $t=2.09$, $p=0.039<0.05$) is found to have significant difference compared to the moderate level agreement (3). To this end, it can be stated that on average employees of GOAL Ethiopia feel their performance is taken to account during the evaluation period rather than on their relation with supervisors as it is significantly above the moderate level. On the second statement it is indicated that the average level of agreement is $M=2.42$. This level of agreement, (for $t=-5.38$, $P=0.000<0.05$) shows it is below the level of agreement. Therefore it can be indicated as the employees of GE perceive that supervisors complete the PA without reflecting their personal liking or disliking towards the employee. On the third and fourth part of the statement we also find $M= 3.78$ & $M=3.45$ respectively. This level of agreement (for $t=8.09$, $P=.000<0.05$ and $t=5.06$, $P=.000<0.05$ respectively) showing it is significantly above the moderate level and the respondents feel employee contribution should be measured to their contribution towards the job rather than on their relationship with the supervisors to be more effective on their performance and the supervisors treatment seems free of biasness.

For the overall performance appraisal system and procedure in GE the respondents agreement level $M=3.13$. This level of agreement (for $t=1.42$, $P=.158<0.05$) indicating employees tends to agree on the existing PA system and procedure as it is significantly different form the moderate level.

To generalize, the interpersonal factors which are meant to affect the efficiency of employee performance, which is an aggregate of the five statements, is computed to the level $M=3.20$ and tested against the moderate level (i.e. 3) of agreement. The t-test at 3.42, ($p=0.001<0.05$), indicates that the employees agreement level does significantly different from the moderate level or test value 3. Which according to employees, the organization is moderately appreciated on removing biasness during evaluation and the employees performance considered leaving other interpersonal effects on their performance appraisal. Plus the PA system existed in GE is said to be fair enough in terms of procedure, with no significant difference from the moderate level. With 95% confidence interval (CI) the overall employee's agreement to the interpersonal factor at GOAL Ethiopia is in the range 3.12-3.52. This shows that the practice is somehow appreciated.

4.4. Objective Setting

To this perspective again there was five different question which were forwarded to respondents to test their level of agreement. Accordingly the below table presents their level of agreement.

Table 4.3 Respondents attitude towards the Effect of Objective Setting on Employee Performance

No.	One-Sample Statistics				Test Value = 3					
					t-value	df	p-value	Mean Difference	95% CI of Difference	
	Statement	N	Mean	Std. Deviation					Lower	Upper
1	I participate in the setting of my goals/targets prior to the performance period.	159	3.61	1.05	7.29	158	.000	.61	.44	.78
2	I understand the importance of my goals/targets in relation to the overall objective of the organization.	159	4.11	0.85	16.53	158	.000	1.11	.98	1.25
3	Performance standards in my organization are clearly set and easily understandable.	159	3.48	1.07	5.73	158	.000	.48	.32	.65
4	My supervisor provides me with clear direction to improve my performance and I get fair and constructive feedback regularly to my goals/targets.	158	3.41	1.11	4.65	157	.000	.41	.24	.59
5	The setting of objectives/goals has a positive impact on the overall performance of an employee within an organization.	158	3.97	0.94	12.98	157	.000	.97	.83	1.12
PA_ Objective Setting		159	3.72	0.67	13.54	158	.000	.72	.61	.82

Data Source: Researcher's own list, 2018.

As indicated in the above table firstly the respondents were asked to indicate whether their manager allows them to participate in setting their goals prior to the performance period. Looking at employees agreement to this question M=3.61,

with ($t=7.29$, $P=0.000<0.05$), which is significantly different from moderate level of agreement. Hence, this indicates that majority of the employees participate in setting their goals. The respondents were also asked to indicate whether they understand the importance of their goals in relation to the overall objective of the organization. Therefore according to the agreement level $M=4.11$ (for $t=16.53$, $P=.000<0.05$) which indicates majority of the employees understand the importance of their goals in relation to the overall objective of the organization. Thirdly they were requested to indicate whether the performance standards in GE is clearly set and easily understandable. Thus the agreement level $M=3.48$ (for $t=5.73$, $P=.000<0.05$) result shows employees agreement level is significantly different from the moderate level or test value 3 which indicates there is an appreciated performance standard in GE which is clear and easily understandable. For the question if they received constructive feedback regularly related to their goals and if the setting of objectives has a positive impact on the overall performance within the organization the agreement level was $M=3.41$ and $M=3.97$. This result again show that majority of the employees are slightly different from the moderate level of agreement regarding constructive feedback that they receive in relation to their goals and there is a significant different on the objective setting impact on employee performance. This indicates GE employees be able to improve their performance as a result of the existence of constructive feedback. Plus they highly perceived that the setting of objective prior to their performance period impacted their overall performance within GE.

