



Effectiveness of employee Performance Appraisal System of Commercial Bank of Ethiopia

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Declaration

I, the undersigned, declare that this work titled “**Effectiveness Of Employees Performance Appraisal System In Commercial Bank of Ethiopia**” in my own effort and study. I have produced it independently except with the guidance and suggestion of the advisor Abdurezak Mohammed (Ph.D) and the articles referred.

All sources of materials used for the research paper have duly acknowledged. This has not been submitted either in part or full in this university or any other university for the purpose of earning any degree. It is submitted here in partial fulfillment of the required of the degree of Master of Human Resource Management.

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Endorsement

This research paper titled “**Effectiveness of Employees Performance Appraisal System In Commercial Bank of Ethiopia**” has been submitted to Addis Ababa University school of Commerce Department of BAIS, with my guidance and approval as a university advisor.

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**Effectiveness of Employee Performance Appraisal System of
Commercial Bank of Ethiopia**

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Acknowledgment

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LIST OF ACRONYMS

CBE = Commercial Bank of Ethiopia

CSM = Customer Service Manager

HR = Human Resource

HRM = Human Resource Management

MIS = Management Information System

PA = Performance Appraisal

PAS = Performance Appraisal System

Abstract

The purpose of this study was to examine the factors that affect the effectiveness of performance appraisal system of Commercial Bank of Ethiopia. A study used quantitative research design and deductive approach. The sample for the investigation was drawn from a population of 4,125 employees, all from branches in Addis Ababa districts. Stratified sampling was used to select representative units of measurement. The only Primary data collection instrument was a questionnaire. Simple random sample was used to select 120 respondents among each strata contributing to generalize the findings. The scope of the study was limited to 140 branches found in Addis Ababa. The analysis was done by the help of SPSS software and presented a descriptive statistics, correlations, assumption tests and regression analysis. The correlation results indicated that there is a positive relation between the factors and effectiveness of appraisal system. The results of the regression test showed that independent variables/factors/ was significantly contributed in variance at significance level of 0.05. The finding of the study revealed that over all employees think that the factors like feedback richness, improve performance of employees, motivation, perception towards performance appraisal and purpose of appraisal result affects the effectiveness of the appraisal system implemented in CBE. Whereas, managers and immediate supervisors were think that the system to evaluate the performance of employees implemented was not affected by them. The investigation indicated that there is a significant difference between raters and ratees perception towards the effectiveness of performance appraisal system. On the basis of the findings, the researcher recommends that the management create intensive awareness for both raters and ratees about the appraisal system, increase the participation of all employees towards the policy and procedure formulation to enhance their belongingness and exploit uses of appraisal, the feedback provided by raters should be specific and timely and be against predetermined performance expectations, ensure whether the system achieve the intended objectives or not, provide trainings for raters, and link the result of appraisal with rewards in order to motivate the performers.

Key words: Employee Performance Appraisal, Effectiveness, Appraisee, Appraiser

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Chapter One

Introduction

1.1 Background of Study

The subject of performance appraisal appears a major subject of controversy in management circles. In order to achieve organizational goals, managers must be able to determine and assess performance levels of both an organization and its individual employees (Kurt, 2004) as cited on (Sualihu Bintu, 2014). In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate (Jansirani et.al, 2013).

In CBE employee's performance measured in a quarter bases. District human resource sub process is responsible whether the evaluation system is properly and timely measured or not. Each employee, who works in the branch, performance is measured by branch managers. Their performance mainly measured based on financial (deposit of local currency and foreign currency) and non financial (ATM card, mobile banking, and internet banking user recruitment) targets. The system is focused on quantitative performance of employees. It is easily measured the performance of employees by only extracting the data from the system. It omits the behavioral part of employees which is mandatory for service delivery organization like banks. Employees have got from 1 to 5 marks from unsatisfactory to exceptional score respectively. According to the HR policy of the bank such result is directly connected to reward and promotion, training and development, and succession planning as well. Branch managers fill the results of each employee for three copies and convince with each employees about the result; and both of them sign on the evaluation form then one copy send to district HR sub process for documentation purpose.

Even though these all process was conducting, huge amount of resources (material, human and time) were invested in order to measure the performance of employees and even the HR policy was direct the result of evaluation links with reward, promotion, succession, training and

development ...etc, nothing have seen links except documentation. This results employee didn't perceive it is useful tools for their future.

According to preliminary interview to 20 employees before conducting this research, no one worried whether he/she has got 1 up to 5. In terms of the importance, appraisal in CBE lost its acceptance in employees mind. Different studies conducted in Ethiopian organizations indicated that performance appraisal systems have some deficiencies in terms of linking the result with developmental and motivational decisions, unclear standards measured performance of involved parties; don't provide constructive feedback to performers in order to improve their performance. The same problems have seen in CBE. It was understood that the necessity of conducting a research on the effectiveness of performance appraisal is vital to the CBE staffs, academicians, HR personnel, and professionals and practitioners of it.

Commercial Bank of Ethiopia (CBE) was legally established and took its shape as a share company in 1963. CBE took over the commercial banking activity of the then state bank of Ethiopia which was originally founded in 1942. The state bank of Ethiopia had been responsibly engaged in performing the duties of both commercial and central banking (CBE annual report 2013/14). Commercial bank of Ethiopia is a state owned bank. CBE plays an important role in the country's economy and dominates the market in terms of asset, deposit, capital, and customer base and branch network. While CBE faces a growing competition in the banking industry from private banks, it still stands in the leading position with its long year bank service experience (CBE annual report 2013/14). The rich experience of the bank in the service market & its strong capital base and large branch network enabled CBE to attract and overcome extremely high demand from both private and public companies and the bank uses as opportunity to increase its revenue in a sustainable base (CBE 2009/10).

CBE had 1100 branches across the country by Jan 2016. Combines wide capital base with 18,524 talented and committed employees (CBE Muday magazine, 2016). According to MIS data the number of employees reached 25,000 recently. It had about 13 million account holders as of June 30, 2016. The total asset of the bank as of June 30, 2014 is 244.13 billion and the total deposit is 233.02 billion (CBE 2013/14). Currently, the bank has 1163 branches all over the country and it still takes the lead contributing lion share in the country's economy than other private competitor banks (CBE MIS department, 2014).

1.2 Statement of the problem

Performance appraisal is an important human resource management tool which provides information to many critical human resource decisions such as compensations and benefits (Boxall & Purcell, 2003), training and development needs (Nanning, 2005), layoffs, staffing, pay raises, drug testing, and discipline (Cropanzano & Stein, 2009). Nanning asserts that performance appraisal has been studied quite extensively over the last few decades, yet scholars continue to argue about the validity and merits of these systems.

As the preliminary study for five branch managers/supervisors and fifteen employees indicated that, there were no developmental decision had taken after appraisal; branch managers had lack of knowledge and skill in order to provide constructive and important feedback for future performance; lack of awareness for both employees and managers about the uses of appraisal result; even though there were HR policies and procedures most employees and some managers had vague about the standard used to measure the performance of employees; and all in all the appraisal result didn't link for any motivational decisions even though it could be conducted at a regular interval. The problem had seen after the preliminary interview of respondents in different Ethiopian organizations. As per the study cited on (Belete G. et.al, 2014) Performance appraisal system has many or multidimensional problems in Ethiopian institutions context; there is no written policy about the performance appraisal system and the objective of performance appraisal & there is no standard set to which the performance appraisal result is to be compared with it. Again there is no training given for both appraisers and appraisees about how to conduct performance appraisal and its objective. According to the research findings, most institutions have not been using the performance appraisal procedures and standards. This is supported by no employee has been fired and punished or taking corrective measure in relation to performance-related problems Meseret Yazachew (2007, p. 77).

In general, this study conducted to examine the effectiveness of performance appraisal system implemented in CBE in terms of fairness, perception of employees towards PA, objectives/purposes of PA, feedback richness, motivation and reliability of PA system, which has not assessed before since its implementation by research and development sub process of the bank. In the sake of researcher knowledge this sub process have not done any research related to

the effectiveness of performance appraisal implemented in the bank and no paper put in place at the banks library related to this topic.

1.3 Research questions

The following research questions formed the basis upon which the study will be conducted:

- How does perceptions of employees towards performance appraisal system in CBE affect for the system effectiveness?
- Does performance appraisal system implemented in CBE carry out with open communication between supervisors and subordinates?
- To what extent the performance appraisal system implemented in CBE contribute for employee's performance improvement?
- How the performance appraisal system implemented in CBE does effective to motivate employee to work harder?
- To what extent appraisers and employees/appraisees accept the effectiveness of performance appraisal system implemented in CBE?

1.4 Research objectives

General objectives the study was assessing the effectiveness of employee performance appraisal practice of Commercial bank of Ethiopia.

The specific objectives of the study were the following:

- To examine the performance appraisal system by diagnosing the strength and weakness of the system.
- To identify what roles (purposes) performance appraisal system serves and how employees perceive the system.
- To examine whether appraisers provide timely feedback and conduct post assessment discussion with employees.

1.5 Significance of the study

The findings of the study would be useful to a number of groups and organizations. In the first place, the findings of the study will be useful to the management of CBE as it will expose the management to the views of employees regarding the PAS in the bank. It will also help management to take proactive measures to make them aware of the relevance of the need for the appraisal and to improve the appraisal system in the bank.

The employees will also benefit as the study will expose the problems that make the implementation of the PAS difficult and once these problems are addressed, it will help create a working environment which will be conducive for them (both appraisers and appraisees) in the performance of their duties.

The findings of the study also used as platform for researchers who may want to carry out further and in-depth research on the performance appraisal system area or other related issues.

1.6 Scope of the Study

The research scope will be limited to the study of the effectiveness of employee performance appraisal system in CBE with a specific focus on Addis Ababa districts branches only. The reason why the study uses this scope are manageable by researcher capacity, respondents are relatively homogeneous in knowledge of the job, work environment, training availability... etc due to these and other reasons the respondents answer will not bias significantly. On the other hand, because of the scope, the study findings represent only Addis Ababa branches even though, as it is well known CBE has many branches in different area throughout the country. Mean while the study excludes employees work in head office and other sub process because their nature of work different from branch.

CBE classifies all branches in to 15 districts based on geographical area. Each district has human resource manager who reported to the corporate HR manager (HR policy guideline 2006/07). Every HR practices under the district are the duties and responsibilities of district HR manager and his/her subordinates. (HRM procedure manual 2010. pp.14) says handling the conventional HRM activities ranging from planning to termination of their respective districts. If the district HRMs are responsible and plays a great role for the effectiveness of employees PA, it was reasonable taking four districts for this study among the 15.

The study was used the time frame of 20 March 2017 and 30 April 2017 for the assessment of the effectiveness of performance appraisal for a significant conclusion. The period was the time to measure the third quarter performance of employees that was a good interval in order to obtain relevant information about the topic. The study also focus on the factors or variables that affect the effectiveness of performance appraisal which are feedback richness, purpose of the result, improve performance, reliability of measurement, perception of involved parties towards PA and motivate employees. Even though there were different factors that affect its effectiveness, the study stick on the above mentioned variables and conclude based on the data on them.

1.7 Limitation of the study

One of the main limitations of the study is using sampling mechanism. The sample size will be limited, and, thereby, could not take into account all the employees in the organization into the study. The study uses simple random sampling for selecting the respondents among the branch employees and managers who work in Addis Ababa district's branches. It omits the attitudes and perceptions getting from the remaining employees who don't select as a sample work in head office and other districts about the effectiveness of performance appraisal system of CBE. This leads generalize the findings based on the response of selected respondents answer but it may vary the findings if the research uses all population.

The study was limited only assess how effectively the employee performance appraisal system is implemented in CBE with the major variables/factors which are perception of raters/ratee towards performance appraisal, feedback richness, motivation, improve employees' performance and reliability of the system. The other related factors/variables of employee performance appraisal will not be included on this particular study.

1.8 Operational Definition of Terms

Performance Appraisal: A process by which a supervisor/manager evaluates and judges the work performance of their subordinates.

Appraisal Effectiveness: is a clear explanation on appraisal system and purpose of conducting the appraisal in the company gives a positive affectivity on individual and organization.

Effectiveness: Effectiveness is the degree to which something is successful in producing a desired result.

Raters: A person who responsible to rate the rates during the performance appraisal.

Ratee: A person who evaluate his or her work performance by immediate supervisor or manager.

Motivation: Motivation in this study is individual initiative to enhance his/her ability to perform a given job and create new ways of performing their job.

Perception: In this study perception refers to employees' interpretation and impression towards the performance appraisal system within their organization.

Feedback: The information reflecting past performance and results and given by the manager to the employee is called feedback.

1.9 Organization of the study report

The study will be dividing in to five chapters. The first chapter deals with introduction which encompasses background of the study, statement of the problem, research questions, purpose of the study, significance of the study, scope of the study, limitation of the study, as well as organization of study. The second chapter deals with the review of related literatures. This part would give a highlight on the theoretical, empirical and conceptual framework of the topic under study. The third chapter was research methodology which includes population and sampling size, data type and source, data collection, data analysis technique & method and ethical consideration. The fourth chapter was deals presentation and analysis, interpretation of data diagnosed carefully. The fifth chapter were dedicates the summary of findings, conclusions and recommendations.

