

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE



The Effect of Performance Appraisal Practices on Employee Productivity in the Case of Genet Abebe Wondimu Tekele (GAWT) International Business Group

**A Thesis Submitted to Addis Ababa University School of Commerce for the
Partial Fulfilment of the Requirement for Masters of Arts Degree in Human
Resource Management**

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STATEMENT OF DECLARATION

I hereby declare that the thesis titled "The effect of performance appraisal practice on employee productivity in the case of Genet Abebe Wondimu Tekele (GAWT) International Business Group" submitted for partial fulfillment of the requirements for the Degree of Masters of Arts in Human Resource Management at Addis Ababa University School of Commerce is my original work and has never been presented in any university.

Declared by: Yabesera Bensu

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Date _____

Statement of Certification

This is to certify that the thesis work entitled “The Effect of Performance Appraisal Practice on Employee Productivity in the case of Genet Abebe Wondimu Tekele (GAWT) International Business Group” is submitted in partial fulfillment of the requirements for Master of Arts in Human Resource Management to Addis Ababa University School of Commerce is her original work and has got acceptance for the submission for the award of Masters Degree in Human Resource Management.

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**The Effect of Performance Appraisal Practice on Employee Productivity in
the case of Genet Abebe Wondimu Tekele (GAWT) International Business
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LIST OF ACRONYMS

| | |
|------------------|--|
| GAWT | - Genet Abebe Wondimu Tekele |
| RANGVET | - Rakeb Abebe Nahom Genet Veterinary |
| RANG Engineering | - Rakeb Abebe Nahom Genet Engineering |
| PA | - Performance Appraisal |
| PPE | - Performance Planning and Execution |
| PAS | - Performance Assessment |
| FB | - Feedback |
| RE | - Reward |
| PM | - Performance Management |
| HRM | - Human Resource Management |
| SPSS | - Statistical package for social science |
| ANOVA | - Analysis of Variance |
| VIF | - Variance Inflation Factor |

ABSTRACT

The objectives of this research is to determine the effect of performance appraisal practices on employee productivity based on a case of GAWT International Business Group, RANGVET and RANG Engineering. The study focused on five independent variables that are performance appraisal, performance planning and execution, performance assessment, feedback, reward as independent variable and employee productivity as dependent variable. The study used a mixed research technique to acquire a better knowledge on the factors affecting employee productivity, and the researcher utilized an explanatory research design to objectively address the answer to the research questions and describe the details of the study. Stratified random sampling technique were used to give every population equal probability of being chosen and then simple random method were used in order to select relevant respondents from the employees. The total population of 305 employee a sample size of 173 was taken using Yemani's formula and collected responses of 168 employees were analyzed. A 5-point Likert scale questionnaire was used to collect the data. Following that, the data was analyzed using the statistical package for social science (SPSS) software version 20 by providing descriptive and inferential statistics using a linear regression model. By the conclusion of the findings, out of the proposed five independent variables that could affect employee productivity, the three variables performance appraisal, performance planning and evaluation and reward have significant and positive effect on employee productivity. However, performance assessment and feedback have no significant effect on employee productivity in GAWT International Business Group, RANGVET and RANG Engineering.

Key Terms: *Performance appraisal, Performance planning and execution, Performance assessment, feedback, reward and employee productivity.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The organization's performance is mostly dependent on an effective assessment system. Employees who contribute more will be properly rewarded and are more likely to be promoted into positions with more responsibility when there is a solid appraisal system in place. (Stoner, 2005). The primary goal of performance appraisal in a company is to boost employee productivity. Therefore, performance evaluation gives proper feedback on how employees are functioning by exposing them to understanding and the outcome of their job, for participation in assignment and goal planning; The company's goals must be clear and attainable. (Mullins, 1999). Performance evaluation is the process of identifying and conveying to an employee how he or she is performing on the job, as well as, ideally, developing a plan for improvement. Performance appraisals, when performed properly, not only educate workers of their present level of performance, but also influence their future level of effort and career direction (Rue and Byars, 2004). The fundamental objective of performance appraisal in an organization is to increase the employee productivity.

Performance appraisal is an important part of the performance management process since it involves a formal examination of individual performance. (David and Geoffry, 2009). As per Werner et al. (2019) performance management helps to direct and motivate employees to maximize their efforts on behalf of the organization; it is thus an essential instrument for an organization to meet its strategic objectives. It is a management process that ensures employees are focusing on their work efforts in ways that contribute to achieving the organization's mission. It is separated into three stages: (a) establishing performance expectations for employees, (b) keeping a dialogue between supervisor and employee to keep performance on track, and (c) monitoring actual performance in relation to performance expectations (Fletcher, 2001). Employee productivity is a measure of a worker's or group of workers efficiency. Productivity may be assessed in terms of an employee's output over a certain time period. Typically, a worker's productivity will be measured in comparison to the average for employees doing similar work (Armstrong, 2001).

Employee productivity is a key factor for businesses since it contributes significantly to the success of any company. Most organizations wonder how they can ensure sustainable performance among its employees. This means looking at what can be done to encourage the employees to give their best in whatever work they do in the organization (Armstrong, 2001). One of the most widely used employee performance management tools is employee performance appraisal, which is the core of Human resource management and can affect both employee productivity and performance of a company. The main goal of performance appraisal practice is to identify, measure, and manage individual performance in an organization, as well as to provide input to workers so that they can enhance their job performance and the organization's overall success. Using various appraisal methods, information obtained during the appraisal process can be used as a basis for planning, staff management, merit increment, termination, carrier planning and promotion, and layoff, succession planning, transfer, bonus, and requirement for selection procedure validation. An effective assessment system increases employee satisfaction and commitment to their work. (Luthans, 1998). As a result, the study has focused on the effect of performance appraisal practices on employee productivity in GAWT International Business Group, RANGVET, and RANG Engineering.

1.2 Background of the Organization

GAWT International Business Group started its operation in September 1995, it is a privately family-owned business certified to import and wholesale suppliers of a range of high-quality and low-cost products in the capital city of Ethiopia, Addis Ababa, Dire Dawa, and Bahar Dar. Due to its strong growth and market presence, the company has diversified its business portfolios and incorporated two new business RANGVET and RANG Engineering.

The company is an exclusive agent and representative for leading global agro-commodities, agro-chemical, and fertilizer manufacturers and suppliers in Ethiopia and exports the different commodities like coffee, sesame seed, oilseeds, maize, pea beans, sugar and grains from Ethiopia. The commodities are sourced directly from farmers, corporations, merchants, and cooperatives. Currently, the company operates in different regions of Ethiopia by supporting directly farmers by creating value for farmers by supplying products in conjunction with technical support to help control, diseases, fungi, weeds, insects, and other undesirable pests.

RANGVET and RANG Engineering is sister companies of GAWT International Business Group. RANGVET is one of the leading suppliers of veterinary and human medicine and RANG Engineering imports generators, solar and agricultural machines from different suppliers worldwide. Their reputation has been built on the commitment by offering high quality products with a very attractive price for customer. The group has grown naturally with the support of its global partners, suppliers, and manufactures in Africa, Asia, Middle East, Europe, and USA.

Mission the companies is to become a leading company in Ethiopia by providing a world class services by continuously improving on the quality of their services in the areas of import and export by pro-actively responding to the niche segment of the society with a fair price. GAWT International Business Group, RANGVET and RANG Engineering is managed by a multi-cultural team of senior executives and employees with a depth of expertise in agriculture, commodities, veterinary, consulting, and financial services with a socially responsible and environmentally wide-ranging business model. By emphasizing on sustainability, social responsibility, equity, transparency, professionalism, and fair business practices based on the highest international standards.

1.3 Statement of the Problem

Performance appraisal is a critical component of the performance management process, comprising a formal examination of individual performance (David and Geoffry, 2009). Successful appraisal methods have well defined and openly expressed work performance criteria or objectives on the job. (Mahapatro, 2010). Improving employee performance appraisal is a way to improve organizational performance. Performance appraisal practice is one of the tools to keep employees at the edge and motivated. It helps to organize employees to rally behind the company's short and long-term goal. Which will continuously improve company performance. When performance appraisal is conducted in the right manner, there will be a direct manifestation of hard work in rewards. Employees will have a clear target to aim and shoot for.

A survey at GWAT International Group including RANGVET and RANG Engineering revealed that there is an existing performance appraisal schema. The companies have a human resources manual that outlines the firm's performance appraisal practices. The periodic performance evaluation is done on bi-annual (every six month) and on needed basis on special circumstance such as company rules violation (disciplinary probation period) and filling in on new vacant position or promotion.

The performance evaluation is done by respective immediate supervisors, in consultation with the HRM. The human resource department coordinates the process of periodic performance evaluation and give all the necessary administrative support. Even though the researcher can't definitively say or claim the advantage or disadvantage, the use or otherwise of the appraisal; the researcher has learned that employees have concerns towards the system. Employees have also raised questions regarding performance planning, assessment, rewards and feedback that are usually associated with a healthy appraisal schema.

In addition to the above, relevant literature on various studies on the performance appraisal and employee productivity was assessed. Umar and Ogohi (2019) conducted a study on the influence of performance appraisal on employee productivity at Nigeria Breweries plc; according to the research, performance evaluation techniques to identifies employee rewards and offer opportunities for person development strategies, encourage individual job accomplishment and planning, and making the organization make conversant choices on how to motivate and promote its workers. Senait (2020) asserts that there is a positive association between employee productivity and performance appraisal at the Commercial Bank of Ethiopia. Hamid (2017) also conducted research to determine the role of Performance Management Practice on Employee Productivity in East Africa Bottling Share Company (EABSC) the study concluded that the independent variables, performance appraisal, performance-based reward system and performance feedback from the process of performance management practice have positive and significantly high association and effect on employee productivity. Mengistu (2018), the study aimed to examine performance assessment activities in the Ethiopian Road Authority using the Kombolcha division as a case study. The results indicate that performance assessment is not done on a daily basis and that workers are unaware of the purpose of performance appraisal. Furthermore, the report found that workers remain uncertain of their strengths and weaknesses, which affected the performance of workers. Kebre (2016) is doing a similar study in Ethiopia in Save the Children International, he investigated the general practice of performance appraisal. The research discovered a major difference between the standard developed for performance appraisal and actual practice. It was observed the existing performance assessment criteria were not being used for their intended purposes.

Several studies have been done by researchers on performance appraisal and its effect on employee productivity in Ethiopia and abroad but there are no studies conducted on the specific independent variables' performance appraisal, performance planning and execution, performance assessment, feedback and reward effect of employee productivity in the selected companies GAWT International Business group, RANGVET and RANG Engineering. For the aforementioned gap, this research have studied the effect of performance appraisal practice and employee productivity in the case of GWAT International Business group, RANGVET, and RANG Engineering.

1.4 Research Questions

The research questioner addresses the effect of performance appraisal practice on employee productivity in the selected GAWT International Group, RANGVET and RANG Engineering by the following questions.

1. What is the effect of performance appraisal on employee productivity in GAWT International Business Group, RANGVET and RANG Engineering?
2. What is the relationship between performance planning and execution on employee productivity in GAWT International PLC and sister companies RANGVET and RANG Engineering?
3. Does the performance assessment impact employee productivity?
4. How does feedback affect the level of employee productivity?
5. How does reward affect the level of employee productivity?

1.5 Objective of the Study

1.5.1 General Objective

The main objective of the study is to evaluate and demonstrate the effect of performance appraisal practice on employee Productivity. The study key area focused is on the value and advantages of performance appraisal practice affect employee's productivity in the company

1.5.2 Specific Objective

This study has the following specific research objective.

- To determine the effect of performance appraisal in employee productivity on GAWT International Business Group, RANGVET, and RANG Engineering.
- To examine the effect of performance planning and execution on employee productivity GAWT International Business Group, RANGVET, and RANG Engineering.
- To identify the effect of how performance assessment on employee productivity.
- To analyze the impact of feedback on employee productivity.
- To examine the effect of reward on employee productivity.

1.6 Hypothesis of the Study

H1: Performance appraisal has significant and positive effect on employee productivity.

H2: Performance planning and execution has significant and positive effect on employee productivity.

H3: Performance assessment has significant and positive effect on employee productivity.

H4: Performance feedback has a significant and positive effect on employee productivity in companies.

H5: Performance based reward has a significant and positive effect on employee productivity in companies.

1.7 Significance of the Study

The results of this study focused on to recognize and assess the gap to understand the effect of performance appraisal practice on employee productivity and help to make the necessary adjustment and can also be indicator to improve on the performance appraisal practice. This study also enhances the knowledge on performance appraisal particularly to GAWT International Business group, RANGVET as well as RANG Engineering.

Customers: Customers may possibly involve in knowing the ability of the effect of the performance appraisal practice on employee productivity.