When we look at the employees aggregate agreement to the expected practice with regard to objective setting, it is rated 3.72 on average, with ($t=13.54$, $P=0.000<0.05$), which is significantly different from moderate level of agreement. Hence, Objective setting as one form effect on employee performance highly appreciated by the employees. This also more support the statement stated on section 2.5.2 of this research by (Latham & Locke; 1984; Yearta, Maitlis & Briner, 1995), (Salaman, 2005), Lawler and McDermott (2003) and (DuBrin, 2012).

4.5. Rater Accuracy

In this section of the question same as the others, question related to rater accuracy was raised for the respondents to test their level of agreement. As a result their level of agreement is illustrated below using inferential statistics, one-sample t-test, in a similar fashion as above.

Table 4.4 Respondents attitude towards the Effect of Rater Accuracy on Employee Performance

No.	One-Sample Statistics				Test Value = 3					
	Statement	N	Mean	Std. Deviation	t-value	df	p-value	Mean Difference	95% CID	
									Lower	Upper
1	My organization makes sure that I am assigned a rater who understands the requirements & difficulties of my work.	158	3.43	0.98	5.52	157	.000	.43	.28	.58
2	My rating is treated with dignity and without subjectivity which strive me to perform more.	158	3.40	1.00	5.00	157	.000	.40	.24	.56
3	I feel that the manager take into consideration my performance throughout the rating rather than looking the short term achievement or failure.	158	3.44	0.95	5.88	157	.000	.44	.29	.59
4	My last performance appraisal represented my past year's performance which strive me to perform more in future.	158	3.60	0.98	7.74	157	.000	.60	.45	.75
5	The Perceived fairness & accuracy of the performance appraisal rating have an overall effect on my performance.	158	3.77	0.97	10.0	157	.000	.77	.62	.92
		158	3.53	0.67	9.90	157	.000	.53	.42	.63

PA Rater Accuracy									
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Data Source: Researcher's own list, 2018.

On the above table the respondents were questioned to indicate whether the organization is assigned a rater who understands the requirements & difficulty of their work. On this question the respondents agreement level is $M=3.41$, with $(t=5.52, P=0.000<0.05)$, which is to some extent different from moderate level of agreement. This indicates that most of the employees believe that the organization makes sure in assigning a rater who understands their work. Again for the question related to treating the rating with dignity & without subjectivity the level of agreement is $M=3.4$ and level of agreement for the request if the manager take in consideration their performance throughout the rating rather than looking the short term achievement or failure $M=3.44$. Which indicates there is a significance difference on the level of agreement and employees of GE feel their rating is completed without subjectivity as well as their managers consider their performance throughout the year. Plus as the level of agreement for the response in relation to if the respondents last year PA represents their performance and if this be able them to strive more in the future is $M=3.6$ also indicates the majority of employees are agreeing to this question.

To sum up, looking at the aggregate level of agreement with regards to the overall effect of rater accuracy on employee performance, which is indicated at the last row of the above table the result shows that the employees of GE have the trust on the performance appraisal rating of the organization and this perceived fairness and accuracy of rating have an effect on their performance with $M=3.53, p .000<0.05$. With 95% confidence interval (CI) the overall employee's agreement to the rater accuracy factor at GOAL Ethiopia is in the range 3.11-4.16.

4.6. Recognition

On the last part of the question the respondents were asked question related to the purpose of PA in GE and if there is a linkage between their performances with any type of recognition will contribute to their performance.

