



**Addis Ababa University**  
**School of Commerce**  
**Department of Human Resource Management**

**Assessment of Electronic Based Performance Appraisal System and  
Employee Performance Relationship: The case of Bank of Abyssinia  
East Addis Ababa District**

**By**  
**Awraris Tegegne Gebresilasse**

**June 2022**

**Addis Ababa, Ethiopia**



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**Adane Atara (PhD)**

**A Thesis Submitted to the Department of Human Resource Management, School of Commerce, Addis Ababa University in Partial Fulfillment of the Requirements of Master of Arts in Human Resource Management**

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## **Statement of Certification**

I certify that the thesis entitled “Assessment of electronic bases performance appraisal system and employee performance relationship: the case of bank of Abyssinia east Addis Ababa District” is the work of Mr. Awraris Tegegne. He carried out research under my guidance and I certified that, to the best of my knowledge, the work reported here in doesn't form part of any other project report or dissertation on the bases of which a degree or other awards was conferred on an earlier occasion on this or any other candidate

Advisor; Adane Atara (PHD)

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## Statement of Declaration

Awraris Tegegne, hereby declare that the thesis on the topic entitled “assessment of electronic performance appraisal system and employee performance relationship: the case of bank of Abyssinia east Addis Ababa District” submitted for partial fulfillment of M.A degree in Human Resource Management is my original work and it hasn't been presented for the award of any other degree, diploma, or other similar titles of any other University or institution.

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## **Acronyms**

BOA	Bank of Abyssinia
ERP	Enterprise Resource Planning
HRM	Human Resource Management
KPI	Key Performance Indicators
PA	Performance Appraisal
PAS	Performance Appraisal System
PM	Performance Management
PMS	Performance Management System

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## ***Abstract***

*Performance appraisal works towards the improvement of the overall organizational performance by measuring the performances of teams and individuals for ensuring the achievement of the overall organizational ambitions and goals. In order to maximize the benefit of performance appraisal, it needs to be supported by technology. Therefore, this paper assessed the relationship between electronic based performance appraisals and employee performance in the case on Bank of Abyssinia East Addis Ababa District. In order to address this objective, both qualitative and quantitative research approaches were used, and primary and secondary data were gathered comprehensively. The collected data were analyzed by using the descriptive statistics data analysis techniques. Through such rigorous endeavors, the results of the study revealed that in Bank of Abyssinia the performance appraisal was conducted periodically and the transformation from manual based to electronic based performance appraisal contributed to improve the performance of employees by reducing subjectivity and biasness as well as the availability of the performance appraisal results on performance evaluation system at any time. However, the performance appraisal results were not strongly linked with benefit packages and promotion of individual performers and there is also some knowledge gap on the use of performance evaluation system. As a result, the researcher recommends the BOA to give training on the use of performance evaluation system and to link benefit packages and promotional activities with the individual performance appraisal results in order to maximize the benefit of performance appraisal result.*

***Key words;*** BOA, performance evaluation system and performance appraisal

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

One of the fundamental resources available to any organization is human resource. Human resource is considered to be a critical resource as it helps to generate, organize and use other resources of the organization. Managing human resources in an organization has gained much importance over the course of time, as if looked around from multi-billion organizations to small scale production firms each has a separate department called human resource management (HRM) which is concerned with managing the work force in the organization. In the 21<sup>st</sup> century organizational setup, the HRM is considered to be the backbone behind the success of an organization. Amongst other important functions, the human resource department is trusted to have a close eye on the workforce contribution to the achievement of the objectives and goals of the organization, which is achieved through Performance appraisal.

Employee performance is the set of actual (timely and accurately) accomplishment tasks and duties by the employee. The task and duties are set and evaluated by the management or the line manager. The employee performance is so important that the ultimate goal of human resource department is to achieve sustainable improvement in employee performance by providing training, work environment, reward and care.

High employee's performances lead an organization to success and have greater opportunities for employees than those who have low performance. "Performance is related to that organization hires the person to do and do well" (Campbell 1993). Performance is not only related to the acting but also involves judgment and evaluation process. The activities that can be examined and measurable are reflected as performance (Campbell, 1993). Success of an organization needs highly competitive employees in order to meet their goals and can able to achieve the competitive advantage.

While on the other hand, for an organization to achieve its goals and objectives a well-motivated pool of lab ours is considered to be the key. Motivated personnel respond effectively to the goals of an organization and directs his/her efforts towards attainment of those goals, where an un-motivated workforce can sometimes be a blockade for a

company to achieve its vision and mission and to surpass any obstacle which the company might face.

In order to achieve mission vision, goals and target of one organization performance appraisal (PA) is critical. It helps in measuring and evaluating the job performance of the employees in a formal system of an organization (Armstrong, 2009). It also helps to identify the skill gap of the employees and on the other hand, it gives recognition to the merit based rewarding system for better performance in the future. According to Kuvaas (2006), performance appraisal or employee appraisal is a method by which the job performance of an employee is evaluated generally in terms of quality, quantity, cost and time typically by the immediate line manager or supervisor.

In addition, PA plays a key role to measure the employee's performance and help the organization to check the progress towards the desired goals and objectives (Ijbm, 2012). Now organizations are using PA as a strategic approach by coordinating the human resource functions and business policies. They are focuses on it as it is a broad term that covering number of activities like examines employees, improve abilities, maintain performance and allocate rewards. Performance appraisal help aligns individual goals and objectives with the organization goals.

Employee PA is one of the tools or techniques to improve employee performance, to motivate employees to work harder, to develop the potency of employees, and even to increase the ability of employees in the future, which in turn will be influenced by their performance feedback in the past as well as the direction of the following development.

In general PA has gradually more become part of a strategic approach to integrating HR activities and business policies and may now be seen as a general term covering a diversity of activities during which organizations request to assess employees and develop their capability, improve performance and distribute rewards.