Management: Administration could be interested in identifying indicators of success and failure to take the necessary actions to improve performance appraisal practice in the company and choose the right decisions.

Moreover, this research has significant role to play in shading light on how to better understand what variables that have an effect on employee productivity of GAWT International Business Group, RANGVET and RANG Engineering.

Academician: academicians could have a chance to know about the effect of the performance appraisal practice on employee productivity which supports students to be familiar with it and find out a solution on their teaching and learning process. Furthermore, the research can be used as future reference or guidelines for study conducted on related topics.

1.8 Scope of the Study

The study focuses on conducting on performance appraisal practice of GAWT International Business Group and its sister companies RANGVET and RANG Engineering. The research study is limited to permanent employees working at Addis Ababa. Although the companies have offices in Dire Dawa and Bahir Dar, the research have only covered Addis Ababa offices due to the time constraint and Covid 19 epidemic related situation in Ethiopia and the researcher believes that a representative sample can be drawn from this target population in order to reach a valid conclusion.

Furthermore, while performance appraisal practice can be studied from a variety of angles, the research only concentrated on performance appraisal planning and execution, performance assessment, feedback, performance-based reward systems. Other variables influencing performance appraisal practices is not covered in this study.

1.9 Limitation of the Study

The scope of this study is broad, due to time constraint it is difficult to cover the whole subject area by data collection process and analysis to cover the entire subject matter because of the Covid 19 pandemic. Besides, out of all the total questionnaires five were not returned and some of the respondents took longer time to complete the questionnaires. The emphasis of the study focuses on the effect of performance appraisal practices on employee productivity in relation to performance appraisal, performance planning and execution, performance assessment, feedback and reward. The study is also limited to GAWT International Business Group, RANGVET, and RANG Engineering.

1.10 Operational Definition of Terms

Performance Management: Performance management is a systemic approach to enhancing corporate performance by enhancing employee and team performance (Armstrong, 2006).

Employee Performance: refers to the output generated at a low price by employing technical expertise and resources for the performance of work activities. (Odhiambo, 2015).

Performance Appraisal: Performance appraisal is one of the most significant management methods for evaluating the quality of an individual's performance in an organization (Grote, 2002).

Performance Planning and Execution: The performance planning phase of the performance management process involves manager and individual reaching an agreement on how it is expected and how to perform the performance evaluation and execution is getting the job done by achieving the objectives. (Grote, 2002).

Performance Assessment: Is evaluating the extent to which the intended behavior and outcomes are satisfied during the specified time of performance evaluation. (Grote, 2002).

Feedback: This is the information about the employee's past experience and outcomes that the manager gives to the employees (Solmon and Podgursky, 2010).

Reward: is the complex set of formal and informal rewards that connect individual motivation, attitude, performance leading results to the various forms of pay or compensation received in exchange. (Mahapatro, 2010)

Employee Productivity: is described as the "quality or quantity of the principal product or services that an organization provides" (Odhiambo, 2015).

1.11 Structure of the Study

This paper consists of five chapters. Chapter one outlines the introduction, research background and importance, as well as the research aim and objectives. Chapter two reviewed the relevant literature to point out the research gap, chapter three includes a description of the research methods, chapter four analyzes the collected data and discusses the findings of the research, chapter five summarize the entire paper, including the completion process of the research objectives, the main research findings, and points out the research constraints and recommendation.

CHAPTER TWO

LITRATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Performance Management

Performance management is a systematic approach for increasing organizational performance through the development of individuals and team's performance. It is a method of improving results by analyzing and managing performance within a predetermined framework of planned aim, objectives, objectives, and competency criteria (Armstrong, 2009). It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2009). According to Aguinis and Pierce (2008), performance management is a continual process of recognizing, measuring, and developing the performance of individuals and teams, as well as aligning performance with the strategic goals of the company. Performance management, as opposed to performance evaluation, offers strategic ties to corporate objectives, continuing input to enhance performance, and is a continuous process led by management, as opposed to an annual event controlled by HR. It is the ongoing process of recognizing, measuring, and developing the performance of individuals and teams, as well as aligning their performance with the goals of the company (Gary, 2013)

2.1.2 Performance Management Vs Performance Appraisal

When comparing performance management with performance appraisal, performance management never consists of just meeting with a subordinate once or twice a year to discuss their performance. Performance management is always aimed at achieving a certain goal. Ongoing performance assessments usually include a comparison of the employee's or team's performance with the goals linked to the strategic goals of the company. Furthermore, performance management systems are increasingly relying on information technology to assist managers in automatically tracking employee performance and taking remedial action as needed. By comparison, performance appraisal systems usually rely on paper forms, or perhaps online or computerized appraisal forms (Gary, 2013). A systematic and structured approach that evaluates employee performance to specified criteria is known as performance appraisal. Assessment of job performance is shared with employees being appraised through one of several primary methods of performance appraisals.

Elements in performance appraisal methods are tailored to the organization's employees, jobs, and structure. It includes objective criteria for evaluating employee performance as well as ratings that describe the employee performance. Successful appraisal technique that is well defined and openly expressed work performance criteria or objectives (Mahapatro, 2010). Performance appraisals are concerned with individual performance, whereas performance management looks at individual, team, and organizational performance. The appraisal may be just another HR technique used by an organization, while performance management attempts to link the appraisal process to the wider values and objectives of the firm. (David et al., 2009)

2.1.3 Definition of Performance Appraisal

Performance appraisal is the process of identifying and conveying to an employee how well he or she is performing on the job, as well as, ideally, developing a plan of improvement (Mahapatro, 2010). Performance appraisal is a formalized, systematic method that evaluates employee performance to established criteria. Employees are assessment is based on their job performance using one of many major types of performance appraisal. Elements of performance appraisal methods are adjusted to the individuals, roles, and structure of the business. It includes objective criteria for assessing employee performance as well as ratings that describe the employee performance. Successful appraisal methods have clearly defined and explicitly communicated standards or expectations of employee performance on the job. (Mahapatro, 2010).

Performance appraisals are used to communicate to workers how they are performing and to recommend adjustments in behavior, attitude, abilities, or knowledge that are needed. This form of feedback defines the manager's work requirements for workers. This feedback is frequently followed by coaching and training from the supervisor in order to influence an employee's job performance. One of the most common purposes of performance appraisal is to make managerial decisions about promotions, firings, layoffs, and incentive and pay increases (Rue and Byars, 2004). In this regard, Fletcher (2001) defines it as the activities through which organizations seek to assess employees and develop their competence by increasing performance and distribute reward.

2.1.4 Objective of Performance Appraisal

Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Appraisals must not discriminate against anyone on the grounds of age, gender, sexual orientation, race, religion, disability, etc (Mahapatro, 2010). Encourage outstanding work performance, discourage weak performance, and rectify incorrect behavior that interfere with good performance. It can help you grow, increase motivation, or at least provide a better understanding of what is expected of you (Dalton, et al., 2010).

To give the organization information about employees that can be used for raises, promotions, transfers, and terminations. To let you know how you are performing. Positive review or comment will help you know what you're doing well so you can continue doing it. Negative feedback will allow you to learn about and correct weaknesses in your behavior and performance. Such feedback will assist you in making plans for professional improvement (Dalton et al., 2010)

It contributes to important decisions such as promotion, relocation, and termination of employment. Performance appraisals can be used as a criteria for validating selection and development plans. Employees that are newly employed and perform poorly might be recognized through performance review. Additionally, the efficiency of training and development programs may be measured by evaluating how well individuals perform on their performance evaluations. Evaluations also serve the function of giving employees with feedback on how the organization perceives their performance. Furthermore, performance appraisals are utilized to allocate rewards. Decisions as to who gets merit pay increases and other rewards are frequently determined by performance evaluations. (Mahapatro, 2010)

2.1.5 Performance Appraisers

According to Mahapatro (2010) appraisal of an employee can be conducted by:

- **Immediate Superior:** the line supervisor, conducts about 95 per cent of all performance evaluations at the lower and intermediate level of the company.
- **Peers:** are one of the most trustworthy sources of appraisal data. For start, peers are in close proximity to the activity.

Their daily encounters provide them a thorough picture of an employee's job performance. Second, utilizing peers as raters generates a variety of independent judgements. A boss can only provide one assessment; however, peers can submit several assessments. And the average of numerous ratings is frequently more reliable than only single evaluation.

- **Self-Evaluation:** Employee performance evaluations are connected with concepts of self-management and empowerment. When worker rate themselves they get high marks from employee. it tends to reduce staff defensiveness about performance appraisal process and they make good stimulating job performance discussions Workers rate self-evaluations highly; they reduce workers' defensiveness about the appraisal process; and they serve as good vehicles for promoting work performance talks with employees and their supervisors.
- **Immediate subordinates:** The assessments of immediate subordinates might give precise and reliable information about a manager behavior because the evaluators typically have frequent contact with the evaluator. The obvious problem with this form is respondent anonymity is crucial if these evaluations are to be accurate.
- **360-Degree assessments:** The usage of 360-degree assessments is the most recent way to performance evaluation. It allows for performance feedback from the whole circle of everyday contacts that an employee has ranging from mailroom personnel to customers to bosses to peers.

2.1.6 Methods of Performance Appraisal

There is various way of conducting performance appraisal, each having their own advantage and disadvantages. Oberg (1972) and Rue and Byars (2004) stated some of the commonly used performance appraisal techniques.

- (i) **Essay Appraisal Method:** method of performance appraisal in which the rater prepares a written statement describing an individual's strengths, weaknesses, and past performance. It requires that the evaluation describe an employee's performance in written narrative form.
- (ii) **Graphic Rating Scale:** method of performance appraisal requires the rater to indicate on a scale of where the employee assesses on the aspects such as of work, reliability, job experience, and cooperativeness. Graphic rating scales incorporate both numerical ranges and written descriptions. Assessment could also be trait centered focusing on the observable characteristics, such as reliability, adaptability, communication skills, and so on.

- (iii) **Field Review Method:** in the field review method, ‘a member of the HRM staff meets a small group of evaluators from the supervisor units discuss each rating, systematically identifying areas of inter-evaluator disagreement. It can then be used as a tool to assist each evaluator in have consistent criteria and therefore match the other evaluator. Even though review is thought to be credible and accurate, it takes a long time.
- (iv) **Forced Choice Rating Method:** even though there are various variations to this strategy, the most basic is to compel the assessor to pick the best and worst fit statements from a range of statements. To evaluate the employee, the marks are evaluated and given in advance to assess the employees. The assessor is not aware of the scores or weights allocated to the individual statements, thus she or he cannot favor any individual. As a result, assessor bias is reduced to a great extent, and equivalent performance requirements for a goal are developed.
- (v) **Critical Incident Appraisal Method:** this method of performance appraisal in which the rater keeps a written record of instances that demonstrate both good and bad employee conduct. The rater then utilizes these occurrences to evaluate the employee's performance. The incidents recorded should involve job behaviors that illustrate both satisfactory and unsatisfactory performance of the employee being rated. The occurrences, as they are documented over time, offer a foundation for evaluating performance and delivering feedback to the employee. The main drawback to this approach is that the rater is required to jot down incidents regularly, which can be burdensome and time-consuming.
- (vi) **Management by Objectives or Goal Setting:** consists of establishing clear and precisely defined statements of objectives for the work to be completed by the staff; creating an action plan outlining how these objectives will be met, allowing the employee to carry out the action plan, monitoring objective achievement, taking corrective action as required, and defining new objectives for the future.
- (vii) **Work Standard Approach:** the work standards approach to performance appraisal is most frequently used for production employees and is basically a form of goal setting for these employees. The organization use performance appraisal to set a standard or an expected level of output and then comparing each staff performance to the standard performance appraisal serves.
- (viii) **Ranking Methods:** the performance of an employee is ranked relative to the performance of others.

When it becomes necessary to compare the performance of two or more employees, ranking methods can be used. Some of commonly used ranking methods for performance appraisal are given below, based on Oberg (1972) and Monga (1983):

- Alteration ranking method: the individual with the best performance is chosen as the ideal employee. Other staff are then ranked in descending order of comparative performance on a scale of best to worst performance versus this employee.
- Paired comparison: method systematizes ranking and enables better comparison among individuals to be rated. Every member of the group is compared to every other member of the group. The appraisal given to each member of the group are totaled and converted into percentage scores.
- Person-to-person rating: the names of actual persons known to all assessors are used as a sequence of criteria in person-to-person rating scales. These criteria are classified as lowest, median, high, or top performance. Individual employees in the group are then compared to the persons used as standards and graded for the standard with which they match the best.
- Checklist method: the rater makes yes-or-no responses to a series of questions concerning the employee's behavior of the employee being rated. Normally, the human resources department keeps the score key for the checklist approach.
- Behavioral anchored rating scales (BARS): It consists of sets of behavioral statements describing good or bad performance with respect to important qualities. Interpersonal interactions, planning and organizational talents, flexibility, and dependability are examples of these skills. This method of performance appraisal is designed to assess behaviors required to successfully perform a job.
- Assessment centers: This methodology is used to forecast employees' future performance if they are to be promoted. Individual and group assignments must be completed by the individual whose potential is being evaluated.