Chapter 2

Review of Related Literature

2.1 Concept and Definition Performance appraisal

The concept of performance, according to Ghorpade (as cited in Akinyele, 2010), is the degree of accomplishment of the task that makes up an employee's job. According to Akinyele, it shows how an employee is seen doing his/her work. For example a worker could make a frantic effort in performing his duties at the workplace and end up coming out with little or below average output (Flaniken, 2009). Here, effort could be high and yet performance is low. Performance therefore depends on such factors as efforts, ability, enthusiasm, hard work, motivation, information and feedback (Cropanzano & Stein, 2009).

Performance appraisal is essentially an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about each individual's performance and development, as well as the support required from the manager. While performance appraisal is an important part of performance management, in itself it is not performance management: rather, it is one of the ranges of tools that can be used to manage performance. (CIPD, 2011)

From the definitions above, a number of issues emerged, that PA involves comparison of any employee's performance with a performance standard and the performance standards describe what the employee is expected to do in terms of behaviors and results. PA must be systematically done, and it must be related to the individual's performance on the job. It must also provide information on the job and to help the employee develop his/her potential for the benefit of the organization.

2.2 Purposes of performance appraisal

As per cited on the study of (Migiro S., & Taderera M., 2010); Performance appraisals have administrative (Analoui and Fell, 2002) and motivational purposes (Beer and Ruh, 1976). They serve several purposes (Kumar, 2005; Millmore et.al, 2007). These purposes include: (1) to let subordinates know formally how their current performance is being rated; (2) to identify subordinates who deserve merit raises; (3) to locate individuals who need additional training; (4) to identify candidates for promotion; (5) to identify the scope for performance improvement and

the means to achieve it; (6) to serve as a source of information for management to make decisions about promotions, salaries, training needs, and training support (7) as a means of managerial control, through the setting of objectives; and (8) to facilitate personal improvement and development.

Hence, organizations need to rate their employees so that people can be identified to assume positions of leadership or acknowledged for rewards when appropriate (Gibbons and Kleiner, 1994). However, Becker et al. (2001) emphasize that performance appraisal systems are incoherent in terms of what is measured and what is important. Human resource managers have to be able to understand exactly how people contribute to a company's results by being valuable and how to measure this contribution.

According to Ivancevich (2004:257) and, Rao (2000:220), evaluation has many purposes; among them are:

- A. **Development.** It can determine which employees need more training, and it can help evaluate the results of training programs. It helps the subordinate-supervisor counseling relationship, and it encourages supervisors to observe subordinates' behavior to help employees.
- B. **Motivation.** It can encourage initiative, develop a sense of responsibility, and stimulate efforts to perform better. Robbins P. (2003) defined motivation as the process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.
- C. **Human resources and employment planning.** It can serve as a valuable input to skills inventories and human resource planning.
- D. **Communications.** It can serve as a basis for an ongoing discussion between superior and subordinate about a job-related matter. Through interaction and an efficient feedback process, the parties get to know each other better.
- E. **Legal Compliance.** It can serve as a legally defensible reason for promotions, transfers, rewards, and discharges.
- F. **HRM research.** It can be used to validate selection tools such as a testing program.

2.3. Effective Employee performance appraisal

No evaluation system will achieve its objectives unless there is some consequences to the evaluation. It is of no value, just a waste of effort, time and money. It should serve as a standard to plan promotions, empowerment, salary revisions and training and development. The success of every appraisal system depends on the key results of such tool. Good result is impossible without giving importance to employee value (Liza E. Daoanis, 2012). Evaluation without appropriate action and results is useless; it will only create more problems in the organization. Employee will always look forward to finishing a job with enthusiasm if they are given appropriate recognition or reward for doing a good job. People will be more creative and willing to extend a mile of their time and will always work at their best.

Employee performance appraisal is an effective tool or vehicle for assessment of employee performance and implementation of strategic initiatives for the improvement of employee performance (Lawler and McDermott, 2003). However, a considerable literature stream also suggests that there exist dissatisfaction in employees regarding performance appraisal system (Roberson and Stewart, 2006) cited by Ikramullah, M. et al., (2011, pp. 94). For instance, (Morgan, 2006) noticed that performance appraisal in many organizations has not met expectations of employees. In the same vein, prior findings by Smither and London (2009) have elucidated that 80-90% managers reflect that performance appraisal has not been effective in improving employee and organization's performance.

Literature has identified several indicators that affect the outcomes of performance appraisal system. In this regard, one critical factor is the appraisal source. This factor suggests that employee performance can be evaluated through multiple sources such as supervisors, managers, self, peers and even customers (Wood and Marshall, 2008). Another important characteristic of performance appraisal is the purpose for which performance has been appraised or evaluated (Thurston, 2001), and typically, performance appraisal systems are utilized for multiple purposes ranging from developmental and administrative purposes. Feedback richness is also an effective indicator that may affect the outcomes of performance appraisal. Feedback richness elaborates the specific appraisal environment by which frequent, specific and timely feedback is provided by employees to employers regarding job (Kinicki et al., 2004).

Perceived accuracy of performance appraisal has been regarded as an important aspect to evaluate the satisfaction and motivation in employees in relation to performance appraisal (Wood and Marshall, 2008; and Selvarajan and Cloninger, 2009). In this regard, prior studies suggest that if employee perceive that appraisal outcomes are accurate, they are more likely to recognize these results and act on them (Roberson and Stewart, 2006).

On the other hand, employee perception of fairness also measures effectiveness of performance appraisal outcomes (Youngcourt et al., 2007). In this respect, previous studies have suggested that justice or fairness of performance appraisal can be evaluated into three dimensions. These are distributive, interactional fairness and procedural (Colquitt et al., 2001). In this regard, distributive fairness represents the extent to which outcomes of appraisal are distributed fairly (Smither and London, 2009). In the appraisal context, the distributive context relates with the ratings of performance appraisal gained by employees. On the other hand, procedural fairness aims at the extent to which procedures deployed by organization for appraisal are fair in deriving outcomes of appraisal (Zapata-Phelan et al., 2009). The concept of interactional fairness represents the extent to which employees receive treatment of peers and supervisors during the process of appraising performance (Roberson and Stewart, 2006 cited in Ikramullah, M. et al., (2011, pp. 94).

Thurston (2001) has addressed the specific aspects related with performance appraisal and also reveal that effectiveness and success of appraisal system depends on reactions and feedback of employees. This suggests that employee feedback is critical factor in assessing effectiveness of appraisal system. This feedback can be positive or negative regarding outcomes of appraisal system. Prior studies have revealed that positive feedback is more likely to be accepted whereas employees often hesitate to accept negative outcomes of appraisal system (Rao, 2004). On the other hand, Roberson and Stewart (2006) suggest that if negative feedback is delivered in an effective and persuasive manner, employees will take it seriously and will focus on eliminating the negative aspects in their performance.

Prior literature has suggested that performance appraisal is an effective system for attaining different objectives. In this regard, Selvarajan and Cloninger (2009) have revealed that effective performance appraisal system results in improving performance of employees and motivating them. It can be identified who are the weak performers and who strong performers within organizations are.

2.4. Outcomes of Effective Performance Appraisal

According to (Hafiz Muhammad et. al, 2009) cited on their study; Common outcomes of an effective performance appraisal process are employees' learning about themselves, employees' knowledge about how they are doing, employees' learning about 'what management values' (Beer, 1981). According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. Dobbins, Cardy and Platz-Vieno (1990) told five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards. Nurse (2005) viewed provision of information for the development of managerial strategies for training and development as an outcome. Teratanavat, Raitano and Kleiner (2006) found outcomes like reduced employee stress, review of overall progress, linkage between current performance and employee's goals, and development of specific action plans for future.

(Nurse, 2005) has also discussed the impact of appraisal on employees and organizations. He specifically suggested that results of appraisal provide information to managers to take further steps about promotions and development of employees. (Rao, 2004) suggests that weak areas of performance are identified through effective performance appraisal system. In this way, managers can take decisions regarding training of employees to improve those weak areas. Moving further, (Teratanavat, Raitano and Kleiner, 2006) suggest that effective performance appraisal results in reducing stress level of employees. In this way, performance appraisal system interlinks current, past and future performance of employees.

In the same line of thought, prior studies have identified five major outcomes of effective performance appraisal (Rao, 2004). These are: 1) using results of performance appraisal to improve employee performance, 2) enhancing motivation, 3) reducing employee turnover, 4) associating rewards and employee performance and 5) establishing equity among employees (Rao, 2004; Selvarajan and Cloninger, 2009).

2.5. Detriments to Effectiveness of Performance Appraisal

Literature revealed the following aspects that can make harm to the effectiveness of performance appraisal: exemptions to the highly visible employees, conduct of performance appraisal to punish the low performers, rewards on nonperformance, doubts in the mind of performers about appraisal's after effects, organization's politics that leads to disturb performance of targeted employee (Deluca, 1993); use of fundamentally flawed appraisals, focus on encouraging individual, which automatically discourages teamwork/collaboration, inconsistencies in setting and applying appraisal criteria, focus on extremes (exceptionally good or poor performance), appraisal's focus on achievement of short-term goals, support to autocrat supervisors, subjectivity of appraisal results and creation of emotional anguish in employees (Segal, 2000); use of vague qualities and irrelevant measurement criteria, use of useless checklists for evaluation, monologues instead of dialogues in feedback sessions, reluctance of appraisers to offer feedback, supervisor's misguidance to appraiser (Nurse, 2005); inaccuracies at supervisor/organization's end (Horvath & Andrews, 2007).

2.6. Efficiency of Performance Appraisal

Although most organizations have adopted methods for personnel appraisal, their effectiveness is still a matter of dispute. A major part of the controversy holds that some appraisals reflect personnel preferences instead of performance of individual being rated. Another principal short coming is that the evaluator looks at more at behavior of the rate than his contribution to the organization Dr Shambhu (2008). According to Christos K (1989) with large size and large differences in salaries and wages, the efficient use of labor is a key determinant of relative profitability. The level of staff expenses appears to have a negative impact on banks' ROA in the study of Bourke (1989). However, Molyneux (1993) found a positive relationship between staff expenses and total profits. As he suggests high profits earned by firms in a regulated industry may be appropriated in the form of higher payroll expenditures raised constantly by performance appraisal.

According to Pallavee and Usha (2012) Performance appraisal system helps to promote better understanding of an employee's role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions,

identify development needs of an employee, establish common ground between the employee and the supervisor, increase communication, provide an employee with the opportunity for self-reflection and individual goal setting, help an employee internalize the culture, norms and values of the organization. This helps develop an identity with and commitment to the organization and prepares an employee for higher-level positions in the hierarchy and also assist in a variety of personnel decisions.

The typical traditional Performance Appraisal Process of the 1990s focused almost entirely on defining what is to be achieved. However, today competency based Performance Management Schemes are plentiful and becoming the model for the future. These mixed models assess and reward both results and demonstration of competencies; both what employees actually deliver and how they do it (Dr shambhu, 2008).

2.7. Issues that can be raised related to employee performance appraisal

2.7.1 Implementation of employee performance appraisal

Fletcher, C. (2001) there are various questions concerning the implementation of performance appraisal systems. Some of these questions are: who designed the system; how often is appraisal conducted; who is the main source of appraisal; and which methods of appraisal are used. Performance appraisal is one of the most praised, criticized and debated management practices for decades (Lawler, 1994), yet, it has been identified as one of the least popular practices of human resource management. Human resource managers' themselves show little confidence in their performance systems (Beer, 1981) since they have to play the roles of both judge and jury (Beer, 1987). Beer, 1987 further noted that most managers are not trained to handle difficulties that arise from negative feedback.

Grote (1996), in discussing the training of appraisers and appraises mentioned the importance of continuous training for personnel staff and human resource managers and especially for new managers (appraisers). Taylor and O'Driscoll (1994), in concluding their study identified three directions for training in performance appraisal: improving managers' skills, addressing appraises' performance problems and discussing development needs and career aspirations of

employees. To ensure successful implementation it needs to be a complete understanding, acceptance, and support of the appraisal system and its purposes.

For the appraisals to be effective, the top management must be supportive in providing information, clear performance standards must be set, the appraisals must not be used for any other purpose apart from performance management, and the evaluations must be free from any rating biases (Goff & Longenecker, 1990). According to Armstrong (2001) notes that in performance appraisals, accuracy and fairness in measuring employee performance is very important.

According to Robert and John (2013), as one begins to see the appraisal process gets extremely complicated very quickly and remember, anytime a process in an organization is complicated, it costs a lot of money. So why do we even do performance appraisals? What value provided to the organization and to the individual makes the process of evaluating the performance of our workers so critical?

If performance appraisals are done in the correct manner, they can provide us with a series of valuable results. However, done incorrectly, the process of evaluating employee performance can actually lead to lower levels of job satisfaction and productivity. The three major reasons why organizations complete performance evaluations are communicating, decision making, and motivating.