In order to maximize the benefit of performance appraisal it is essential to support the process through technology. Electronic performance appraisal drives business results by directly linking employee performance and rewards with the organization's financial and business objectives and goal-linking capabilities drive alignment among missions, initiatives, and departmental or individual goals. The application of the system seeks to achieve goal linking capabilities driving alignment among missions, initiatives, and

departmental goals, multi document functionality enabling multi-layer and 360-degree feedback, supporting unique sets of business rules and approval processes for different departments within the organization. The electronic performance system may be adjusted to suit various functions of an organizations, direct the employee development process with workflow in an easy-to-use, Web-based environment, providing for efficient feedback mechanisms for both managers and employees more frequently, while simultaneously reducing the risk associated with non-standardized assessments through the availability of real-time graphical reports to ensure visibility into the process.

Bank of Abyssinia is one of the largest private banks in Ethiopia. It is a visionary bank to be the leading commercial bank in Ethiopia and East Africa in the future by providing reliable financial services to its customers through its competent and diligent staff. So far, the company has more than 600 branches in Ethiopia, including more than 8100 permanent staff and more than 3.3 million customers.

Bank of Abyssinia has been conducting as usual paper based performance appraisal every six months. The bank, now, has updated the existing system and introduced computerized performance appraisal (assessments). The setup of the so called Performance Management System (PMS) computer based application is to enable each employee receives a three-month goal and is supported by the supervisor on a daily basis. As a result, the benefits of the assessment would be based on the employee's results.

This study assessed the relationship between electronic performance appraisal and employee performance.

## **1.2 Statement of the Problem**

Human resource is one of the most valuable assets of any organization being public, private or non- governmental organization. Finding a talented, experienced and skilled human resource is competitive and expensive particularly in the banking sector. An organization varies in size, aim, functions, complexity, and the physical nature of their product, so also the contribution of human resource management. Performance appraisal is one of the techniques of performance management and a formal system of periodic review and evaluation of an individual's job performance which has to be handled

properly. Properly managed performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success. Improper handling of performance appraisal, can probably lead to failure in the business process itself.

In Ethiopia there are different researches conducted on the effect of performance appraisal process on employee performance. Most of the researchers Identify the performance appraisals positive and strong relationship or association with employee performance compared to the other factors. In addition to that objective setting, interpersonal factor and recognition also have a positive and strong relationship with employee performance. However, Performance appraisal process often get bad result due to ineffective process, poor implementation, time consuming, high cost, and inaccurate appraisal. Technology could make big difference in performance appraisal implementation and effectiveness. In this regard Bank of Abyssinia use electronic based appraisal process to measure and record performance of its employee. This study, therefore aimed to assess electronic based performance appraisal practice and employee performance relation in Bank of Abyssinia East Addis Ababa district.

### **1.3 Research Questions**

The research questions answered in this study were:

1. How electronic based performance appraisal system affect employees' performance relationship in the Bank of Abyssinia?
2. Did the bank has linked electronic based performance appraisal result with employee benefit and reward package?

### **1.4 Research Objectives**

#### **1.4.1 General Objective**

The general objective of this study was to assess electronic based performance appraisal and employees' performance relationship in banks of Abyssinia.

#### **1.4.2 Specific Objective**

- To assess electronic based performance appraisal system effect on employees' performance in the Bank of Abyssinia Eastern Addis Ababa District.
- To assess how the bank used electronic based performance appraisal result to link with employee benefit and rewards.

#### **1.5 Significance of the Study**

In view of the significant role that the Bank of Abyssinia plays in the country and the people, citizens are expected to study the overall process and set an example for others to develop strong practices and suggest improvements. To help with this, we assessed how the Bank's existing employees being motivated by the Bank's current performance appraisal results entitled '*The assessment of Electronic based Performance Appraisal System and Employee Performance relationship: The case of Bank of Abyssinia Eastern Addis Ababa District*'. The study provided the possible suggestions for better performance appraisal practice at the Bank of Abyssinia Eastern Addis Ababa District. The study can be a source document and can give the clue for those researchers who want to make further study in the area.

#### **1.6 Scope of the Study**

This research was limited to Abyssinia Bank in East Addis Ababa District branches which are found around Addis Ababa City. The study assesses the relationship between electronic based performance appraisal system and Employees performance. Due to limitation of time and resources, specific branches were selected randomly for data collection through questionnaires and interview. Data which is collected from these branches were analysed and presented through descriptive statistic technique.

#### **1.7 Limitation of the Study**

The study did not include all branches of the bank. Appropriate data may not be available as required. Lack of financial resource and time were also another limitation of this study. This leads this study to the limited number of literature on the subject and the limited access to different databases.

## 1.8 Definition of Terms

- **Performance:** If we are to consider the linguistic form of the word, the Oxford English dictionary takes performance to be as how well or badly you do something or how well or badly something works, it is also defined as the act or process of performing a task, an action, etc. while the verb perform means to work or function well or badly.
- **Performance appraisal:** *is a formal system of periodic review and evaluation of an individual's job performance.*

## 1.9 Organization of the Paper

The study was organized in five chapters. The first chapter was an introduction that included the background of the study, statement of the problem, research questions, objectives, scope of the study, significance of the study, and operational definition of terms. The second chapter was the literature review that involved reviewing the theoretical and empirical evidence and conceptual framework that included empirical findings and conceptual framework of the study. The third chapter was research methodology that covered mainly research approaches, research design, sampling method, data source, and data analysis method. The fourth chapter was the presentation, analysis, and interpretations of results. Finally, chapter five was a summary, conclusions, and recommendations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Theoretical Literature**

#### **2.1.1 Performance Appraisal**

Performance Appraisal has different meanings which is given by different researchers, Armstrong (2006) defines performance appraisal as the official rating and classification of staff by their managers where the staff is usually assessed annually. Performance assessment provides assistance to employees in determining their goals, future orientation, and passion to accomplish their assigned tasks (Judge & Ilies, 2002).

In the organizational setting, performance appraisal is defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed. In performance appraisal, the focus is to identify weaknesses and strengths as well as opportunities for improvement and skills development (Aguinis, 2007). A performance appraisal involves measuring job performance which mainly captures an essential element of the performance appraisal process without specifying the actual techniques used for measurement. Performance appraisal is the process of identifying, observing, measuring, and developing human resources in organizations. In order for the appraisal system to be effective, the system needs to be accepted and supported by its employees. At the same time, performance appraisal is a process of judgment and evaluating of the subordinate's performance by the supervisor as well.

