

**EMPLOYEES' PERCEPTION OF THE
PROBLEMS AND PRACTICES OF
EMPLOYEE PERFORMANCE EVALUATION:
a Case study of Awash International Bank (AIB)**

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**A project paper submitted to the school of graduate studies of
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Practices of Employee Performance Evaluation: A
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C E R T I F I C A T E

This is to certify that this project work, “**Employees’ Perception of the Problems and Practices of Employee Performance Evaluation: A Case Study of Awash International Bank (AIB)**”, undertaken by Zelalem Bayisa for the partial fulfillment of Master’s of Business Administration [MBA] at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor

Declaration

I, Zelalem Bayisa, declare that this work entitled **“Employees’ Perception of the Problems and Practices of Employee Performance Evaluation: A Case Study of Awash International Bank (AIB)”**, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Business Administration [MBA]

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Abstract

This project is designed to assess the perception of employees towards the practices and problems of performance evaluation in Awash International Bank. To this end; the study has the objective to assess the perception of employees towards the problems and practices of performance evaluation. On the basis of data collected through questionnaires and interview which are founded on the theoretical assessment of related literatures; I have tried to unearth some of the real problems of appraisals based on the opinion of the ratees in that particular organization.

The questionnaire was distributed to 80 employees of the bank working in four branches: Bole, Head office, Stadium and Arat Kilo branches in which only 65 were fully completed and returned. The questionnaire was distributed to the employees on the basis of convenience sampling based on the willingness and cooperation of the respondents. The data collected were analyzed using SPSS software.

On the basis of the data obtained from the respondents, the study identified the lack of transparency both during the evaluation and after evaluation as its major findings. Almost all the participants vented out that they are not allowed to see the result of their ratings. As a result, they do not have a confidence on the appropriateness of the evaluation to make crucial human resource decisions. The lack of clarity of performance evaluation criteria and the subjectivity involved in the evaluation which resulted in role ambiguity and frustration

among the employees were identified to be the other problem of performance appraisal in Awash international bank (aib). On the other hand, the subjective nature of the standards against which the performance of employees are judged lead raters to manipulate the evaluation for their own personal agendas.

The universal purpose of performance evaluations across the board were also common problems in the system. The performance evaluation forms do not reflect the performance of the employees as they can be irrelevant for some jobs. Moreover, through my research I have discovered that raters usually do not continually record or document the performance of employees over the evaluation period. In this regard, it was identified that raters evaluate the performance of employees on the basis of recent behaviours.

Based on the findings of the study, I have forwarded some recommendations so that if they are used by the bank will give them an insight as to the practice and its associated problems of performance appraisal in the organization.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Employee performance Evaluation has been practiced by numerous organizations since centuries. It is one of the most important requirements for successful business and Human Resource policy of the organization. As employees are one of the most valuable assets of the organization that can make things happen, the practice of performance evaluation is an inherent and inseparable part of the organizations' life. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers to developmental programs or other personnel actions that are essential to the effectiveness of Human Resource Management.

Longenecker and Fink (1999) cited several reasons that formal performance evaluations are to stay in organizations. According to them, formal evaluations are required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, etc. It is also required to determine employees' training need. The authors cited a study on high performance organizations that the practice of performance appraisal was cited as one of the top 10 vehicles for creating competitive advantage. Moreover, performance measurement allows the organization to tell the employee something about their rates of growth, their competencies, and their potentials.

However, regardless of its panacea, ineffective appraisal system can bring many problems including low morale, decreased employee productivity, a lessening of an employee's enthusiasm and support for the organization(Rafikul Islam and Shuib bin Mohd Rasad, 2005). Evaluating employee performance is a difficult task because the job demands the immediate supervisors to understand the nature of the job and the sources of information, and the

information needs to be collected in a systematic way, and it is provided as a feedback, and integrated into organization's performance management process for use in making compensation, job placement, and training decisions and assignments.

The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance and hence rating accuracy is a critical aspect of the appraisal process. A difficulty of getting accurate appraisals of employee job behavior is most often attributed to: faults in rating format used, deficiencies in appraisal content, rater resistance to judge others, and the implications of the specific purpose of appraisal for the rater and the ratee (Thomas Decotiis & Andre Petit, 1978).

Therefore, the problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees, which in turn, leads to wrong administrative decisions that can highly affect the life of the employees.

Thus, the report is attempted to assess the practices and the real problems that exists in Awash International Bank. The report also tried to address the purposes for which performance appraisal is conducted.

1.2 Project Description

The project is designed to evaluate the employees' perception towards the current performance evaluation practices and the associated problems in Awash International Bank. It is also intended to evaluate the degree to which the performance appraisal results are reliable and valid to prepare employees for further responsibility and additional remunerations; and to identify the role of performance appraisal in supporting Human resource managers to make personnel decisions.

Specifically, the study critically assessed and identified the problems of performance appraisal and tried to highlight the major sources of these problems in the Bank.

This project has three beneficiaries: 1) Awash International Bank (The Human Resource Management Department). First and for most , the report provides the bank with the real problems of performance evaluations and thus the recommendations forwarded, if implemented, offers a good insight to tackle the performance evaluation dilemma. 2) The academic members of the society (staff members, students of AAU and other local universities). This report contributes to the existing knowledge in field of Human Resource Management and as a result it can be used by the academic members of the university to conduct bank wide research in the area of performance evaluation. 3) The researcher. Personally it gave me the experience and added to my knowledge of tackling practical research problems in my career life and this will be used as a stepping stone for my future project works.

1.3 Statement of the Problem and Research Questions

A formal performance evaluation program can have a number of objectives including performance assessment and improvement, providing a basis for individual remuneration, identifying training needs and, assessing suitability for promotion. Moreover, productive performance evaluation serves many purposes, including: letting employees learn of their weaknesses and strengths, new goals and objectives are agreed upon, employees become an active participant in the evaluation process, the relationship between the supervisor and employees is taken to an adult-to –adult level, employees renew their interest in being part of the organization now and in the future, training needs are identified, time is devoted for discussing quality of work without regard to money issues, supervisors become more comfortable in reviewing the performance of employees , employees feel that they are taken seriously as individuals and the supervisors are truly concerned about their needs and goals.

On the contrary, performance evaluation suffers from so many problems. In most cases, the performance evaluation results do not adequately reflect the ability of the job incumbent. This could be attributed to the subjective nature of the evaluation criteria, the irrelevance of the criteria used to evaluate the performance of the workers, lack of skills and knowledge of the raters, the subjectivity, favoritism and bias of the raters, lack of continuous documentation and inability to provide feedback as to the results of the performance evaluation. These problems are inherent in every organization where there is a formally designed performance evaluation.

Based on the data collected from the employees of Awash International Bank whose performance were evaluated for the last one year, it is tried to analyze the extent to which the above mentioned problems exist in the Bank.

To this end, the report tried to answer the following research questions:

- i. What are the major reasons for conducting performance evaluation in Awash International Bank (AIB)?
- ii. What are the real problems facing Awash International Bank with regard to the performance evaluation practices?
- iii. To what extent do employees receive the feedback on the result of performance evaluation in Awash International Bank?

1.4 Objectives of the Study

The prime purposes of the study were to evaluate the employees' perception of the practices of performance evaluations and to bring to light the real problems that the organization has faced in an attempt to implement its performance evaluation programs. To be more specific, the study was undertaken in order to:

- Identify the perception of employees towards the purposes of performance evaluation in Awash International Bank (AIB)
- Identify the employees' perception of the factors contributing to unfair performance Evaluation in Awash International Bank
- Bring to light the employees' perception of the real problems that the bank has encountered in the practice of performance evaluation of employees
- Know how the perception of employees towards the feedback process in performance evaluation
- Based on the findings, to summarize, conclude, and recommend alternative ways to overcome the problems of performance evaluation based on the findings and the review literature.

1.5 Research Methodology

The study was conducted based on the qualitative research technique to describe the employees' perception towards the practices of performance evaluation in Awash International Bank. The study was begun by secondary data analysis through the detailed review of related literature. To this end, books, Articles, journals, magazines, bulletins, brochures, and the company's performance evaluation formats were assessed and evaluated.

In order to gather primary information, I have developed a questionnaire that comprises three parts. The first section is regarding the demographic aspect of the respondents, asking their gender, age, educational qualification, and their experience in the organization. I have asked the respondents to put a tick mark if they have been evaluated or not using a 'yes' or 'No' answer question.

The second part of the questionnaire consists of 35 statements evaluated on a 1-5 Likert scale, where '1' indicates strongly agree with the statement, and '5' refers to strongly disagree with the statement. The third part of the questionnaire consists of questions where the

respondents were asked to describe the answers on the space provided for personal responses and comments.

In order to gather pertinent information with respect to the employees' perception of performance evaluation practiced by the bank, the questionnaires were distributed to 80 employees who have been evaluated for the last one year and working in the four branches of the Bank: Head office, Bole, Stadium, and Arat-kilo Branches. The sample was selected from the total population of 1044 employees of the Bank excluding the non-clerical workers (See sub section 3.2 of chapter three of this report). The sample size accounts for 7.66% of the total population of managerial, supervisory and clerical workers.

Among these questionnaires, only 65 were fully completed and returned with a return rate of 81.25% which is acceptable. The participants were selected using convenience sampling method that is based on the willingness of the respondents to complete the questionnaire.

Moreover, Interview was conducted with evaluators (Raters) and the Human Resource manager and administrator of the Bank through open ended questions which is designed to elicit their perception of the problems of performance evaluation of the bank.

Finally, the data gathered through questionnaires were coded, entered into computer and analyzed and presented in the form of charts, diagrams, and tables using SPSS Software. For analysis purpose the responses under Likert scale were grouped in to three major categories: agree, neutral, and disagree.

The results of the interview questions were integrated to the responses of employees through questionnaires and were analyzed accordingly.

1.6 Significance of the Study

The results of this study are significant in various respects. Firstly, on the basis of the findings of the study, the report draw some conclusions and identify the problems of performance evaluation and give signal to the Human Resource Management of the bank to take remedial action to minimize the subjectivity of evaluation in prospecting employees for salary increment and promotion. Second, it is a piece of contribution to the current knowledge in the practice of performance evaluation in an enterprise working in Ethiopia and invites for further research to bring behavioral change in the areas of performance evaluation both in the mind of the raters, ratees and those parties responsible in the design of the instruments of performance evaluation forms that are used to judge the performance of employees. Thirdly, it gives the researcher the opportunity to gain deep knowledge in the practice of performance evaluation.

1.7 Limitations of the Study

There were external (Uncontrollable) variables that deter the smooth implementation of the project in addition to the limitations of the research design itself. For instance, the lack of cooperation of the respondents and their commitment to complete filling the questionnaires, lack of sufficient time by the researcher to include the perception of Raters in the questionnaire, and lack of interviewees' cooperation to devote their time to provide the researcher with the relevant information has seriously limited the outcome of the research. Moreover, the time pressure faced by the researcher is also the other constraint to undertake the organization wide study with respect to performance evaluation. The lack of relevant and up to date literature was also the major constraint during the study.

1.8 Scope of the Study

This report is limited to the data obtained from the ratees using questionnaires and interview in the Awash International Bank (AIB). Regardless of the multifarious characteristics of performance evaluations and its various uses for undertaking different administrative

decisions, the report is limited to the employees' perception of the problems and practices of performance evaluation in four branches of the bank (namely, Bole, Head office, stadium, and Arat Kilo Branches). Moreover, the study used managers and clerical workers as participants of the study and precludes the non-clerical workers.

1.9 Organization of the Paper

The report is organized into five chapters. Chapter one deals with introduction, chapter two deals with the review of the related literature, chapter three deals with the establishment and historical development of Awash International Bank, chapter four is about data analysis and interpretation and finally chapter five contains summary, conclusions and Recommendations.