The first major reason for performance appraisal is to provide an opportunity for formal communication between management and the employees concerning how the organization believes each employee is performing. "Organizations can prevent or remedy the majority of performance problems by ensuring that two-way conversation occurs between the manager and the employee, resulting in a complete understanding of what is required, when it is required and how the employee's contribution measures up."

The second major purpose of performance appraisals is to allow management to make decisions about employees within the organization. They need to make decisions based on information, the information acquired from the communication. Accurate information is necessary for management decision making and is an absolutely critical component to allow the manager to

improve organizational productivity. It is important to use information from annual performance appraisals to make evaluative decisions concerning our workforce including pay raises, promotions, demotions, training and development, and termination.

The third major purpose for performance appraisal is to provide motivation to employees to improve the way they work individually for developmental purposes, which in turn will improve organizational productivity overall. What is motivation, and are performance appraisals normally motivational? Well, from a business perspective, motivation can be defined as the willingness to achieve organizational objectives.

2.7.2 Acceptability of employee performance appraisal system

Performance management tools need to be valid and reliable, acceptable and feasible, and specific. Valid means that it measures the process that needed to be measured. Reliable means the measure works in a generally consistent way each time we use it. Acceptability and feasibility deal with the measure being a satisfactory measure with the people who use it and a reasonable measure capable of being successfully applied in a particular situation. Finally, specific means the measure defines the performance well enough that understand the current level of performance achieved and what, if anything, employees need to do to improve their performance to comply with standards Robert and John (2013).

Acceptability mainly deals with the performance appraisal system being accepted because it is perceived as being distributional and procedural fair and being a valid measure for the position at hand. Thus, in recognition of the large amounts of time and money that need to be invested to develop and implement an appraisal system, an ineffective appraisal system would be a severe threat and loss of resources to an organization. On basis of these facts it seems important for each organization to regularly check if their performance appraisal is perceived as intended and if users still support system and process.

According to Elverfeldt (2005), Performance appraisal systems need to be effective in improving or sustaining employee performance, otherwise they are a tremendous waste of time and money spend on development and implementation. From literature analyses it became clear that the

most significant factor in determining performance appraisal system effectiveness is the acceptance of its users.

2.7.3 Knowledge of employee about the system

In order to develop an effective Performance appraisal system, the individuals who are involved as raters should undergo training (Goff & Longenecker, 1990). They should be trained on the process of managing, motivating and evaluating employee performance. The system should not be seen as a simple "quick fix" solution. The raters should see it within its wider context of performance management (Boice & Kleiner, 1997).

The criteria that must be met in order to make the system be perceived by ratees to be fair include having a formal system of appraisal, ratees must have a very high degree of job knowledge, the ratees must have an opportunity to appeal against their performance ratings, the dimensions of performance must be relevant, and having action plans to deal with any weaknesses. The organizational climate must be cooperative rather than competitive (Murphy & Cleveland, 1995). It's not only the ratees' attitudes towards the PAS that is critical. Even the attitude of the raters is also critical to the system (Brown *et al*, 2010). The attitudes and approach the rater to the process has been shown to influence the quality of the appraisals. Some raters have indicated that they are reluctant to conduct the appraisals saying that they hated conducting appraisals, "second only to firing employees".

2.8 Guidelines for successful implementation of performance appraisal system

As cited by Rafikul and Shuib (2005) the guidelines are

- 1. Employee participation:** In any case, if the employees perceive the appraisal system as biased, unfair and lacks rigor, then it is unlikely that they will accept the outcomes of the system. Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself all can be developed with the help of employees. Greater employee participation generates an atmosphere of cooperation and support, which facilitates the development of a coaching or counseling relationship, thereby reducing appraisal related tension and rater-ratee conflict (Jordan, 1992). Somerick (1993) suggested that concerning to the

appraisal system, if any problem occurs, that can be discussed in the dialogue session immediately not months later when the employee's performance has been rated and documented in his/her personal file.

2. **Developing performance standards:** Standards to be developed that measure the essential job duties and responsibilities. Once again, employee participation facilitates developing reliable, valid, fair and useful performance standards.
3. **Goal setting:** Goal setting has been powerful motivational tool. Majority of goal setting research has been carried out in non-appraisal settings. Goal setting consists of performance goals that are specific, moderately challenging and accepted. Goal setting within performance appraisal has been associated with greater appraisal satisfaction and increased performance (Dobbins et al., 1990).
4. **Sound performance appraisal interview:** If the appraisal interview is conducted poorly, the efficacy of the appraisal system is lost. The interviewer must be aware about sensitivity to employee needs for privacy and confidentiality. It is of utmost importance to provide undivided attention during the interview and reserve adequate time for a full discussion of the issues (Roberts, 1994). To encourage employees to participate in the evaluation, Krug (1998) suggested asking open-ended questions, i.e., the questions that cannot be answered with a simple yes, or no. Particularly, he suggested instead of asking a question like, "Do you enjoy your job?" ask, "How do you feel about working in this company?" The latter question requires a more thoughtful and informative answer.
5. **Self evaluation:** Self evaluation provides employees an opportunity to systematically assess their performance. Studies have indicated that self evaluation increases employees' perceived fairness on the appraisal process. Employees can evaluate themselves by completing their own appraisal form and presenting the draft for discussion with the evaluator. McCarthy (2000) comments that, employees who have an opportunity to assess their own performance often come up with creative solutions that would not have surfaced in the one-sided managerial evaluation.
6. **Management feedback:** Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which

tell them to improve, they will think that the present level of performance is accepted in the organization and they may not put extra efforts to improve Camardella (2003, p. 105). To have an effective performance appraisal system, there must be formal and informal performance feedback. Roberts (2003, p. 93) echoes Camardella by saying:

Feedback is essential in gaining the maximum benefits from goal setting. Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance.

In the feedback, what the employee is doing right should be emphasized. Focus also should be paid on employee's strength. Provide a short list of areas where the employee needs to improve, highlight the most important ones to be improved first.

7. **Develop user-friendly procedure:** Performance criteria and rating procedure should be simple enough and they should be well understood by the raters and ratees. Performance criteria should encompass the key aspects of employee's job. If any key aspect is ignored, then it sends the message that is unimportant and can be ignored.
8. **Design specific and relevant appraisals:** Sometimes employees complain on appraisal system by saying "Our Company uses the same appraisal for all positions. I feel that, "the things I'm measured on don't have much to do with what I do from day to day" (McCarthy, 2000, p. 24). Appraisal system will be successful only when the items appraised address the requirements and essential functions on the job. The criteria used should be specific and directly related to the job.
9. **Evaluator training:** The research conducted by the American Management Association reveals that the main reason for employee and supervisor's frustration with the performance appraisal forces is that a large number of managers are poorly trained in how to give feedback to employees (cited in Krug, 1998). The person who conducts the appraisal exercise should receive extensive training in goal setting, setting performance standards, conducting interviews, providing feedback, avoiding rating biases, etc. He/she should know how to conduct appraisals accurately, consistently, fairly and objectively.

10. Revise performance appraisal process: No system is permanent and appraisal system is not an exception. Feedback on the appraisal process should be regularly solicited from both supervisors and employees. Longenecken and Fink (1999, p. 22) state: It is important to systematically and regularly review system operations to make sure that process and practices are being followed and effective. Examples of measures that can be used to assess the health of your appraisal system include employee acceptance and trust of the appraisal system.

2.9 Drawbacks of Performance Appraisals

Performance appraisals which are seen to have a negative and positive effect on organizations, there are several drawbacks of performance appraisals because the activity seems to be very stressful.

Performance appraisal system practice in an organization can make an employer and its employee to have a different perspective/interpretation of the appraisals outcome. When an area of improvement is identified which is to be corrected, it may sometimes lead to your employee feeling that the appraisal was nothing more than a “chewing out” session, causing reduced morale.

Some of the major limitations of performance appraisal include bias of appraisals, ambiguity in standards, insufficient evidence; several qualities remain without appraisal, leniency or strictness tenancy, average rating problems, influence of man’s job and similarity error (Smriti, 2014).

According to Ruth (2012), the training provided by employer is woefully inadequate for preparing supervisors to provide unbiased feedback to employees in a manner that motivates workers to strive for higher performance ratings.

Another drawback of performance appraisal system is that supervisors/raters feel the time it takes to prepare an employee performance appraiser exercise. Interaction between the rater and the ratee is usually frightened because of the close proximity within which raters and ratee working small business setting.

2.10 Empirical Studies on Performance Appraisal

Pettijohn et al. (2001) undertook a study to examine the attitudes of nearly 32,000 American federal employees toward PA. A descriptive survey design was used for the study. Both questionnaire and interview guide were used in eliciting data from the respondents. Pettijohn et al. concluded that the employees were dissatisfied with the way PA was conducted and that less than one-fifth felt that the process motivated employees to perform well. They however, claimed that there is no empirical evidence that PA itself is undesirable. This is because from their study almost half (46 percent) liked the concept of the process as it gave them an indication of where they ranked among co-workers.

Simmons (2002) undertook a study to examine the views of experts on PA in universities and colleges. He used the stratified random sampling procedure to select both appraisers and appraisee from 430 elements. Simmons' study found that employees viewed the PA process as beneficial. Managers and professionals also found the process as having overall value, with very few suggesting it should be discarded altogether. However, problems identified from Simmons' study included patchy application, uneven managerial commitment, lack of continuity between appraisal, the link with performance related pay and teamwork, and the appropriateness of individual performance review for lower-graded staff merit further attention. But there was a general negative perception of the effects of the link between individual performance review and pay.

Mani (2002) also found from her study at the East Carolina University that many employees are motivated by factors that do not relate to the PAS. According to her, many are self-motivated or motivated by the enjoyment of their work, and pay, an extrinsic reward, ranked third among the things that motivated these employees. However, she warned that this self-motivation and enjoyment of work will cease if employees' pay is not adequately increased, as increases in pay was also seen as a symbol of recognition.

Wilson and Nutley (2003) did a study on the assessment of how appraisal systems facilitate women's progress in Scottish universities. They found that there was a general decline in the use of appraisal systems in Scottish universities but women were still being subjected to a disciplinary technology such as PA. Though there was no statistically significant gender

difference with regard to purpose of PA, men perceived the PA of the university more positively and higher than female employees. Wilson and Nutley recommended in their study that employees with shorter length of service and at the junior levels do not stay with their organizations for long and any organization with more of such employees may experience high turnover which is not good for every organization.

Singh Sanjeet (2011) conducted A Study of Effect of Performance Appraisal on the Organization and the Employee. The findings of the research showed that there is a noticeable effect of the performance appraisal on the organization as well as on the Individual.

Khushbu S. Dave (2014) had conducted a research Paper on Performance Appraisal of Nurses in Hospitals. This analysis clearly states that there is a need to go for the improvement in the performance Appraisal system of nurses to get better outcome. Involvement of nurses for their appraisal will make the appraisal systems more effective, easily and meaning because, it will help the hospitals to get the expected results in minimum time.

2.11 Conceptual framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. The study shows the variables (rater's perceptions/personality, Feedback richness, Employees perception about fairness of Performance Appraisal, Improve performance of employees, Motivate employees, Provide information for promotion and development of employees and well-defined standards) lead the performance appraisal system to become effective if they implement in a correct manner. The following conceptual model will be used for this study.

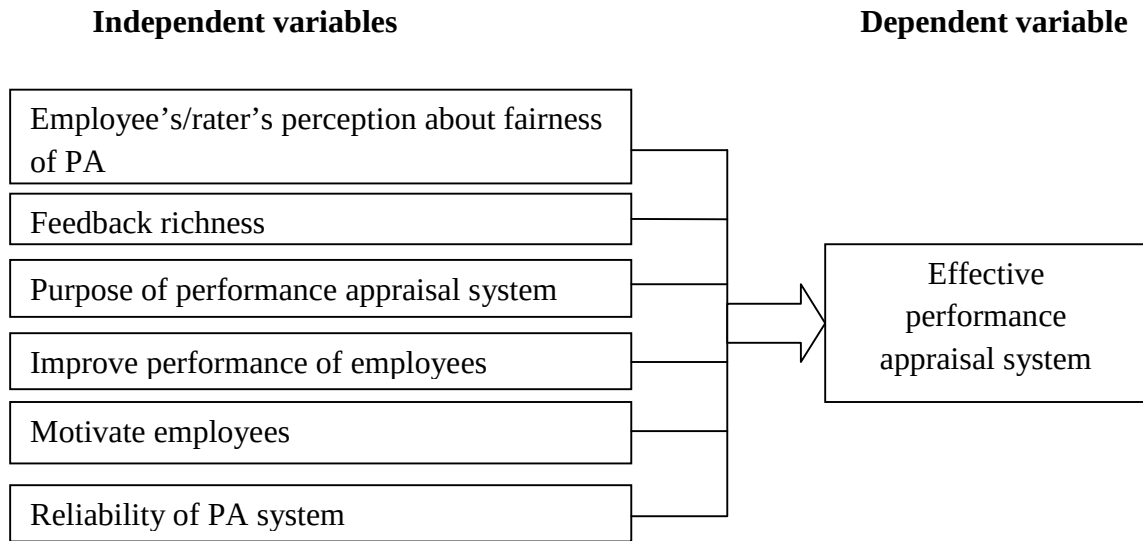


Figure 2.1 Effectiveness of performance appraisal model (own source)

Chapter Three

Research Methodology

3.1 Description of the study area

Human resource is the most important asset in every organization without which the other resources cannot function (Bartol & Martin, 1998). The success of an organization largely depends on how human resource is developed, managed and maintained in the organization. Most organizations employ the use of performance appraisal (PA) to assess and evaluate its human resource (Murphy & Cleveland, 1995). Performance appraisal is very important for every kind of organization. According to Murphy and Cleveland, it is a justification of an individual employee. (Ahmed A. et al, 2010) also posited that PA is a structured formal interaction between a subordinate and supervisor, where the work performance of the subordinate is to be taken into consideration, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

Employees are seen as the primary resource of any organization since the survival of an organization depends largely on its employees or human resource (Boswell & Boudreau, 2000). The development and assessment of employees therefore, become the overriding concern of organizations (Boland & Fowler, 2000). Due to the paramount importance of the people who are in the CBE, it is essential to understand how well these personnel are performing in their roles and if they are fulfilling the responsibilities for which they were hired (Boxall & Purcell, 2003).