Depending on the organization's performance evaluation goals and the type of review, many methodologies and strategies might be combined.

2.1.7 Problems in Performance Appraisal Process

According to Gary (2013) and Rue and Byars (2004) problems in Performance appraisal process are;

Uncertain Standards: result in biased appraisals, because the traits and degrees of merit are uncertain. The most effective strategy to address this issue is to use descriptive sentences that identify or illustrate each trait, that form spells out what measures like Role Model or Below Expectations mean. This specificity leads to more consistent and clearly explained evaluations.

Halo Effect: experts define halo effect as the influence of a rater's general impression on ratings of specific rate qualities. Supervisors, for example, frequently score unfriendly employees worse on all attributes, rather than simply getting along well with others. Many performance evaluations have been impacted by appearance, social standing, attire, race, and sex.

Central Tendency: The term "central tendency" refers to the average evaluation of all employees. This alters the assessments, making them less relevant for reasons of promotion, compensation, or counseling.

Leniency or Strictness: other supervisors tend to rate all their subordinates consistently high or low, just as some instructors are notoriously high or low graders.

Recency Effects: this refers to allowing what an employee has done recently to blind you to his or her performance throughout the course of the year. The primary solution is to collect important occurrences throughout the year. Occurs when evaluations are based on work performed most recently-generally work performed one to two months prior to evaluation.

Bias: There are an infinite number of factors that might cause bias during appraisal.

2.1.8 Performance Appraisal Vs Employee Productivity

The effectiveness of appraisals has a direct impact on organizational productivity. Employee skills and knowledge must be evaluated and coached so that his or her job productivity increase and leads to the achievement of organizational objective (Cunneen, 2006). Employees become more dedicated to their organization, when they are handled via progressive performance appraisal. This dedication, at least in part, motivates people to act appropriately in their roles. As a result of these organizational performance results in overall reduced operating expenses and profitability is increased (Blau, 2009). Lastly, performance appraisal is a drive for employee engagement leads to higher and faster revenue growth. (Erdogan, 2012). The performance appraisal system must ultimately transform the current system to have high employee productivity and incentive for the benefit of organization as a whole.

According to Wellins et al., (2006), performance appraisal permits the placement of the appropriate workers in the appropriate tasks, excellent leadership, and organizational structures and strategies are the major drivers of employee engagement. Employees that are happy are more likely to be pleasant and nice to consumers, which leads to increased revenues. Customers are more happy in organizations with engaged workers because employees improve other characteristics such as customer happiness, responsiveness, product quality, and innovation. Finally, performance assessment as a motivator for employee involvement leads to higher and quicker revenue development (Erdogan, 2012).

2.1.9 Performance Planning and Execution

The performance planning phase of the performance management process involves manager and individual reaching an agreement on how it is expected to perform in terms of results and behaviors. These objectives may be from the organization's strategic objectives to establish alignment; however, this may be difficult to achieve in practice. Furthermore, the success criteria for each area of performance and methods of measuring performance against these objectives will be agreed. Performance management is the continuous process of recognizing, assessing, and developing individuals' performance and teams and it is highly contributed to the achievement of organizational goals (Armstrong, 2009). As a result, performance planning is a vital component of an efficient performance evaluation process. Performance planning is the step in which the performance assessor and employee meet to discuss and agree on main areas and topics such as critical roles of employees, having a clear understanding on the goals and objectives that must be met, and identifying the most important concerns that the employees must demonstrate in doing the task and creating an appropriate individual development plan and agree on what should be done and how it should be done and performance execution is getting the job done by achieving the objectives (Armstrong, 2009).

The performance execution stage needs active participation and commitment of both employee and managers. Employer or supervisor must have active influence in the development of job descriptions, performance requirements, and the design of the rating form, since the employer bears main responsibility and ownership of the process.

According to Grote (2002) the major responsibilities of employees and supervisor in the performance execution stage are; the employees has to monitor and communicate openly with appraiser on progress, to participant and solicit performance feedback, update on objectives, complete development plans, actively participate in the midterm review so that individuals can get significant benefits by being able to find how precisely, their performance is viewed prior to becoming a formal record at the end of the year and keeping track of achievements. Supervisor is also responsible for maintain performance record, give update on conditional change of objective, provide feedback and coaching for success, provide development experience and opportunities as well as conduct midterm review to create an improvement opportunity to their employees.

2.1.10 Performance Assessment

Performance assessments are carried out with the interaction of the employer and the supervisor in evaluating the extent to which the intended behavior and outcomes are satisfied during the specified time of performance evaluation. During the evaluation phase, both the employer and the management are responsible for determining, if the intended behaviors have been demonstrated and if the expected outcomes have been attained. It is important that the employee and management both take ownership of the assessment process. The appraisal form is completed by management, and the employee should also complete the form. Both parties engaged in the evaluation give useful information for the review phase. When both the employee and the supervisor are active participants in the appraisal process, the knowledge is more likely to be used effectively in the future. Performance evaluation is simply assessing how well a person has done. Performance appraisal takes into account both the present and the future. Essentially, performance involves evaluating just how good a job the individual has done and keeps in mind the present and the future. (Grote, 2002). Employees are rated based on their job performance using one of many major types of performance evaluation. Elements of performance assessment systems are adjusted to the employees, roles, and structure of the business.

2.1.11 Feedback

According to Sharon & Madelyn, (2003) employees can benefit greatly from performance feedback in terms of individual and team performance. Employee productivity can be enhanced through constructive feedback. Performance feedback may be used to identify an employee's strengths and shortcomings. Performance feedback is also a critical component in improving individual employees' performance in areas of weakness. Schraeder et al., (2007). It is critical for organizational effectiveness for senior management to offer employees with feedback on employee and team performance on a regular basis. Individual efforts and job development may be strengthened by fair feedback, which can increase employee productivity. Feedback on performance appraisals is vital since it increases employee performance and productivity. This is the process through which managers and supervisors identify current performance levels, examine strengths and problems, and plan for future opportunity. Performance feedback is also a critical component in improving individual employee performance in areas of weakness. It is essential for senior management to offer employees with feedback on their efforts and to improve the performance of their tasks through unbiased feedback in order to sustain the organization's success. In this regard, records of performance feedback must be kept for future reference (Macey et al., 2009).

Since performance feedback is an essential component of all performance management systems, it has the power to enhance employee engagement, motivation, and work satisfaction. It may be characterized as knowledge on an employee's prior activities in relation to set employee behavior and outcomes criteria. Performance feedback that is effective is timely, precise, behavioral in character and delivered by a reliable source. Increase individual and team performance, as well as employee engagement, motivation and job satisfaction are the aims of performance feedback. (Aguinis, 2009)

2.1.12 Reward

Financial and non-financial incentives encourage employees to stay with firms for an extended period of time. In other words, if employees are not rewarded, they will be pushed to leave the firm. Some employees prefer getting intrinsic rewards such as praise and acknowledgment for better accomplishments, whereas others are pleased with external rewards such as salary and financial rewards provided to employees. (Lawler, 2008).

According to Bannister and Balkin (2010), when the appraisal process is directly linked to rewards, individuals appraised appear to have better acceptance and satisfaction with it. Any company that desires to achieve its goals and objectives must have a rewards system. This indicates that senior management must clearly and adequately define each employee's responsibility in order for this to be done. In any established organization, it is critical to have clearly specified goals and objectives, which means that the employer must provide a precise description of each person's position (Schraeder et al., 2007),

According to Macey *et al.*, (2009), the rewards system should be capable of recognizing employees' strengths and shortcomings in order to improve performance. If the employees do not reach the set target, a career development plan can be created to improve their performance through training and the installation of an appropriate reward scheme (Mone and London, 2010).

2.1.13 Employee Productivity

Employee Productivity is the quality or quantity of the principal product or services that an organization provides (Odhiambo, 2015). Well-designed appraisal method assists the company, managers, and employees in various ways, and they must meet some fundamental criteria in order to be effective. Employees' performance appraisals should be tailored to focus on both their immediate and long-term goals and objective (Mahapatro, 2010).

According to Dorgan (1994), productivity is defined as improved functional and organizational performance, including quality. Productivity is a ratio used to assess how successfully an organization (or individual, industry, or nation) turns input resources (workers, materials, machinery, and so on) into goods and services. In this case, it is analyzing performance improvement when there is less absenteeism, fewer workers departing early, and less breaks; nevertheless, in a plant, performance may be judged by the number of units produced per employee per hour. The subjective productivity measuring approach was applied in this study. The measure is not based on quantitative operational data. Instead, they were instead based on personnel's subjective assessments. Subjective performance measure is described by Wang and Gianakis (1999) as an indicator used to assess individuals' aggregated views, attitudes, or evaluations of a company's product or service.

As an employee, you will be responsible for supporting organizational goals and helping establish and carrying out your work goals. (Dalton *et al.*,2010). Armstrong (2006) defined productivity as the quantity of products and services produced compared to the resources consumed as indicated in a job description. Productivity is evaluated in context of its link to performance and profitability, expressed as outputs relative to inputs either per person or per system at a certain moment in time. According to McNamara (2003), outcomes are always the ultimate and specified outputs desired from the worker.

2.2Review of Empirical Literature

The empirical literature demonstrates a link between employee productivity and performance appraisal. In the pharmaceutical industry, Otieno (2016) did a study on "impact of Performance Appraisal on Employee Productivity". The results of the study showed that when independent variables such as evaluation parameters, input, and compensation of Performance appraisal are controlled, employee performance is likely to be positively affected, with this effect being significant.

Barkha and Dr. Swarna (2018) conducted a study on the effect of performance appraisal on employee productivity in an automation solution company, focusing on goal and target setting, employee performance rewards, and performance appraisal reviews. Employee productivity was shown to be affected by the three independent factors in the performance appraisal method. The findings of the research were that setting a goal motivates people to achieve it, praising staff with positive performance motivates them, and feedback helps to identify an employee's strengths and limitations.

According to a study performed by Abbas and Cross (2019) on the impact of performance appraisal on employee productivity in Nigeria Breweries PLC. the study concluded that organizations should evaluate their workers on a regular basis by milestones, organizational targets, utilized targets, and time management in order to maximize employee productivity. As per the study, using performance appraisal to identify employee reward and provide opportunities to define professional growth strategies, promote individual job accomplishment and preparation of goals and make the organization. As per the findings of the study concludes, the use of management by objective as a method of performance appraisal was statistically significant in evaluating employee's performance.

The performance appraisal and employee productivity in the Plateau State Internal Revenue Service in Nigeria were examined in a study conducted by OraveeAule and Hangeior (2017). The objective of this research is to see if there is a connection between employee satisfaction with performance appraisals and positive employee outcomes including motivation, job performance, and engagement. Employee productivity in PSIRS was increased by management by goal and 360-degree feedback measurement techniques. PSIRS should use management by priorities to enable workers to participate in organizational goal-setting and understand their areas of responsibility, resulting in increased efficiency. Supervisors and workers should be allowed to use 360-degree evaluation assessment methods as a pre-requisite for discussing operational shortcomings, efficiency levels, and areas for change.

Ajitha and Mohanapriya (2020) conducted a similar research in "Effective Performance Appraisal in Private Banks in India" to see whether there was a connection between performance appraisal and employee performance in private sector banks in Coimbatore. This research discovered indications of enhanced performance evaluation techniques in order to please workers and increase their performance. Management should take steps to improve private-sector banking by introducing an effective Performance Appraisal System that leads to better employee performance in the business.

According to Kibichii et al., (2016), "Effects of Performance Management Process on Employee Productivity," based on a research of commercial banks in Turkana County. The performance management method is one of the most optimistic and important innovations in the domain of management, and it has a valuable influence on the performance of the organization, whether it is applied successfully. It assists in developing a shared idea with the intentions and objectives of the company, assisting each particular person in doing and knowing the role in the organization, and This study suggests that performance management has a relationship with employee productivity, since the performance appraisal method, employee training and growth, and reward system, which are components of the performance management process, were discovered to have a substantial relationship with employee productivity.