Performance appraisal provides employees with useful feedback which they can apply to improve their performance (Ahmed, 2011). The feedback includes suggestions to change and encouragement. Performance appraisal system has a significant impact on the employee perception of justice which affects the attitudes and behavior of the employee thus will influence the performance of the organization (Ahmed, Ramzan, Mohammad & Islam, 2011). Akinbowale, Lourens and Jinabhai (2013) surmise that the adequate performance of employee's based on performance appraisal policy will result in improvement in employee performance. Feedback, particularly on interpersonal (supervisor-subordinate) basis will be found to be useful and highly effective in motivating employees to improve their performance.

Kane and Lawler (2009) explain the three main functional areas of performance appraisal systems i.e. administrative, informative and motivational. Appraisals affect administration in that it serves the role of facilitating an orderly means of determining salary increases and other rewards, and of delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. The motivational role involves creating a learning experience that motivates workers to improve their performance. Performance appraisals help employees and managers establish goals for the period before the next appraisal. Bates (2003) explains that through performance appraisal, regular feedback is given regarding the employee's past and present performance to ensure an improvement in employee performance. Performance appraisal has a positive and negative impact. Employees who receive a good score on his/her appraisal are generally motivated to perform well and maintain his/her performance. Positive feedback on appraisals gives employee a feeling of worth and value, especially when accompanied by salary increases. The employee's perception of fairness is the ultimate check for the success of the appraisal system. According to the organizational justice theory, the efficacy of the appraisal system depends upon the perception of fairness related to it. The acceptance of the evaluation system depends on the perceived fairness associated to it.

Employees must perceive that they are being evaluated against what they are actually supposed to do on the job. As such, the evaluation instrument should measure their performance against their job-related activities. Ahmed et al (2011) revealed that employee perception of fairness of performance appraisal is a significant factor in employee acceptance and satisfaction of performance appraisal. A good perception creates a positive working environment in the organization, while a negative perception creates problems and eventually affects organizational performance. Bretz, Milkovich and Read (1992) observed that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system

### **2.1.2 Performance Appraisal System**

In the past, staff appraisal systems were based solely on job analysis and were only incidentally related to the objectives or profitability of the organization. Nowadays, PAS have become popular not only for their contribution to the development of professional performance and the benefits to an organization, but also for a much wider applicability they have within the organization.

There is an extensive body of literature that outlines the objectives of performance appraisal systems. While there are differences in semantics, there is general consensus on the objectives that performance appraisal systems should be designed to achieve. According to Klingner et al. (2010), well-functioning performance appraisal systems should achieve four primary objectives: communicating management goals and objectives to employees; motivating employees to improve performance; equitably distributing organizational rewards such as salary increases and promotions; and providing management with insights that can be used to enhance employees' productivity and job satisfaction.

### **2.1.3 The importance of Performance Appraisal**

The process of assessing the performance of employees is an important process because it helps management understand employees within the complex organization. Furthermore, non-practical assessment structures tend to lead to frustration, discomfort and non-use. Similarly, systems that are not specifically related to the employee tasks have wasted resources and time. In fact, most successful evaluation mechanisms identify and evaluate only critical behaviors that contribute to job success (Mwema & Gachunga .2014). The performance evaluation process is essential because it empowers the planning of employee performance by helping the organization achieve its business objectives and performance review in a manner that motivates employees to exploit their full potential in line with the organization's objectives.

The performance appraisal process has an impact on five important organizational outcomes: financial performance, productivity, product and service quality, customer satisfaction, and employee satisfaction. Effective performance management is recognized as the development of staff skills and abilities, improving customer service and quality of the process, achieving both financial and non-financial objectives. Furthermore, it is

important for staff to believe that in the performance evaluations, there is a great opportunity for them to improve their work and the assessments are just. Without fairness, the performance appraisal system, rewards, motivations and development have a negative impact on staff (Gilliland and Langdon, 1998).

#### **2.1.4 Challenges of Performance Appraisal Process**

Performance appraisals are often retrospective. A typical traditional appraisal usually occurs once or twice a year. There would be extended time gaps of months between establishing goals and reviewing them, and objectives that were set upon in the beginning of the year are usually only dragged out during appraisal time. While performance appraisals provide the perfect opportunity for managers and staff to have a one-on-one discussion, it is unfortunately open to biased ratings (Khan, 2013). For example, some managers tend to be liberal or strict in their rating of staff. Managers may also fall into the trap of the “recent performance effect” where they generally only recall the recent actions of employees at the time of the appraisal and award points based on recent favorable or unfavorable events rather than whole years’ worth of activities (Jones and Wright, 2007).

There is also a tendency to focus on the weaknesses instead of strengths, which creates conflicts between manager and staff as well as a negative work environment. What organizations do not realize is that skills gaps need to be addressed quickly as it would impact the bottom line. During the performance appraisal process, there are common problems that emerge and they include: bias, stereotyping, halo error, distributional errors, similarity error, the appraisal conflicts, proximity error, recency error, contrast error and attribution error.

#### **2.1.5 Employee Performance Management**

Developing a performance management system is essential for an organization. In 2000, Macky and Johnson suggested that a typical performance management system would include: the organization communicates its mission/strategies to its employees; the setting of individual performance targets to meet the employees' individual team and ultimately the organization's mission/strategies; the regular appraisal of these individuals against the agreed set targets; use of the results for identification of development and/or for administrative decisions; and the continual review of the performance management

system to ensure it continues to contribute to the organizational performance, ideally through consultation with employees.

### **2.1.6 Performance Appraisal and Performance Management**

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing employee performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2009). It includes any management activity aimed at improving performance through training and developing employees, establishing performance standards, appraising performance, setting performance plan, and through managing career mobility. According to Armstrong (2006) this PM processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It focuses people on doing the right things by clarifying their goals. It is owned and driven by line management.