3.2 Research Approach

This research takes a deductive approach. The reason for selection of this approach is that the researcher assumes that there are sufficient amounts of studies done in the area of performance appraisal. Performance Appraisal is one of the most heavily researched areas of Human Resource Management since 1960's. These plausible theories and empirical findings, therefore, would accurately present the basis of explanation. Deductive reasoning forms a view about the likely nature of a thing, and then tests whether the view is correct. It often report findings in terms of the relationship between one variable and another.

The study will be conducted to analyze that how effective is performance appraisal in commercial bank of Ethiopia. For this reason, quantitative analysis will be used to describe the research problem. In this respect, quantitative analysis and data collection tools are used to describe quantitative analysis between performance appraisal and its effectiveness. The quantitative research has provided empirical investigation about research purpose regarding effectiveness of performance appraisal implemented in commercial bank of Ethiopia.

3.3 Research Design

Survey design was adopted in conducting this study. The survey design entails selecting samples to analyze and discover occurrences, qualitatively and quantitatively assess information and make conclusions. The respondents will ask the questions and require answering by choosing between a numbers of alternatives. The main advantage of this is that they are easy to complete and easy to analyze.

A questionnaire was used to collect data from eligible employees. Part I of the survey will require the participants to provide demographic information while Part II will include factors that influence the effectiveness of PAS as conceptualized in this study. The components included per factor/variables are considered to be indicators of the influence on the effectiveness of PAS.

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity can also be thought of as utility. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. The questionnaire in the study was the only data gathering tool adapted from (Walsh 2003, p. 59).

The questionnaire or instrument was consistently used to measure the effectiveness of performance appraisal practices with the independent variables. Responses were measured on five point Likert scale with 1= strongly disagree, 2= disagree, 3= no option, 4= agree, and 5 = strongly agree. Response category is: strongly disagree (1.50 or less), disagree (1.51 – 2.50), no neutral (2.51 – 3.49), agree (3.50 – 4.49) and strongly agree (4.5 or greater).

The test of reliability was another important test of sound measurement. A measuring instrument is reliable if it provides consistent results. The degree of stability is positively correlated with degree of reliability, higher degree stability results in higher degree of reliability that the results

are repeatable Charles (1995) as cited Oumer Mohammed (2012, p. 42) in University of Gondar. Cronbach's alpha scores were used to check the reliability of the subscales for an instrument in the study.

3.4 Population and Sample

3.4.1 Population

Bryman et al (2003), describe a study population as the whole group that the research focuses on. The population for this study consists of staff of all the selected branches of commercial bank of Ethiopia under the domain of Addis Ababa districts except employees who have less than two year experience because the probation period of the bank for new employee is one year although they become permanent employee within 45 days. They don't have enough experience about formal performance appraisal system. As indicated in Table 3.1 below, the total population for the entire number of employees will be 4,125.

3.4.2 Sampling technique and Sample Size

In CBE's Addis Ababa districts, there are 7,200 total employees as at January, 2016 (CBE- Management Information Systems). Among the total population of respondents 2525 of them are junior officers. They do not complete their probation period and don't enter the formal performance appraisal. CBE's probation period is one year for new employees. And 1,201 of them have not taken a full year performance appraisal because they have an experience of less than two years (source: districts' HR & CBE- MIS).

According to categorical and contentious data sampling table presented by Bartlett, Kotrlik, & Higgins, (2001) in **Annex 2** the study sampling size in the range of 4,000 and 6,000 respondents for continuous data were 120. The below table 3.1 illustrate that how much sample were taken from each types of employment categories.

Using the mentioned sampling table, considering 3% margin of error, 95% level of precision and a proportion of 97 percent for the maximum possible degree of variability the sample size taken from the population is 120 respondents. The sample size orders to include respondents in the sample, a proportionate stratified sampling method will be used. The reason behind using this

method was the respondents are heterogeneous among groups and homogeneous within groups. Hence, the numbers of respondents to be included from each stratum decided based on their proportion. Lastly, to get the decided number of customers from the list of each stratum, simple random sampling used because every element in the population has equal chance of being chosen so thus keep away from biasness.

Table 3.1: - Number of Respondents

RESPONDENTS	POPULATION	SAMPLE SIZE
Branch manager/ immediate supervisor(CSM)	540	20
Senior Customer Service Officers	690	20
Customer service officers (more than 2 years experience)	2895	80
Total	4125	120

Source: - Districts' Human Resource

Looking at the above table, the sample taken from each stratum and respondents classification is obtained by dividing the number of respondents in that particular stratum to **4,125** and multiplying it by the sample size, **120** and takes the approximate even number.

3.5 Data Sources and Types

Both primary and secondary sources of data will be used for the study. The primary data will collect through the use of questionnaires that will be administer by the researcher to staff of commercial bank of Ethiopia who works in branch under the domain of Addis Ababa districts. The secondary sources of data obtain from the district human resource department, published annual report magazine of the bank and banks website.

The questionnaire will design to collect survey data from employees to be selected randomly from branches found in Addis Ababa area that satisfy the requirements. In the questionnaire, there will have only close-ended Likert scale type questions. Saunders et al. (2007) hypothesize that the Likert scale is the most widely used method of scaling in the social sciences today. Perhaps this is because they are much easier to construct and because they tend to be more reliable than other scales with the same number of items.

The study used questionnaire as the tools for obtaining the necessary information for the research. The questionnaire made up of closed-ended items. The survey was measured by 5-point Likert type scale ranging from strongly disagree (1) to strongly agree (5).

The researcher was distributed the questionnaires' to each selected respondents personally during working hour.

3.6 Data collection Instrument

The study was used questionnaire in order to collect data from employees to be selected randomly from chosen branches that satisfy the requirements. Self-administered questionnaire that are structured were used to collect quantitative data from the respondents because this method help to give independent opinions without fear since the respondents did not need to specify their names. The questionnaires were also used because they enabled the researcher to code the information easily for subsequent analysis hence reducing the error gap (Sekaran, 2003).

The questionnaire was contains closed-ended questions in 5-point Likert scale type. The questions used for the assessment of the appraisal system were developed based on the guideline suggested by United States Office of Personnel Management (USOPM) (1997). In the guideline, there are various points forwarded to assess the effectiveness of an employee performance appraisal system. The variables raised relate with the problem statement areas to be addressed by the survey. That was the main reason for choosing the guideline.

3.7 Procedure of Data Collection

The study was conducted based on both primary and secondary data sources. It was begun by secondary data analysis through the detailed review of related literature and survey questionnaire was used as the main primary data gathering instrument for this study. Questionnaire were prepared and distributed to the samples that selected from employees of CBE.

The first part of the survey was in relation to demographics. The researcher believed it would be beneficial to collect information in relation to employees' length of service, age group, gender, educational qualification and current position at the branch. These questions are of benefit when analyzing the data as the will show perspectives from staff in different lengths of services, or what may differ respondents perspectives between the current job positions.

The next part involves a series of statements about the process effectiveness of the system. The respondent must rate on these statements on a scale. These are called Likert Scales. Likert Scales are a method of rating scales generally used to gather the opinions and attitudes of people. The respondent is given a series of statements and is asked to choose a position on a five point scale between strongly agree and strongly disagree. The objective of the questionnaire was to gather data in order to measure both the attitudes and the opinion of the employees in terms of the effectiveness of the performance appraisal system currently used in the CBE.

3.8 Method of Data Analysis

After the primary and secondary data gathering procedures complete, the collected data was checked through different phases (editing, coding, data entry and data analysis), data was analyzed using SPSS (Statistical Packages for the Social Scientist) statistical package which was set at the 0.05 significance level. The level of effectiveness of the existing PAS will be determined using the results of questionnaires in terms of perception of employees, feedback richness, motivation, improve performance of employees, reliability and purposes of performance appraisal.

All independent variables were given marks between one up to five (1-5) for the analysis purpose. Allocation of marks for the respondent's answers is as follows.

Table 3.2 Allocation of Marks for independent variables

Answer	Marks
Strongly Disagree	01
Disagree	02
Neutral	03
Agree	04
Strongly Agree	05

Source: Developed for this study

The study measured the effectiveness of performance appraisal system implemented in Commercial Bank of Ethiopia for each dimension/variables of all respondents by averaging scores for all variables under each variable. 120 questionnaires were distributed and all were returned. IBM SPSS statistics 20 software was used for analysis. Descriptive types of statistics

allowed the study to organize and summarize the data collected. The interpretation was made using total average means scores and standard deviation.

All data was analyzed by using mean value of the factors. Those mean values are interpreted as follows.

Table 3.3 Interpretation of Mean Values

Mean Value	Level of Effectiveness
Mean value between 4-5	Highly effective
Mean value between 3- 3.999	Effective
Mean value between 2 -2.999	Ineffective
Mean value below 2	Highly Ineffective

Source: Oumer Mohammed, 2012, p. 44

The level of effectiveness for each factor of the questionnaire was analyzed using mean and standard deviation. The relationship of effectiveness of PAS and the variables; perception of employees, feedback richness, motivation, improve performance of employees, reliability and purposes of performance appraisal. The statistically significant factors that affect effectiveness of PAS were determined by Analysis of variance test.

3.9 Ethical considerations

Ethical conduct states that it is the responsibility of the researcher to assess carefully the possibility of harm to research participants, and to the extent that it is possible, the possibility of harm should be minimized (Bryman & Bell, 2007, p.128). As the module compiled by Graduate Studies and Research Office of Addis Ababa University (2009) says research ethics deals primarily with the interaction between researchers and the people they study (and in recent decades, on laboratory animals as well); while professional ethics deals, among others, with additional issues such as collaborative relationships among researchers, mentoring relationships, intellectual property, fabrication of data and plagiarism.

According to the module the following is a rough and general summary of some ethical principles that various codes address: Honesty, objectivity, Integrity, carefulness, Openness, confidentiality, social responsibility, Responsible Publication, Human study participants' protection and other principles should have to consider in research. On the bases of these codes, the study takes in to account and apply the Addis Ababa University Research policy.

The researcher used the data from randomly selected CBE staffs/employees/ who works around Addis Ababa under the domain of Addis Ababa districts through questionnaire, permission will have to request before gives the questionnaire to the respondents in order to fill it. To maintain the confidentiality of the information provided by the respondents, the respondents will instruct not to write their names on the questionnaire and assure of that the responses to be used only for academic purpose and kept confidential.

Chapter Four

Analysis of Results

4.1 General Information of Respondents

The analysis tried to provide information related to gender, age, educational background, current position at CBE, length of employment (experiences), and staff groups of academic status of respondents. The following demographic characteristics of the respondents are presented along the sample frame in order to get a representative data from 120 questionnaires were prepared and distributed to employees of the branch employees including branch managers and customer service managers/supervisors/. Out of these 120 questionnaires were collected back and all of them were properly filled to evaluate effectiveness of employees' the performance appraisal system implemented in CBE.

As per Figure 4.1 below indicated among the 120 respondents, 76 or 63.33% selected Male and 44 or 36.67% selected Female. Most participants of the survey were aged between 25-34 years, totaling 82 or 68.33% of the respondents. The next most age group was under 25 years which had a total of 20 employees or 16.67%. 15 or 12.50% of the respondents age were between 35-44 years and 3 or 2.5% of them were 45 and above years category.

According to the data from the below Table 4.1 the majority 80(66.7%) of respondents were Customer Service Officers 20(16.7%) of participants were Senior Customer Service Officers. The rest respondents were administrative staffs which are Branch Managers and Customer Service Managers 12(10%) and 8(6.70%) respectively.