Odhiambo (2015) investigated the impact of performance management practices on employee productivity in the Nairobi, Kisumu, and Mombasa branch of Schindler Limited in Kenya. The study concluded that effective performance management practices enable workers to share their ideas and aspirations for achieving the company's strategic objectives. Performance management practices have the potential to be an important source of management knowledge and renewal. The use of a compensation scheme has long been a key element in a company's desire to achieve its objectives. In terms of the impact of performance appraisals on employee productivity, the data indicated that employee appraisal leads to increased production. Reward options motivate incentives, which leads to increased work enthusiasm and performance. His studies revealed that appropriate feedback is critical for every firm to fulfill its goals and boost staff productivity. Feedback enables the employees to be aware of what exactly is expected from them.

Senait (2020) on the impact of performance appraisal system on employee's productivity in Commercial Bank of Ethiopia has a positive association between employee productivity and performance appraisal.

Hamid (2017) also conducted research to determine the role of Performance Management Practice on Employee Productivity in East Africa Bottling Share Company (EABSC) the study concluded that the independent variables, performance appraisal, performance-based reward system and performance feedback from the process of performance management practice have positive and significantly high association and effect on employee productivity.

Mengistu (2018), the study aimed to examine performance assessment activities in the Ethiopian Road Authority using the Kombolcha division as a case study. The results indicate that performance assessment is not done on a daily basis and that workers are unaware of the purpose of performance appraisal. The research reached to a conclusion with the author advising that performance management techniques should be improved in order to increase employee performance. Employee contributions to meeting organizational objectives should be the goal of performance evaluations. The supervisor should officially acknowledge positive employee contributions for improved job efficiency wherever possible. Effective Performance management practice that enlightens evaluation, incentive, and feedback can be used to accomplish organizational objectives and increase employee productivity.

2.3 Conceptual Framework, Hypothesis and Variable Determination

2.3.1 Conceptual Framework

The research studied the relationship between performance appraisal and its effect on employee productivity. In this regard how the independent variables such as planning, evaluation, assessment, feedback, and reward process of performance appraisal practice influences the dependent variable employee productivity, which is represented on the conceptual framework of this study as follows.

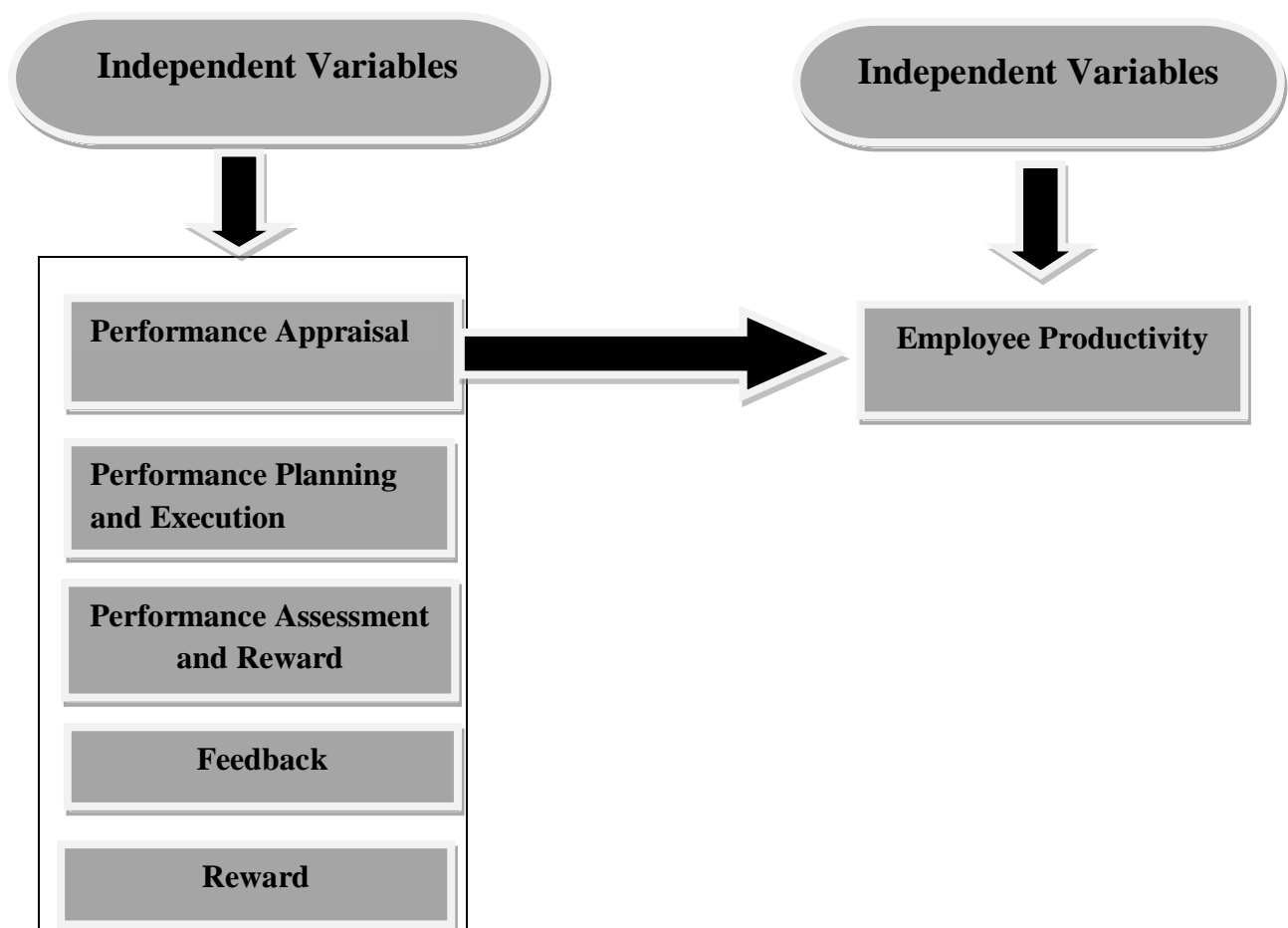


Figure 2.3 Conceptual Framework of the study

Source: Adopted from literatures of Odhiambo (2015) and Misgana, (2018)

2.3.2 Hypothesis and Variable Determination

Dependent variable

Employee Productivity

Employee productivity described in terms of outputs relatively to inputs either per person or per system with reference to a specific point of time, that is, the amount of goods and services produced relative to the resources used as described in a work description. It is considered based on the interrelationship with performance and profitability (Armstrong, 2006). Employee skills and knowledge must be evaluated and coached so that his or her job productivity increase and leads to the achievement of organizational objective (Cunneen, 2006).

Independent variable

H1: Performance appraisal has significant and positive effect on employee productivity.

Performance appraisals are used to communicate with workers about how they are doing and suggesting needed changes in behavior, attitude, skills, or knowledge (Rue and Byars, 2004). Performance appraisal is a formal, systematic method that evaluates employee performance to predetermined standards. Performance evaluations focus on individual performance, whereas performance management considers individual, team, and organizational performance.. Performance appraisal is the process of identifying and conveying to an employee how they are performing on the job, as well as, ideally, developing a plan for improvement. (Mahapatro, 2010).

H2: Performance planning and execution has significant and positive effect on employee productivity.

Performance planning is critical the major step of an effective performance appraisal process. The performance planning phase of the performance management process involves manager and the individual reaching an agreement on how it is expected to perform in terms of results and behaviors in which the performance assessor and employee meet to discuss and agree on main areas and topics such as critical roles of employees, having a clear understanding on the goals and objectives, and identifying the most important concerns that the employees.

Performance Management is unremitting process of identifying, measuring and developing the performance of individuals and teams and it is highly contributed to the achievement of organizational goals (Armstrong, 2009).

The performance execution stage needs active participation and commitment of both employee and managers. (Grote, 2002) the employees has to monitor and communicate openly with appraiser on progress, to participant and solicit performance feedback, update on objectives, complete development plans, actively participate in the midterm or annual review so that individuals can get significant benefits by being able to find exactly how their performance is perceived before it becomes formal record at final year and keep track accomplishment.

H3: Performance assessment has significant and positive effect on employee productivity.

Performance assessments are carried out with the interaction of the employee and the supervisor in evaluating the extent to which the intended behavior and outcomes are satisfied during the specified time of performance evaluation. Employees are rated based on their job performance using one of many major types of performance appraisal. Elements in performance appraisal methods are tailored to the organization's, employees jobs, and structure (Grote, 2002).

H4: Performance feedback has a significant and positive effect on employee productivity in companies.

Feedback is the information about the employee's past experience and outcomes that the manager gives to the employees (Solmon and Podgursky, 2010). Employees can benefit greatly from performance feedback in terms of individual and team performance. Employee productivity can be enhanced through constructive feedback. The performance feedback can serve as way of knowing the employee's strength and weaknesses. Performance feedback can also serve as a crucial element that enhances the performance of individual employees in the areas of weakness. (Sharon & Madelyn, 2003) For organization performance, it is important for the top management to frequently provide employees feedback in terms of employee and team performance. (Schraeder et al., 2007). The employee efforts and strengthen the progress of their jobs through unbiased feedback, which can enhance employee productivity.

H5: Performance based reward has a significant and positive effect on employee productivity in companies.

Reward is a complex combination of formal and informal incentives that link individual motivation, conduct, and performance ultimately leading to different types of remuneration or compensation received in exchange. (Mahapatro, 2010).

Financial and non-financial incentives encourage employees to stay with firms for an extended period of time. If employees are not rewarded, they will be pushed to leave the firm. Some employees prefer getting intrinsic rewards such as praise and acknowledgment for better accomplishments, whereas others are pleased with external rewards such as salary and financial rewards provided to employees. (Lawler, 2008). According to Bannister and Balkin (2010), when the appraisal process is directly linked to rewards, individuals appraised appear to have better acceptance and satisfaction with it. Rewards systems are important for any organization that wishes to achieve its goals and objectives.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This section explains the technique used to perform the study. It includes the study area, research design, population, sample procedure, data source, data collection method, and how the collected data analyzed and described in detail in regards to the effects of performance appraisal practices on employee productivity.

3.1 Research Design

Mitchell and Jolley (2004) explain how explains how explanatory research, in comparison to descriptive research, it is used to explain the causes for the event rather than just perceiving and reporting it. The researcher used an explanatory research design to thoroughly explain the study's findings. Therefore, an explanatory research design aims to understand phenomena by identifying and measuring causal relationships between the effect of performance appraisal practice on employee productivity in GAWT International Business Group, RANGVET and RANG Engineering

3.2 Research Approach

This study used mixed research method approach to investigate the effects of performance appraisal practice on employee productivity in GAWT International Business Group, RANGVET and RANG Engineering permanent workers employed in Addis Ababa. Which includes a range of questioner is distributed to all permanent all employees of the companies and interview conducted to the Human Resource Managers only.

3.3 Population and Sample

The population of the study covers the employees placed at Addis Ababa not including Dire Dawa and Bahir Dar offices. The study is conducted on permanent employees of the three companies of 305 of which, 112 employees are GAWT International Business Group, whereas 91 and 102 employees are respectively employees of RANGVET PLC and RANG Engineering located in Addis Ababa. At the companies, researcher observed the permanent employees have relevant knowledge, experience, and ability to provide response for the prepared research questions. In contrast the contracted employees at the companies are engaged in labor task like cleaners, truck drivers, lesion officers, forklift, machine operators, security guards, and warehouse crews (laborers).

These employees are not part of the study as they are not full-time employees and had difficulty writing and understanding the questioner. The questionnaires was distributed using a stratified random sampling method. Stratified sampling is used to divide the sampling frame or population into several different homogenous groups called strata, to ensure that each stratum is equally represented simple random sample technique is used from each of the strata. For this study three main level of employee's are selected from the company, Top senior level (General Manager, Financial Manager, Head of marketing and sales, Human Resource Management, and Senior Agronomist and Veterinarian), Mid-Level (Account Manager, Team Leader, Warehouse Manager, Veterinary, Agronomist, Engineer and IT supervisor), Junior level (Junior Marketing, Cashier, Veterinary and Agronomist Assistant, Data encoder, and storekeeper) is used for this research.