CHAPTER TWO

REVIEW OF LITERATURE

2.1. Introduction

The primary purpose of this chapter is to get the theoretical understanding of the problems of performance evaluation. More specifically, it focuses on four primary areas. First, basing on the definitions given by different scholars on the term performance appraisal, I have adopted the meaning of the term as it is related to the study. Second, the literature review examined studies which discuss the purpose of and the benefits that may be received from conducting performance appraisals. Third, review identified the problems of the performance appraisal process. Fourth, the review of the literature has tried to assess the factors influencing the outcomes of performance appraisal. Finally, I have tried to summarize the outcome of the review of the literature as it is related to the subject under study.

2.2 Definitions of performance Evaluation

A formal definition of performance appraisal is given by Aswathappa, A (2002):

“It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee’s job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations, and society all benefit ”

From this definition one can see that the objective of performance evaluation is not only designed to check past performance(i.e. controlling) but also predicts the promotion potential of the candidate in the future(i.e. Development and coaching). Further more, the system is structured to measure and evaluate employee’s job related behaviors and outcomes and this is an answer to the question “*what to measure*”. This largely determines

what methods to use to measure these behaviors and outcomes. But one of the weaknesses of the above definition is that it does not tell us the frequency of performance evaluation which determines the frequency of the feedback given to the employees.

Furthermore, Ivancevich, (2004) defined performance appraisal as,

“The activity used to determine the extent to which an employee performs work effectively. More specifically, a formal performance evaluation is a system setup by the organization to regularly and systematically evaluate employees’ performance”.

In the definition, the author classified between formal and informal performance appraisal system. Thus, the informal system is unsystematic, unplanned, chaotic, random and unmethodical. On the other hand, the formal system is prescribed, official, and intentional in its design and has a specific purpose or goal.

Moreover, according to Michael Beer, cited in Lorch, J (1987) performance appraisal is defined as:

“....a system of papers and procedures designed by the organization for use by its managers and an interpersonal process in which manager and subordinate communicate and attempt to influence each other.”

According to the author, performance appraisal has two major components: *The appraisal system and the appraisal process*. The Performance appraisal system is the specified mechanism (e.g. objectives, participants, procedures, criteria, rating scales etc.) that is used to guide and regulate the process of performance evaluation. The appraisal process refers to the interpersonal process in which the supervisor and the subordinate communicate and attempt to influence each other through the feedback interview. It is concerned with how Performance appraisal is actually implemented and carried out in an organization.

Moreover, Performance appraisal is defined as:

“....a periodic evaluation of the output of an individual measured against certain expectations” [Yong, 1996 as cited in Ahmad, R. and Ali, N.Azman, 2004]

The definition implies that the performance evaluation process involves observing and evaluating staff members' performance in the workplace in relation to pre-set standards.

According to DeNisi et al. (1984) cited in Campbell and Lee (1988), performance appraisal consist of observation of behavior by a rater, formation of some cognitive representation of this behavior, storage of this representation in memory, retrieval of the stored information, at the time of evaluation, reconsideration and integration of the retrieved information with other items of information, and, finally the assignment of a formal evaluation to the employees. This definition shows the process of performance appraisal decision making which is complex and unattainable because of the limitation of human information processing capacity.

Therefore, in this study, performance evaluation is a system designed to periodically and regularly measure the performance of employees against pre-set standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decisions and developmental purposes. In the citation of literature, such terms as appraisal, assessment, personnel rating, merit rating, and review are used interchangeably with evaluations (Ivancevich, 2004)

2.3 Purposes of performance appraisal system

It has long been recognized that performance appraisal plays an important role in organizations (Michael K.Mount, 1984). It serves a variety of purposes such as providing the basis for making selection decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used a powerful tool for managerial control.(Linda S.Pettijhon, et al., 2001; John Edmonstone, 1996)

According to (Michael Beer, 1987) performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers decide who will be promoted. Centrally maintained records are the means by which the corporation attempts to remove favoritism, subjectivity, and politics from personnel decisions. Evaluation is also needed to improve the performance and potential of employees.

There is no question that the role of a manager is changing rapidly in the world market place and this opts for systematic management development efforts at the organizational level (Clinton O.Longenecker, 1997). So many other scholars argued that performance appraisal is to be effective device for: administering a formal organizational reward and punishment system, evaluating the legitimacy of selection test, providing feedback to employees and thereby serves as vehicles for personal and career development; establishing objectives for training programs and diagnosing organizational problems. [Wiese, and Buckley, 1998; Cascio, 2003; Clinton O.Longenecker, 1997; “The federal civil servants proclamation No.515/2007” of Ethiopia; just to mention some]

Ivancevich, (2004) in the case for using formal evaluation mentioned that a well-designed formal evaluation potentially can serve development, motivation, Human Resource and employment planning, communication, legal compliance, and Human resource management research. However, such confirmative arguments with regard to performance appraisal are frequently based on conditional statement, such as; “If the performance appraisal system has been well-designed and conscientiously implemented . . .”; “If performance appraisal process is an honest, open one . . .”, “If used well, performance

appraisal is the most powerful instrument . . .” What then if the Performance appraisal system is not so ethically right and practically effective as theoretically desired? Negative reviews have related the destructive consequences a defective Performance appraisal system can bring to the organization.

As Ivancevich (2004) has cited, the quality expert W.Edwards Deming argued that performance appraisal is fundamentally flawed because of the following reasons: They nourish short term performance and deflect attention from long term planning, they leave ratees bitter, desolate, and feeling inferior and unfit for work because they are afraid to present a divergent point of view, they are detrimental to teamwork because they foster rivalry , and fear, they focus on the end product ,not leadership to help people, the measures used to evaluate performance are not meaningful, because supervisors and subordinates are pressured to use numbers and count something and the measures discourage quality because people concentrate on meeting numbers; they won't take time to improve a design if their goals involve quantity and deadlines. He argued that performance appraisal nourishes fear, encourages short-term thinking, stifles teamwork, and is not better than lotteries. He condemns performance appraisal as a deadly disease, and advocates the elimination of performance appraisal.

In a more comprehensive way, Michael Beer (1987) described the two major goals of performance appraisal as follows: Organization and individual employees. He argued that both individual and organizational goals are not always compatible and results in conflict of interest in performance appraisals. As a result it brought up a mixed blessing to both the supervisor and the subordinates.

From the perspectives of the organization, Performance appraisals serve two basic goals: Evaluation and coaching and development goals. The evaluation goals are primarily

designed to give feedback to subordinates so they know where they stand, to develop valid data for pay(salary and bonus) and promotion decisions and to provide a means of communicating these decisions, and to help the manager in making discharge and retention decisions and to provide a means of warning subordinates about unsatisfactory performance. On the other hand, the coaching and development goals are to be used to counsel and coach subordinates so that they will improve their performance and develop future potential, to develop commitment to the larger organizations through discussion of career opportunities and career planning, to motivate subordinates thorough recognition and support, to strengthen supervisor-subordinate relations, and to diagnose individual and organizational problems.

The most important point to note at this junction is that these two goals of performance appraisal are in conflict. It leads supervisors to play the role of the judge and the helper at the same time.

On the other hand, like the organization, the individual has conflicting goals in performance evaluation. Individuals want feedback about themselves because it helps them to learn and this can be obtained through performance appraisal interview. On the other hand, employees have the desire for self development. There are obvious conflicts between individuals' desire for personal development and their wishes for rewards and feedback consistent with their self image. Self-development requires openness to feedback and real receptivity to alternative approaches to the job. It requires subordinates to drop their defense and consider accepting the manager's view of their performance taking an exploratory attitude about their performance and what might be done about it.

From this we can see that the evaluation and development goals of organizations force the managers to use performance appraisals in two quite contradictory ways. Similarly, individuals have conflicting objectives as they approach the performance appraisal. The most significant conflict, however, is between the individual and the organization

Despite the heated controversies with respect to performance appraisal in terms of both its goals and benefits, it is a reality in our world, whether a panacea or a deadly disease. In this study, because of its comprehensive nature the purposes/goals framed by Michael Beer (1987) will be used as the basis to assess the purposes of performance appraisal as a practice in Awash International Bank (AIB).

2.4 Problems in the Performance Evaluation Process.

Performance appraisal is one of the oldest management tools available, and the problems associated with it are equally well established (Michel Beer, 1987). Different scholars have suggested the possible sources of performance appraisal problems. Accordingly, there are three major sources of problems in performance evaluation.

2.4.1 System Design and operating problems

According to Michael Beer (1987) many of the problems in performance appraisal stem from the appraisal system itself-the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system. The performance system can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance. If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (Junlin Pan and Guoqing Li, 2006; Michel Beer, 1987; Ivancevich, 2004; Cynthia Lee, 1985).

As Henderson (1984) cited in Deborah F.B and Brain H. Kleiner (1997), performance appraisal system are not generic or easily passed from one company to another; their design and administration must be tailor- made to match employees and organizational characteristics and qualities.

In the study made by Clinton O.Longenecker(1977) on 120 seasoned managers drawn from five different large US organizations entitled “why managerial performance appraisal are ineffective”, the majority(83%) of the respondents argued that managerial performance appraisal is destined to fail because of (among the many reasons cited) unclear performance criteria or ineffective rating instrument used. This mostly emanates from ambiguity on the job descriptions, goals, traits and/or the behaviors that will be the basis for the evaluation of the process to fail right from the start.

According to Deborah F.B and Brain H. Kleiner (1997) organizations need to have a systematic framework to ensure that performance appraisal is “fair” and “consistent”. In their study of “designing effective performance appraisal system”, they conclude that that designing an effective appraisal system requires a strong commitment from top management. The system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria. They further argued that the system should help to create a motivated and committed workforce. The system should have a framework to provide appropriate training for supervisors, raters, and employees, a system for frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

2.4.2 Raters' problems in Performance Evaluation

Even if the system is well designed, problems can arise if the raters (usually supervisors) are not cooperative and well trained (Ivancevich, 2004). This is often because they have not been adequately trained or have not participated in the design of the program. Inadequate training of raters can lead to a series of problems in completing performance evaluations, including: : problems with standards of evaluation, Halo effect, Leniency or harshness, central tendency error, "Recency of events" error, contrast effects, personal bias (stereotyping); "similar to me" (Ivancevich, J.M., 2004; Cascio, F.W., 2003; Aswathappa, K., 2002).

According to Mark Cook (1995), Performance appraisals suffer from four major problems. These are Biases, politicking, impressions management and undeserved reputation. Biases could be consciously or unconsciously because of age, ethnicity, gender, physical appearance, attitudes and fundamental values of the raters, and personal like or dislike.

There is a growing body of evidence supporting the view that supervisors are often motivated to use rating inflation as a strategy to manipulate subordinates' reactions to the performance appraisals they receive. For example, on the basis of interviews with 60 executives Longenecker, Sims and Gioia (1987) as cited in Y. Fried et al. (1999) identified six major reasons why managers inflate ratings: (a) to maximize subordinates' merit raises; (b) to avoid hanging 'dirty laundry' in public; (c) to avoid creating a written record of poor performance; (d) to give a break to an employee who has shown recent improvement; (e) to avoid confrontation with a difficult employee; and (f) to promote a problem subordinate 'up and out' of the department. Many of these reasons can be interpreted as supervisors' attempts to elicit positive reactions from subordinates, such as increasing their work

motivation and performance, as well as increasing subordinates' trust in, and cooperation with, their supervisors.

In addition to the aforementioned reasons for inflation, supervisors may also deliberately inflate ratings to minimize potential challenges from subordinates to their own performance ratings. Indeed, subordinates' opposition to their performance ratings is probably quite common because individuals typically overestimate their own performance level (Campbell and Lee, 1988) and thus the opposition is sever and more likely when organizational rewards and punishments are contingent on performance appraisals. Resistance to low performance ratings is associated with such subordinate reactions as lower work motivation, greater alienation from the work environment, increased conflict with the supervisor, and diminished belief in the leadership legitimacy and power of their supervisor (Y.Fried et al., 1999). Thus supervisors may inflate ratings to avoid creating an angry, demoralized, unmotivated, and unproductive work unit.