Among the 120 participants, 46 or 38.33% of them had a service of 2-4 years, 2 of them were Senior Customer Service Officers and 44 of them were Customer Service Officers. 47 or 39.17% of them had a service between 5-9 years, of which 30 of them were Customer Service Officers and 12 of them were senior customer service officers. 24 or 20% of them had a service between 10-19 years, from these 7 of them were Branch Managers, 5 of them were Customer Service Managers/Supervisors, 6 of them were Senior Customer Service Officers and also 6 of them were Customer Service Officers. Finally 3 or 2.5% of the respondents had 20 and above years work experience in the bank, of which 2 of them were Branch Managers and the rest was Customer Service Manager.

Table 4.1 Respondent's Demographic Information

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	76	63.3	63.3	63.3
Female	44	36.7	36.7	100.0
Total	120	100.0	100.0	
Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
Under 25	20	16.7	16.7	16.7
25-34	82	68.3	68.3	85.0
35- 44	15	12.5	12.5	97.5
45 and above	3	2.5	2.5	100.0
Total	120	100.0	100.0	
Current Position				
	Frequency	Percent	Valid Percent	Cumulative Percent
Branch Manager	12	10.0	10.0	10.0
Customer Service Manager/ Supervisor	8	6.7	6.7	16.7
Senior Customer Service Officer	20	16.7	16.7	33.3
Customer Service Officer	80	66.7	66.7	100.0
Total	120	100.0	100.0	
Length of Employment				
	Frequency	Percent	Valid Percent	Cumulative Percent
2-4 Years	46	38.3	38.3	38.3
5-9 Years	47	39.2	39.2	77.5
10-19 Years	24	20.0	20.0	97.5
20 and above Years	3	2.5	2.5	100.0
Total	120	100.0	100.0	
Academic Qualification				
	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	1	.8	.8	.8
BA Degree	99	82.5	82.5	83.3
MA	20	16.7	16.7	100.0
Total	120	100.0	100.0	

Source: Developed for this study

From the above **table 4.1** that educational level of respondents, from the sample taken the majority 99 (82.50%) of the respondents are in the category of BA degree holders. Additionally, the second majority 20 (16.67%) of respondents are in category of MA degree holders and the rest 1(0.83%) of the respondent is diploma holder, therefore, they would have the ability to fill the questionnaire in English and by having known how about effectiveness of employees performance appraisal system implemented in CBE.

4.2 The responses of the employees' questionnaire survey

This section will present and discuss the responses of employees' questionnaire and some of collectively analyzed responses (of both Managers and employees) were connected with the questions related to measure the effectiveness of employees' performance appraisal system in CBE. There are 33 statements and the respondents are requested to tick the level of agreement or disagreement, based on their attitude on perception on performance appraisal, improvement on performance of employees, feedback richness, purposes of performance appraisal system, motivate employees, and reliability of performance appraisal. The following tables were presented all statements and the answers of the respondents.

Survey scale: 1=strongly disagree, 2= disagree, 3= neutral, 4 = agree and 5=strongly agree.

Response Category: strongly disagree (1.50 or less), disagree (1.51-2.50), neutral or no opinion (2.51-3.49), agree (3.50-4.49) and strongly agree (4.5 or greater).

According to Zedatol (2008) mean score 3.80 is consider high, 3.40-3.79 is moderate and below 3.39 is low cited by Oumer Mohammed (2012, p. 44). Therefore, the performance appraisal practices system in the study considered by the above thresholds.

4.2.1 Reliability of data collection instrument

Reliability can be expressed in terms of stability, equivalence and consistency of a test. Consistency check, which is commonly expressed in the form of Cronbach coefficient, is a popular method. In general speaking, the higher the Alpha is, the more reliable the test is. There isn't a commonly agreed cut-off. Usually 0.7 and above is acceptable (Nunnally, 1978). Based on this the below table 4.2 indicates that the study's Cronbach's Alpha was 0.812. It was above the acceptance level. Therefore the high reliability of the study is confirmed and can be used in further analysis.

Table 4.2 Reliability of data collection instrument

Scale Statistics

Mean	Variance	Std. Deviation	Cronbach's Alpha	N of Items
18.84958	9.524	3.086120	.812	7

Source: Developed for this study

4.2.2 Response of respondents' perception on performance appraisal of CBE

As the below Table 4.3 indicated that the mean value of appraisers towards their opinion in the necessity of conducting performance appraisal in CBE is 4.10. This implied that their perception towards conducting appraisal is agreed (high) whereas appraisees mean value is 2.62. In contrary of appraisers they didn't have insight for the performance appraisal implemented in CBE is necessary. The value indicated that appraisees perception towards conducting performance appraisal is disagreed (low).

In similar manner appraisers' insight is agreed (high) towards the statement of the link between performance outcomes and organizational goals because the mean value is 4.05 but appraisees didn't believe as appraisers. The mean value was 2.79 it implies they were neutral no clear opinion on performance outcome link with CBE's goals.

Table 4.3 Respondents' response for perception on performance appraisal

Perception on Performance Appraisal	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
In your opinion performance appraisal is necessary to be conducted in CBE	20	4.10	1.071	100	2.62	0.940
There is a link between performance outcomes and organizational goals	20	4.05	1.099	100	2.79	0.868
The bank has clear policies, procedures and instructions on how to implement the appraisal system	20	3.70	1.302	100	2.98	1.015
Performance appraisal in CBE is fair and treat all employees equally	20	2.90	0.968	100	1.58	0.713
Total Mean	20	3.69		100	2.49	

Source: Developed for this study

Appraisers mean value 3.70 for the third statement implies that they agreed the bank has clear policies, procedures and instructions to how to implement appraisal system whereas the mean

value of appraisees 2.98 implies that they would have no clear opinion towards this statement. The mean values of the fourth questions, which is CBE's performance appraisal system treat all employees equally, were 2.90 and 1.58 for appraisers and appraisees respectively. Appraisers mean value indicates that they were no opinion or neutral whereas appraisees were disagreed the existing system treats all employees equally.

The total average mean on the perception of performance appraisal implemented in CBE between raters and ratees are as follows in the following table

Table 4.4 total average mean on perception on performance appraisal

	Appraisers	Appraisees
N	20	100
Mean	3.690	2.490
Standard Deviation	1.110	0.884
Interpretation of mean score	Agreed	Disagreed

Source: Developed for this study

The average mean in table 4.4 indicates there is a huge gap between raters and ratees among the perception on the performance appraisal system implemented in CBE. Different researchers believed that accurate perception of employees towards PA is a means of effectiveness for the system. (Rahman & Shah, 2012, p.11) the success of performance appraisal system in organization is heavily dependent on employees' perception of the system. Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer & Liden, 2001). Due to this assumption employees of CBE do not believe that the performance appraisal system is effective but appraisers agreed the system is effective.

4.2.3. Response of Respondents on Improve Performance of Employees

As the below table 4.5, the mean score of appraisers and appraisees for the question performance appraisal makes better understanding of what employees should be doing were 2.80 and 2.62 respectively. The mean score value is low according to Zedatol (2008) cited by Oumer Mohammed (2012, p. 44) and it falls in the category of uncertain or neutral. Both types of respondents' didn't understand whether the appraisal system is fruitful in order to understand what the employees doing or not. Likewise, the mean scores for appraisers and appraisees for the

statement of the banks PA system helps employees to gain insight about their strength and weakness was 2.60 and 2.45 respectively. The score indicates the performance appraisal system of the bank is weak or ineffective in order to insight employees' strength and weakness in a clear manner.

Table 4.5 Respondents response on Improve Performance of Employees

Improve performance of employees	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
Performance appraisal makes better understand what employees should be doing.	20	2.80	.894	100	2.62	.962
CBE's Performance appraisal system helps employees to gain insights into their strengths and weaknesses.	20	2.60	.940	100	2.45	.903
Superiors take corrective actions for improvement based on the outcome of performance.	20	3.05	1.050	100	2.68	.920
Performance Review improves job performance of employees	20	2.70	.923	100	2.43	1.066
Total Mean	20	2.79		100	2.55	

Source: Developed for this study

Appraisers and appraisees have similar perspectives under the statement of supervisors take corrective actions for improvement based on outcome of performance. Based on the above table 4.7 the Mean scores of this statement were 3.05 for appraisers and 2.68 for appraisees. Even if the slight differences have seen between their perspectives, the score fell down under the category of uncertain/neutral/no response. This implies that both raters and ratees didn't tell whether appraisers take corrective actions based on the result of performance appraisal in order to improve the performance of employees. Similarly the mean score of appraisers and appraisees were approximately the same for the statement performance review improves job performance of employees which is 2.70 and 2.40 respectively. Majority of ratees assumed that they disagreed performance review enhance performance of employees and raters also uncertain/neutral whether the performance review was successful in order to improve the performance of ratees.

The total average mean and standard deviation on the statement of performance appraisal system improve the performance of employees are as follows

The total mean score for appraisers and appraisees which is the category of uncertain or neutral indicates that the system of performance appraisal is said to be ineffective. Different research shows that effective performance appraisal system should be improve the performance of employees. According to (Megan, 2014), Performance appraisals are essential for effective management and evaluation of staff. Appraisal helps to develop individuals, improve employees' performance and feed into business planning.

Table 4.6 Total average mean score on improve performance of employees

	Appraisers	Appraisees
N	20	100
Mean	2.79	2.55
Standard Deviation	0.952	0.963
Interpretation of mean score	Neutral/Uncertain	Neutral/Uncertain

Source: Developed for this study

Sheikh Abdur R., (2012) performance appraisal is to encourage performance improvement. In this regard, performance appraisals are used as a means of communicating to employees how they are doing and suggesting needed changes in behavior, attitude, skills, or knowledge. For this consideration Commercial Bank of Ethiopia performance appraisal system is ineffective based on the response of both appraisers and appraisees.

4.2.4 Response of respondents on feedback richness

As the below table 4.7 indicates the mean score values of appraisers and appraisees on providing periodic orientation on the PA system were 2.70 and 2.50 respectively. The mean score indicates that most appraisers uncertain or didn't provide orientation about the appraisal system to their ratees before to measure their performance. The majority of ratees were also uncertain or neutral whether their raters provide periodic orientation about the performance appraisal system. On the other hand the mean score of appraisers was 2.95 it shows that appraisers didn't confident whether the system creates open relationship between top management and subordinates. It was the same attitude for appraisees because the mean score is 2.59. The values fell down in the category of uncertain/neutral.

Table 4.7 Response of respondents on feedback richness

Feedback richness	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
Periodic orientation programs on performance appraisal system are conducted.	20	2.70	1.174	100	2.50	.959
Performance appraisal system creates open relations between top management and subordinate	20	2.95	1.191	100	2.51	.870
Performance appraisal system is an opportunity to talk freely to subordinates about his/her further career	20	2.80	1.105	100	2.42	.890
Results of appraisal are continuously given to employees.	20	3.90	1.071	100	3.53	.893
Total Mean	20	3.09		100	2.74	

Source: Developed for this study

Under the statement for performance appraisal system of creates an opportunity for freely talk between raters and subordinates about future career, the mean scores were 2.80 for raters and 2.42 for ratees. These scores imply that most appraisers didn't certain the appraisal system creates open relation to talk about future career between management and subordinates whereas ratees mean score indicates that majority of respondents were disagree about the statement. In contrary of this if there is no clear communication and feedback the results of appraisal given to employees continuously on time. Under this statement the value of mean score were 3.90 and 3.53 for raters and ratees respectively. The result shows both type of respondents were agreed to this end.

In general the total average mean score for the performance appraisal system towards feedback richness indicates in the following table

Table 4.8 Total average mean score on feedback richness

	Appraisers	Appraisees
N	20	100
Mean	3.09	2.74
Standard Deviation	1.135	0.903
Interpretation of mean score	Uncertain/ neutral	Uncertain/ neutral

Source: Developed for this study

As the interpretation of mean score category shows appraisers and appraisees were uncertain or no response in order to say the performance appraisal system is said to be effective in terms of frequent informal feedback provide to ratees. As previous researcher shows regular informal feedback increases communication and understanding of job requirements, employee attitudes and feelings, and progress. Specific, behavioral, and timely feedback is critical for performance improvement and it is unlikely that once or twice a year performance appraisal can meet employee feedback requirements Roberts, Gary E. (1994) as cited on Zeng, M. (2016). In this regard CBE's performance appraisal system implementation is ineffective and doesn't meet its requirement in appraisees attitude whereas it was effective for appraisers.

4.2.5 Respondents response on the purpose of performance appraisal

The above table 4.9 shows that the four statements provide to respondents about the purpose of performance appraisal in order to capture their attitude but the mean score between appraisers and appraisees were totally different. Appraisers mean score which is 3.20 shows majority of them were uncertain whether the report or result of performance appraisal used for identifying the employees training needs similarly appraisees mean score which is 2.69 confirm that there were not clear vision whether the bank uses their performance report or result for the purpose of analyzing training needs or not.