To decide the amount of sample size (Yamane, 1967) determination formula is used where n is the sample size, N is population size, and e is the error of 5 percentage points and a confidence coefficient of 95% are assumed for this equation. The total population (N) is 305 and sample size (n) is 173

$$n = \frac{N}{1 + Ne (0.05)^2} = \frac{305}{1 + 305 (0.05)^2} = 173.04 \text{ approximately } 173$$

Table 3.3: Population and Sample size

| No | Companies | Population Description | Population | Sample Size |
|-------|------------------|------------------------|------------|-------------|
| 1 | GAWT | Top level Management | 12 | 6 |
| | | Senior level employees | 56 | 31 |
| | | Junior level employees | 44 | 26 |
| 2 | RANGVET | Top level Management | 9 | 4 |
| | | Senior level employees | 35 | 20 |
| | | Junior level employees | 47 | 26 |
| 3 | RANG Engineering | Top level Management | 8 | 4 |
| | | Senior level employees | 51 | 31 |
| | | Junior level employees | 43 | 25 |
| Total | | | 305 | 173 |

Source: GAWT International Group, RANGVET and RANG Engineering PLC - HR record

3.4 Data Sources and Types

The primary source of data was collected through questionnaire from GAWT International Business Group, RANGVET, and RANG Engineering employees. The data was used to get reliable information to support the collected data regarding the specific objectives of the study by distributing the questioner and interview the to Human Resource Managers. Books, journals, internet sources, and relevant documents from the company was used as a secondary data. To evaluate employee performance appraisal practice on employee productivity the questionnaires were adopted from Odhiambo (2015) and Misgana (2018)

3.5 Data Collection Procedures

The questionnaires contain five-point likert five scale questionnaires. The questionnaire replies are anticipated to fall on a five-point Likert scale from strongly agree (5) ranging to strongly disagree (1). The questionnaires were delivered to the respondents by the researcher in person at Bole Head office to all the permanent employees working in GAWT International Business Group, RANGVET and RANG Engineering.

3.6 Research Model

According to Brooks (2008), it is fairly straightforward to extend the basic model to one with k regressors (independent variables). $Y_i = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki} + \epsilon_i$ where Y_i is the i th observation of the dependent variable, X_{1i}, \dots, X_{ki} are the i th observations of the independent variables, $\alpha, \beta_1, \dots, \beta_k$ are the regression coefficients, ϵ_i is the i th observation of the stochastic error term. Therefore, the objective of this study examined the effect of performance appraisal practice on employee productivity in the case of GAWT International Business Group, RANGVET and RANG Engineering, all of them are head quartered in Addis Ababa. Accordingly; the researcher estimated a linear regression model in the following form.

$$EP = \alpha + \beta_1 PA_1 + \beta_2 PPE_2 + \beta_3 PAS_3 + \beta_4 FB_4 + \beta_5 RE_5 + \epsilon$$

Source: - compiled by the researcher mainly based on Odhiambo (2015), and Misgana (2018)

Where,

EP = Employee Productivity

α = Constant

β = Coefficient of estimate

PA = Performance Appraisal

PPE = Performance Planning and Execution

PAS = Performance Assessment

FB = Feedback

RE = Reward

ε = the error term

3.7 Validity and Reliability of the Study

3.7.1 Validity

Is the accuracy with which a method is measured, what it is supposed to measure is referred to as validity (Mooi and Sarstedt, 2011). Therefore, to make sure the validity of research tool, questionnaire is prepared according to literatures review related to the study area of performance appraisal and employee productivity. To ensure the validity of the study, the researcher also used expert opinion from Human resource department and advisor who will make the necessary amendment and correction, which have adequate knowledge on the subject area of the research questionnaire. The researcher also directly contacted the employees of the company to collect questioner and conduct the interview personally.

3.7.2 Reliability Test

Reliability test is concerned with the consistency or stability of the score gained from a measure or assessment across time and across settings or situations, and it is concerned with the degree to which what researchers measure is devoid of random error. (Mooi and Sarstedt, 2011). In this study, Chronbach's alpha (α) is executed to test the reliability of the measure.

The alpha coefficient has a value ranging from 0 to 1. The higher the score, the more internally consistent the created scale. Cronbach's coefficient alpha values greater than 0.7 are considered acceptable reliability coefficients (Pallant, 2005).

Table 3.2 Cronbach Alpha Coefficient for all items

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .849 | .852 | 6 |

Source: Own Survey, computed in SPSS, 2021

Table 3.3 Cronbach Alpha Coefficient for each item

| | Cronbach's Alpha if Item Deleted |
|-----|----------------------------------|
| EP | .822 |
| PA | .784 |
| PPE | .849 |
| PAS | .795 |
| FB | .866 |

Source: Own Survey, computed in SPSS, 2021

The table 3.3 shows the Cronbach's alpha values for each questionnaire and for the complete questionnaire. Cronbach's alpha values for the fields varied between and between 0.784 and 0.866 which is highly acceptable according to Malhotra, et.al. (2007). In addition to this the overall reliability statics for five items is 0.849. Hence, based on the above reliability statistics, it is above the minimum required threshold and showed that the high reliability of the questionnaire.

3.8 Data Analysis Method

The questionnaires were distributed, collected, coded, and analyzed using a social science statistical software (SPSS version 20). The data is analyzed using both descriptive and inferential statistics. Descriptive analysis covers frequency of distribution to understand demographic factors of respondents and means to determine mean sores of performance, whereas inferential analysis was utilized for hypothesis testing that include correlations and regression.

By generalizing the samples from the population and hypothesis tests determined the relationship among variables between the independent variable of the study performance appraisal and dependent variables employee productivity, Pearson correlation is used. Multiple regression analysis is used to evaluate hypotheses and discover the most important elements influencing employee productivity. The link between the five independent variables and one dependent variable is investigated using multiple regression analysis.

3.9 Ethical Consideration

The employees were informed in advance about the research aim and the treatment of the data gathered through the questioner is used solely for the use of academic purpose. The questions were designed to address the purpose of the study through questioner and interview by respecting the privacy of the respondents. To keep confidentiality, name of the respondent will not be shown on the final paper of this study. All data on this research will be confidential, secured, and not disclosed to anyone.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

This chapter is divided into three parts that deal with findings and their analysis. The first part is the descriptive and correlation analysis on research variables, the second part showed fulfillment of assumptions and the third section gave regression analysis results, which comprised the research's key conclusions of this study.

The main focus of the research is on the effect of performance appraisal practices on employee productivity in the case of GAWT International Business Group, RANGVET, and RANG Engineering in Addis Ababa. Therefore, this chapter presents the analysis of responses that were received by questionnaires distributed to selected 173 employees and interview was also conducted with top managers. The researcher was able to receive 168 questioners out of 173 questionnaires administered which gives 98.82% response rate. This was done in order to obtain a larger response rate. At the end, all the returned questionnaires were successfully processed for the analysis.

As a result, in this chapter, the data collected from respondents was analyzed and interpreted using quantitative analysis, which includes an examination of respondents' demographic information as well as descriptive and inferential statistics used to test the hypothesis and investigate the influence of independent variables on the dependent variable. A total of 173 questionnaires were handed to the respondents with close follow up and guidance in filling the questioners. Several questions were asked related about the effect of performance appraisal practices on employee productivity in case of GAWT International Business Group including RANGVET and RANG Engineering in Addis Ababa. The study used five independent variables to measure performance appraisal practices, which are Performance appraisal, performance planning and execution, performance assessment, feedback and reward as well as employee productivity as dependent variable.

As an effective tool for investigating the relationships, a multiple regression modeling method was presented. This chapter analyzes and discusses the results of this multiple regression model. SPSS software, version 20, was used to conduct the statistical analysis for this study. The study's findings were also presented in descriptive and inferential sections. Tables and data are included in the descriptive part and the result of multiple liner regression was also analyzed.

4.1. Descriptive Statistics

4.1.1. Demographic Profile of Respondents

The questionnaire included a segment on employee's profile, as an assortment of demographic and other factors which likely to influence the performance appraisal on employee productivity. The demographic profile of the responders is shown in the table below.

Table 4.1 Demographic Profile

| No. | Demographics | | Frequency | Percentage |
|-----|-------------------|--------------------|------------|--------------|
| 1 | Gender | Male | 55 | 32.7% |
| | | Female | 113 | 67.3% |
| | | Total | 168 | 100% |
| 2 | Educational level | Diploma | 10 | 6.0% |
| | | Degree | 125 | 74.4% |
| | | Masters | 33 | 19.6 |
| | | Total | 168 | 100% |
| 3 | Marital Status | Married | 87 | 51.8% |
| | | Single | 81 | 48.2% |
| | | Total | 168 | 100% |
| 4 | Experience | Less than one year | 4 | 2.4 |
| | | 1-5 year | 72 | 42.9 |
| | | 6-10 year | 66 | 39.3 |
| | | More than 10 years | 26 | 15.5 |
| | | Total | 168 | 100% |
| 5 | Age | 18 - 25 years | 13 | 7.7% |
| | | 26 – 33 years | 80 | 47.6% |
| | | 34- 41 years | 73 | 43.5% |
| | | Above 42 years | 2 | 1.2% |
| | | Total | 168 | 100 % |

Source: Own Survey, computed in SPSS, 2021

As shown from the above table, the gender distribution which covers 32.7% for female and 67.3% for male. In terms of educational level, all of the respondents have diploma, a degree, or a master's degree, which cover 6.0%, 74.4% and 19.6% respectively from the total sample respondents under consideration.

In line with employee experiences, most of employees have worked one year up to five years which covers 42.9%, next to this employee are six years up to ten years covers 39.3%. In addition to this, employees who have more than ten years of experience covers 15.5% and the rest of employees those who worked for less than one year covers five up to ten years cover least of presents 2.4%. The marital status of the employees in the respondents was indicated that 51.8% of respondents were married, where as 48.2% were single.

In short, from the above demographic data, male have more coverage than female and most the respondents are bachelor degree holder than master's degree and diploma holders. Besides, most of respondents are married and their age group are found in ranging from twenty six years up to thirty three years than other age group and most employees worked in the company one up to five years as compare to other employee's years of experiences.

4.2. Descriptive Analysis

4.2.1.1 Mean and Standard Deviations

Descriptive statistics (mean and standard deviations) **of the respondents' results were calculated and analyzed and the mean scores and standard deviations were compared across respondents.** The reason for using descriptive statistics to compare the effect of performance appraisal practice on employee productivity in case of GAWT International Business Group in Addis Ababa city by using means and standard deviations values.

Table 4.2 Mean and Standard Deviations

| | N | Mean | Std. Deviation |
|------------|-----------|-----------|----------------|
| | Statistic | Statistic | Statistic |
| EP | 168 | 3.4711 | .29686 |
| PA | 168 | 3.9907 | .43152 |
| PPE | 168 | 3.4200 | .30433 |
| PAS | 168 | 4.0655 | .54924 |
| FB | 168 | 3.7219 | .31550 |
| RS | 168 | 4.0766 | .50334 |

Source: Own Survey, computed in SPSS, 2021

The standard deviation 0.29686 indicates that there was moderate variability on employee productivity in the data. The table also suggests that all employee productivity determinant rated as above satisfactory. As far as the mean values are concerned, out of the determinant performance appraisal (mean of 3.9907), performance planning and execution (mean of 3.4200), performance assessment (mean of 4.0655), feedback (mean of 3.7219) and reward (mean of 4.0766) have relatively major roles on employee productivity. As the above table demonstrates, all explanatory variables play a fundamental role for employee productivity in selected samples.

Inferential Analysis

Like the descriptive statistical methods, i.e. demographic and other related factors, the scale typed questionnaire has been entered to the SPSS software version 20 and inferential statistics methods such as: simple correlation and multiple regression methods has been employed to test the hypothesis.

4.3. Correlation Analysis

Pearson correlation test was conducted to know the degree of relationship between the independent variables i.e. performance appraisal, performance planning and execution, performance assessment, feedback and reward system and dependent variable i.e. employee productivity. Based on the questionnaires which were filled by the employees and the results of correlation analysis between these variables are shown in table below.

Table 4.3 Correlation Analysis

| | EP | PA | PPE | PAS | FB | RS |
|--|-----------|-----------|------------|------------|-----------|-----------|
|--|-----------|-----------|------------|------------|-----------|-----------|

| | | | | | | | |
|------------|----------------------------|--------|--------|--------|--------|-------|-----|
| EP | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 168 | | | | | |
| PA | Pearson Correlation | .579** | 1 | | | | |
| | Sig. (2-tailed) | .000 | | | | | |
| | N | 168 | 168 | | | | |
| PPE | Pearson Correlation | .846** | .315** | 1 | | | |
| | Sig. (2-tailed) | .000 | .000 | | | | |
| | N | 168 | 168 | 168 | | | |
| PAS | Pearson Correlation | .468** | .882** | .243** | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .002 | | | |
| | N | 168 | 168 | 168 | 168 | | |
| FB | Pearson Correlation | .486** | .285** | .447** | .210** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .006 | | |
| | N | 168 | 168 | 168 | 168 | 168 | |
| RS | Pearson Correlation | .428** | .771** | .315** | .876** | .190* | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .014 | |
| | N | 168 | 168 | 168 | 168 | 168 | 168 |

Source: Own Survey, computed in SPSS, 2021

As the results shown in Table 4.3 the independent variables (performance appraisal, performance planning and execution, performance assessment, feedback and reward) are significantly and positively correlated with the dependent variable: performance appraisal (Pearson Correlation = 0.579, $p < .001$), performance planning and execution (Pearson Correlation = 0.846, $p < .001$), performance assessment (Pearson Correlation = 0.468, $p < .001$), and feedback (Pearson Correlation = 0.486, $p < .001$) and reward (Pearson Correlation = 0.428, $p < .001$).