Performance management refers to a process where managers and supervisors ensure that the employees' performance and assigned work are conducted probably in align with organizational objectives. This process requires a meaningful insight on what these activities and outputs are, make sure that has been achieved, and feedback needs to be given to help employees meet expectations (James, 2008). Therefore, both managers and employee need to identify possible performance problem and to come up with relevant best solution. Hence, many organizations use different methods to evaluate their employees; some forms are results-oriented planning and control system such as management by objectives MBO. Others evaluate their employees through different beers and overviews from stakeholders surrounding them, such as 360 degrees' appraisals. The graphic rating scale is another method where managers use a checklist to evaluate their employees depending on the evaluated aspects. In accordance, PA is a regular and systematic process to evaluate employees' performance. It can be considered a reliable tool to make sure that the appropriate employees are filling the right positions within the organization (Iqbal et. al., 2014). Furthermore, PA is an efficient way to figure out any strengths or weakness that face any employee, as it provides management with required

information needed to develop its processes to maintain an adequate workforce (James, 2008). Hence, management confidentiality will take the most accurate action to reward the employees with higher performance through rewarding them or enhance and develop the employees with lower performance through training and development to overcome their weakness (Deepa et. al., 2014).

According to Ameen and Baharom (2019), the essential purpose of PA from organizational perspective is to help managers make right decisions on salaries, promotions, training, and encouraging employees through positive feedback. Khan (2012) Explain the positive impact of training on motivation and job performance. Purpose of PA is not only linked to training employees, but goes beyond by making administrative decisions. Promotion and financial rewards are among administrative decisions directly affected by PA.

An effective PA needs to reflect the exact performance of employee from different perspectives as well as employees is evaluated. Throughout literature regarding factors that affect PA, scholars and researchers discussed number of them since 1970s all the way to recent years. Some factors might directly relate and have significant relationships whereas others might not. Factors influence PA such as management practices, cultural aspects of the organization, purposes of PA, and the methods of PA that the management uses for evaluation. However, studies narrowed down factors to only four factors namely PA, PA's criteria, leadership style, and methods of evaluation.

One of the most important roles of management is to carefully identify and select the relevant performance criteria that lead to achieve the organizational goals and objectives. Hence, PA systems should use key performance criteria (KPI) or indicators directly related to a specific job (Rusu et al., 2016). Setting performance criteria is important in order to have a better track and control of the employees' performance and encompass information on the overall strategic processes to achieve the strategic alignment with the objectives of the organization. Moreover, for valid performance criteria, KPI should relate to the organization environment and goals, and be clear, measurable, and realistic. Based on many pieces of literature reviews, the most common criteria are traits and characteristics, behaviors and manners, competencies and capabilities, goal achievement, and improvement potential.

### **2.1.7 Job Performance, Motivation and Performance Appraisal**

Job performance is a behavior that an individual deliver in order to leverage the value of an organization over period of time. Any HR department aims to leverage and increase the job performance of its employees which leads to increase the productivity to the highest possible level. Hence, many books and articles mentioned various factors that can be used to indicate and measure job performance such as leadership style, organizational commitment, and self-efficacy (Shiqian, 2018).

Employee motivation is defined as the enthusiasm, energy level, commitment and the amount of creativity that an employee brings to the organization on a daily basis. Motivated employees are an asset to an organization; they are directly proportional to an organization's success. Motivation is intangible, difficult to measure and extremely difficult to control, but very easy to facilitate if done right. It's all about intention, intensity, and perseverance.

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation.

Performance appraisal is often considered one of the most important human resources management functions (Selvarajan and Cloninger 2008), and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness.

Hodgetts (2002) categorizes a four- step process of the performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employees' job responsibilities. The job standards are set against the worker performance. The second step involves pegging the worker performance (suchas traits approach, behavioral approach, ranking methods, alternation ranking, and results methods, productivity measures, 360 degrees evaluation and Management by Objectives. Thirdly, there is comparison against standards. At some point, the individual work record it compared with the standards set for the job. Fourth, an evaluation of performance is made pegged on the comparison.

### 2.1.8 Electronics Performance Management System

Performance management effectively supports key executives and operational management by providing timely and relevant information from both within and outside the enterprise. The many applications for performance managers include:

- ❖ corporate performance measurement;
- ❖ performance tracking and reporting;
- ❖ external benchmarking;
- ❖ coordination of internal improvement initiatives/ benefit tracking;
- ❖ best practice sharing/ acquisition;
- ❖ Knowledge management.

Electronics performance helps the organization retain and motivate top talent by gaining insight into top performers across the enterprise. By streamlining the performance management process into a Web-based, real-time solution the organization can cut costs.

The powerful functionality of e-performance will help realize:

**Flexibility:** Configurable templates, easy 360-degree or multi-rater selection, and full global architecture tailor the performance management processes to any employee group to fulfill simple or sophisticated business strategies.

**Embedded intelligence:** Integrated performance and competency content, along with a collection of embedded manager tools, improve the quality, timeliness, and effectiveness of feedback to employees.

**Integration:** Tight integration with core employee data in the enterprise HRM system which helps the management to achieve true pay for performance, timely learning and development, and career and succession planning. Integration with performance and competency data ensures effective communication (Tung, 1984).

Electronic performance increases organizations' business success by driving and fostering employee engagement with business objectives in a clear process. This process enables one to identify, plan, observe, improve, and reward performance. The process begins by empowering the employees with clearly identified performance goals and targets. The organizational management can then observe and adjust plans and goals to respond to employee capability or other circumstances such as market conditions or competitive threats. And throughout the process, tools are available to coach employees towards success. If development is needed, electronic performance enables learning and

career planning processes. Finally, the overall assessment is determined and can automatically kick off related initiatives such as salary increases, bonuses, learning initiatives, or succession plan candidacy (Turban and King, 2003).

Lamming et al. (2000) appeared to suggest that stable computer systems aimed at quality 'sustainability' (conformance) levels, which might not be as high as the quality 'supremacy' (performance) levels of dynamic computer systems. These computer systems aim at improving performance in cost, delivery, and quality through eliminating non-value-added activities, producing high volumes of standardized products, and optimizing information and material flows (Lee, 2002).