Generally, rating inflation is a political strategy employed by supervisors to further their self interest. Because managers' own work effectiveness is dependent on that of their subordinates, managers will tend to deliberately inflate ratings in an attempt to ensure favorable reactions or avoid unfavorable reactions from their subordinates to their performance appraisals. However, the strength of managers' motivation to inflate ratings is likely to vary according to a variety of personal and contextual variables.

In the study of Y.Fried et al. (1999) based on results from a sample of 148 supervisors from a variety of organizations supported that raters' tendency to deliberately inflate performance appraisal ratings of subordinates is associated with rater negative affectivity(the tendency of the rater to experience such negative mood states over time and

across situations have been described as being in Negative affectivity) and the managers' ability to deliberately inflate ratings, if they desire to do so , may be contingent on certain aspects of the rating context. The two contextual variables are: (a) the degree to which supervisors systematically document the work behaviors of ratees during the appraisal period and (b) the visibility of performance ratings among subordinates.

The data collected from the supervisors in a variety of organizations indicated that the tendency to inflate ratings is associated with high rater Negative affectivity, low documentation of subordinates' work behaviors, and high appraisal visibility.

From an organizational perspective, the study implied that the prevalence of deliberate inflation of performance ratings may hinder organization's effort to use performance ratings effectively for development, motivational or administrative purposes. For instance: (1) supervisors who often inflate performance ratings may develop cynical attitudes towards their managerial position as well as low perceived integrity and work involvement; (2) inconsistency among raters concerning their level of rating inflation may also adversely affect an organization's ability to effectively tie performance ratings to merit raises. This is because ratees may become skeptical about the legitimacy of the performance appraisal-merit raise link. For example, employees from different departments with similar work experience and qualifications may be rated differently by their supervisors, in part because these supervisors differ on how much they tend to inflate performance ratings on the basis of such variables as documentation of work behaviors and appraisal visibility. This inconsistency in ratings may reduce subordinates' trust and confidence in the procedural and distributive fairness of the performance appraisals system (M.S.Susan, Taylor et al., 1995), resulting in lower work motivation and performance.

As Folger, Konovsky, and Cropanzano (1992) cited in M.S.Susan (1995) there are there characteristics of due process appraisal system in order to settle fairness and justice in the performance appraisal system. (1) adequate notice-in this context requires organizations to publicize , distribute and explain performance standards to employees to discuss how and why such standards must be met and to provide for regularly and timely feedback on performance.(2) Fair hearing which requires a formal review meeting in which an employee is informed of a tentative assessment of his or her performance and how it was derived by his or her manager, who should have a familiarity with the employee performance based on sufficiently frequent observation of the individuals work. Employees are permitted to challenge this assessment and provide their own commentary by conducting and presenting a self appraisal. Finally, fair hearing requires that employees receive training in the appraisal process to ensure that they possess the knowledge needed to challenge assessments perceived to be unfair. (3) Judgment based on evidence requires the organization to apply performance standards consistently across employees.

The results of the study appear to suggest that organizations may help reduce the inflation phenomenon by promoting or enforcing documentation of employees' behaviors and activities. Organizations may also help control the rate of inflation across supervisors and departments by standardizing the degree of appraisal visibility throughout the organization.

On the other hand there is an evidence uncovering the reasons why managers deliberately give low performance ratings to the subordinates:(a) to shock some one back on to a higher performance track;(b) to teach a rebellious subordinate a lesson; (c) to send someone a message that they should consider leaving the organization; (d) and to build a well-documented record of poor performance to speed up terminations. (Longenecker et.al.; 1987 as cited in Mark Cook; 1995)

2.4.3 Ratees' problems in Performance Evaluation

The problems of performance evaluation can also be attributed to the ratees. For instance, their attempt to create unnecessary impression and work area ingratiation is one of the major problems with respect to ratees.

According to Mark Cook (1995), organizations occasionally exist in which subordinates gain credit for pushing a head with management plans that are absurdly wrong, in pursuit of aims which are completely pointless, stifling criticism either of purpose or of method with cries of “commitment” and “loyalty”. An extreme case of this trend may be termed the World War I mentality. As Wayne, S.J. and Ferris, G.R.,(1990) cited in Mark Cook(1995) there are three underlying types of ingratiating behavior, or “upward influence styles”:

- a) *Job-focused ingratiation*: claiming credit for things you have done and not done, claiming credit for what the group has done, arriving at work early to look good, and working late to look good.
- b) *Supervisor-focused ingratiation*: taking an interest in the supervisor's private life, praising the supervisor, doing favors for the supervisor, volunteering to help the supervisor, complimenting the supervisor on his/her appearance and dress, agreeing with the supervisor's ideas.
- c) *Self-focused ingratiation*: presenting self to the supervisor as a polite and friendly person, working hard when results will be seen by the supervisor, letting the supervisor know that you are trying to do a good job.

Research suggests however that ingratiation does not always succeed in obtaining good Performance ratings. Unsubtle ingratiation may sometimes be too blatant to be credible, or palatable. Ingratiation and other impression management techniques also contaminate appraisal ratings, and make them less accurate reflectors of true worth to the organization.

Besides undermining performance appraisal, and selection research, this tends to be bad for morale, when staff see persons whose true performance is poor, but who are good at ingratiating themselves, get merit awards, or promotion, or other marks of favor.

On the other hand, defensiveness and resistance to evaluations are also major problems among workers. To many employees, performance appraisal can be a highly threatening experience. This is because employees regard their performance much more positively than did his supervisor. Research showed that, employees may develop defensive mechanisms and resistance in performance ratings to defend against threats to their self esteem (Michael Beer, 1987; Campbell and Lee, 1988). The defensiveness may take a variety of forms. Subordinates may try to blame their unsatisfactory performance on others or on uncontrollable events; they may question the appraisal system itself or minimize its importance; they may demean the source of the data; they may apologize and promise to do better in the hope of shortening their exposure to negative feedback; or they may agree too readily to the feedback while inwardly denying its validity or accuracy. The defensiveness that results may take the form of open hostility and denials or may be masked passively and surface compliance.

Therefore, based on the theoretical understanding gained from the literature, I have tried to assess the extent to which these and other related problems exist in relation to the performance evaluation practice of Awash International Bank.

2.5 Factors influencing the effectiveness of performance Evaluation

According to Michael Beer (1987) there are three major factors influencing appraisal outcomes. First, the appraisal system can be designed to minimize the negative dynamics causing problems of performance appraisal. The supervisor often has only marginal control over these matters. Second, the ongoing relationship between boss and subordinate will

have major influence on the appraisal process and outcome. Third, the interview process itself, the quality of communication between boss and subordinate, can help to minimize problems of performance appraisal.

2.5.1 The appraisal system

In order to solve the problem of defensiveness of ratees that resulted as a result of conflict in the goals of performance appraisal, raters should conduct two separate performance appraisal interviews –one focused on evaluation and the other coaching and development. The other solution is choosing appropriate performance data. For instance, using behavioral rating scales and behavior related appraisal techniques may solve this problem.

2.5.2 supervisor-subordinate relations

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

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

2.5.3 The appraisal interview

The best techniques for conducting a particular appraisal interview depend on the mix of objectives pursued and the characteristics of the subordinate. Employees differ in their age, experience, sensitivity about the negative feedback, attitude towards the supervisor, and desire for the influence and control over their destiny.

As Norman R.F. Maier (1958) cited in Michael Beer (1987) there are three types of appraisal interviews each with a distinct specific objectives. The differences are important in determining the skills required by the supervisor and the outcomes for employee motivations and supervisor-subordinate relationships. The three methods are termed as: tell-and-sell, tell-and-listen, and problem solving.

➤ *The tell and sell method*

The aim of this method is to communicate evaluations to employees as accurately as possible. The fairness of the evaluation is assumed and the manager seeks (1) to let the subordinate know how they are doing, (2) to gain their acceptance of the evaluation, and (3) to get them to follow the manager's plan for improvement. In the interview, supervisors are in complete control; they do most of the talking. They attempt to influence and persuade subordinates that their observations and recommendations are valid. Clearly, this method leads to defensiveness, lack of trust, lack of open communication and exchange of invalid information and it can hurt supervisor-subordinates relations.

➤ *The tell and listen interview*

The purpose of this interview method is to communicate the evaluation to the subordinate and then let him /her respond to it. This method is apt to result in better understanding between supervisor and subordinate than the -tell and sell method.

➤ *The problem solving interview*

This interview approach takes the manager out of the role of judge and puts him in the role of helper. The objective is to help subordinates discover their own performance deficiencies and lead them to take the initiative in developing a joint plan for improvement. The problem solving interview is best suited to coaching and development objectives of performance appraisal

To summarize, based on the above literature the research report has attempted to explore the different purposes of performance evaluation in theory and practice. Secondly, the research focused on describing and analyzing the problems of performance Evaluation from the perspective of the system itself, the Raters, and the Ratees themselves. Thirdly, the research report tried to address different issues related to performance evaluation problems, especially the feedback and the appeal process.

CHAPTER THREE

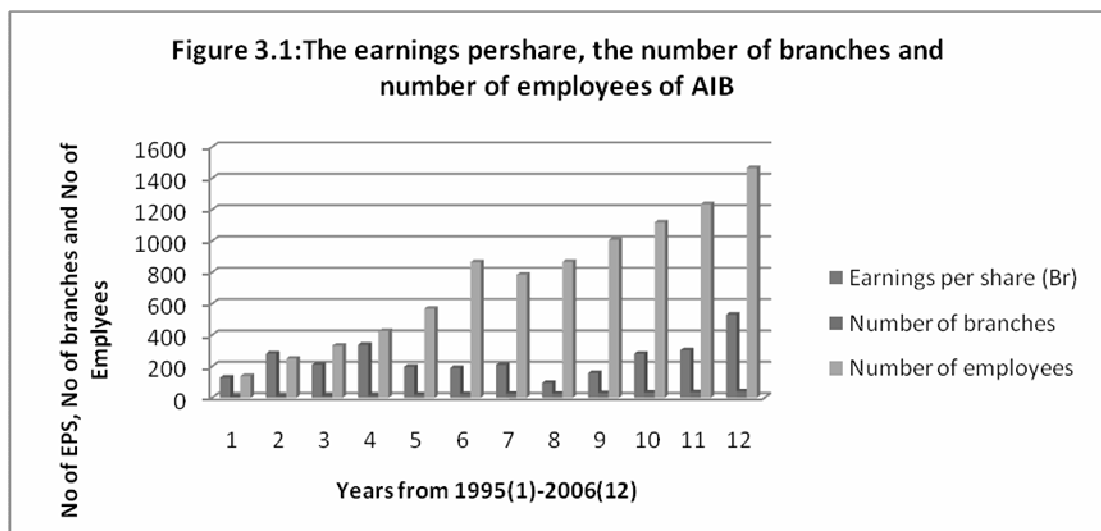
ESTABLISHMENT AND HISTORICAL DEVELOPMENT OF AWASH

INTERNATIONAL BANK (AIB)

3.1 Establishment and Historical Development of AIB

Awash international Bank (AIB) was established as the first private commercial bank (post 1991) on November 10, 1994 by 486 founder shareholders with a paid up capital of Birr 24.2 million and started banking operations on February 13, 1995. The organization structure of the Bank is attached as an annex to this document.

Over a period of years, the earnings per share, the number of branches and the number of employees in the bank are portrayed using the following diagram (Figure 3.1.)



Source: AIB Audited Accounts

The above diagram indicates that the number of employees has increased tremendously from the year of establishment to the end of December 2006.