Table 4.9 Response of respondents on purpose of performance appraisal

Purposes of Performance Appraisal	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
The PA report used for employees training needs after performance appraisal	20	3.20	1.005	100	2.69	.884
The PA report in CBE is used for administrative purposes.	20	3.00	.918	100	2.05	.903
The PA report in CBE is used for developmental purposes.	20	3.30	1.129	100	1.95	.968
Performance appraisal system helps in identifying systemic factors that are barriers to effective performance.	20	3.55	1.099	100	2.77	1.014
Total Mean	20	3.26		100	2.37	

Source: Developed for this study

For the two statements presented to appraisers about the bank uses the report of performance appraisal for administrative or developmental purposes, the mean scores were 3.00 and 3.30. The scores confirm that majority of appraisers were uncertain or didn't have clear vision whether the bank uses performance reports for administrative and developmental purposes or not. Whereas, appraisees or ratees mean scores which was 2.05 and 1.95 confirm that they totally disagreed their performance report/result used for administrative and developmental purposes.

Appraisers were agreed the performance appraisal system used for identifies systematic factors that barriers effective performance because the mean score for this statement was 3.55 but apprisees were uncertain/no opinion whether the system provides an opportunity to analyze systematic factors that barriers for effective performance because the mean score was 2.77.

The following table shows the total average mean score and standard deviation of the purpose of performance appraisal system

4.10 total average mean score of respondents on purpose of PA system

	Appraisers	Appraisees
N	20	100
Mean	3.26	2.37
Standard Deviation	1.038	0.942
Interpretation of mean score	Uncertain/Neutral	Disagreed

Source: Developed for this study

According to Yang and Holzer (2006), a PA program can serve many purposes that benefit both the organization and the employee whose performance is being appraised. Some of these purposes are strategic, administrative and developmental. An according to Sheikh Abdur R., (2012) the common purposes of effective employee performance appraisal system are performance appraisal is for making administrative decisions relating to promotions, fringes, layoffs, and merit pay increase and appraisal information can also provide needed input for determining both individual and organizational training & development needs.

Although prior research showed that the purpose of performance appraisal should be defined and well known by appraisers and appraisees, the result of mean score shows CBE's performance appraisal system is ineffective to this parameter. Appraisers' total average mean score was 3.26

means they were not certain to respond the bank clearly defined the purpose of the system but to some extent the purpose of PA was effective than appraises. The total average mean score of appraisees, which is 2.37, clearly indicates employees didn't know the purpose of the system.

4.2.6 Response of participants on the statement of motivation on performance appraisal

The first statement was different to some extent for respondents, for appraisers it says feel employees are motivated after performance appraisal and for employees I feel motivated after performance appraisal was conducted. As per the below table 4.11 shows the mean score of raters were 2.80 it imply that appraisers were uncertain whether their subordinates motivate or not after conducting performance appraisal where as the mean score of ratees was 2.27. The score shows that employees were disagree to motivate them after the measure of their performance conducted.

Table 4.11 Response of respondents on performance appraisal motivation

Motivate Employees	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
I feel more motivated after performance appraisal	20	2.80	1.105	100	2.27	.827
PAS enables employees to develop their abilities and increase job satisfaction.	20	2.75	.910	100	2.51	.927
PAS encourages employees to think of new ways of performing their job more efficient	20	3.25	1.118	100	2.33	.995
PAS was designed to achieve sustainable levels of high performance from employees	20	3.60	.995	100	2.44	1.131
Total Mean	20	3.10		100	2.35	

Source: Developed for this study

For the statement of performance appraisal system enables employees to develop their abilities and increase job satisfaction, appraisers and appraisees mean scores were 2.75 and 2.51. Majority of both rates and ratees feel that they were uncertain or no response had taken whether the system used to enable for employees enhance their job satisfaction and develop their abilities.

The mean score of ratees for the statement of PA system encourage employees to think new ways of performing their job more efficient was 2.33 it shows they were totally disagreed about this statement. But raters were uncertain to think the system encourages employees to create new ways to perform their job efficiently because the mean score of raters was 3.25.

In contrary to the above analysis the mean score of raters which is 3.60 indicates raters were agreed the performance appraisal system designed in order to achieve sustainable level of performance from employees. Whereas the mean score of appraisees which is 2.44 indicates rates was disagreed the performance appraisal system designed in order to enhance employees performance in a sustainable manner.

The total average mean and standard deviation on the statement of performance appraisal system motivate employees are as follows

Table 4.12 Total average mean score on improve performance of employees

	Appraisers	Appraisees
N	20	100
Mean	3.10	2.55
Standard Deviation	1.032	0.963
Interpretation of mean score	Uncertain/Neutral	Uncertain/Neutral

Source: Developed for this study

All motivational theories imply that, having a performance appraisal system that is perceived as fair and accurate by the employees plays an ultimate role in increasing the levels of employees. Especially for employee motivation, an accurate and fair performance appraisal plays a vital role as stated in some theories on motivation-expectancy theory, equity theory, procedural justice theory and goal-setting theory (George & Jones, 2012, p.217).

Selvarajan & Cloninger (2012) discussed how higher levels of perceived fairness and accuracy could lead to higher levels of employee appraisal satisfaction and motivation to improve performance in the future. The now properly measured and functioned appraisal is the foundation to enhance motivation of employees for the next appraisal period to improve their performance.

As the above descriptions from different scholars', how motivation affect of effectiveness of performance appraisal system in order to enhance employees' performance, CBE's performance appraisal would be ineffective in the assumption of appraisees in contrary to this the assumption of appraisers towards motivation was effective.

4.2.7 Response of participants on the reliability of performance appraisal

Appraisers mean score for the statement CBE's performance appraisal implemented based on specific objectives was 3.55. This score implies that majority of appraisers were agreed the system is based on specific objectives the appraisees mean score for the same statement was 3.56. It indicates that majority of respondents were agreed the system conducted based on specific objectives.

Likewise the mean scores of appraisers and appraisees were 3.55 and 3.54 on the statement presented for the respondents which is supervisors' measure performance of employees without showing any biasness. The scores show that both raters and ratees were agreed to this end.

Table 4.13 Respondents response on reliability of performance appraisal system

	Branch Manager & CSM /Appraisers/			SCSO & CSO /Appraisees/		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
CBE's performance appraisal is based on specific objective.	20	3.55	1.099	100	3.56	1.028
Supervisors are able to conduct the performance appraisal of employees without showing any biasness.	20	3.55	1.164	100	3.54	.996
Performance Goals are clearly defined in the appraisal process	20	3.60	.940	100	3.69	1.076
The appraisal results are checked by the evaluator's immediate supervisors	20	3.45	1.209	100	3.34	.937
Total Mean	20	3.54		100	3.53	

Source: Developed for this study

The statement, performance goals are clearly defined in the appraisal process, the mean scores of appraisers and appraisees were 3.60 and 3.69. The scores indicate that both types of respondents were agreed the system is clearly defined the goals of the appraisal process.

Appraisers were uncertain and not confident to tell whether the appraisal result will check by evaluator's immediate supervisor or not. Because the mean scores of this statement was 3.34. Likewise the mean score of appraisers was 3.45. It implies that raters were uncertain or no neutral in order to say the system can have an opportunity to check the appraisal result by the next higher supervisors.

In general, the total mean score of the variable of the performance appraisal system reliability is as shown below table

Table 4.14 Total average mean score on reliability of performance appraisal system

	Appraisers	Appraisees
N	20	100
Mean	3.54	3.53
Standard Deviation	1.032	0.963
Interpretation of Mean Score	Agreed	Agreed

Source: Developed for this study

As the above table indicates that the total average mean scores of appraisers and appraisees were 3.54 and 3.53. According to the Zedatol (2008) the mean score category was agreed. Both types of respondents gave their consent CBE's performance appraisal system is effective in terms of reliability.

4.3 Pearson's correlation of variables

As shown in Table 4.15 below, the study discovered that all the independent variables that affect the effectiveness of performance appraisal system could have positively correlate with each other. These variables were perception on performance appraisal, improve performance of employees, feedback richness, purpose of performance appraisal, motivate employees, and reliability of the system. This means that any change in any one particular variable affects the other variables.

Table 4.15 correlation coefficients among independent variable

Correlations							
		Perception on Performance Appraisal	Improve Performance of Employees	Feedback Richness	Purpose of Performance Appraisal	Motivate Employees	Reliability of Performance Appraisal System
Perception on Performance Appraisal	Pearson Correlation	1	.316**	.313**	.543**	.505**	.245**
	Sig. (2-tailed)		.000	.001	.000	.000	.007
	N	120	120	120	120	120	120
Improve Performance of Employees	Pearson Correlation	.316**	1	.283**	.319**	.547**	.232*
	Sig. (2-tailed)	.000		.002	.000	.000	.011
	N	120	120	120	120	120	120
Feedback Richness	Pearson Correlation	.313**	.283**	1	.405**	.362**	.318**
	Sig. (2-tailed)	.001	.002		.000	.000	.000
	N	120	120	120	120	120	120
Purpose of Performance Appraisal	Pearson Correlation	.543**	.319**	.405**	1	.522**	.191*
	Sig. (2-tailed)	.000	.000	.000		.000	.037
	N	120	120	120	120	120	120
Motivate Employees	Pearson Correlation	.505**	.547**	.362**	.522**	1	.208*
	Sig. (2-tailed)	.000	.000	.000	.000		.023
	N	120	120	120	120	120	120
Reliability of Performance Appraisal System	Pearson Correlation	.245**	.232*	.318**	.191*	.208*	1
	Sig. (2-tailed)	.007	.011	.000	.037	.023	
	N	120	120	120	120	120	120

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for this study

As shown in Table 4.15 above, the study discovered that all the independent variables that effectiveness of performance appraisal system could have effects on positively correlate with each other. These variables are perception on performance appraisal, improve performance of

Table 4.16 correlation coefficients between dependent and independent variables

Correlations							
		Perception on Performance Appraisal	Improve Performance of Employees	Feedback Richness	Purpose of Performance Appraisal	Motivate Employees	Reliability of Performance Appraisal System
Effectiveness of Performance Appraisal	Pearson Correlation	.563**	.395**	.417**	.517**	.542**	.384**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	120	120	120	120	120	120

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

Source: Developed for this study

employees, feedback richness, purpose of performance appraisal, motivate employees, and reliability of the system. This means that any change in any one particular variable affects the other variables.

4.4 Assumption Tests

Before proceeding to measure multiple regressions analysis the study was measured the assumption testes. The analysis must possible when there was no multicollinearity problem in variables, the variables had linearly correlated, had no homogeneity of variance and residual variables must be normally distributed. In this section the above tests was conducted in the following manner.

4.4.1 Correlation Matrix/Multicollinearity Tests

One thing to do when conducting factor analysis is to look at the inter-correlation between variables. If there are any variables that don't correlate with any other variable, it excluding such variables before factor analysis is run. It is similar for the other end, it also the problem when variables correlate too highly. Although mild multicollinearity is not a problem for factor analysis it is important to avoid extreme multicollinearity and singularity (variables that are perfectly correlated). Therefore, to eliminate any variable that didn't correlate with any other variables or that correlate very highly with other variables($R < 0.9$). Therefore, on this study multi-collinearity was not the problem because all variables were correlates with each other and none of the variables had the value more than 0.9 (**See Annex 3**)

4.4.2 Homogeneity of Variance Tests

Table contains the result of test of homogeneity of variance. The high significance value is good because it means that there is homogeneity of variance. According to Field, 2005 the study would have to make adjustments for analysis if the significance approached 0.05. As the table below indicated that the significance value is 0.133 which is greater than the alpha value 0.05. Therefore the result showed that there was homogeneity of variance in similar group.

Table 4.17 Test of homogeneity of variance

Effectiveness of Performance Appraisal			
Levene Statistic	df1	df2	Sig.
3.003	3	116	.133

Source: Developed for this study

4.4.3 ANOVA and Post Hoc Tests

The below table contains the result of ANOVA, it interpreted that there was significant differences between groups, $F(3,116) = 12.488$, $p=0.001$ because the significance value is less than alpha which was 0.05.

Table 4.18 ANOVA test between groups of respondents

ANOVA					
Effectiveness of Performance Appraisal					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.496	3	4.165	12.488	.001
Within Groups	38.692	116	.334		
Total	51.188	119			

Source: Developed for this study

The study was used extra analysis in order to get which one of the groups was significantly different among them. The test was Post Hoc Tests.

As the below table 4.22 indicated that senior customer service officer group didn't differ significantly from customer service officer. In the same way there wasn't significant mean difference between Branch manager and customer service manager/supervisors; whereas, branch managers group significantly different from customer service officers and senior customer service officers. Similar result showed for customer service managers or supervisors. In general, it implied that the appraiser group significantly different from appraisee group. This implied that appraiser's think that the performance appraisal system of the bank is effective based on the variables measured on this particular study. Whereas, appraisee's think that it was ineffective.