Table 4.5 Respondents attitude towards the Effect of Recognition on Employee Performance

No.	One-Sample Statistics				Test Value = 3					
					t-value	df	p-value	Mean Difference	95% CI of Difference	
	Statement	N	Mean	Std. Deviation					Lower	Upper
1	The performance appraisal has a defined purpose in GOAL Ethiopia.	158	3.49	1.14	5.45	157	.000	.49	.31	.67
2	It is important for me to be recognized by my manager, peers and co-workers for a job well done	158	4.04	0.96	13.67	157	.000	1.04	.89	1.20
3	During my stay in GOAL Ethiopia my performance appraisal is used once at least for one of these reasons. (Promotion, Reduction, salary adjustment ,demotion or transfer)	158	3.02	1.17	0.20	157	.839	.02	-.16	.20
4	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	158	3.65	1.00	8.14	157	.000	.65	.49	.80

5	If my performance is recognized in any way it will definitely have an effect on my future performance.	158	3.89	0.99	11.28	157	.000	.89	.74	1.05
-	PA Rater Accuracy	<u>158</u>	<u>3.62</u>	<u>0.69</u>	<u>11.29</u>	<u>157</u>	<u>.000</u>	<u>.62</u>	<u>.51</u>	<u>.73</u>

Data Source: Researcher's own list, 2018

Here, looking at the overall level of agreement to recognition practice of the organization, the respondents mean agreement is rated to 3.62 with $P=0.000 < 0.05$ at $t=11.29$. This indicates on average, the employees are satisfied to the recognition practice of the organization in relation to their performance appraisal outcome. Therefore as indicated on section 2.7 of this research by (Daniel and Metcalf, 2009) and (Armstrong, 2007) this result indicates that employees feel that the recognition of their performance will have an effect on their future performance improvement.

4.7. Relationship of performance appraisal with employee performance

Correlation result

One of the interests of the researcher was to see the relationship between the independent variable with that of the dependent variable. Therefore in order to assess the relationship of performance appraisal with employee performance a correlation analysis was conducted. According to Kothari (2004), Pearson's coefficient, is the most widely used method of measuring the degree of relationship between two variables. The value of „r“ lies between ± 1 . Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the same direction), whereas negative values of „r“ indicate negative correlation (i.e., changes in the two variables takes place in the opposite directions). A zero value of „r“ indicates that there is no association between the two variables. Daniel M. (2004), states that the cut off points for the interpretation of the strength of correlation coefficients are ± 0.80 to ± 1 , which is

very strong, ± 0.50 to ± 0.79 strong, ± 0.30 to ± 0.49 moderate, ± 0.10 to ± 0.29 , modest and less than 0.1 is a weak correlation.

According to the correlation table 4.6 there are many correlation coefficients above 0.5. That means the variables are very well correlated with each other.

Table 4.6 Correlation matrix of independent variables with dependent variables.

No	Correlated Factors	Dependent Factor				
		QP_1	QP_2	QP_3	Employee_ Performance	
1	PA_ Interpersonal factor	Pearson Correlation	.386**	.322**	.547**	.530**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	158	158	159	159
2	PA_ Objective Setting	Pearson Correlation	.697**	.423**	.473**	.667**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	158	158	159	159
3	PA_ Rater Accuracy	Pearson Correlation	.578**	.770**	.557**	.794**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	158	158	158	158
4	PA_ Recognition	Pearson Correlation	.458**	.363**	.415**	.522**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	158	158	158	158
**. Correlation is significant at the 0.01 level (2-tailed).						

Data Source: Researcher's own list, 2018

As it is showed in table above, the result of the aggregated Pearson's correlation coefficient $r=.530$ and $sig=0.000$ indicated that interpersonal factor on performance appraisal has significant and positive relationship ($r=.530$, $p<0.01$) with employee performance. The significant level of 0.000 shows the relationship is significant at $p<0.01$, 2-tailed. Thus, the correlation coefficient $r=.530$ is within the strong correlation range of (Daniel M. (2004)). Therefore, interpersonal relationship is positively correlated and has strong association with the employee performance.