3.2 The Human Resource Profile of the Awash International Bank(AIB)

The human resource profile of the bank as of June, 2007 are shown in table 3.1 and 3.2 below

Table 3.1: Human Resource profile of Awash International Bank excluding non-clerical workers by position and Educational Qualification, June 2007

Position	Grade 12 or less	TVET/T TI/CHD*	College Diploma	BA/BS C/LLB	PhD or above	Total	%
Managerial	8	3	20	25	1	61	5.84
supervisory	3	3	35	31		74	7.10
clerical	52	33	733	90		909	87.06
Total	63	39	788	146	1	1044	100
%	6.03	3.7	75.5	13.98	0.10	100	

Source: Human Resource Development and Administration Division of the Bank

* CHD= Comprehensive High School Diploma

TTI= Teachers Training Institute

TVET=Technical and Vocational Education Training

From table 3.1 it is possible to observe that the majority of the workers in the organization are diploma and first degree holders whereas position wise the majority of them are clerical workers.

Table 3.2: Human Resource profile of Awash International Bank by position and Gender, excluding non-clerical workers

Position	Gender					
	Male		Female		Total	
	No	%	No	%	No	%
Managerial	60	5.74	1	0.10	61	5.84%
supervisory	52	4.98	22	2.12	74	7.10%
Clerical	534	51.15	375	35.91	909	87.06%
Total	646	61.87	398	60.87	1044	100%

As it is possible to observe from the above table, the male –female proportion are almost equal. However, Position wise the percentage of female in the managerial position is relatively low when compared with females.

3.3 The vision, mission and value statements of the Bank

The vision, mission, and value statements of the bank as discussed and approved by the Board of Directors include the following:

- AIB’S Vision: “To be the most preferred Bank of the people”
- AIB’S Mission: “To provide efficient, competitive, diversified and profitable banking services to a continuously growing number of customers in a socially responsible manner supported by Appropriate modern banking technology as well as qualified , trained and motivated team of management and employees imbued with high professional and ethical standards”

Table 3.3: The core Values of Awash International Bank(AIB)and actions recommended as per the value

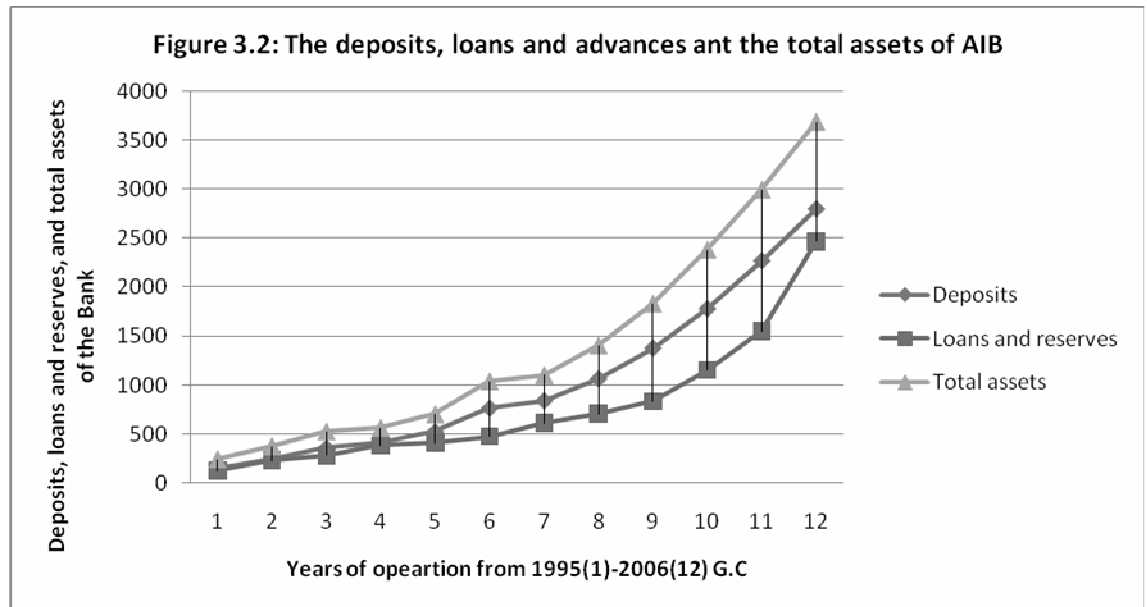
No	AIB’s Core Values	Actions Recommended as per value
1	Public trust and confidence are the very foundations of our banking business	AIB always ensures high integrity and honesty of its management and staff and keeps on boosting its image
2	We believe in growing together with our customers	AIB does its best to let its customers succeed in their businesses
3	Our customers are our guests of honor	AIB does its best to satisfy the needs of its customers
4	Competent leadership with the right vision and competent employees imbued with strong team sprit are the driving forces of our bank’s continued growth	AIB adopts continued management and staff development programs- both on the job and off the job

5	Our bank realizes its social responsibility towards the society in which it operates	AIB supports environment-friendly projects , social problem alleviating projects, various sport activities, emergency needs of the society and similar other activities
6	Our desire is to build a strong and healthy bank of which the current and future generations will be proud of	AIB keeps on increasing its capital base, building its asset size, maintaining healthy loan portfolio, expanding its branch net work and modernizing its systems of operation

Source: The vision and mission statement of Awash International Bank (AIB)

3.4 Major activities of Awash International Bank(AIB)

The major activities of the Awash International Bank are described as follows: To mobilize all types of deposits(savings, demand and time) and pay interest on interest bearing accounts, to provide loans and advances to its customers , including long term investment/project financing, to render domestic and international monetary transfer service, to provide international banking services such as imports and export operations; handling foreign currency transactions, namely- buying and selling travelers' cheques, buying and selling foreign currency notes; maintaining and operating non-resident accounts; providing deposit services in foreign currency for Ethiopian Nationals and foreign Nationals of Ethiopian origin, provides advice on banking, finance and investment to its customers. The financial highlights of the Deposits, Loans and advances, and Total assets of the bank as at December, 2006 are portrayed in the diagram 3.2 below

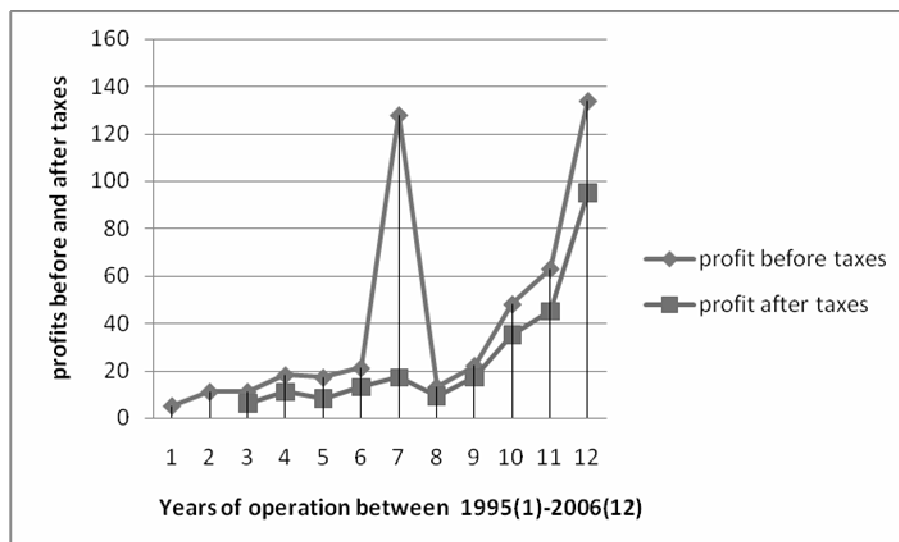


Source: AIB Audited Accounts

In this diagram, it is possible to observe that the financial assets of the bank (including total assets, and loans and reserves) and the deposits are increasing.

On the other hand, the profitability of the Awash International Bank can be shown using the following diagram:

Figure 3.3: The profitability of Awash International Bank Over a period of time



3.5 Employee performance Evaluation Manual of the AIB

3.5.1 The Aims of employee performance Evaluation

Employee performance evaluation is the periodic assessment of the employees job performance against performance evaluation criteria set by the bank. The aims of employee performance assessment are the following:

- To review an employees performance objectively over a set period of time, to provide guidance for future performance improvements of employee and to take appropriate and timely disciplinary measures against an employee with poor performance
- To offer managers/supervisors and their employees the opportunity to communicate with each other and to set employee performance targets and personal development plans for subsequent appraisal periods; and
- To assist in making objective decisions on promotion and salary increments for employees

3.5.2 The Appraisal System

- The bank shall adopt the open appraisal system where an employee is entitled to full disclosure of his performance rating results and discuss with his/her supervisor in order to ensure mutual understanding of the job requirements of the job, strong and weak points of the employee and his/her development needs.
- Managers and supervisors shall make the performance appraisal process and objective and positive exercise designed to encourage employees to overcome their weaknesses and enhance their strengths.

- The formal appraisal process is only part of an on going process of evaluating an employees' performance to fulfill the aims of appraisal. In addition to the periodic formal appraisal, regular and continuous feedback should be given to an employee on his performance in order to provide him with the opportunity of improving his performance without waiting until the formal appraisal is conducted.

3.5.3 The Criteria and Guidelines

- The bank shall put in place standard performance appraisal criteria, formats and guidelines for implementation.
- The employee performance appraisal criteria shall include both job related performance and personal qualities of the employee required by the bank as defined in the manual
- The performance appraisal shall maintain records in support of the rating given to an employee to ensure that an employee preference is evaluated fairly and objectively.

3.5.4 The performance Appraisal Reports

- Performance appraisal on all employees shall formally be submitted to the HR and Administration Department semi-annually at the end of may and November

3.5.5 Grievance on Performance Appraisal

- An employee who has a grievance related to his/her performance appraisal should, in the first instance, submit his grievance to his immediate supervisor.
- If the employee is not satisfied with the decision of the immediate supervisor, he/she shall present the case to the supervisor's supervisor. The decision of the supervisor's supervisor shall be final.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table and diagram. These variables includes: number of years the worker worked with the organization, number of years worked on the current job, age, sex, and the highest educational level achieved.

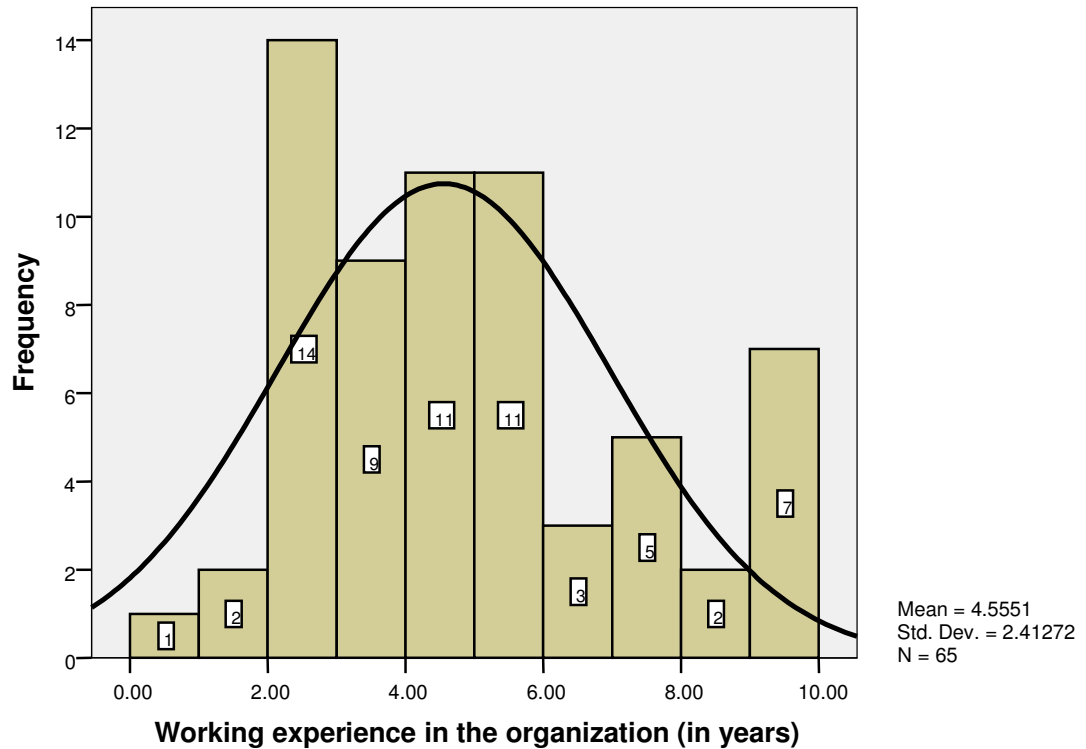
Table 4.1: Summary of the number and percentage of respondent by age and sex

Age	Sex				Total
	Male		Female		
	count	%	Count	%	
under 25	7	10.76	2	3.07	(9)13.8%
25-34	34	52.31	10	15.38	(44)67.7%
35-44	8	12.31	0	0	(8)12.3%
45-54	0	0	3	4.61	(3)4.6%
55 and above	1	0	0	0	(1)1.5%
Total	50	76.9%	15	23.1%	(65)100%

About 77% of the respondents were male and the remaining 23 % of the respondents were female. Regarding the age of the participants, the largest group (67.7%) was in the 25-34 years age group. The second largest group (13.8%) indicated their age as less than 25 years but (12.3%) indicated that they were in the 35-44 age groups. On the other hand, only a few

experienced individuals (4.6%) are in the age category of 45-54 and only one respondent reported above 55 years (See Table 4.1).