The correlation analysis findings show that the dependent variable is positively and strongly correlated with the dependent variable i.e. employee productivity at 99 percent confidence level ($P < 0.01$). The finding on table 4.3 above further indicates that the highest significant relationship is found between performance planning and execution and employee productivity (Pearson Correlation = 0.846, $p < 0.01$), however the lowest statistically significant relationship is found between reward and employee productivity (Pearson Correlation = 0.428, $P < 0.01$).

4.4. Regressions Analysis

4.4.1. Assumptions of Testing in Regressions Analysis

The basic assumptions must be met in order to retain the data validity and robustness of the research regressed results under the numerous regression models. As a result, this study performed assumption tests such as multicollinearity, linearity, homoscedasticity, and normalcy.

I. Multicollinearity

Correlations between the variables in the model are used to test for multicollinearity. Independent variables have shown some relationship with the dependent variable. In this case all of the scales (performance appraisal, performance planning and execution, performance assessment, feedback, and reward) with employee productivity correlate substantially (0.579, 0.846, 0.468, 0.486 and 0.428) respectively. As it can be seen from the table these requirements are validated and there is no issue of multi collinearity.

Collinearity diagnostics on the variables as part of the multiple regression procedure is done using tolerance and **variance inflation factor (VIF)**. **Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi collinearity (Pallant, 2010) furthermore, the other value given is the VIF**, which is just the inverse of the tolerance value (1 divided by tolerance). According to Pallant (2010), VIF values above 10 would be a concern, indicating multicollinearity.

Table 4.4 Multicollinearity Diagnosis

| Model | | Collinearity Statistics | |
|-------|------------|-------------------------|-------|
| | | Tolerance | VIF |
| | (Constant) | | |
| | PA | .206 | 4.845 |
| | PPE | .716 | 1.396 |
| | PAS | .122 | 8.218 |
| | FB | .768 | 1.301 |
| | RS | .220 | 4.556 |

Source: Own Survey, computed in SPSS, 2021

The result shows that the tolerance value for each independent variable is 0.206, 0.716, 0.122, 0.768 and 0.220 respectively which are not less than 0.10; therefore, multicollinearity assumption is not violated. This is also supported by the VIF value, which is 4.845, 1.396, 8.218, 1.301 and 4.556 which is well below the cut-off 10 as shown in the coefficient table.

I. Normality, linearity of residuals

one of the ways that these assumptions can be checked is by inspecting the residuals scatter plot and the normal probability plots of the regression standardized residuals that were requested as part of the analysis. These are presented in normal P-P Plots of regression standardized residuals graph. In normal probability plots the points will lie in reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The finding from normal P-Plot reveals no violation of normality assumptions.

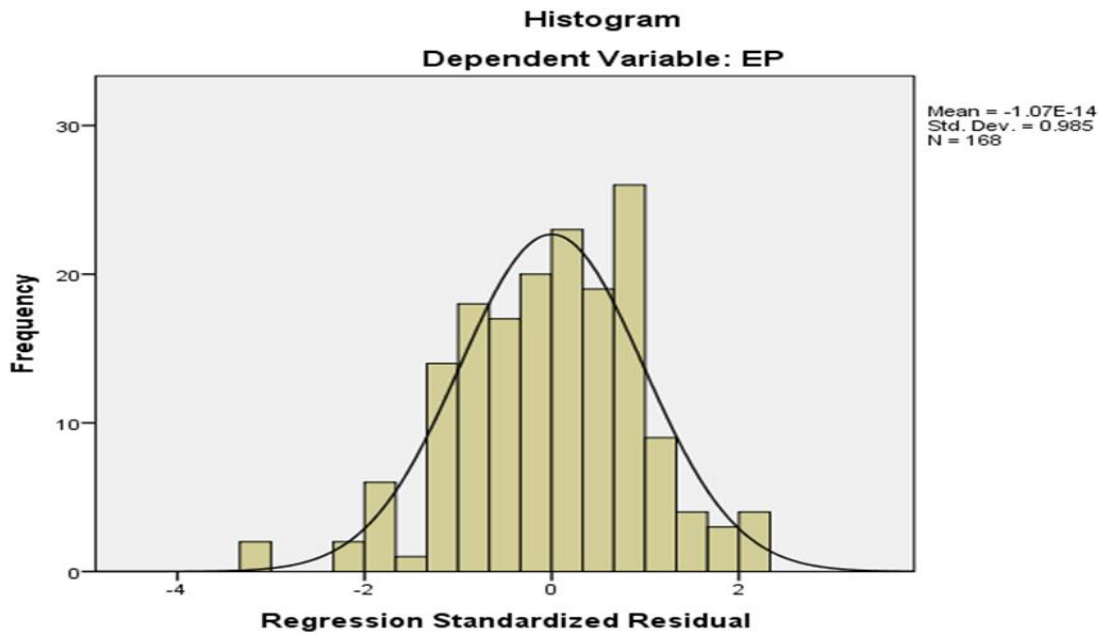
Kurtosis and Skewness

As Field (2009) and Garson (2012) noted, many statistical procedures assumed that the sampling distribution is normally distributed and so, if the sample data are approximately normal then the sampling distribution will be also. In this regard, it is useful to test for normality of the sample data. As a result, it was verified for the data to determine, if it was normally. As a result, it was verified for the data to determine if it was normally through quantify aspects of a distribution (i.e. skewness and kurtosis) and presented as follows.

Test of Normality

The study used both methods of assessing normality; graphically using Normal Probability Plot (P-P) graph and using Skewness and Kurtosis numerically. Figure 4.1 depicted that the scores are normally distributed.

Figure 4.1: Frequency Distribution of Standardized Residual

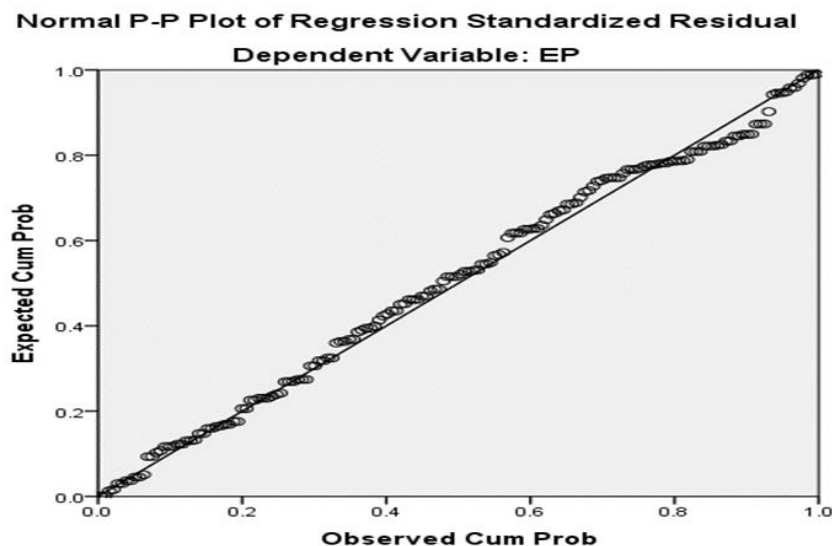


Source: Own Survey, computed in SPSS, 2021

II. Test of Linearity

In the Normal Probability Plot it will be hoped that points reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The study applied Normal P-PPlot of regression Standardized Residual (See Figure 4.2) to test linearity. Since the points were symmetrically distributed around diagonal line, linearity pattern was observed. Hence, the straight-line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved.

Figure 4.2: Normal Point Plot of Standardized



Source: Own Survey, computed in SPSS, 2021

Table 4.5 Kurtosis and Skewness

| | N | Skewness | | Kurtosis | |
|-----|-----------|-----------|------------|-----------|------------|
| | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| EP | 168 | -.043 | .187 | .344 | .373 |
| PA | 168 | -.392 | .187 | .187 | .373 |
| PPE | 168 | .043 | .187 | .025 | .373 |
| PAS | 168 | -.286 | .187 | -.533 | .373 |
| FB | 168 | -.403 | .187 | .047 | .373 |
| RS | 168 | .014 | .187 | -.830 | .373 |

Source: Own Survey, computed in SPSS, 2021

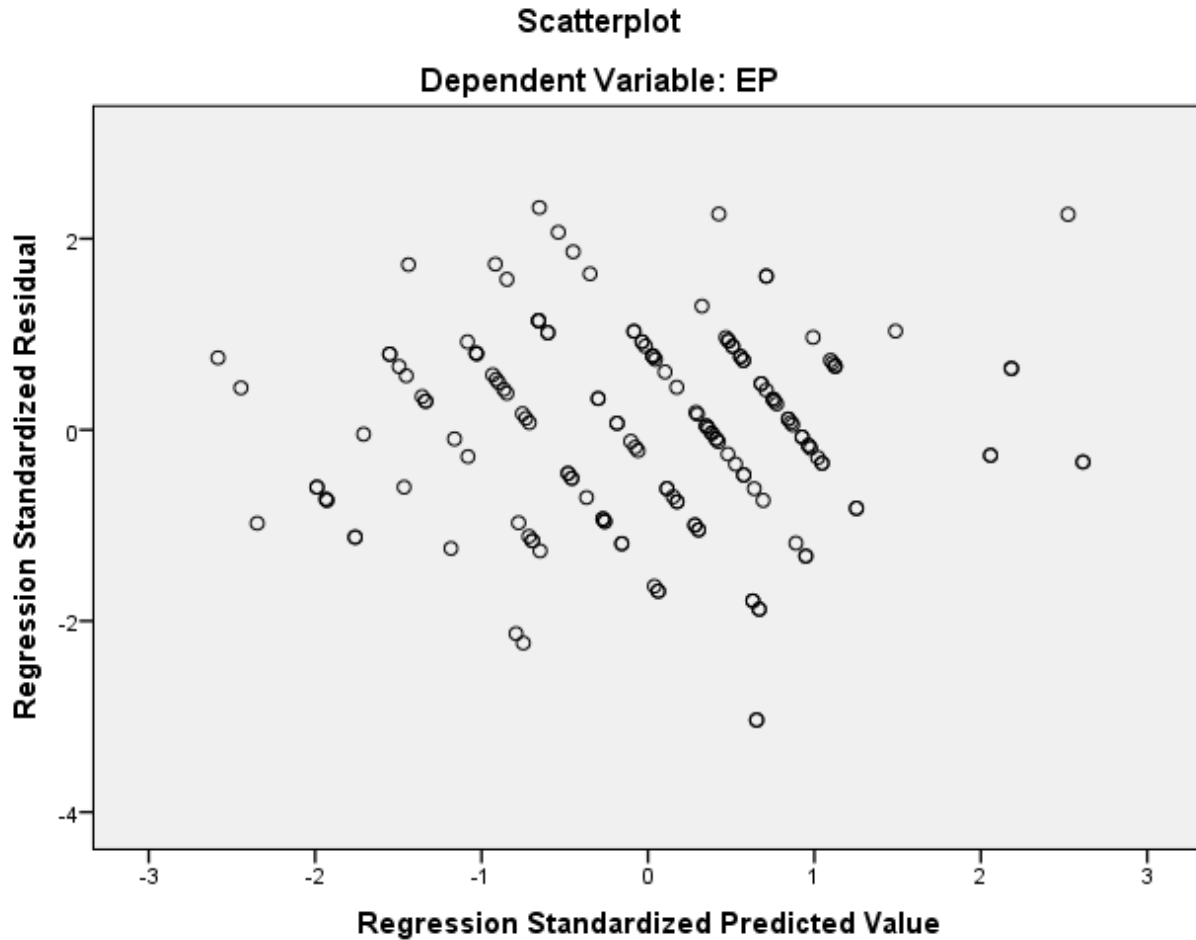
According to Garson (2012), as a rule of thumb, for normality **skew should be within the +2 to -2 range, when the data are normally distributed. Some statisticians also prescribe +1 to -1 as a more stringent criterion when normality is critical. In this regard, as shown in the above table, the skew value is perfectly fit within the limit and ranges between -0.403 and 0.043. Therefore, in this research, is said to be regularly distributed.**

Furthermore, as Garson (2012) suggests, kurtosis should be within the +2 to -2 range when the data are normally distributed, while some statisticians prescribe +1 to -1 as a more stringent criterion when normality is critical. Taking both options in to consideration, when we look at table 4.5, the kurtosis value is perfectly fit within the limit and ranges between -0.830 and 0.025. Therefore, it can be explained that, abnormality of the data distribution cannot be a problem for this study.