In general, an effectively implemented electronic performance management system can benefit the organization, managers and employees in several ways as depicted below:

**Organization's Benefits:**

It improves organizational performance, employee retention and loyalty, improved productivity, overcoming the barriers to communication, clear accountabilities, and cost advantages.

**Manager's Benefits;**

The managers receive instant feedback on performance with drill down to individual employee performance. With this there is no need to rewrite performance contracts each year. Simply you could upload and edit from a previous period and then, development the needs emanating from performance discussions would be automatically fed into the individual development plan.

**Employee's Benefits:**

Clarifies expectations of the employees, self-assessment opportunities clarify the job accountabilities and contributes to improved performance, clearly defines career paths and promotes job satisfaction.

**2.2 Empirical Literature**

A good performance system leads to job satisfaction, and generates an increased work performance (Suliman, 2007). North (2008) argued that an effective performance appraisal can lead to higher job satisfaction and reduced absenteeism and turnover rates. Richards (2010) found that performance appraisal can provide an indication of areas of training need as well as direction for leadership development, performance improvement

and succession planning. The results of a Pakistanian study demonstrate a critical association between performance appraisal/ evaluation and performance of employees (Khan, 2017). Results show there is positive relationship between performance appraisal and employee's performance (Iqbal, Ahmad, Haider, Batool & Qurat-ul-ain, 2013). Arising out of the performance appraisal reviews, it was revealed that the training which employees received led to an improvement in job performance. In a Nigerian study, performance appraisal reviews showed that when feedback reports were effectively used, they led to improved employee performance (Akinbowale, 2013). In an Ethiopian study, it was concluded that high quality performance appraisal is likely to generate higher level of employee performance while a low quality performance appraisal may result in a lower level of employee performance (Bekele, 2016). In Kenya, findings showed that there is a significant relationship between performance appraisal and worker's performance (Wanjala&Kimutai, 2015; Mwema&Gachunga, 2014).

### **2.3. Conceptual Framework**

According to Iqbalet al.2014, there are four factors to assess the performance appraisal practices of any organization. These four factors are stated as follows: performance appraisal purpose, performance appraisal criteria, and performance evaluation methods. These factors were used in this study to assess the performance appraisal practices of the bank.

The relationship between performance appraisal and employee's performance can be mediated by coaching and mentoring and motivation and this study addressed the mediating effect.

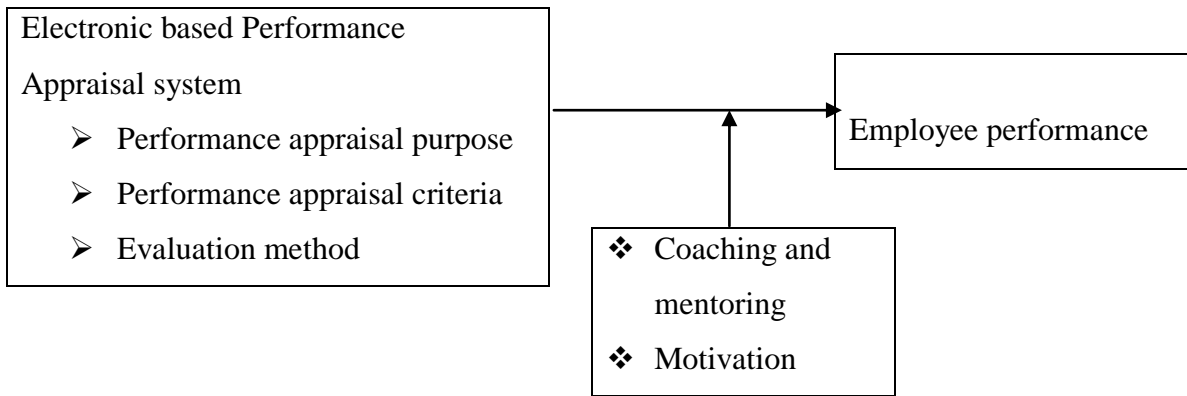


Figure 1. Conceptual framework for the relationship between performance appraisal and employee's performance (self-developed using available literatures).

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter deals with the methodology that was used in conducting the study. It covered the description of study area of this research, research approaches, research design, population and sampling, data sources and types, methods of data collection, methods of analysis and ethical consideration.

### **3.2 Description of the Study Area**

The purpose of this study was also to assess electronic based performance appraisal and employees' performance relation in BOA. Bank of Abyssinia is currently conducting a state-of-the-art computer-assisted performance appraisal. This makes the bank second bank (utilization of modern technology in performance management) in the country next to the Commercial Bank of Ethiopia. The study explored how electronic performance appraisal helped the Bank's performance as a leading and preferred bank in Ethiopia and East Africa can be further enhanced.

### **3.3 Research Approach**

This study used cross sectional mixed methods approach that combined both quantitative and qualitative methods. The rationale for combining both quantitative and qualitative data was to better understand a research problem by combining both numeric values from quantitative research and the details of qualitative research in order to neutralize limitations of applying any of a single approach. According to Creswell (2011), the mixed research approach uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method with the strengths of the other method.

### **3.4 Research Design**

Research design is a layout that outlines specific procedures to undertake research. It provides frameworks for data analysis (Rosen, 2019). It is also a blueprint that shows how will go about answering your research questions (Saunders et al, 2016). For any study, the selection of relevant and appropriate research design is essential to reach valid findings and conclusions (Kumar, 2011). Therefore, this research used descriptive and explanatory research designs. As stated above, the research was cross sectional and integrates both qualitative and quantitative methods. Descriptive research design is useful

to describe performance appraisal practice, factors determining the practice and the opportunities and challenges of performance appraisal. Explanatory research design was used to measure the relationship between performance appraisal practice and employee's performance based on descriptive analysis.

### 3.5 Population and Sampling

The term "population" may refer to the complete set of observations (measures) in relation to which would like to draw conclusions. It refers the entirety of members from a formulation of people, events, or objects that are either real or hypothetical, as the researcher attempts to create a generalization of the findings from the results of the study. The target population of this were all the employees of Abyssinia Bank in Addis Ababa Eastern district who has been working and being employed for at least one year in the bank.