Table 4.19 **Post Hoc Tests**

Multiple Comparisons						
Dependent Variable: Effectiveness of Performance Appraisal						
Tukey HSD						
(I) Current Position		Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Branch Manager	Customer Service Manager/ Supervisor	.441667	.263608	.341	-.24547	1.12881
	Senior Customer Service Officer	.856667 [*]	.210887	.001	.30696	1.40638
	Customer Service Officer	1.026667 [*]	.178788	.000	.56063	1.49271
Customer Service Manager/ Supervisor	Branch Manager	-.441667	.263608	.341	-1.12881	.24547
	Senior Customer Service Officer	.415000	.241601	.319	-.21477	1.04477
	Customer Service Officer	.585000 [*]	.214156	.036	.02677	1.14323
Senior Customer Service Officer	Branch Manager	-.856667 [*]	.210887	.001	-1.40638	-.30696
	Customer Service Manager/ Supervisor	-.415000	.241601	.319	-1.04477	.21477
	Customer Service Officer	.170000	.144384	.642	-.20636	.54636
Customer Service Officer	Branch Manager	-1.026667 [*]	.178788	.000	-1.49271	-.56063
	Customer Service Manager/ Supervisor	-.585000 [*]	.214156	.036	-1.14323	-.02677
	Senior Customer Service Officer	-.170000	.144384	.642	-.54636	.20636

Source: Source: Developed for this study

4.5 Multiple regression analysis and findings

In this subsection, multiple regression analysis was used to determine whether independent variables (X_1 , X_2 , X_3 , X_4 , X_5 and X_6) simultaneously impact the dependent variable (Y). As a result, the subsection examines whether the multiple regression equation can be used to explain the causal theory of the various factors on performance appraisal systems. To investigate the influence of perception of PA(X_1), improve performance(X_2), feedback richness(X_3), purpose of PA(X_4), motivate employees(X_5) and reliability of the system(X_6) on effectiveness of performance appraisal system, the model used for the regression analysis was expressed in the general form as given below:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \epsilon$$

Where b_0 , b_1 , b_2 , b_3 , b_4 , b_5 and b_6 are constants; ϵ is the error term.

For this model, PAS was used as the dependent variable (Y) and independent variables included X_1 , X_2 , X_3 , X_4 and X_5 and X_6 . The relationships between the dependent variable and independent variables, and the results of testing significance of the model have been respectively interpreted.

In interpreting the results of multiple regression analysis, the three major elements considered were: the coefficient of multiple determinations, the standard error of estimate and the regression coefficients. These elements and the results of multiple regression analysis were presented and interpreted accordingly. Table 4.19 below presents the result on the effectiveness of performance appraisal model.

Table 4.20: The effectiveness PAS Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742	.551	.552	.479251

Source: Developed for this study

Table 4.24 reports the model of effectiveness of performance appraisal system with the coefficient of determination $R^2 = 0.552$ at 0.05 a significant level. The coefficient of determination indicated that 55.2 % of the variation in the effectiveness of PAS for the sample of 120 can be explained by the perception of PA(X_1), improve performance(X_2), feedback richness(X_3), purpose of PA(X_4), motivate employees (X_5), and reliability of the system (X_6) while 44.8 % remains unexplained.

The results of the summary Analysis of Variance (ANOVA) were presented and interpreted in Table 4.25

Table 4.21: Summary ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.234	6	4.206	18.311	.000
	Residual	25.954	113	.230		
	Total	51.188	119			

Source: Developed for this study

Table 4.25 reports the summary ANOVA and F statistic which reveals the value of F (18.311) being significant at 0.05 confidence level. The value of F is large enough to conclude that the set of independent variables.

The results of the PAS regression model using the six independent variables were presented and interpreted in the following table below:

Table 4.22 Performance appraisal system regression model

Coefficients				
	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	Sig.
(Constant)	.260	.296		.382
Improve Performance of Employees (X1)	.089	.100	.072	.377
Perception on Performance Appraisal (X2)	.261	.082	.268	.002
Feedback Richness (X3)	.123	.084	.113	.145
Purpose of Performance Appraisal (X4)	.158	.086	.161	.068
Motivate Employees (X5)	.212	.097	.202	.032
Reliability of Performance Appraisal System (X6)	.174	.065	.193	.009

a. Dependent Variable: Effectiveness of Performance Appraisal

Source: Developed for this study

The below Table 4.26 evaluates and interprets the standardized coefficients of correlation (beta). In estimating the contribution of each independent variable in the study, it was established that all independent variables significantly contributed in variance of the PAS at significance level of 0.05. However, the relative importance of each independent variable was different. Also, since the significance values are less than 0.200 except the first variable(X₁), the coefficients are significant and therefore the regression equation would be:

$$Y = 0.260 + 0.89X_1 + 0.261X_2 + 0.123X_3 + 0.158X_4 + 0.212X_5 + 0.174X_6$$

Improve Performance of Employees was positively related to effectiveness performance appraisal systems with $\beta=0.072$ ($\alpha<.05$). Therefore support was found to indicate that improving the Performance of Employees has an influence on effectiveness of performance appraisal systems. It therefore implied that the better Improve Performance of Employees, the more effective the PAS.

Perception on Performance Appraisal were positively related to effectiveness of performance appraisal systems with $\beta = 0.268$ ($\alpha<.05$). This evidence indicates that Perception on Performance Appraisal have an influence on effectiveness of performance appraisal systems. It

therefore implied that the better the Perception on Performance Appraisal both by rater and the ratee, the more effective the PAS.

The effectiveness of Performance appraisal system was positively related to Feedback Richness with $\beta = 0.113$ ($\alpha < .05$). Therefore support was also found to show that there is a relationship between effectiveness of performance appraisal systems and Feedback Richness.

Purpose of Performance Appraisal were positively related to the effectiveness of performance appraisal systems with $\beta = 0.161$ ($\alpha < .05$) Like the previous variables, evidence was found to indicate that Purpose of Performance Appraisal have an influence on effectiveness of performance appraisal systems. Motivate Employees were also positively related to effectiveness of PAS with $\beta = 0.202$ ($\alpha < .05$). Support was therefore found to indicate that Motivate Employees have an influence on effectiveness of performance appraisal systems.

Reliability of Performance Appraisal System was positively related to effectiveness performance appraisal systems with $\beta = 0.193$ ($\alpha < .05$). Therefore support was found to indicate that Reliability of Performance Appraisal System has an influence on effectiveness of performance appraisal systems. It therefore implied that the better Reliability of Performance Appraisal System, the more effective the PAS. Therefore, all the five factors (X_1 , X_2 , X_3 , X_4 , X_5 and X_6) have an influence on the PAS, explaining 55.2 % of the variation in the PAS.

Chapter Five

Summary of Findings, Conclusions and Recommendations

This chapter presents the summary of the data findings on the effectiveness of employees' performance appraisal in Commercial Bank of Ethiopia. It also gives conclusions and recommendations drawn from the findings. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.1 Summary of Findings

The study showed that at CBE the following variables/factors affect the effectiveness of the implementation of performance appraisals;

Perception of raters/ratee towards performance appraisal

Employees' and supervisors perception towards performance appraisal plays a significant role for the effectiveness of the system. When employees don't perceive the system is effective they have no sense of belongingness to the organization, have no future hope of getting better benefits and so on. This affects the overall performance of the bank. As the study revealed that, CBE's PA system was totally ineffective in the perception of employees and it didn't fulfill the effectiveness requirement whereas managers assumed that the system was effective.

Objective/purposes of performance appraisal

Every individual in the organization should have to know why his/her performance is measured. Organizations' used the appraisal result for different purposes such as to make a decision for developmental, motivational or administrative purposes based on evidences. In this context the study revealed that CBE's employees didn't have any knowledge for what purpose the bank measure their performance. They said that they never had seen any decision taken based on appraisal result. In contrary to this managers and supervisors had opposite attitude from employees; they know for what purpose the bank measure the performance.

Feedback richness

Continuous feedback is an important part of appraisal process. Effective evaluation system should give constructive feedback provides to employees in order to improve the performance of

each individual for the coming period. But feedback is not a onetime task it is a process for the evaluation period. In this regard, CBE's appraisal process was ineffective. The study revealed that all respondents except managers said, continuous feedback didn't provide by managers and immediate supervisors about the performance of employees. Whereas, managers and supervisors revealed that the system is effective because responsible personnel's had provided feedback whenever possible.

Motivate employees

Effective appraisal system must produce the correct result of each performer and appreciated, rewarded, promoted when the performer score high without any discrimination and biases. When the performer who score more than anyone didn't get anything, he/she assume that whenever to perform higher than any one you treat as equal as the one performed lesser. It affects the overall performance of the organization. For this context employees of CBE assumed that the system was ineffective to motivate employees. Nothing happened when you have to score 5(exceptional) or 1(unsatisfactory). The assumption of managers to this end was opposite to employees.

Reliability of the system

Effective appraisal system should be reliable and as much as possible free from personal biasness and subjectivity even though it is difficult to avoid. If it is reliable the result was acceptable by raters and ratees without grievance. This create conducive work environment in the organization. Due to this variable both employees and managers agreed the system was reliable and free from personal bias according to the study analysis.

Improve performance of employees

Performance appraisal should have to encourage performance improvement. In this regard, performance appraisals are used as a means of communicating to employees how they are doing and suggesting needed changes in behavior, attitude, skills, or knowledge. For this consideration Commercial Bank of Ethiopia performance appraisal system is ineffective based on the response of both appraisers and appraisees.

5.2 Conclusions

The general aim of the dissertation was to assess the effectiveness of employees' performance appraisal system in Commercial bank of Ethiopia. To complete this aim the researcher reviewed literature on the area of performance appraisal and related areas comprehensively and then conducted a survey with employees of CBE.

The study was revealed that CBE's performance appraisal system lost the acceptance of employees it is useful for the bank as well as them. In the same way employees perceived that nothing performance improvement comes because of measurement in performance of employees. The appraisal system didn't play any role for the improvement of performance. The managers and supervisors also think that the same. Even if feedback was played a vital role in the appraisal system, managers and supervisors were not providing constructive feedback in order to enhance employees' performance and correct the wrong way they followed. The appraisal system implemented in CBE also very weak to motivate employees based on their score. No one rewarded and promoted whenever he/she had scored exceptional result during the appraisal period. In the same way no training had provide when an employee scored unsatisfactory result.

In general, employees assumed that the performance appraisal system implemented in CBE was very week for providing constructive feedback, weak to link the result with motivational and developmental policies, and lack of its strength to improve employees' performance. Among the variables that measured the effectiveness of the system, employees accept only the reliability of the system. They assumed that the system was free from personal bias. In this perspective the system was effective. For the rest variables such as feedback richness, motivation, purpose of PA, improve performance and perception towards PA, employees didn't accept PA system implemented in CBE was useful and as such important and didn't perceived that it was effective system.

The study also revealed that the managers and supervisors perception for PA system in CBE was totally different from employees. They assumed that the system was effective for all variables the study picked up except improve performance of employees. This indicated that there were huge gap between them towards perception of the system effectiveness.

5.3 Recommendations

The findings have revealed numerous potential weaknesses that are preventing the effectiveness of PA system. A number of challenges have been identified and need to be manifested if the whole system is to be beneficial and fair to all involved. The bank needs to improve the appraisal accordingly if it is to be successful in carrying out its objective. Below are the recommendations the researcher has made for the commercial bank of Ethiopia to make its appraisal system more effective.

From top managers to individual employees of CBE should have to give more attention about the perception towards performance appraisal. The study have got there was a huge gap between them in perceptions. Management should give full attention to employees' perceptions of performance appraisal system and correct their attitude by providing intensive awareness creation. Employees should have to understand why and how to measure their performance and for what purpose it conducted. This creates harmonious relationship between appraisers and appraisees and they give their belongingness to the system and know what impact has the coming career, promotion ...etc. This helps the system to be effective.

The bank (CBE) should be trained raters on various aspects like supervision skills, conflict resolution, coaching and counseling, and how to provide employee feedback in order to enhance the effectiveness of appraisal system in terms of feedback richness. The training will equip raters with expertise and knowledge that they need in making decisions in the course of the appraisal process. The feedback provided by raters should be specific and timely and be against the predetermined performance expectations.

The system should have to give more attention the result of appraisal link with training and development, career structure of the bank, and motivational decisions. Everyone needs to recognize his/her contribution for the bank's performance. The system must be appreciate and recognize their effort when he/she score great and provide reinforcement who scored less unless the system not to be acceptable by employees.

In order to motivate employees with performance appraisal system CBE should have to links between performance ratings with rewards, profitability of the bank, developmental and administrative decisions. Unless employees' do not accept the system is useful for them rather than waste.

5.3 Areas for Further Research

Future research, by utilizing quantitative research techniques and an examining a greater population could investigate the effectiveness of performance appraisal across all districts of commercial bank of Ethiopia rather than taking only branches in the area of Addis Ababa. This would give the research more validity in the findings.

It is the belief of the researcher that if the recommendations revealed above were to be implemented by the Commercial bank of Ethiopia managements, they would dramatically assist the bank to ensure their appraisal system is of high quality and is effective for all parties.