Figure 4.1: The number of years the candidates has worked in the organization



The above diagram indicates that the majority (69.67%) of the respondents are categorized in the years of experience between 2 and 4 with mean value of 4.5551 and standard deviation of 2.41272. From this it is possible to infer that the workforce composition of the respondents are young and thus may require the organization to design a system by which they can be trained, educated and developed.

Table 4.2: Summary of the number and percentage of respondents by working experience and educational qualification

Number of years of experience on the job	Educational qualification			Total
	College diploma	B.A/B.Sc	Masters degree	
0-4	15(23.07%)	25(38.47%)	0	40(61.54%)
5-9	8(12.30%)	7(10.77%)	1(1.53%)	16(24.6%)
10-19	0(0%)	5(7.69%)	0	5(7.69%)
20-30	2(3.07%)	2(3.07%)	0	4(6.14%)
Total	25(38.47%)	39(60%)	1(1.53%)	65(100%)

As we can observe from the above table, the largest groups of respondents (61.54%) have a working experience of 0 to 4 years of on the current job whereas 24.6% are in the range of 5 to 9 years. On the basis of educational qualification, the majority of the respondents are first degree holders (60%) and 38.47% of the respondents are holders of college diploma. Only one person is identified to have the degree of masters and there are no PhD holders at all among the respondents (See Table 4.2 above).

4.2. The Employees' perception of the Purposes of Performance Evaluation in Awash International Bank (AIB)

Based on the responses gathered from the employees of the bank, I have tried to discuss the employees' perception of the purposes of performance evaluation in Awash International Bank. The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly Agree; 2 = agree; 3 = neither agree nor disagree; 4 = disagree; and, 5 = strongly disagree. The information obtained from the questionnaire are summarized and discussed in the tables 4.3(a) and 4.3 (b)

Table 4.3(a): The Employees' perception towards the controlling purposes of
Performance Evaluation in AIB

Degree of agreement	Give feedback		Determine pay & promotion		Warn subordinates	
	Count	%	count	%	count	%
Agree	31	47.7	28	43.07	25	38.4
Neutral	8	12.3	18	27.7	15	23.1
Disagree	26	40	19	29.23	25	38.4
Total	65	100	65	100	65	100

As we can observe from table 4.3(a), about 47.7% of the respondents agree with the statement 'information generated through performance evaluation in Awash International Bank is used to give feedback to subordinates so that they know where they'. However, about 40% of the respondents disagree whereas 12.3% of the respondents became neutral with the statement.

On the other hand, the majority of the respondents (43.1%) agree with the statement 'information generated through performance evaluation in AIB strongly determines pay and promotion decisions' while about 27.7% of them became neutral and 29.23% of the respondents disagree with the statement.

Moreover, 38.4% of the respondents agree with the use of 'information generated through performance evaluation as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions'. About 38.4% of the respondents argued that they disagree with the statement whereas about 23.1% of them become neutral.

Table 4.3(b): summary of Employees' perception towards the coaching purposes of
Performance evaluation in AIB

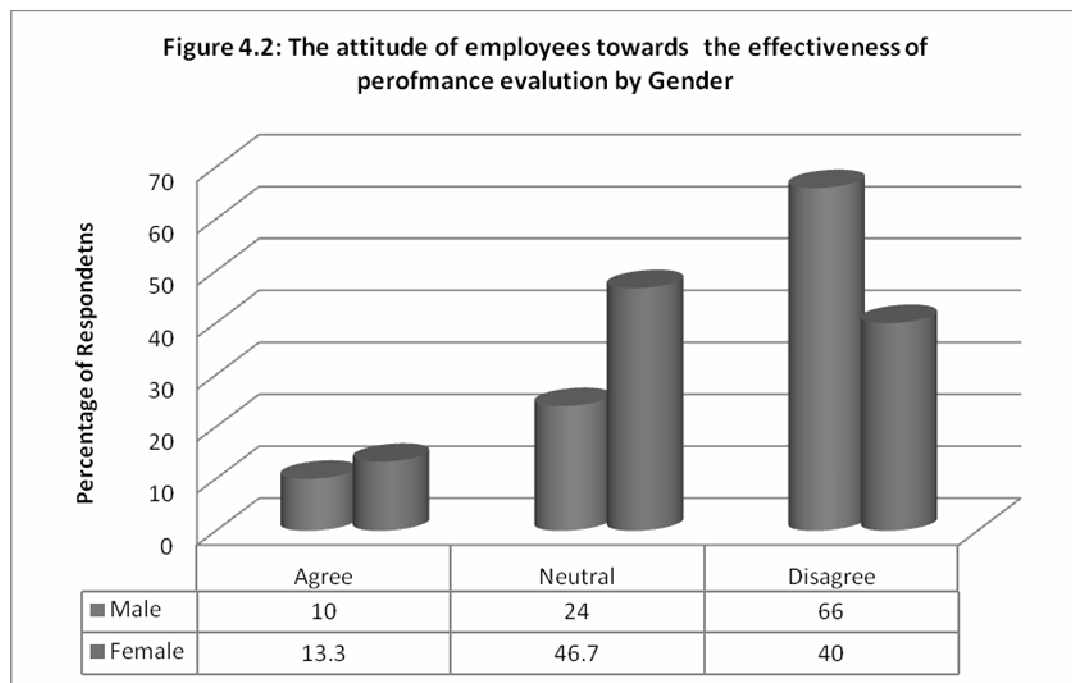
	Counsel & coach subordinates		Motivate subordinates		Strengthen relationship		Diagnose problems	
	count	%	count	%	count	%	count	%
Agree	22	33.9	26	40	12	18.5	12	18.4
Neutral	16	24.6	20	30.8	23	35.4	20	30.8
Disagree	27	41.6	19	29.3	30	46.2	33	50.7
Total	65	100	65	100	65	100	65	100

The above table shows that about 41.6% of the respondents argued against the counseling and coaching purpose of performance evaluation whereas about 40% of the respondents agree with the statement that the result of performance evaluation is used as an input for motivating workers and to provide them with recognition and support. On the contrary, majority of the respondents (46.2%) disagree with the idea that information generated through performance evaluation strengthens the relationship between the supervisors and the subordinates. They further contend that rather than strengthening the relationship it leads to controversies and contradictions. Moreover, majority of the participants do not agree with the statement that performance evaluation information is used to diagnose both organizational and individual problems.

In general, the majority of the respondents argued that the information generated through performance evaluation is used to determine pay and salary increases, warn employees for their unsatisfactory performance, and helps to show the position of the workers relative to their counterpart when compared with the coaching and counseling purposes of evaluation.

4.3.The Attitude of Employees towards the Effectiveness of Performance Evaluation by Gender in Awash International Bank (AIB)

In order to understand the perception of the employees of the bank towards the overall effectiveness of the performance evaluation system, the opinion of the respondents were collected and presented in the following diagram (Figure 4.2).



As we can see from the above diagram , the majority of the respondents (66% and 40% of male and female respectively) disagree with the statement ‘In my opinion, the information generated through performance evaluation in AIB is serving its purpose’ whereas 10% and 13.3% of male and female respondents respectively agree with the effectiveness of performance evaluation in the organization. On the contrary, 24% and 46.7% of the respondents became neutral with the statement. From this, it may be inferred that the majority of the respondents do not feel that the performance evaluation system in the bank is effectively fulfilling its objectives.

To conclude, the significance of the information generated through performance evaluation to make the various functions of Human Resource Decisions such as performance assessment and improvement, providing a basis for individual remuneration, identifying training needs, assessing suitability for promotion and probationary review is questionable.

4.4.The Employees' perception of the problems and practices of performance

Evaluation in Awash International Bank

Employee performance evaluation has multifarious problems which can be emanated from the stakeholders (employees, the organization and the raters) involved in the system. In order to assess the practical and real problems that exist in the organization under case study, questions were designed and distributed to the employees of the bank working in different departments to gather information related to those problems. Hence, the results of the responses given by the participants are summarized and interpreted using tables and diagrams.

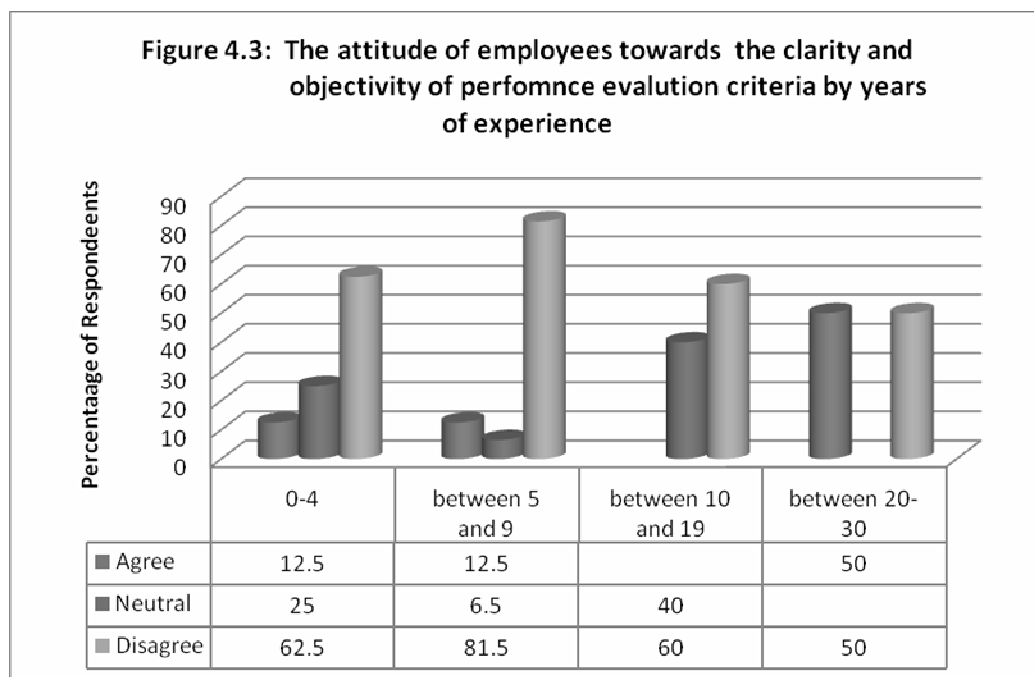
4.4.1. System Related Problems in Performance Evaluation

In most cases, the performance appraisal system is considered as a source of problem whenever the forms and criteria used to evaluate the performance of workers are complex, cumbersome, and vague; the criteria are subjective; if it fails to differentiate between effective performers' and non-performers'; if the system uses comprehensive forms across all the jobs in the organization; if it lacks a system to provide feedback on the evaluation results; the lack of an appeal process if in case the evaluation result is found to be unfair and inaccurate; and if the system fails to help employees to improve their job performance.