III. Homoscedasticity

Homoscedasticity is the extent to which the data values for the dependent and independent variables have equal variances, as Saunders, et al. (2009) noted. Based on the explanation by Field (2009), at each level of the predictor variables, the variance of the residual terms should be Constant which means the residuals at each level of the predictors should have the same variance, therefore checking for this assumption is helpful for the goodness of the regression model. Field (2009) suggested that it should plot the standardized residuals, or errors (ZRESID) on the X axis and the standardized predicted values of the dependent variable based on the model (ZPRED) on the Y axis to get the homoscedacticity result.

Figure 4.3: Standardized Residual of Scatter Plot



Source: Own Survey, computed in SPSS, 2021

According to Garson (2012), homoscedasticity supports as to check for the relationship under investigation is the same for the entire range of the dependent variable and lack of homoscedasticity is shown by higher errors (residuals) for some portions of the range, which can be seen on the scatter plot. In this regard, as Field (2009) describes, the graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero, if the assumption of homoscedasticity has to be met.

Likewise, as shown in the above figure, the points are randomly and evenly dispersed throughout the plot and there are no obvious outliers on this cloud of dots which are spaced around zero. Therefore, it can be concluded that the assumptions of random errors and homoscedasticity have been met.

4.5. Regressions Results

The significant level in the ANOVA table indicates that the combination of variables predicts the dependent variable substantially. ANOVA test is used to determine if the model is significantly better at predicting the result than the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model. For these data, F is 173.278, which is significant at $p < 0.001$. This result tells us there is less than 0.1% chance that an F-ratio is larger would happen by chance alone. Therefore, it can be said that the regression model results in significantly better prediction of employee productivity.

Table 4.6 ANOVA Test

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|-----|-------------|---------|-------------------|
| Regression | 12.398 | 5 | 2.480 | 173.278 | .000 ^b |
| Residual | 2.318 | 162 | .014 | | |
| Total | 14.717 | 167 | | | |

Source: Own Survey, computed in SPSS, 2021

Model Summary

Table 4.7 Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|-------|-------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .918a | .842 | .838 | .11963 | .842 | 173.278 | 5 | 162 | .000 | 1.371 |

Source: Own Survey, computed in SPSS, 2021

Overall, the given table revealed that all independent variables accounted for about 91.8% of the contribution for employee productivity ($R = 0.918$). Thus, 91.8% of the variation in employee productivity can be explained by five determinant and other factors may limit contribution of those determinant to the employee productivity which accounts for about 8.2%, as shown in the table.

From the above finding the study can develop the following regression model

$$EP = \alpha + \beta_1 PA_1 + \beta_2 PPE_2 + \beta_3 PAS_3 + \beta_4 FB_4 + \beta_5 RE_5 + \varepsilon$$

$$EP = 0.004 + 0.385PA_1 + 0.738PPE_2 + 0.150PAS_3 + 0.061PE_4 + 0.245RE_5 + \varepsilon$$

Where,

EP = Employee Productivity

α = Constant

β = Coefficient of estimate

PA = Performance Appraisal

PPE = Performance Planning and Execution

PAR = Performance Assessment

FB = Feedback

RE = Reward

ε = the error term

Regression model was applied to test how far determinants have effect on employee productivity. Coefficient of determination R^2 is the measure of proportion of the variance of dependent variables about its mean that is explained by the independent or predictor variables. It is carried out to examine the effect of the independent variable on the dependent variable and to determine the relative significance of the influence, i.e. Independent variable (performance appraisal, performance planning and execution, performance assessment, feedback and reward) to the dependent variable (employee productivity). Higher value of R^2 indicates greater explanatory power of the regression equation. The proposed hypotheses were tested using multiple regression analysis. The results of the regression analysis are depicted in the following table.

Table 4.8 Regression coefficient analysis of the model

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | -.004 | .135 | | -.030 | .976 |
| PA | .265 | .047 | .385 | 5.613 | .000 |
| PPE | .720 | .036 | .738 | 20.033 | .000 |
| PAR | .081 | .048 | .150 | 1.680 | .095 |
| FB | .057 | .033 | .061 | 1.712 | .089 |
| RS | .144 | .039 | .245 | 3.674 | .000 |

Source: Own Survey, computed in SPSS, 2021

4.7 Testing Hypothesis with Regression Analysis

Hypothesis 1

H₁: Performance appraisal has significant and positive effect on employee productivity?

The result of multiple regression analysis of the above table clearly indicates that performance appraisal has significant effect on employee productivity ($p < 0.01$). Besides, the value of beta in performance appraisal ($\beta = 0.385$) shows the positive effect of on employee productivity. This implies that a one unit increase in performance appraisal results in 0.385 unit increase in employee productivity. Thus, the above proposed hypothesis is accepted.

Hypothesis 2

H₂: Performance planning and execution has significant and positive effect on employee productivity?

The result of multiple regression analysis of the above table clearly indicates that performance planning and execution has significant effect on employee productivity ($p < 0.01$). Besides, the value of beta in employee training and education ($\beta = 0.738$) shows the positive effect of on employee productivity. This implies that a one unit increase in performance planning and execution results in 0.738 unit increase in employee productivity. Thus, the above proposed hypothesis is accepted.

Hypothesis 3

H3: Performance assessment has significant and positive effect on employee productivity?

The result of multiple regression analysis of the above table clearly indicates that performance assessment has no significant effect on employee productivity ($p < 0.05$). Besides, the value of beta in employee involvement ($\beta = 0.150$) shows the positive effect of on employee productivity. This implies that a one unit increase in performance assessment results in 0.150 units is not increasing in employee productivity. Thus, the above proposed hypothesis is rejected.

Hypothesis 4

H4: Performance feedback has a significant and positive effect on employee productivity in companies?

The result of multiple regression analysis of the above table clearly indicates that feedback has significant effect on employee productivity ($p < 0.01$). Besides, the value of beta in feedback ($\beta = 0.061$) shows the positive effect of on employee productivity. This implies that a one unit increase in feedback results in 0.089 unit not increasing in employee productivity. Thus, the above proposed hypothesis is rejected.

Hypothesis 5

H5: Performance based reward has a significant and positive effect on employee productivity in companies?

The result of multiple regression analysis of the above table clearly indicates that feedback has significant effect on employee productivity ($p < 0.01$). Besides, the value of beta in reward ($\beta = 0.245$) shows the positive effect of on employee productivity. This implies that a one unit increase in reward improvement results in 0.245 unit increase in employee productivity. Thus, the above proposed hypothesis is accepted.

4.8 Discussion of Regression and Interview Results

Performance Appraisal

According to the regression result of performance appraisal has a positive and significant relationship with employee productivity a coefficient estimates of 0.385.

This means that holding other independent variables constant and when one percent increases in performance appraisal, subsequently it improves employee productivity by 38.5% and the P value of performance appraisal is 0.000 reveals that it is statistically significant at 1% level of significance. Accordingly, the result supports the working hypothesis that performance appraisal has significant and positive effect on employee productivity. It implies that performance appraisal has a great role for one company employee productivity growth. Thus, this outcome is consistent with prior study of Senait (2020), Odhiambo (2015) and Hamid (2013).

Performance Planning and Execution

According to the regression result of Performance planning and execution has a positive and significant relationship with employee productivity a coefficient estimates of 0.738. This means that holding other independent variables constant and when one percent increases in Performance planning and execution, consequently it improves employee productivity by 73.8% and the P value of Performance planning and execution is 0.000 reveals that it is statistically significant at 1% level of significance. Accordingly, the result supports the working hypothesis that Performance planning and execution has significant and positive effect on employee productivity. It entailed that Performance planning and execution has a great role for one company employee productivity development. Thus, this outcome is consistent with prior study of Misgana (2018) and Mengistu (2018)

Performance Assessment

According to the regression result of Performance assessment has no significant and positive relationship with employee productivity with a coefficient estimate of 0.150. This means that holding other independent variables constant and when one percent increases in employee involvement, consequently it cannot improve operational performance by 15% and the P value of employee involvement is 0.095 reveals that it is statistically insignificant at 5% level of significance. Accordingly, the result didn't support the working hypothesis that Performance assessment has significant and positive effect on employee productivity. It entailed that Performance assessment has less role for one company employee productivity growth. This result is consistent with prior study of Misgana (2018)

Feedback

According to the regression result of feedback has no significant and positive relationship with employee productivity with a coefficient estimate of 0.061. This means that holding other independent variables constant and when one percent increases in employee involvement, consequently it cannot improve operational performance by 6.1 % and the P value of employee involvement is 0.089 reveals that it is statistically insignificant at 5% level of significance. Accordingly, the result didn't support the working hypothesis that performance feedback has significant and positive effect on employee productivity. It entailed that Performance feedback has less role for one company employee productivity development. As a result, this result is consistent with previous research by Hamid (2017), Mengistu (2018) and Odhiambo (2015)

Reward System

According to the regression result of performance-based reward improvement has significant and positive effect with employee productivity a coefficient estimates of 0.245. This means that holding other independent variables constant and when one percent increases in performance-based reward, consequently it improves employee productivity by 24.5% and the p value of quality focus is 0.000 reveals that it is statistically significant at 1% level of significance. Accordingly, the result supports the working hypothesis that performance-based reward has significant and positive effect on employee productivity. It indicates that performance-based reward has a great function for the company employee productivity improvement. Generally, the overall result is shown in the following table. As a conclusion, it is similar with Hamid (2017) and Odhiambo (2015).

Table 4.9 Summary of the overall outcome of the research hypotheses

| Hypothesis | Result | Reason |
|---|-----------------|-----------------------------|
| H1: Performance appraisal has significant and positive effect on employee productivity? | Accepted | $\beta=0.385$, $p<0.01$ |
| H2: Performance planning and execution has significant and positive effect on employee productivity? | Accepted | $\beta=0.738$, $p<0.01$ |
| H3: Performance assessment has significant and positive effect on employee productivity? | Rejected | $\beta=0.150$, $p<0.05$ |
| H4: Performance feedback has a significant and positive effect on employee productivity in companies? | Rejected | $\beta=0.061$, $p<0.05$ |
| H5: Performance based reward has a significant and positive effect on employee productivity in companies? | Accepted | $\beta=0.245$, $p<0.01$ |

To summarize, all hypothesis developed based on the research objective and the conceptual framework, were tested. Moreover, aiming in validating the hypothesis testing, several assumptions were checked. Accordingly, the hypotheses were tested through appropriate statistical procedures and the results obtained from the statistical analysis are said to be successful in achieving the desired objective and in answering the research questions.

According to interview conducted with top Human Resource Managers of GAWT International Business Group, RANGVET and RANG. All the interviewees were interviewed independently at different times. The interview questions tried to know the overall performance appraisal practice of the company, identify in what condition that performance appraisal, performance planning and execution, performance assessment, performance feedback and reward system affect employee productivity of the company and which of them affect employee more as well as for additional comments or suggestion on these areas. The following points were findings mentioned as additional input.

The company's overall performance appraisal practices is done on bi-annual (every six month) and on needed basis on special circumstance such as company rules violation (disciplinary probation period) and filling in on new vacant position or promotion. And, every permanent employee will be evaluated after completion of their probation period and will be evaluated before becoming a permanent employee in the company. The performance appraisal is done by respective immediate supervisors, in consultation with the HRM. The human resource manager coordinates the process of periodic performance evaluation and give all the necessary administrative support.

The company also have internal HR manual including all the performance appraisal system, process and measurement steps with the evaluation period. In the first stand, performance appraisal is a formal structured system that compares employee performance to established standards. In addition, it used as a means of communicating to employees how they are doing and suggesting needed changes in behavior, attitude, skills, or knowledge to explicitly communicated standards or expectations of employee performance on the job, the company can enhance employee's productivity positively.

Next to this, performance planning and execution is the step in which the performance assessor and employee meet to discuss and agree on main areas and topics such as critical roles of employees, having a clear understanding on the goals and objectives that must be met. The major responsibilities of top managers (HR) and supervisor in the performance execution stage are; to monitor and communicate openly with appraiser on progress, to participant and solicit performance feedback, update on objectives if a goal needs to be revised, complete development plans, actively participate in the midterm review so that individuals can get significant benefits by being able to find exactly how their performance is perceived before it becomes formal record at final year and keep track accomplishment.