From the above table, we can see that the most correlated variable to the employee performance is rater accuracy. The correlation, $r=-0.794$, indicates that employees appreciation on the accuracy of rating in their performance appraisal and has strong relation with the effectiveness of their performance. The same goes to for objective setting with correlation, $r=.667$ and recognition with correlation, $r=.522$. Again having strong correlation with the employee performance and makes recognition the least but strongly correlated variable among the other variables. Further explanation can be seen the above table for the correlation between the stated variables.

4.8. Independent variables influence on employee performance

Regression Analysis

Multiple regression models have been used to investigate the relationship between different factors relating to performance appraisal and the effect of performance appraisal. On the below table four factors are expected to receive through factor analysis and the estimated factor score have been included as inputs in regression analysis.

From the analysis result indicated in table 4.7, the adjusted R square, tells that the overall performance appraisal has influenced 72% of the employees performance. Thus, these independent variables alone has a considerable effect on the effectiveness of employee performance, which is 72%, where employee performance due to other reasons being constant. Thus, it can be said that the stated independent factors by them self's other factors being constant have a higher impact on the development of employee performance.

Table 4.7 Overall effect of performance appraisal on employee performance

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	p-value	Collinearity Statistics		Model Summary		
		B	Std. Error	Beta			Tolerance	VIF	R	R ²	Adjusted R ²
1	(Constant)	-1.142	.240		-4.764	.000			0.853	.727	.720
	PA_ IP factor	.184	.056	.161	3.316	.001	.756	1.322			
	PA_ Objective Setting	.366	.072	.290	5.090	.000	.551	1.816			
	PA_ Rater Accuracy	.664	.071	.526	9.327	.000	.561	1.783			
	PA_ Recognition	.063	.066	.052	.965	.336	.625	1.599			
Dependent Variable: Employee_ Performance											

Data Source: Researcher's own list, 2018

In addition to the above in order to see the effect of each independent variables effect on employee performance, step-wise regression analysis is conducted. This analysis believe to help to elaborate more and respond to the researcher question.

Therefore the below table indicates that, the accuracy of rating on performance appraisal influences the employee performance by 62.7%, being the highest among the other independent variables, which intents if the organization work only on this dimension being other things constant it have the capacity of 62.7%

to improve employees performance, which answers the question of the impact of rater accuracy on employee performance. In addition, with the setting objectives during the performance period, the influence reached 70.2%. This indicates the setting of objective have an additional of 8.5% effect on employee performance. The impact of performance appraisal also increased to the level 72% when we work on the interpersonal factors on top of rater accuracy and objective setting. Which further explains the effect and the impact of the independent variables on the employee performance.

Table 4.8 Step-wise regression of independent variables on the dependent variable

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	p-value	Collinearity Statistics		Model Summary		
		B	Std. Error	Beta			Tolerance	VIF	R	R ²	Adj. R ²
1	(Constant)	-.154	.221		-.698	.486			0.794	.630	.627
	PA_ Rater Accuracy	1.002	.061	.794	16.293	.000	1.000	1.000			
2	(Constant)	-.876	.228		-3.836	.000			0.84	.706	.702
	PA_ Rater Accuracy	.762	.067	.604	11.402	.000	.677	1.476			
	PA_ Objective Setting	.422	.067	.334	6.310	.000	.677	1.476			
3	(Constant)	-1.074	.229		-4.687	.000			0.852	.725	.720
	PA_ Rater Accuracy	.680	.069	.538	9.792	.000	.590	1.694			
	PA_ Objective Setting	.395	.065	.313	6.046	.000	.667	1.499			
	PA_ Interpersonal Factor	.185	.056	.161	3.321	.001	.756	1.322			

Dependent Variable: Employee_ Performance

Data Source: Researcher's own list, 2018

The fourth factor, recognition, is not included in this step wise regression because of its relationship with other three components as well as its effect believed to be the outcome of the performance appraisal. On top of this as it can be seen on table

4.7 the variance inflation factor (VIF) is below the value of 2 and with p value $0.336 < 0.05$ at $t=0.965$ therefore, it is excluded from the analysis which shows that it's less significance on employee performance.

4.9. Summary of the Response on the Interview Questions

An interview was conducted with the head of administration and human resource department and the head of the department has responded to the different question which was raised by the researcher.