Apart from the theoretical suggestions identified in the literature, an attempt was made to identify whether there is a system related problems in the organization under study or not. In order to assess the existence of the aforementioned problems, the researcher has designed groups of questions to checkout the existence of the system related problems.

4.4.1.1.The employees’ perception towards Goal Clarity and Objectivity of Performance Evaluation Criteria

The first step in the performance evaluation process is the specification of the standards against which the performance of employees will be judged. As much as possible the criteria/instruments used to evaluate the performance of employees should be clear and objectively determined. In this regard, the opinion of participants as to the degree/extent to which they agree with the clarity and objectivity of the performance evaluation criteria used in AIB in accordance of the work experience of respondents is portrayed in the Figure 4.3.



As we observe from the above diagram (Figure 4.3), the majority of the respondents disagree with the statement ‘the performance criteria/ instrument used to measure my performance are clearly defined and objective’. The figure further indicated that about 62.5%, 81.5%, and 60% of the respondents having work experience of between 0-4, 5-9, and 10-19 respectively disagree with the statement.

On the contrary, 12.5% of the respondents in the years of between 0-4 and 5-9 agree with the clarity and objectivity of the criterion used to evaluate the performance of the workers

whereas about 50% of the respondents in the working experience between 20-30 years equally agree and disagree with the statement. Moreover, about 25%, 6.5% and 40% of the respondents between years of experience of 0-4, 5-9, and 10-19 became neutral with the statement.

From this description, it is possible to infer that the standards against which employees' performance are judged are vague and highly subjective. If ambiguity surrounds the job description, goals, traits, and/or the behaviors that will be the basis for the evaluation, the process is doomed to fail from the start and as a result it creates confusion, role ambiguity and finally frustration among workers. Therefore, this is inline with the notion that performance evaluation is destined to fail because of lack of clearly established performance criteria and the absence of objective criteria by which employees' work are judged.

4.4.1.2.The Employees' perception of the Criterion of Evaluation

The criteria used to measure the performance of the employees should be relevant. It should be able to measure work related behaviors instead of measuring personal traits and at the same time it should take into account the practical difficulties and environments with in which the job is executed. However, the review of the personnel policies and procedures manual with regard to the criteria and guidelines used to measure the performance of workers in the bank indicated that both job related and personal qualities are used as a standard. Furthermore, the analysis of the evaluation form used to measure the performance of workers comprises of personal qualities as a criterion to measure the performance of the employees. For instance, health condition, neatness, and personal appearance are some of personal trait based criterion used in the bank.

In this respect, the opinion of employees towards the ability of the criteria to measure the true performance of the workers in the organization based on gender are identified and summarized in the table 4.4.as shown below.

Table 4.4: The attitude of employees towards the ability of the criteria used measure their true performance by age and sex

Degree of agreement	Age										Sex			
	< 25		25-34		35-44		45-54		>55		Male		Female	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%
Agree	1	11.1	9	20.5	1	12	1	33			7	14.0	5	33.3
Neutral	1	11.1	8	18.2							7	14.0	2	13.3
Disagree	7	77.8	27	61.3	7	87	2	66	1	10	36	72.0	8	53.3
Total	9	100	44	100	8	100	3	100	1	10	50	100	15	100

As it is possible to observe from the above table, 87.5% of the respondents whose age ranges between 35-44 years disagree with the statement that says ‘the performance evaluation criteria used in the organization is capable of measuring my true performance’. Moreover, the majority of the respondents in the age range of less than 25, 77.8% argued that the evaluation criteria do not measure their true performance. In addition, among the respondents whose age ranges between 25-34(61.3%), 45-54(66.6%), 55 and above(100%) disagree with the statement. The proportions of the respondents who agree with the statement are insignificant.

On the basis of gender, about 72% of the male and 53.3% of the female respondents disagree with the statement whereas 14% of the male respondents and 33.3% of the

female respondents argued that they agree with the statement that the criterion used can truly measure their performance.

From this it is possible to infer that female respondents have more positive attitude towards the ability of the criterion to measure their true performance than male respondents. It is further implied that, at least, the majority of the employees don't perceive that their performance is measured; thus the performance record does not reflect their true performance.

As a result, if the criteria used are not truly measuring the actual performance of the employees, its appropriateness and legality of the use of the information generated through performance evaluation to make various Human Resource decisions will be questionable.

4.4.1.3. Employees' perception towards the forms of performance Evaluation

According to Michael Beer(1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation.

In this regard, the perception of employees towards the performance evaluation forms used by the Bank were gathered and presented in the subsequent table as shown below.

Table 4.5: Summary of employees' perception towards the forms of performance evaluation

Degree of agreement	Encourage participation in the design of the form		Capable of differentiating effective performers from non-performers		The form is customized	
	Count	%	Count	%	Count	%
Agree	5	7.7%	13	20%	19	30.2%
Neutral	11	16.9%	17	26.2%	14	22.2%
Disagree	49	75.4%	35	53.5%	30	47.6%
Total	65	100.0%	65	100.0%	63	100.0%

The above table indicates that the majority of the respondents (75.4%) disagree with the statement that 'I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance' and only few of the respondents agree with the statement. This implies that the design of the evaluation form and its content is left to the Human resource specialists of the bank and it does not encourage participation of the employees in the design of the form.

Moreover, about 53.7% of the respondents disagree with the statement that says 'the performance evaluation form currently used to evaluate the performance of workers is capable of differentiating effective performers from non- performers' and about 20 percent of the respondents agree with the statement. Therefore, if the form is not differentiating effective performers from non performers, the performance evaluation process may be perceived as a ritual process among the employees of the organization and as a result employees may perceive that the result of the evaluation does not reflect their actual performance.

Furthermore, about 47.6% of the respondents disagree with the statement ‘The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job’. This implies that regardless of the nature and characteristics of the jobs, the evaluation forms used in the bank are homogeneous across managerial positions and it is also similar for all clerical and supervisory positions. Such system of evaluation does not take into account the differences in the nature and characteristics of the job incumbent. On the other hand, about 30.2% of the respondents agree with the statement while about 27% became neutral to the statement.

The analysis shows that employees’ perceive that there is a problem in the evaluation form used by the bank. They argued that the evaluation forms being used by the bank are not capable of differentiating good performers from bad performers. For instance, the forms used to measure the performance of all employees in the managerial positions are the same and other forms are used for all jobs in the clerical category.

4.4.1.4.The Employees’ perception towards the Fairness of the performance

Evaluation system

As it is shown in the literature, Folger, Konovsky, and Cropanzano;cited in M.S.Susan., (1995), performance evaluation system is fair if: 1) It provides adequate notice; 2) fair hearing which requires a formal review of meeting in which an employee is informed of a tentative assessment of his/her performance and employees are permitted to challenge the assessment; and 3) Judgment based on evidence that requires the organization to apply performance standards consistently across employees.

In order to assess the employees’ perception of the fairness of the performance appraisal system of Awash International Bank(AIB), questionnaires were distributed and thus the results are summarized and presented in the following table (Table 4.6).

Table 4.6: Summary of the Employees' perception towards the Fairness of the
Performance Evaluation

Degree of agreement	Existence of well-established appeal process whenever needed		The existence of the room for challenging unfair rating		The fairness and impartiality of the evaluation system	
	Count	%	Count	%	Count	%
Agree	19	29.7%	25	39.6%	13	20%
Neutral	13	20.3%	6	9.5%	19	29.2%
Disagree	32	50%	32	50.8%	33	50.7%
Total	64	100.0%	63	100.0%	65	100.0%

Analysis of the opinion of the respondents revealed out that the majority of the respondents (50%) disagree with the statement 'I have ways to appeal a performance rating that I think is biased or inaccurate' while about 29.7% of the respondents agree with the existence of the grievance handling process but they do not believe in its transparency and about 20.3% of the respondents became neutral.

On the other hand, most of the respondents still disagree with the statement 'I can challenge a performance rating if I think it is unfair' while about 38.6% of them agree with the possibility of challenging the rating if they think that the result of the appraisal are unfair and inaccurate whereas about 9.5% of the respondents became neutral to the argument.

With respect to the objectivity and fairness of the performance appraisal system, about 50.7% of the respondents disagree with the fairness and objectivity of the appraisal system; while 20% of the respondents agree with the fairness and objectivity and almost 30% of the participants became neutral with the statement. This shows that the appraisal system of the bank is unfair and subjective.

Table 4.7: Summary of the Employees' perception towards the importance of
Performance evaluation

Degree of Agreement	In my opinion, the performance evaluation process is wastage of time		The performance Evaluation process improved my job performance	
	Count	%	Count	%
Agree	10	15.4	9	14.5
Neutral	16	24.6	15	24.2
Disagree	39	60.0	38	61.3
Total	65	100	62	100

The above table shows that the majority of respondents (60%) consider performance evaluation process as wastage of time and almost the same proportion of the respondents claim that the performance evaluation system of the bank did not help them to improve their performance.

4.4.2. Employees' perception of Raters' problems in Performance Evaluation

Theoretical assessment under chapter two of this report indicated that raters are the major sources of problems in employee performance evaluation. Accordingly, performance evaluation suffers from the following major problems: personal bias, inflation due to political considerations, halo effects, leniency or harshness, central tendency error, evaluating based on recent behaviors, inadequacy of training for raters and the lack of participation in the design of the program. Documentation and transparency are also the major problems with respect to performance evaluation.

The results of the opinions of the respondents with respect to the problems of performance evaluation related to the raters are summarized in the form of tables and diagrams.

4.4.2.1. Employees' perception of the problems of political considerations in

Performance Evaluation

Political consideration is one of the major problems in performance evaluations. In order to know the perception of employees towards the existence of the problems of political considerations in relation to performance evaluations, questionnaires were designed and distributed to those employees of the bank who have been evaluated for the last one year. In line with this, the opinions of employees were collected and presented in the following table (see Table 4.8).

Table 4.8: Summary of the attitudes of employees towards the problems of political

Considerations in performance evaluation

Degree of Agreement	Raters are influenced by personal like and dislikes		Raters avoid giving negative ratings		Rating accuracy is both rewards and penalty oriented		Raters give average ratings to all employees	
	No	%	No	%	No	%	No	%
Agree	29	48.4	12	18.5	9	13.8	17	27.0
Neutral	18	30.0	7	10.8	20	30.8	28	44.4
Disagree	13	21.6	46	70.8	36	55.4	18	28.5
Total	60	100	65	100	65	100	63	100.0

As we can be seen in the above table, about 48.4 % of the participants agree with the statement 'My rater is influenced by his/her personal liking and disliking when evaluating my performance'. A summary of the answers given by the respondents under the open ended

questions also support the idea that performance evaluation practice of the bank is full of bias. The raters are influenced based on race, friendship, family ties, and the fundamental values of the raters, political considerations, and physical appearance. On the other hand, the majority of the respondents (70.8%) argued that they disagree with the statement 'my rater avoids giving performance ratings which may have negative consequences for his or her subordinates'. In this regard, raters are not of the negative consequences of the performance appraisal results.

Moreover, most of the respondents (55.4%) argued that they agree with the statement 'My supervisor accurately evaluates my performance to the extent that he/she believe will be rewarded for doing so or penalized for failing to do so'. This implies that raters are not motivated to seriously undertake the job of evaluating the performance of their workers unless and otherwise there is an enforcement to do so. An interview conducted with the Head of the Human Resource Management Department and Administration revealed out that in most instances line managers do not give a serious attention to the performance evaluation. He further noted that the raters are continually informed to fill out form of evaluation and return back the result of the evaluation to the Human Resource Development and Administration division of the bank.