This study has a total population of 1208 employees under the study area. In order to determine the sample size from the total population the researcher used 95% confidence level and 5% margin of error, 50% the population proportion (assumed to be .50 since this would provide the maximum sample size and no similar study), and at 95% level of confidence:  $Z=1.96$  and  $e$  value 0.5. Therefore, by using the formula the total sample size is equal to 292 employees and the researcher distributed questionnaire for those selected samples to collect the desired data.

According to Robert (1970), the sample size was determined based on the following formula;

$N$ =population  $n$  = sample size  $e$ =sampling error (5%)  $z$ =confidence level (95%)

$P$ = the proportion of defective  $q=1-p$

To calculate the sample size by using the above formula:

The total number of employees 1208

The sample size was calculated from the 1208 employees

$$n = \frac{Z^2 p q N}{e^2 (N-1) + Z^2 p q}$$

$$n = \frac{(1.96^2) * (0.5 * 0.5) * 1208}{(0.05^2) * (1208 - 1) + (0.5 * 0.5) * 1.96 * 1.96} = 292$$

This study has a total population of 1208 employees working in Addis Ababa. In order to determine the sample size from the population the researcher used 95% confidence level and 5% margin of error, 50% the population proportion (assumed to be .50 since this would provide the maximum sample size), and at 95% level of confidence:  $Z=1.96$ . Therefore, the total sample selected from employees will be = **292**

In addition, the researcher selected 15 line managers and 5 managers working at East Addis Ababa district purposively to collect qualitative data through interview.

### **3.6 Data source and Types**

In this study, both primary and secondary data sources were used. Primary source was collected directly from employees through questionnaire and from human resource managers through interview. Secondary source was collected from the bank to see how the performance appraisal practice looks like and also about the performance of employees in each bank.

### **3.7 Methods of Data Collection and Procedures**

Primary data were collected using standardized questionnaire. The questionnaire was prepared in line with the research objectives and was checked for its completeness and consistency. Interview guide was prepared to collect supportive data from human resource managers.

### **3.8 Methods of Data Analysis**

After the data collected and plausible checks was conducted, and inconsistent data were cleared appropriately the data were coded to the system in order to make the data useful and relevant to analysis. By doing this it helped to filter out the incomplete and irrelevant information and accuracy of the data were maintained. Data processing and analysis was done by using statistical package for social science (SPSS) to display findings and it helps make it easier by processing all variable and cases.

In order to achieve the findings and results for this study, the researcher used descriptive analysis to summarize the data by numerical and graphically. Graphical methods are known for recognizing patterns in the data, while the numerical methods of analysis are acknowledged for giving precise measures. The analysis consisted with tables to outline

the responses received which was examined and discussed. The reasons for using this procedure were to make it easier for the reader to compare and understand the findings by presenting the data using frequency, mean, and standard deviation.

### **3.9 Ethical Consideration**

One of the very critical issues in a research as well as in the organization in which the research is going to be conducted is ethics, especially ethics regarding confidentiality. Therefore, the researcher started by getting the proper approval from the organization and the respondents. In order to secure the consent to the study, the researcher clearly communicated the purpose and aim of the study. In addition, the researcher has notified the participants to participate in the research willingly. Moreover, the researcher has notified the participants not to disclose their names and also assured anonymity of data.

### **3.10 Validity and Reliability of Tools Used**

This study has applied appropriate mechanisms to collect important information about the effects of performance appraisal on employee performance in the case of bank of Abyssinia. The data collection instruments which were used in this research were used by different researchers for similar research topics conducted in other countries /research areas/. However, the researcher readjusted and conceptualized it to make it appropriate for the collection of required data. It was carefully articulate to ensure clarity, to avoid bias and to get reliable information.

A pre-test of instrument was conducted before the data collected from the appropriate samples using 10 representative sample respondents in the study area to find out whether the questions are measuring what intends to measure. Clarity of wordings in view of respondents' level of understanding was checked on the pre-test to avoid research bias. It proved that respondents have good understanding of questions presented in the questionnaire. The respondents that were included in the pre-test survey were not included in the main survey to avoid bias on responses.

## **CHAPTER FOUR: RESULTS, DISCUSSION AND INTERPRETATION**

The chapter presents analysis and discussions of findings of both the quantitative and qualitative approaches of the study. The quantitative analysis involves the use of descriptive statistics (frequency). This section displays information on the demographic characteristics, the levels of importance performance appraisal, and the effect of performance appraisal on performance at BOA. All the data set used for this analysis was derived from responses generated from the research questionnaires. The findings are displayed using tables in order to provide a simplified picture of the data collected.

### **4.1 Demographic Characteristics and Work Experience of Study Participants**

This section discusses the demographic characteristics of the respondents. The major issues discussed here include the sex, age, marital status educational status, the number of years they have being in the BOA, and the number of times their performance appraised. The chapter also deals with the presentation and an analysis of data collected and discusses it in relation to an assessment of the level of job satisfaction. Among the 292 questionnaires distributed, data collected from 282 respondents that gives 96.6% response rate. This study used a Likert scale from 1 to 5; 1-Strongly Disagree, 2-Disagree, 3-Uncertain, 4-Agree, and 5-Strongly Agree.

In the current study, as shown in table 4.1, the majority of the respondents were males (198, 70.2%) where only 84 (29.8%) respondents were females. This indicates that even though the bank runs its work by both males and females, there is male dominancy because of any known or unknown reason. In other words, there is low female labor force composition in the bank that in the future needs to be improved. Since we are living in a modern world and females represent half of our population or society, the concept of equity (fairness) has to be implemented so that females can contribute their own role to the growth of college in particular and to our country in general.

In relation with the age range of the study participants, most (108, 38%) of them were between 35-44 years range followed by the age group between 25-34 years' old who took 27.0% of the total respondents. This revealed that the bank has filled with a mix of employees with the majority are with their very productive or energetic age levels. From this, we can conclude that the bank has a big asset of human resource who will benefit it

for its future development that in such a case it is up to the bank to handle them safely. Regarding marital status, 72 (38.3%) respondents were married and majority of the respondents (210, 74.5%) were single.