The first question was on what type of performance management system the organization is using and the respondent said that GOAL Ethiopia is said to be using mixed type of performance management system as it includes and promotes the employee to use MBO as well as 360 degree of performance appraisal system. Following regarding the question if the organization ever encountered any difficulties in carrying out the performance management process the respondent replied by saying “most of the time supervisors try to ignore the process and they didn't submit the PA for their superordinate's on time. As a result the department is forced to circulate a repetitive email to remind the supervisors and bring their attention to the subject.” The respondent added even if the purpose of the PA is to evaluate the employees of GE and to identify their weakness and strength so that the organization can work in improving their weakness and expand their strength however due to the late responses most of the time the organization is not be able to respond to the purpose of performance evaluation on the expected time.

The interview also included two question which was “What is your overall opinion about the effect of the performance appraisal of GOAL Ethiopia on employee's performance?” and “Do you think that performance appraisal management implemented at GOAL Ethiopia is effective and efficient? Why?” According to the respondent to this question the organization was supposed to

reconnect the outcome and link it with employee improvement strategies. Plus for those staff who was said to be outperformed the linkage of employee recognition should have been there however GE still have to make an improvement in this area. The respondent added more than 50% it can be said that the system is effective as it tries to include all the dimensions and the department tries to have a close follow up on removing the biasness and the subjectivity effect of performance appraisal in doing this the organization encourage after the completion of the PA both parties needs to be sit and disuse on the performance and set a target for the next year. However if there will be any kind of issues and concerns any employee have the right to appeal to the line manager and also to HOHR. Following the PA will be reviewed and reconciled to see the issues clear and it will go from there. The final decision might even require to re do the PA.

In addition to the other part the organization thinks it have some short coming on its performance management currently the department is reviewing the format as well as the procedure to improve its efficiency and more user friendly.

This shows the organization have a system in place which believed to be standardized and a formal procedure. Which also indicates the organization identified its weakness on the performance management process and currently working on the improvement of the system.

4.10. Summary of the Findings

The purpose of this study was to determine the effect of performance appraisal on employees' performance using the case of GOAL Ethiopia, an international non-governmental organization. Thus, using the research methods indicated in chapter three of this study it pointed out that, the performance appraisal in relation of the stated factors is significantly appreciated by the organization at moderate level, which can also be seen from the analysis result on each independent variables as follows.

On average, the employees have moderate level of appreciation towards the interpersonal effect on their performance as well as the organizations practice in

putting a system which is free of biases and removal of personal liking or disliking from that of the employee performance. Hence, overall performance appraisal system of the organization is appreciated in terms of procedures and outcome received in moderate level.

Again, looking at the aggregate employees perception result, the objective setting process, in the view of the employees is also appreciated at a significantly above the moderate level. The study showed that management allowed employees to participate in the setting of their goals and they understood the importance of their goals in relation to the overall objective of the organization. The study also showed that employees were satisfied with the setting of the performance standards by the organization as it is clear and easily understandable and appreciated their supervisors fair and constructive feedback provision. Additionally, they believed this objective setting process impacted their performance over the period.

This study also find that that the rater accuracy is the most influential factor and consequently this factor affects directly and very sharply the effectiveness of employee performance. In addition, the finding shows that employees appreciate their performance rating process and feel that the performance rating is more concentrated on their work performance and treated with dignity and without subjectivity. Which again is appreciated significantly above moderate level by the employees.

Finally the study revealed that GOAL Ethiopia did recognize employee's performance to some extent. According to the finding the aggregate agreement is significantly above the moderate level in regards to this employee's appreciate the current performance management of the organization and feel that they need to be recognized for their performance. They also feel that the existence of recognition for good performance will inforce them to perform more and this will have an effect on their future performance as well.

In general the this study identified the overall aggregate level of agreement to the stated factors are significantly above the average level indicating employees appreciate the organization on the current performance appraisal contribution to their performance improvement in relation to the factors in question.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Introduction

This chapter gives the study summary and the discussions guided by the study objectives. The chapter also gives the study conclusions that have been derived from the study findings. Finally proposes recommendations for the study are categorized by recommendations for improvement and those for additional studies.