On the other hand, about 44.4% of the respondents became neutral with the statement 'My supervisor gives equivalent performance ratings to all my colleagues in order to avoid resentment and rivalries among us'. However, some respondents personally noted on their respective questionnaire that their supervisors almost give average ratings to the majority of the employees under their supervision because the evaluation result is highly tied up with the salary increment and other benefits such as bonus sharing.

This is inline with the study of Y.Freid et al. (1999), which states that the prevalence of deliberate inflation of performance ratings may hinder organization's effort to use performance ratings effectively for development, motivational and administrative purposes. Accordingly, inconsistency among raters concerning their level of rating inflation may also adversely affect an organization's ability to effectively tie performance ratings to merit raises.

4.4.2.2. The Employees' perception of the Documentation and Transparency of

Performance Evaluation

The degree to which the supervisors systematically document the work behaviors of ratees during appraisal period and the visibility of the performance ratings among subordinates highly affects the tendency of the raters to inflate ratings. In this regard, an attempt was made to know the extent to which employees perceive that the raters document the work behavior of their employees during the period of evaluation and the extent to which they communicate the result of the appraisal to their employees on the regular basis. The results of the analysis are summarized in the following table (Table 4.9).

Table 4.9: Summary of the Employees' perception of the Documentation and Transparency of

Rating by raters

Degree of Agreement	Raters cite specific examples during rating		Raters supports evaluation by specific incidents		Raters keep file of performance during the evaluation period		Raters give continuous feedback during performance period	
	Count	%	Count	%	Count	%	Count	%
Agree	3	4.6	8	12.5	8	13.2	16	24.7
Neutral	17	26.2	19	29.7	11	18.0	19	29.2
Disagree	45	69.2	37	57.8	42	68.8	30	46.2
Total	65	100	64	100	61	100	65	100.0

As it is revealed out the table above, the majority of the respondents (about 69.2%) disagree with the statement 'My rater provides me specific examples of things which I did during the appraisal period if ever I question my performance ratings' and 57.8% of the respondents disagree with the statement that 'My rater generally supports his evaluation with specific incidents of good and poor performance'. Moreover, about 68.8% of the participants indicated that their supervisors usually do not keep a file of their performance during the evaluation period. They used to evaluate their performance based on the current work behaviors. Hence, this kind of evaluation leads the problems of recent behavior bias.

The analysis of the questionnaires and the interview shown that lack of transparency and continuous feedback to show the progress of the employees towards their performance are the major problems facing the bank. In the open ended questions, the respondents argued that the performance evaluations are not visible and they are secret to most employees. In the open ended questions, many of the respondents commented that the performance evaluation in the Bank is conducted without their knowledge and this is very contrary to what is stated in the literature. Theoretically, it has been identified that both the raters and ratees should seat together and discuss about the performance of the employees so that they can arrive at a common understanding. Others said that they are not exactly sure when the evaluation is taking place and they did not receive any form of formal and written feedback from their supervisor with respect the progress of their performance.

Moreover, analysis of the open ended questions further revealed out that as a result of the failure of the supervisors to show the result of the ratings, employees were not in the position to know and improve their weaknesses and/or capitalizes on their strengths. To use the phrase forwarded by the one of the respondents *"I never saw my evaluation and it is not customary for employees in my organization to see and comment on their evaluation"* Almost 46.2% of the employees asked using the Likert scale disagree with the statement 'My rater frequently

lets me know how I am doing’ whereas about 24.7% of them agree with the statement and about 29.2% of the respondents became neutral.

Therefore, the organization should work hard to design a system whereby employees can have access to their results and make it transparent so the employees will be able to know their weaknesses and strengths. Transparency of the evaluation result is usually accompanied by appropriate documentation of the performance of employees which demands supervisors much time but provides them objectivity and minimizes the problem of recent behavior bias.

4.4.2.3.The Employees’ perception towards the Fairness and Qualification of the Raters’

The qualification of the rater is determined by the ability of the rater to observe the work of his/her subordinates and the adequacy of the training gained in how to conduct the performance evaluation of the subordinates. On the other hand, the fairness of the performance evaluation by raters is a function of the ability of the raters to evaluate his/her subordinates based on the criteria set by the bank in its personnel policy manual with regard to performance evaluation. In this respect, the following table shows the employees’ perception of the fairness and qualification of the raters during performance evaluation.

Table 4.10: Employees’ Perception towards the fairness and qualification of the rater

Degree of Agreement	I am evaluated based on my work.		my rater gave me a fair assessment		My rater is not a qualified evaluate my work	
	Count	%	Count	%	Count	%
Agree	15	23.3	23	37.7	29	44.6
Neutral	6	9.5	22	36.1	17	26.2
Disagree	44	69.8	20	32	19	29.3
Total	65	100	65	100	65	100

As it is possible to observe in the above table, about 69.8% of the participants disagree with the idea that 'my rater evaluates my performance based on my accomplishment and achievement' whereas about 23.3% of the respondents agree with the statement and about 9.5% of the respondents argued that they neither agree nor disagree. A further analysis showed that about 32% of the respondents disagree with the statement 'in my recent evaluation, my rater gave me a fair assessment compared to my co-workers' whereas about 37.7% of the respondents agree with the idea and the rest of the participants become neutral with the statement.

With respect to the qualification of the rater, about 44.6% of the respondents agree with the idea that the raters have no sufficient skill and ability to evaluate their performance. As noted by respondents in the open ended questions, most of their raters do not clearly understand the criteria against which employees are evaluated. Performance evaluation is a tough job in such a way that it requires careful observation of the work of the subordinates and clear documentation. Most of them agreed that the raters do not have adequate training and skill to seriously undertake the issue. Others contend that even if raters are qualified to evaluate the performance of their subordinates, they are not motivated and hence negligent to perform the job. As a result of these reasons, most respondents do not believe in the qualification of their raters.

4.4.3 Employees' perception of the Ratees' problems in performance Evaluation

In some instances, ratees' may be a source of problem in performance evaluation. They may attempt to influence the performance rating done by their supervisors by creating unnecessary impressions that may influence the rater to inflate the evaluation. Moreover, ratees may resist the performance evaluation result that is in conflict with their preoccupation and develop a kind of defensive mechanism that may affect the ability of the rating to achieve its purpose.

4.4.3.1. Employees' perception of the Problems of Impression

Management/ Ingratiation of the Ratees

There are different underlying types of ingratiating behavior, or upward influence styles and subordinates may gain for pushing a head with management plans that are absurdly wrong, in pursuit of aims which are completely pointless and stifling criticism. This ingratiation is job-focused, supervisor focused, or self focused. Taking into account these theoretical understanding, questions involving Likert scale was forwarded to the respondents and the information generated through is summarized and interpreted in table 4.11.

Table 4.11: Summary of the problems of impression management/ ingratiation of the ratees

Degree of Agreement	Comparison of rating		Ratees support their boss		positive impression		Ratees favor raters		Ratees pretend before raters	
	No	%	No	%	No	%	No	%	No	%
Agree	20	30.8	18	27.7	23	53.4	12	18.5	19	29.2
Neutral	18	27.7	26	40.0	33	50.8	13	20.0	18	27.7
Disagree	27	41.6	21	32.3	9	13.8	40	61.5	28	43.1
Total	65	100	65	100	65	100	65	100	65	100

Accordingly, Table 4.11 shows that the majority of the respondents (41.6%) disagree with the statement 'I often compare my performance ratings with my co-workers' whereas about 30.8% of the respondents agree with the idea and about 27.7% were neutral. The lack of comparison of the result of the performance evaluation among the workers can be considered as a good reason for transparency problems in the organization. In addition, about 32.3% of the respondents disagree with the statement 'I used to support the ideas of my supervisor knowing that it is wrong' and 40 percent of the respondents became neutral and about 27.7% of the respondents agree with the statement.

On the other hand, creating unnecessary impression in the mind of the rater in order to influence him/her inflate the result of the rating is a common phenomenon in the literature. In this regard, majority of the respondents (50.8%) neither agree nor disagree with the statement. Moreover, most of the respondents (61.5%) disagree with the statement ‘I often do a favor to my supervisor’ and many of the participants disagree with the statement ‘I used to work hard if the result is going to be seen by my supervisor’.

From this it is possible to infer that, the problems of performance evaluation as it is related to the ratees is insignificant and thus a further research is required to identify the degree to which the problems are attributed to the system, raters or ratees in the banking sector. However, in the current study it can be implied that the major sources of problems in performance ratings are the system and the raters. But the composition of the contribution to the problem is something that requires additional research.

4.4.3.2. Employees’ perception of the Defensiveness and Resistance towards low

Performance rating

Employees may develop defensive mechanisms and resistance to defend against threats to self esteem. In this respect, analysis of the responses of the participants is summarized as shown in the table below.

Table 4.12: Summary of the responses of the participants with respect to low

Performance ratings by sex

	I often resist accepting low performance Ratings					
	Agree		Neutral		Disagree	
	Count	%	Count	%	Count	%
Male	9	(75.0%)	13	(72.2%)	28	(80.0%)
Female	3	(25.0%)	5	(27.8%)	7	(20.0%)
Total	12	(100.0%)	18	(100.0%)	35	(100.0%)

The table above revealed out that the majority of male respondents (80%) disagrees with the statement 'I often resist accepting low performance ratings from my supervisor' and about 20% of the female respondents agree in the same way just like the male respondents. From those respondents who agree with the statement, majority of them were male (75%) and 25% are female. There is no as such significant difference between the respondents with respect to the statement.

4.5. The Attitude of Employees towards the importance of Conducting Performance

Evaluation in AIB

The respondents were asked to respond either as yes or No to the question "Do you think it is essential to conduct performance evaluation in your organization?" and the majority of the respondents (about 84.6%) answered 'yes'. Analysis of the responses showed that performance evaluations are conducted for a number of reasons including:

- a) To measure of employees' performance against tasks assigned to them; to enable employees to know their strengths and weaknesses with the view to motivate them to do better or warn them on the consequence of their weaknesses.
- b) To follow up the subordinates as well as to prize workers who works hard as long as it is conducted in a right judgment
- c) To deter or minimize employees' carelessness and negligence and to reward and punish them
- d) To correct employee's behavior or to take corrective action whenever employees are in the wrong way or truck and if their performance is extremely below the expected performance standard.

- e) Performance evaluation is essential to the organization as the employee performed well should be rewarded whereas the employee with poor performance should be known and to be informed to improve his/her performance.
- f) To identify training needs, staff development and to properly and fairly undertake staff promotion.

However, the above-mentioned points are simply the opinion of employees towards the purposes of performance evaluation. Hence, as a practice, the information generated thorough performance evaluation in Awash International Bank is rarely utilized to serve these purposes. Hence, the bank is required to work hard to design a system whereby the result will be accessed and utilized.

The following table indicates the attitude of employees towards the importance of conducting performance evaluations by the bank based on educational qualification.

Table 4.13: The Employees' perception of the importance of conducting performance

Evaluation in AIB by educational qualification

Importance of performance Evaluation	Educational qualification					
	College diploma		B.A/B.Sc		Masters degree	
	Count	%	Count	%	Count	%
Yes	18	72.0%	36	92.3%	1	100.0%
No	7	28.0%	3	7.7%		
Total	25	100.0%	39	100.0%	1	100.0%

As it is possible to observe from the above table, regardless of their educational level, the majority of the participants believe in the importance of conducting performance evaluation in the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study obtained through the questionnaire distributed to 65 employees of Awash International Bank and the interview conducted with the human resource manager and some raters, the following conclusions and recommendations were made.