Regarding to performance assessment, it is carried out with the interaction of the employee and the supervisor in evaluating the extent to which the intended behavior and outcomes are satisfied during the specified time of performance evaluation. During the evaluation phase, both the employee and the management are responsible for determining if the intended behaviors have been demonstrated and if the expected outcomes have been attained. It is HR responsibility of the evaluation process by keeps in mind and on record the present and the future performance of the employee. The record of employee performance is important for the feedback. The managers and supervisors identify current performance levels, examine strengths and deficiencies, and plan for future prospects. Hence, performance appraisal feedback plays an important role in promoting employee productivity positively. Individuals assessed tend to have higher acceptance and happiness with the performance process, when it is directly tied to rewards to achieve its goals and objectives must have a rewards system in place. In order for this to happen, top management must clearly and sufficiently define each employee's responsibilities and have clearly specified goals and objectives. In order to increase performance, the incentives system should be capable of recognizing employees' strengths and weaknesses. If the employees fail to meet the objective, a career development plan can be developed to enhance their performance through training.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarizes and presents the results of the study, conclusions, recommendations, study limitations, and directions for future research. Conclusions and recommendations were given based on the major findings and outcomes. The recommendations included strategies to increase employee productivity in the investigated company as well as open the way for future studies.

5.1 Summary of Findings

The research general objective was to examine the effect of performance appraisal practices on employee productivity in case of GAWT International Business Group, RANGVET and RANG Engineering in Addis Ababa. The study distributed one hundred seventy-three (173) questionnaires out of these three one hundred sixty eight (168) were only properly filled and responded for the study. In line with this, it was carried out by constructing a regression model using SPSS through testing relevant assumptions that were adopted from primary sources of data to have well-built quantitative analysis.

The dependent variable is employee productivity and independent variables are performance appraisal, performance planning and execution, performance assessment, feedback and reward, in order to attain the objective of the study. Thus, the overall result obtained from the regression model indicates that performance appraisal, performance planning and execution and reward have positive and significant effect on employee productivity. However, performance assessment and feedback have no significant effect on employee productivity.

5.2 Conclusions

The effect of performance appraisal practices on employee productivity in case of GAWT International Business Group, RANGVET and RANG Engineering based in Addis Ababa.

- The result indicates that performance appraisal has significant and positive significant effect on employee productivity, which implies that an increase in performance appraisal inevitably leads to enhance employee productivity.
- The result points out performance planning and execution has significant and positive effect on employee productivity, which implies that an increase in performance planning and execution certainly leads to improve employee productivity.

- The finding implies performance assessment has no significant effect on employee productivity, which implies that an increase in performance assessment does not lead to improve employee productivity.
- The finding implies performance feedback has no significant effect on employee productivity, which implies that an increase in feedback does not lead to improve employee productivity.
- The outcome indicates reward has significant and positive effect on employee productivity, which implies that an increase in reward lead to improve employee productivity.

In general, performance appraisal, performance planning and execution and reward have significant and positive effect on employee productivity. However, performance assessment and performance feedback have no significant effect on employee productivity.

5.3 Recommendation

The findings of the study showed that the variables performance appraisal, performance planning and execution and reward system have significant and positive effect on employee productivity. However, performance assessment and feedback have no significant effect on employee productivity. As a result, concentrating on and taking action on these variables may increase the likelihood of limiting the effect on employee productivity. The researcher has made the following recommendations based on the results of the regression analysis.

- As performance appraisal, it has a significant and positive effect on employee productivity, therefore GAWT International Business Group including RANGVET and RANG Engineering should evaluate their workers on a regular basis by milestones, organizational targets and time management in order to maximize employee productivity. Elements in performance methods should be tailored to the organization's employees, jobs, and structure relevant to the company and conduct the performance appraisal on regular bases and on quarterly by strictly following the company performance appraisal time period to enhance the employee productivity. To keeping the above activities, companies can easily enhance their employee productivity.

- The analysis indicated that performance planning and execution has a significant and positive effect on employee productivity, therefore GAWT International Business Group including RANGVET and RANG Engineering has to provide clear performance planning execution and update the plans throughout the year to all employees accordingly to their position. Performance planning and execution should also participate more lower level employees to have idea and additional input how to execute and improve it further. By doing so the company can enhance the employee productivity.
- The finding explained that performance assessment has no significant effect on employee productivity. However, GAWT International Business Group including RANGVET and RANG Engineering should regularly asses and review the performance appraisal. Ongoing performance assessments should be done to incorporating the strategic goals of the company. Furthermore, performance assessment can rely on technology to track the employee performance assessment and take remedial action needed afterwards. Finally, by keeping the above activities, the companies can increase the employee productivity.
- The finding explained that performance feedback has no significant effect on employee productivity. Though, the company can create environment that encourages employees to get involved in providing regular feedback to employees without any biasness. And also including 360-degree (multi-rater) feedback, where feedback from an employee's subordinates, colleagues, and supervisor, as well as a self-evaluation by the employee themselves is gathered to eliminate unfair feedback. If the feedback is frequently followed by coaching and training after their assessment the manager or supervisor can enhance employee's productivity. Performance feedback is also critical component in improving individual performance, therefore it is essential for supervisor or manager to offer employees with feedback on their efforts and to improve the performance of their and record of their feedback on their performance must be recorded for future reference. Therefore, by implementing the above points the companies can easily enhance employee productivity.
- The analysis indicated that performance reward has a significant and positive effect on employee productivity, therefore the company should use reward for bonus pay, for increasing pay employees and for further training need assessment payment purpose and it is rarely used for punishment and related administrative actions.

When good performance is recognized and subsequently rewarded, the probability of it occurring again increases, whereas poor performance is discouraged to reduce the possibility of it occurring again. Rewards in the form of bonuses leads to increase task interest and performance. Job promotion can improve the employee performance in the organization. This can attract more employees into this concept which in turn leads to the continued search for more improvements. By doing so, GAWT International Business Group including RANGVET and RANG Engineering can increase their employee productivity. In addition, the companies must encourage and gives incentives for employees, who have good performance appraisal in order to increase motivation and employee productivity.

Therefore, GAWT International Business Group, which includes RANGVET and RANG Engineering, should take a more active role in addressing the aforementioned variables in order to improve staff productivity.

5.4. Future Research Direction

This study was conducted solely in based Addis Ababa and the composition of the sample may not be analogous to the whole out lets in Ethiopia. Therefore; additional studies in different regions of the country are needed to investigate the hypotheses. In addition, variables included in the study were only performance appraisal, performance planning and execution, Performance assessment, feedback and reward and future researches should be carried out to determine the effect of other variables which are not included in this study.

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ANNEXES

ANNEX 1

Questionnaire on Effect of Performance Appraisal Practice on Employee Productivity

Dear Sir / Madam,

Greetings! Thank you for taking the time to complete this questionnaire.. I am a Masters Student department of Human Resource Management at Addis Ababa University School of Commerce. I am conducting a questionnaire on the effect of Performance Appraisal on Employee Productivity in GAWT International Business PLC, RANGVET, and RANG Engineering PLC. The questioner has three parts; part one is the general information about the respondents and part two is question selected about performance appraisal practice and employee productivity. Thank you so much for your active involvement in the questionnaire, which was created only for academic research purposes.

Part I: Basic information (Please use “x” mark on the choice you make)

1. Gender:

- Male
- Female

2. Education Qualification

- Diploma Masters
- Degree

3. Marriage status

- Married
- Single

4. Year of Experience

- Less than one year 6-10 year
- 1-5 year More than 10 year

3. Age

- 18-25years 26-33 years
- 34-41years Above 42 years

Part II: Effect of Performance Appraisal Practices and Employee Productivity

Please indicate the extents to which you agree with the following statement by marking (X) from the scale of 1 up to 5, where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5 = Strongly Agree(

Section I: Performance Appraisal of the company (PA)

| No | Description | Rating scale | | | | |
|----|--|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | In the company, performance appraisal practice is used as strategic tool in enhancing individual and company performance? | | | | | |
| 2 | The company's performance appraisal practice strongly creates an alignment between employee performance & organizational goals? | | | | | |
| 3 | The company's performance appraisal practice allows high employee participation? | | | | | |
| 4 | The company's performance appraisal practice creates a pleasant and a positive relationship and connection between an individual employee and the supervisor based on trust and empowerment? | | | | | |
| 5 | Performance planning, execution, assessment, reward system and feedback are the major aspects of the company's performance appraisal practice in the company? | | | | | |
| 6 | The cycle of performance management (plan, act, monitor & review) is clearly observed in the company's performance management practice? | | | | | |
| 7 | Performance appraisal makes me better understand what should be done in workplace? | | | | | |
| 8 | Performance appraisal is used as a decision-making tool for the increasing my performance? | | | | | |
| 9 | I'm satisfied with the current company's performance appraisal system? | | | | | |

Part II: Effect of Performance Planning and Execution

| No | Description | Rating scale | | | | |
|----|---|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | I know the company mission, strategic goal and objective? | | | | | |
| 2 | I am clear about what my job responsibilities are and what is expected from me? | | | | | |
| 3 | Goal setting in the company carried out with discussion between the employee and the supervisor? | | | | | |
| 4 | I clearly understand the purpose and the process of performance appraisal system employed by the company? | | | | | |
| 5 | While setting a goal, my supervisor clearly informs me the expectation he/she has from my performance? | | | | | |
| 6 | I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work? | | | | | |
| 7 | My supervisor and I reached to an agreement about my development plan to enhance my performance? | | | | | |
| 8 | The company provides me sufficient resources to execute my job properly? | | | | | |
| 9 | I always be informed about a change in company goal and updates accordingly? | | | | | |

Part III: The Effect of Performance Assessment

| No | Description | Rating scale | | | | |
|----|---|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | My performance is measured based on the agreement I reached with my supervisor? | | | | | |
| 2 | I am given the opportunity to assess my performance (self-appraisal method)? | | | | | |
| 3 | My manager/supervisor gathers information about my performance from my colleagues, supervisors, and clients. While assessing my performance? | | | | | |
| 4 | The performance rating, I receive is accurate? | | | | | |
| 5 | After completion of my assessment, I always have discussion with my supervisor to review my performance? | | | | | |
| 6 | In my opinion the objective of performance assessment of the company is to motivate employees, to encourage development, growth and to serve as a communication about the roles and expectations? | | | | | |
| 7 | Performance appraisal practice in the company brings massive work and consumes much time it is better to have simple tool? | | | | | |
| 8 | Performance appraisal method changes the way I do my job and help me to know where I stand? | | | | | |
| 9 | The performance appraisal makes me confused? | | | | | |

Section IV: Effect of Performance Feedback

| No | Description | Rating scale | | | | |
|----|--|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | My manager gives me fair feedback? | | | | | |
| 2 | My manager discusses regularly my job performance with me? | | | | | |
| 3 | The feedback I receive agrees with what I have actually achieved? | | | | | |
| 4 | The feedback I receive on how I do my job is highly relevant? | | | | | |
| 5 | I am satisfied with the way the company provides me with feedback? | | | | | |
| 6 | I always get adequate feedback on my performance? | | | | | |
| 7 | Current performance feedback in the company is fair and unbiased? | | | | | |

Section V: Effect of Performance based Reward

| No | Description | Rating scale | | | | |
|----|---|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The rewards provided by the company frequently motivate us to give our best? | | | | | |
| 2 | The reward matches my work effort? | | | | | |
| 3 | I am happy with current reward system? | | | | | |
| 4 | I am ready to increase my work efforts in order to gain the rewards? | | | | | |
| 5 | High performance employees are allowed for job promotion than low performers? | | | | | |
| 6 | The reward on work encourages me to work beyond the requirement of my work? | | | | | |
| 7 | Reward opportunities encourages employee to be creative? | | | | | |
| 8 | The reward I receive is satisfactory and fair? | | | | | |

Section VI: Employee Productivity

| No | Description | Rating scale | | | | |
|----|---|--------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The current level of the employee productivity is high? | | | | | |
| 2 | The quality of the products in the company is high? | | | | | |
| 3 | The quality of the services in the company is high? | | | | | |
| 4 | The ability of the employees to be innovative is high? | | | | | |
| 5 | I regularly deliver high quality products/services? | | | | | |
| 6 | I work to the best of my abilities? | | | | | |
| 7 | I achieve my work target? | | | | | |

ANNEX 2:

INTERVIEW

The purpose of this interview is to collect data in order to study the effect of Performance Appraisal Practice on Employee Productivity in case of GAWT International Business PLC, RANGVET PLC, and RANG Engineering PLC. This research is conducted by Yabesera Bensus, a MA student of Human Resource Management at Addis Ababa University. You will be asked to take part in this interview that will take approximately 15-20 minutes. Interview is for Top Management. Your response is confidential and only used for academic purpose only.

1. How would you describe the overall company performance appraisal practice?
2. In what condition that performance appraisal, performance planning and execution, performance assessment, performance feedback and reward system affect employee productivity of your company?
3. From the determinants performance appraisal, performance planning and execution, performance assessment, performance feedback and reward system. which of them are more affects your company's employee productivity?
4. Do you have additional comments or suggestion on the subject area?

THANK YOU!