5.2. Conclusion

The general objective of the study was to identify the effect of performance appraisal on employee performance in case of GOAL Ethiopia. The literature presented in chapter two indicates the different performance appraisal factors that leads to effective employee performance. The study reveals that there is a highly considerate level effect on employee performance, which is significantly influenced by all the selected factors, where rater accuracy takes the highest share.

In addition the researcher has also attempted to investigate the degree of relationship between the independent variables (performance appraisal components) and dependent variables (employee performance). Based on the correlation analysis result it is concluded that again accuracy of rating on performance appraisals have a positive and a very strong relationship or association with employee performance compared to the other factors correlation

result. The others, objective setting, interpersonal factor and recognition also have a positive and strong relationship with employee performance.

Based on the regression coefficient result the stated variable in deed have an effect on employee performance. By comparing the regression coefficient result the researcher has reached on a conclusion that rater accuracy has a larger effect on employee performance than the other factors. Therefore based on the overall analysis the researched concludes that rater accuracy is the most influential factor and consequently this factor affects directly and very sharply the effectiveness of employee performance. In addition, objective setting, interpersonal factor and recognition have significant positive relationship with the effectiveness employee performance.

5.3. Recommendation

The researcher believes that the findings of the study have a very wide range of Implications in GOAL Ethiopia as well as other organizations especially who are found under the same structure as GOAL Ethiopia. Therefore the researcher forward recommendations which help to improve employee performance.

- The first recommendation that the researcher would forward is that in order to ensure the effectiveness of employee performance, organizations can enhance rater accuracy by using appropriate measurement of employee contribution, implementing fair performance appraisal and removing errors based on age, gender or race. As indicated in section 2.8 of this research by Harari, M.B., & Rudolph, C.W. et al (2016) GOAL can implement a rater accountability procedure.
- Secondly to ensure the effectiveness of employee performance organizations should also present their concern on developing the objective prior to the appraisal period so that they have the clear idea of their objective as well as the organizations and what is expected from

them. The organization should also re-evaluate the goals that are set, and also implement constructive feedback in relation to the goals. Additionally, the study recommends that the if possible organization includes mentorship and regular training as a way of keeping the workforce motivated and accountable to their goals. Latham & Locke (2006)

- Establishing perfect and well-structured interpersonal relationship between the supervisor and the supervisee also received an important contributor to overall employee performance effectiveness. Therefore the organization should work in this aspect so that employees feel their contribution to the job as an employee is prioritized rather than their relationship with their supervisors. The employees should be given a training on the performance appraisal so that biasness and subjectivity could not be a subject.
- On top of all this the organization should set a forma and well-structured recognition system that could be linked with the outcome of the employee performance appraisal in a cost-effective way of boosting morale of the employees.
- The study focuses on GOAL Ethiopia an international non-governmental organization. Therefore, the result of the study may not be well applicable in other organization. So, that further studies can be conducted on what factors that ensure the effectiveness of employee performance.
- In general this study analysis was evaluated on the basis of a moderate level of agreement. Which means if the analysis of the study was conducted on the basis of agreement level the result of the study would have gone in different direction. Therefore GOAL Ethiopia should deeply work on this factors by developing user friendly PA format, conducting a repetitive inducting or a refreshment training on performance appraisal rating to make it less biased and subjective as well as try to link this outcomes with any kind of recognition method so that the employee's appreciation can move to beyond the agreement level.

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APPENDIXES

Addis Ababa University School of Commerce

Appendix 1- Questionnaire

The purpose of this questionnaire is to collect data from the employees of GOAL Ethiopia for partial fulfilment of Masters of Arts in Human resource management under the research entitled “*The effect of performance appraisal on employee performance: The case of GOAL Ethiopia, an International Non-governmental Organization*”.

I would really appreciate if you could spend a few minutes of your valuable time filling in this questionnaire. I assure you that your answers will be treated confidentially and anonymously. All information obtained from this survey will be treated in the strictest confidence, and will be available to the researcher and the thesis supervisor. Besides, the output of the study will help as an input for the organization for any future action.

I kindly request you to complete this questionnaire honestly and I thank you in advance for giving your valuable time, genuine feedback and timely response as well as your co-operation!!!