5.1. Summary and Conclusions

On the basis of the findings the following conclusions were forwarded.

- The demographic characteristics of the respondents revealed out that gender wise about 77% are male and the remaining 23% are female. The majority of the respondents were in the age category of twenty five up to thirty four years being followed by under 25 years age group. Moreover, the result of the study indicated that the work experience of the respondents is between 0 to 4 years being followed by 5 to 9 years. Education wise, the majority of the respondents were first degree and diploma holders and only one out of 65 were identified to have Masters Degree.

- On the basis of the classifications made by Michel Beer (1987), the purposes of performance evaluation in Awash International Bank were analyzed by categorizing them into two parts: The coaching and controlling function. Accordingly, the majority of the respondents argued that the performance evaluation objective of the Bank is more of controlling than coaching. Therefore, the majority of the respondents agree with the idea that information generated thorough performance evaluation are primarily used for providing feedback to employees so that they know their position relative to their fellow workers. However, analysis of the open ended question has indicated that employees are not allowed to observe their performance ratings due to transparency problem.

- The study indicted that Raters and the performance appraisal system itself are the major sources of problems in the appraisal process. In this respect, employees' contribution towards the problem is relatively low. Analysis of the questionnaires designed using likert scale and the open ended questions shown that performance appraisal are done simply to fulfill formalities, and hence no subsequent action is taken after the evaluation is over. Moreover, respondents argued that there is not timely feedback, lack of transparency; inconsistency, inaccuracy, and subjectivity of the rating were identified to be the major sources of problems.

- It is has been shown in the analysis that the standards against which employees performance are judged are vague and highly subjective. Hence, the lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and frustration among the workers to undertake their job. As a result, the majority of the respondents questioned the legality and appropriateness of the current form used to measure the performance of workers to undertake administrative decisions. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does not reflect their true performance.

- The majority of the respondents believe that the performance evaluation system of the bank is not serving its purpose i.e., it is not effective.

- Moreover, employee rotation, which is very common in banking industry, creates a dilemma among the raters because of the fact that the raters did not get the opportunity

to observe the work of the employees and the form currently being used is not designed according to the work characteristics.

- The negligence of the raters to conduct the performance of employees on a continuous basis were cited by the HRD and Administration division as one of the major problem facing the organization with respect to performance evaluation. The raters do not pay due attention to the performance appraisal because they consider it as the duty and responsibility of the Human Resource specialist. The analysis of open ended questions shows that the raters are not self confident to evaluate the performances of their employees and thus relies on the information obtained from third parties. Moreover, the lack of raters' adequate training/skill to evaluate the performance of their subordinates was also the major problems identified in the study.
- Analysis of the open ended questions and interview indicated that: the lack of evaluation dimensions to specific tasks assigned to each category of employees, lack of communication between the rater and employees in regard to performance status during the period proceeding the evaluation , inadequacy of rater to evaluate employees' performance at the organizational level and to take timely and concrete measures in regard to rewards , penalties and training; lack of training supervisory staff on rating skills; lack of confidence of supervisory staff to openly discuss performance evaluation results with concerned individuals and employees are the other problems identified with respect to performance evaluation practice of the bank.
- The majority of the respondents claimed that the performance evaluation system of the organization is unfair in such a ways that it does not have well defined grievance

handling procedure and it is not transparent if incase the ratees question the accuracy of the rating.

- The political considerations that leads to both rating inflation and low rating is the result of lack of documentation of employees behaviors and this adversely affect the organization's ability to effectively tie performance ratings to merit raises. This is because ratees may become skeptical about the legitimacy of the performance appraisal merit raise link
- The majority of the respondents believe in the importance of conducting performance evaluation in the bank and they are not happy with the way it is being implemented.

5.2. Recommendations

On the basis of the findings and conclusions reached, the following recommendations were forwarded in order to improve the performance Evaluation practices of Awash International Bank.

- In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis. The appraisal system should be participatory in the sense that employee should be allowed to see their evaluation and comment on it. The evaluation result needs to be discussed among the raters and ratees clearly and also design ways to communicate the results of the employees as well as the criteria against which you are going evaluate the employees. In addition, both the rater and the ratees should seat together and fill the form and finally the employees should be given the results of the performance and again they should discuss on the results and agree up on it. Otherwise the evaluation will be meaningless.

- The bank should encourage the participation of its employees in the design of the form that is used to evaluate the performance of the workers and it should take into account the differences among jobs in terms of their requirements and characteristics. Therefore, in order for the appraisal system to be effective, at least the forms that measures jobs having similar characteristics need to be customized and tailor made.

- In order to minimize the problems of subjectivity, raters need to evaluate their subordinates based on the actual volume of work and responsibility discharged over the period of evaluation rather than focusing only on subjective measurement so that the productivity of employees will be enhanced. The bank should also establish a committee who are in charge of undertaking the performance evaluation of the organization.

- The performance evaluation system of the bank should be designed in such a ways that it is future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature.

- To overcome the problems of political considerations in performance evaluation, raters should keep the file of the performance of their subordinates and should provide continuous feedback on the progress of employees towards the achievement of the goals of the organization. This will help create a kind of trust between the supervisors and the subordinates.

- In order to bring goal clarity and objectivity, the organization should strive to develop a system whereby the performance evaluation criteria are jointly determined by both the rater and the rate. In addition, effective two-way communication must be part of the performance planning process prior to any evaluation to set the standard by which employees' performance will be judged.

- The bank should use criteria which are measurable, objective, and job related. This is because of the fact that using the universal performance measurement standards adversely affect the motivation and moral of the high performances and it may also frustrate them since their contribution is not well recognized and rewarded. In order to overcome these problems it is better to use the output oriented performance appraisal rather than the trait based or behavior based appraisal system.

- In order to solve the system problems in performance evaluation ,it is important to systematically and regularly review system operations to make sure that process and practices are being followed and effective. The bank should make sure the employee acceptance of the system and trust of the appraisal system.

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ADDIS ABABA UNIVERSITY
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MASTERS OF BUSINESS ADMINISTRATION
MBA PROGRAM

To be filled by Ratees or Appraisees

This questionnaire is designed to collect information about the employees' perception towards employee performance evaluation system in Awash International Bank. The information shall be used as a primary data in my case research which I am conducting as a partial requirement of my study at Addis Ababa University for completing my MBA under the Faculty of Business and Economics

The research is to be evaluated in terms of its contribution to our understanding of the practices of organizations in contemporary Ethiopia and its contribution to improvements in these practices. Therefore, I will be willing to submit a copy of my final report to you when it is ready.

As this project is a case study, I will be willing to get your permission for release of the information even when it is meant for academic use if such permission is required by your organization.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

General Instructions

- There is no need of writing your name
- In all cases where answer options are available please tick (✓) in the appropriate box.
- For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

Thank you, for your cooperation and timely response in advance

PART I: Participant Information

1. Number of years you have worked for this organization(in years)_____
2. Number of years working on this job(in years):

- ☐ 0-4 ☐ 5-9 ☐ 10-19 ☐ 20-30 ☐ 30 years or more
3. Age(in years): ☐ Under 25 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55 and above
4. Sex: ☐ Male ☐ Female
5. Educational Qualification:
- ☐ High school graduate
- ☐ Technical school graduate
- ☐ College Diploma
- ☐ BA/BSc Degree
- ☐ Masters Degree
- ☐ PhD ☐ Other (please state _____)
6. Have you been evaluated for the last one year?
- ☐ Yes ☐ No
7. If your answer to question number 7 is **yes**, Please turn over to complete part II

PART II: Questions related to the practices of performance Evaluation

Listed below are statements about the practices of Employee performance Evaluation in your organization. Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the practices of performance evaluation in your organization

	Strongly agree	agree	Neither agree nor disagree	Strongly disagree
1. Information generated thorough Performance evaluation in AIB is used to give feedback to subordinates so that you know where you stand				
2. Information generated through Performance evaluation in AIB strongly determines pay and promotion decisions				
	Strongly agree	agree	Neither agree nor disagree	Strongly disagree
3. Information generated through Performance evaluation in AIB is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions				
4. Information generated through Performance evaluation in AIB is used to counsel and coach subordinates so that they will				

improve their performance and develop future potential					
5. Information generated Performance evaluation in AIB is used to motivate subordinates through recognition and support					
6. Information generated through performance evaluation in AIB is designed to strengthen the relationship between superiors and subordinates					
7.Information generated through Performance evaluation in AIB is used to diagnose both organizational and individual problems based on performance results					
8. In my opinion, the performance evaluation system in AIB is serving its purpose					
9.The performance criteria/instrument used to measure my performance are clearly defined and objective					
10. The performance evaluation criteria used in the organization is capable of measuring my true performance					
11. I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance.					
12. In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers.					
13.The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job					
	Strongly agree	agree	Neither agree nor disagree	disagree	Strongly disagree
14.I have ways to appeal a performance rating that I think is biased or inaccurate					
15. I can challenge a performance rating if I think it is unfair					
16. The performance evaluation in AIB helped me to improve my job performance					
17. In my opinion , the performance evaluation system is fair and objective					
18. I think the performance appraisal process is a waste of time					
19. My rater is influenced by his/her personal liking and disliking when evaluating my performance					
20. My Supervisor avoids giving performance ratings which					

may have negative consequences for his/her subordinates.					
21. My supervisor accurately evaluates my performance to the extent that he/she will be rewarded for doing so or penalized for failing to do so					
22. My supervisor gives equivalent performance ratings to all my colleagues in order to avoid resentment and rivalries among us					
23. My rater provides me specific examples of things which I did during the appraisal period if ever I question my performance ratings					
24. My rater generally supports his evaluation with specific incidents of good and poor performance					
25. My rater usually keep a file on what I have done during the appraisal period to evaluate my performance					
26. My rater evaluates my performance based on my accomplishment and achievement					
27. In my recent evaluation, my rater gave me a fair assessment compared to by co-workers					
28. My rater is not a qualified person to evaluate my work					
	Strongly agree	agree	Neither agree nor disagree	disagree	Strongly disagree
29. My rater frequently lets me know how I am doing					
30. I often compare my performance ratings with my co-workers					
31. I used to support the ideas of my supervisor knowing that it is wrong.					
32. I usually create a positive impression in the mind of my rater.					
33. I often do a favor to my supervisor					
34. I used to work hard if the result is going to be seen by my supervisor.					
35. I often resist accepting low performance rating					

Part III. Additional Questions

- In your opinion, do you think that it is essential to conduct performance evaluation in your organization? ☐ Yes ☐ No

2. What is/are your reason for question No.2 above?

3. In your opinion, what are the real problems that you observe regarding performance evolutions practices of your organization?

4. Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization? Use the space provided below

Thank you again for completing the questionnaire!

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MBA PROGRAM

To be answered by HRD manager and raters

This following interview questions are designed to collect information about the perception of employees towards the practice and problems of employee performance evaluation in Awash International Bank. The information shall be used as a primary data in my case research which I am conducting as a partial requirement of my study at Addis Ababa University for completing my MBA under the Faculty of Business and Economics

The research is to be evaluated in terms of its contribution to our understanding of the practices of organizations in contemporary Ethiopia and its contribution to improvements in these practices. Therefore, I will be willing to submit a copy of my final report to you when it is ready.

As this project is a case study, I will be willing to get your permission for release of the information even when it is meant for academic use if such permission is required by your organization.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

List of interview questions:

1. Is there a performance Evaluation policy in your organization? What the objectives of performance appraisal are as stated in the policy manual?
2. Do you think that the performance evaluation system of your organization is serving its purpose?
3. Do you think that the performance evaluation system differentiates effective performers from non-performers at all levels?
4. Can you please describe the performance appraisal practices of your organization?
5. What are the major problems that your department is facing with respect to performance evaluation?
6. How do you communicate the performance appraisal Results of the employees in your organization?
7. Finally, is there any think that you want to comment about the performance appraisal system of your organization?