The respondents work experience indicated that, the majority (225, 79.8%) of the respondents had 2-5 years of experience that was followed by respondents who had 6-10 years of experience (54, 19.1%). However, only three (1.1%) respondents have more than 10 years of experience. The experience ranges from 2 years up to 20 years. This revealed that the majority of them had small experience which indicated the sector currently recruits young professionals who likely work in a high energetic manner that in turn help the technical staff to get a fast and a better service. As far as the respondents' qualification is concerned, those included in the current study had at least first degree. The majority (210, 74.55) had first degree and the remaining 72(25.5%) had second degree and above. From these data, it is possible to conclude that almost all of the respondents are educated that met the banks demand which in these case the current minimum requirement to join the bank is first degree with zero experience. The researcher in this case fairly concludes that such education level is proper to understand the objective and the mission of the college easily to achieve the common goal of the bank.

Finally regarding the position, the respondents were working at time of data collection include; Junior Officer (141, 50%), Senior Bank Officer (84, 29.8%), Business Manager (24, 8.5%), Business Bank Officer (15, 5.3%), Office Attendant (9, 3.2%), Accountant (3, 1.1%), Customers Service Officer (3, 1.1%), and Human Resource Officer (3, 1.1%). This revealed that this study covered almost all positions available in the bank that would be important to fairly conclude on the findings in the results. Besides, the number of performance appraised for the respondents in the BOA ranges from 4 to 40 times, with a mean of 10.99 times.

**Table 4.1.** The demographic characteristics and work experience of study participants in BOA

Item	Frequency	Percentage
Age group		
<25	14	5.0%
25-34	76	27.0%
35-44	108	38.0%
45-54	56	20.0%
>55	28	10.0%
Sex		
Male	198	70.2%
Female	84	29.8%
Marital status		
Single	210	74.5%
Married	72	38.3%
Educational status		
First Degree	210	74.5%
Second Degree and above	72	25.5%
Position		
Accountant	3	1.1%
Business Manager	24	8.5%
Business Bank Officer	15	5.3%
Customers Service Officer	3	1.1%
HR Officer	3	1.1%
Junior officer	141	50.0%
Office Attendant	9	3.2%
Senior bank Officer	84	29.8%
Work experience		
Range	2-20 Years	
Mean	3.97( $\pm$ 2.5) Years	
Median	3.0 Years	
90% were below 7 years		
Work experience in groups		
2-5 Years	225	79.8%
6-10 Years	54	19.1%
>10 Years	3	1.1%
Number of performance appraised		
Range	4-40 times	
Mean	10.99 times	
Median	9.00 times	
50% were below 9 times		
90% were below 20 times		
Performance appraisal in group		
<10 times	150	53.2%
10-20 times	108	38.2%
>20 times	24	8.5%

## **4.2 Performance Appraisal System in BOA**

This section of the analysis assessed the overall process how the BOA were performing performance appraisal to the staff working in the bank. Thus, the section analyzed data collected from respondents regarding, how PA was periodic, how the staff set the PA standards, how they communicate with their supervisor, how they were communicated about their performance, how detail the PA was, how the PA result was given, how frequent the PA feedback was given, satisfaction on the PA results, how the complaints were resolved, and how the overall PA system in the BOA was rated based on the respondent's response. In this section, the variables which consisted of each research question were grouped depicted, analyzed and interpreted as follows.

### **4.2.1 Setting Performance Standards in BOA**

Performance appraisal is the process of identifying, observing, measuring, and developing human resources in organizations. In order for the appraisal system to be effective, the system needs to be accepted and supported by its employees and it needs to be conducted periodically in order to identify the gaps of each employee at early stage. It also helps to identify weaknesses and strengths as well as opportunities for improvement and skills development for one organization. (Aguinis, 2007) Different theories and studies supported the positive contribution of periodically appraising performance of employees on their day to day job performance. In addition, in the process of setting specific and measurable targets employees should be involved and discuss with their supervisors before accepting the target in order to maximize the benefits of performance appraisal.

Performance appraisal is an evaluation done on an employee job performance over a specific period of time. In order to assure whether BOA conducted performance appraisal employees were asked a question and study participants' response showed that, most of the respondents (162, 57.4%) and (87, 30.9%) were strongly agree and agree respectively with regard to the bank conducted periodic performance appraisal. Also, thirty (10.6%) respondents were uncertain about how periodic the PA was. However, only three respondents disagree and no one strongly disagree. This implied the fact that the bank

conducted PA in a periodic way that could contribute to the success of the bank's plan and vision to be the best bank in the East Africa. Different researches also supported the need for periodic performance appraisal in order to bring positive effect on employee performance (Getu & Belayneh (2017)). Periodic performance evaluation helps the bank to identify the strength and weakness of each employee specifically and the department in general in order to take remedial action at early stage. In this regard BOA was conducted performance appraisal of each employee quarterly base. This helps the bank to take corrective action by taking lesson from previous quarter.

Different researches argued that the act of setting goals and standards provide a clear direction in the form of increasing effort, persistence towards goal accomplishment and have some motivational benefits. Regarding setting performance targets in BOA, about 44.7% (126) and 41.5% (117) of the respondents strongly agree and agree respectively being involved in setting the performance targets. However, 10.6% (30), 1.1% (3), 2.1% (6) respondents were uncertain, disagree and strongly disagree on their involvement regarding setting performance standards. This showed that even though more than 86% of the respondents were strongly agree or agree on their involvement in the performance targets, the uncertainty, disagree and strongly disagree responses observed in the study should be critically assessed to improve the bank's overall performance, because everybody working in the organization should be involved in setting the performance targets to bring best performance towards achieving the goals of the bank. However, the proportion of either strongly agree or agree in this study is better compared to a previous study conducted in the Commercial Bank of Ethiopia (CBE) (Megira & Mohammed, (2017)), where 41.3% responded agree and 7.1% responded strongly agree regarding their participation in setting performance objectives and targets. A study conducted in Kenya revealed that there was a strong positive correlation between performance target setting and employee performance (Kinanga & Partoip (2013)).