Instruction

- Writing your Name is **NOT** necessary.
- This Questionnaire have only two sections.
- You only need to put “√” mark in the box to the point which highly reflect your idea.

Thank You!

Section A. Socio-Demographic Characteristics

1. Sex A. Male B. Female
2. Age A. 20-30 B. 31-40 C. 41-50 D. > 51
3. Marital status Single Married
4. Highest educational background
 - A. Diploma
 - B. BSC/BA Degree
 - C. Masters
 - D. PhD
5. For how long have you served in GOAL Ethiopia?
 - A. <1year
 - B. 1-4 years
 - C. 5-9 years
 - D. 10 years
6. Where is your current location (**region only**): _____
7. Department; A. Programme B. Support
8. How often is your performance appraised or reviewed?
 - A. Every month
 - B. Quarterly
 - C. Half yearly
 - D. Yearly

Section B: Research Related Questions.

*The questions in this section concern characteristic related to interpersonal factor, objective setting and ratter accuracy and their effect on employee performance. Using the key below, please indicate the extent to which you agree with each statement by rating the question on a scale of 1 to 5, where 1= **strongly disagree**, 2= **disagree**, 3= **neutral**, 4= **agree**, 5= **strongly agree***

1. Measures indicating Interpersonal Factors

No.	Description	1	2	3	4	5
1	My supervisor take my performance throughout the evaluation period rather basing on the relationship I have with him/her.					
2	My supervisor complete the performance appraisals					

	reflecting his/she personal like or dislike towards me.					
3	Measuring employee's contribution to the job rather than employee's behavior/relationship will be more effective on the improvement of employee performance.					
4	My supervisor treat me with kindness and show concern about my rights as well as able to suppress personal biasness during performance evaluation process.					
5	The appraisal system exists in GE is fair enough in terms of procedures, outcome received on the. basis of performance and treatment of top management with the employees					

2. Measures indicating Objective Setting

No.	Description	1	2	3	4	5
1	I participate in the setting of my goals/targets prior to the performance period.					
2	I understand the importance of my goals/targets in relation to the overall objective of the organization.					
3	Performance standards in my organization are clearly set and easily understandable.					
4	My supervisor provide me with clear direction to improve my performance and I get fair and constructive feedback regularly to my goals/targets.					
5	The setting of objectives/goals has a positive impact on the overall performance of an employee within an organization.					

3. Measures indicating Rater Accuracy

No.	Description	1	2	3	4	5
1	My organization makes sure that I am assigned a rater who understands the requirements & difficulties of					

	my work.					
2	My rating is treated with dignity and without subjectivity which strive me to perform more.					
3	I feel that the manager take into consideration my performance throughout the rating rather than looking the short term achievement or failure.					
4	My last performance appraisal represented my past year's performance which strive me to perform more in future.					
5	The Perceived fairness & accuracy of the performance appraisal rathing have an overall effect on my performance.					

4. Measures indicating Recognition

No.	Description	1	2	3	4	5
1	The performance appraisal has a defined purpose in GOAL Ethiopia.					
2	It is important for me to be recognized by my manager, peers and co-workers for a job well done					
3	During my stay in GOAL Ethiopia my performance appraisal is used once at least for one of these reasons. (Promotion, Reduction, salary adjustment ,demotion or transfer)					
4	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
5	If my performance is recognized in any way it will definitely have an effect on my future performance.					

- If you have any points to add regards to the performance appraisal management of GOAL Ethiopia for the improvement of employee performance.

Appendix 2- Interview Question

Interview Question to Head of Admin. & Human Resource Department

- 1) What is the Performance Management system used here?
- 2) Have you encountered any difficulties in carrying out the Performance Management process?
- 3) If employees are experiencing issues how are they dealt with?
- 4) What is your overall opinion about the effect of the performance appraisal of GOAL Ethiopia on employee's performance?
- 5) Do you think that performance appraisal management implemented at GOAL Ethiopia is effective and efficient? Why?
- 6) What is the purpose of the performance appraisal system contributes to the employee's performance development?
- 7) Please give ideas as to how the implementation of the performance appraisal management systems could be improved.