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ANNEX 1- Questionnaire

**Addis Ababa University
School of Commerce
Department of Human Resource
Distance Post Graduate Program**

For Branch Manager/Supervisor (CSM)

Dear Sir/Madam/ respondent,

*I am currently a student of Addis Ababa University pursuing MBA program and writing a thesis on “**Effectiveness of Employee performance appraisal system in commercial bank of Ethiopia**”. The purpose of the study is to assess the Effectiveness of performance appraisal system in case of Commercial Bank of Ethiopia (CBE). As part of the study, I am collecting data and I sincerely request your cooperation to fill this questionnaire. Therefore, your genuine, honest and prompt response is a valuable input for the quality and successful completion of the research paper.*

Note: *All the information collected through the questionnaire will be used only for academic purpose and will be kept confidential. Please ensure that you are encircling the appropriate response category against each question since incomplete responses will lead to wrong conclusion. It may take up to 20 minutes of your time.*

Instruction: The Questionnaire has two parts: General information and effectiveness of performance appraisal. There is no need of writing your name.

Part one: Respondent’s profile: Please tick ☒ the appropriate box.

1. Please what is your gender/sex?

Male
Female
2. Your age group:

Under 25
25-34
35-44
45 and above
3. Specify current position _____
4. Length of employment in the company:

2-4 year
5-9 years
10-19 years
20 years or longer

5. Select your highest academic qualification?

Diploma Bachelor's Post graduate/Masters/ other/please specify/_____

Part Two: Effectiveness of Performance Appraisal System

Please indicate the extent to which you agree or disagree with each statement by encircling a correspondent number in each feature. Higher number indicates higher level of agreement, (Where 5= strongly Agree, 4=Agree, 3=Neutral, 2= Disagree, 1= strongly disagree)

NO		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Perception on performance appraisal					
1	In your opinion performance appraisal is necessary to be conducted in CBE	1	2	3	4	5
2	There is a link between performance outcomes and organizational goals	1	2	3	4	5
3	The bank has clear policies, procedures and instructions on how to implement the appraisal system	1	2	3	4	5
4	Performance appraisal in CBE is fair and treat all employees equally	1	2	3	4	5
	Improve performance of employees					
5	Performance appraisal makes better understand what employees should be doing.	1	2	3	4	5
6	CBE's Performance appraisal system helps employees to gain insights into their strengths and weaknesses.	1	2	3	4	5
7	Superiors take corrective actions for improvement based on the outcome of performance.	1	2	3	4	5
8	Performance Review improves job performance of employees	1	2	3	4	5
	Feedback richness					
9	Periodic orientation programs on performance appraisal system are conducted.	1	2	3	4	5
10	Performance appraisal system of CBE creates open relations between top management and subordinate	1	2	3	4	5
11	Performance appraisal system of CBE gives an opportunity to talk freely to subordinates about his/her further career	1	2	3	4	5
12	Results of appraisal are continuously given to employees.	1	2	3	4	5
	Purpose of performance appraisal system					

13	The PA report used for employees training needs after performance appraisal.	1	2	3	4	5
14	The PA report in CBE is used for administrative purposes.(e.g. Promotion, demotion...etc)	1	2	3	4	5
15	The PA report in CBE is used for developmental purposes.(training, workshop... etc)	1	2	3	4	5
16	Performance appraisal system of CBE helps in identifying systemic factors that are barriers to effective performance.	1	2	3	4	5
	Motivate Employees					
17	I feel employees are motivated after performance appraisal	1	2	3	4	5
18	Performance appraisal system of CBE enables employees to develop their abilities and increase job satisfaction.	1	2	3	4	5
19	Performance appraisal system of CBE encourages employees to think of new ways of performing their job more efficient	1	2	3	4	5
20	PAS was designed to achieve sustainable levels of higher performance from employees	1	2	3	4	5
	Reliability of Performance Appraisal System					
21	CBE's performance appraisal is based on specific objective.	1	2	3	4	5
22	Supervisors are able to conduct the performance appraisal of employees without showing any biasness.	1	2	3	4	5
23	Performance Goals are clearly defined in the appraisal process	1	2	3	4	5
24	The appraisal results are checked by the evaluator's immediate supervisors	1	2	3	4	5
	Effectiveness of Performance Appraisal					
25	The appraisal system is effective in encouraging employees to work hard.	1	2	3	4	5
26	The employees are satisfied with the way they are being evaluated and ranked	1	2	3	4	5
27	The appraisal system is accurate in terms of content and purpose.	1	2	3	4	5
28	The performance appraisal system is designed to motivate employees.	1	2	3	4	5
29	The performance appraisal system recognizes employee achievement and performance objectively.	1	2	3	4	5

Thank you for your cooperation!!!

**Addis Ababa University
School of Commerce
Department of Human Resource
Distance Post Graduate Program**

For Employees

Dear Sir/Madam/ respondent,

*I am currently a student of Addis Ababa University pursuing MBA program and writing a thesis on “**Effectiveness of Employee performance appraisal system in commercial bank of Ethiopia**”. The purpose of the study is to assess the Effectiveness of performance appraisal system in case of Commercial Bank of Ethiopia (CBE). As part of the study, I am collecting data and I sincerely request your cooperation to fill this questionnaire. Therefore, your genuine, honest and prompt response is a valuable input for the quality and successful completion of the research paper.*

Note: *All the information collected through the questionnaire will be used only for academic purpose and will be kept confidential. Please ensure that you are encircling the appropriate response category against each question since incomplete responses will lead to wrong conclusion. It may take up to 20 minutes of your time.*

Instruction: The Questionnaire has two parts: General information and effectiveness of performance appraisal. There is no need of writing your name.

Part one: Respondent’s profile: Please tick ☒ the appropriate box.

1. Please what is your gender/sex?
Male Female
2. Your age group:
Under 25 25-34 35-44 45 and above
3. Specify current position _____
4. Length of employment in the company:
2-4 year 5-9 years 10-19 years 20 years or longer
5. Select your highest academic qualification?
Diploma Bachelor’s Post graduate/Masters/ other/please specify/_____

Part Two: Effectiveness of Performance Appraisal System

Please indicate the extent to which you agree or disagree with each statement by encircling a correspondent number in each feature. Higher number indicates higher level of agreement, (Where 5= strongly Agree, 4=Agree, 3=Neutral, 2= Disagree, 1= strongly disagree)

NO		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Perception on performance appraisal					
1	In your opinion performance appraisal is necessary to be conducted in CBE	1	2	3	4	5
2	There is a link between performance outcomes and organizational goals	1	2	3	4	5
3	The bank has clear policies, procedures and instructions on how to implement the appraisal system	1	2	3	4	5
4	Performance appraisal in CBE is fair and treat all employees equally	1	2	3	4	5
	Improve performance of employees					
5	Performance appraisal makes better understand what employees should be doing.	1	2	3	4	5
6	CBE's Performance appraisal system helps employees to gain insights into their strengths and weaknesses.	1	2	3	4	5
7	Superiors take corrective actions for improvement based on the outcome of performance.	1	2	3	4	5
8	Performance Review improves job performance of employees	1	2	3	4	5
	Feedback richness					
9	Periodic orientation programs on performance appraisal system are conducted.	1	2	3	4	5
10	Performance appraisal system of CBE creates open relations between top management and subordinate	1	2	3	4	5
11	Performance appraisal system of CBE gives an opportunity to talk freely to subordinates about his/her further career	1	2	3	4	5
12	Results of appraisal are continuously given to employees.	1	2	3	4	5

	Purpose of performance appraisal system					
13	The PA report used for employees training needs after performance appraisal.	1	2	3	4	5
14	The PA report in CBE is used for administrative purposes.(e.g. Promotion, demotion...etc)	1	2	3	4	5
15	The PA report in CBE is used for developmental purposes.(training, workshop... etc)	1	2	3	4	5
16	Performance appraisal system helps in identifying systemic factors that are barriers to effective performance.	1	2	3	4	5
	Motivate Employees					
17	I feel more motivated after performance appraisal	1	2	3	4	5
18	Performance appraisal system of CBE enables employees to develop their abilities and increase job satisfaction.	1	2	3	4	5
19	Performance appraisal system of CBE encourages employees to think of new ways of performing their job more efficient	1	2	3	4	5
20	Performance appraisal system of CBE was designed to achieve sustainable levels of high performance from employees	1	2	3	4	5
	Reliability of Performance Appraisal System					
21	CBE's performance appraisal is based on specific objective.	1	2	3	4	5
22	Supervisors are able to conduct the performance appraisal of employees without showing any biasness.	1	2	3	4	5
23	Performance Goals are clearly defined in the appraisal process	1	2	3	4	5
24	The appraisal results are checked by the evaluator's immediate supervisors	1	2	3	4	5
	Effectiveness of Performance Appraisal					
29	The appraisal system is effective in encouraging employees to work hard.	1	2	3	4	5
30	The employees are satisfied with the way they are being evaluated and ranked	1	2	3	4	5
31	The appraisal system is accurate in terms of content and purpose.	1	2	3	4	5
32	The performance appraisal system is designed to motivate employees.	1	2	3	4	5
33	The performance appraisal system recognizes employee achievement and performance objectively.	1	2	3	4	5

Thank you for your cooperation!!!

ANNEX 2 – Table for Determining Minimum Returned Sample Size

Population Size	Sample Size					
	Continuous data (margin of error=.03)			Categorical data (margin of error =.05)		
	alpha=.10 t=1.65	alpha=.05 t=1.96	alpha=.01 t=2.58	p=.50 t=1.65	p=.50 t=1.96	p=.50 t=2.58
100	46	55	68	74	80	87
200	59	75	102	116	132	154
300	65	85	123	143	169	207
400	69	92	137	162	196	250
500	72	96	147	176	218	286
600	7	100	155	187	235	316
700	75	102	161	196	249	341
800	76	104	166	203	260	363
900	76	105	170	209	270	382
1,000	77	106	173	213	278	399
1,500	79	110	183	230	306	461
2,000	83	112	189	239	323	499
4,000	83	119	198	254	351	570
6,000	83	119	209	259	362	598
8,000	83	119	209	262	367	613

10,000	83	119	209	264	370	623
NOTE: The The margins of error used in the table were .03 for continuous data and .05 for categorical data. Researchers may use this table if the margin of error shown is appropriate for their study; however, the appropriate sample size must be calculated if these error rates are not appropriate. Table developed by Bartlett, Kotrlik, & Higgins (2001).						

Annex 3: Table of Correlation Matrix

Correlation Matrix^a

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
Correlation	Q1	1															
	Q2	.372	1														
	Q3	.150	.225	1													
	Q4	.225	.291	.148	1												
	Q5	.107	.217	.010	-	1											
	Q6	-	.027	.282	-	.009	1										
	Q7	-	.139	.470	.194	-.045	.115	1									
	Q8	.019	.142	.215	.066	.144	.115	.082	1								
	Q9	.080	.215	.274	.129	-.014	.145	.272	.069	1							
	Q10	.156	.070	.163	.119	-.184	.057	.104	.006	.159	1						
	Q11	.071	.079	.338	.056	.041	.203	.351	.236	.299	.269	1					
	Q12	.012	.080	.164	.032	-.049	.062	.222	.072	.119	.150	.258	1				
	Q13	.045	.143	.197	.117	.207	.149	.048	.086	.251	-	.186	.039	1			
	Q14	.097	.221	.146	.326	-.011	.020	.123	.001	.041	.115	.148	.132	.119	1		
	Q15	.162	.252	.351	.394	.019	.142	.163	.203	.264	.135	.225	.191	.219	.566	1	
	Q16	.181	.278	.484	.276	.048	.128	.199	.277	.352	.202	.235	.154	.123	.118	.235	1
	Q17	.193	.321	.186	.214	.188	.233	.080	.113	.180	.049	.173	-	-	.058	.173	.258
	Q18	.080	.160	.252	-	.231	.237	.020	.136	.300	-	.147	-	.245	.124	.232	.253
	Q19	.211	.293	.210	.101	.185	.238	.124	.207	.111	.269	.143	.023	.197	.178	.282	.205
	Q20	.225	.298	.229	.252	.280	.132	.221	.277	.181	.148	.335	.152	.177	.279	.335	.257
	Q21	.016	.032	.138	.128	-.058	.025	.155	.237	.218	.183	.246	.312	.028	.136	.104	.304
	Q22	-	.145	.264	-	.019	.120	.161	.199	.153	.097	.220	.167	-	.068	.014	.193
	Q23	.001	.093	.224	.002	.045	.040	.173	-	.065	.026	.146	.169	-	.061	.092	.075
	Q24	.116	.134	.175	.047	-.097	.008	.188	.203	.103	-	.098	.111	.133	-	.087	.149
	Q25	.205	.183	.210	.200	.093	.216	.113	.109	.233	.116	.045	-	.089	.148	.131	.274

	Q26	.158	.149	.291	.146	.000	.127	.197	.045	.111	.116	.201	.141	.107	.088	.247	.288	.15
	Q27	- .008	.080	.319	.157	.126	.181	.234	.141	.347	.097	.379	.057	.235	.117	.166	.339	.13
	Q28	.273	.345	.181	.224	.073	.040	.215	.099	.178	.238	.180	.237	.198	.221	.238	.208	.02
	Q29	.306	.386	.304	.246	.062	.189	.145	.219	.149	.213	.049	.173	.011	.292	.279	.326	.21