In an organization employees need to understand what is expected from them and the purpose of performance appraisal. In this study, nearly all of the respondents (97.9%) either strongly agree or agree regarding clearly understanding the purpose of PA process. In support of this, 92.6% of the respondents either strongly agree or agree about the

system gave them the opportunity to agree about the objectives they have given to perform. Likewise, 46.8% (132), and 45.7% (129) of the respondents agree and strongly agree respectively that they discussed with their supervisor about the performance standards. Besides, 52.1% (147), 42.6% (120) of the respondents agree and strongly agree respectively that the goals given to them were specific, measurable, achievable, relevant, and time bounded. This implied that there is a good understanding on the PA system in the BOA that would be a great opportunity for the bank. However, every staff should be aware of the periodic PA and the entire PA process for better performance to be ensured.

**Table 4.2.1.** Performance appraisal system in BOA

Item	Ranking	Frequency	Percentage
Performance appraisal conducted periodically	Strongly Agree	162	57.4%
	Agree	87	30.9%
	Uncertain	30	10.6%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
I am involved in setting of performance targets.	Strongly Agree	126	44.7%
	Agree	117	41.5%
	Uncertain	30	10.6%
	Disagree	3	1.1%
	Strongly Disagree	6	2.1%
I clearly understand the purpose of performance appraisal process.	Strongly Agree	165	58.5%
	Agree	111	39.4%
	Uncertain	6	2.1%
	Disagree	0	0.0%
	Strongly Disagree	0	0.0%
The system gives me the opportunity to agree about the objectives I have given to perform.	Strongly Agree	117	41.5%
	Agree	144	51.1%
	Uncertain	18	6.4%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
I discuss about performance standards with my supervisor.	Strongly Agree	129	45.7%
	Agree	132	46.8%
	Uncertain	21	7.4%
	Disagree	0	0.0%
	Strongly Disagree	0	0.0%
The goals given to me are specific, measurable, achievable, relevant and time bound.	Strongly Agree	120	42.6%
	Agree	147	52.1%
	Uncertain	9	3.2%
	Disagree	3	1.1%
	Strongly Disagree	3	1.1%
There is a system that will solve my complaint about the amount of goal the bank sets to me.	Strongly Agree	90	31.9%
	Agree	138	48.9%
	Uncertain	30	10.6%
	Disagree	21	7.4%
	Strongly Disagree	3	1.1%

#### **4.2.2 Performance Results Evaluation and Management Process in BOA**

Performance result evaluation were done by comparing the given target with actual values scored with the given period. Employees must perceive that they are being evaluated against what they are actually supposed to do on the job. As such, the evaluation instrument should measure their performance against their job-related activities. Different researches revealed that employee perception on performance appraisal is a significant factor in employee acceptance and satisfaction of performance appraisal. A good perception creates a positive working environment in the organization, while a negative perception creates problems and eventually affects organizational performance. So that performance appraisal result evaluation needs special attention in order to increase its acceptance by each performer.

Communication between employees and supervisors is needed in performance appraisal goal setting and evaluation stage. It enables superiors to know what their team member are up to, evaluate their performance and also give them correct feedbacks so that they know where they are lacking and work on their shortcoming. In order to know the level of communication between employees with their supervisor questions were asked to respondents and about 52.1% (147), and 30.9% (87) of the respondents strongly agree and agree on their supervisor/manager frequently communicates regarding their performance. However, 10.6% (30) disagree with this issue where the bank should resolve it for better performance and identifying gaps immediately. Likewise, in a study conducted in CBE for the question “there is a two way communication with both managers and employees for expressing their views”, 16.9 and 13.4% of the employees responded strongly disagree and disagree respectively (Megira & Mohammed (2017)). This indicates that the bank management should establish a system for frequent and effective communication between employees and their supervisor/ manager regarding their performance.

Regarding the linkage between performance appraisal and actual day to day activities performed in this study the majority of the respondents strongly agree (159, 56.4%) and agree (108, 38.3%) that their performance was based on how well they were doing. The majority of the respondents strongly agree (123, 43.6%) and agree (129, 45.7%) that they

always have been got results based on their expectation. And, most of the respondents either strongly agree (135, 47.9%) or agree (105, 37.2%) regarding their evaluation results. Thus, this might motivate the employees for better achievement that would benefit the bank to have good performance.

Regarding their satisfaction by the system of complaint management of the BOA, most of the respondents either strongly agree (114, 40.4%) or agree (102, 36.2%). However, 14.9% (42) of the respondents were disagree on the system complaint management of BOA. This indicates failure to give due attention to the staff will hamper the work of the bank so the management must focus on improving this.

Regarding the regular feedback about employee's performance the researcher forwarded a question to see the respondent's level of agreement. In this regard, most of the respondents either strongly agree (90, 31.9%) or agree (159, 56.4%) on its regularity, and most of the respondents either strongly agree (66, 23.4%) or agree (174, 61.7%) on the feedback given was descriptive, detailed and focused on the action than on the person. Regarding their satisfaction on performance evaluation feedback they have been received, majority were either strongly agreeing (69, 24.5%) or agree (174, 61.7%). According to literatures for one organization employees, feedback is necessary and it allows a manager the opportunity to provide the employee with feedback about their performance and discusses how well the employee goals were accomplished (Megira and Mohammed (2017)). It also provides an opportunity to discuss employee development opportunities. In day-to-day activities in one organization employees need to understand what is expected of them and the performance appraisal process allows for a manager to clarify expectations and discuss issues with their employee. Regular feedback is important to increase motivation. A study conducted in Addis Ababa at CBE revealed that there is a significant positive relationship between adequate feedback and employee's motivation with a correlation of 0.775 (Bayih & Chanie (2017)).

Generally, the majority of the respondents either strongly agree (60, 21.3%) or agree (153, 54.3%) on there is a fair and consistent base for measuring performance and individual contribution to business objectives. Besides, most of the respondents either strongly agree (138, 48.9%) or agree (114, 40.4%) on for the question you are satisfied

and motivated with the current over all ways of appraisal system BOA uses to evaluate your performance.

Different literatures supported employee performance appraisals crucial role for measuring and rewarding performance (Iqbal et al., 2013, Awan et al., 2020). When implemented correctly, it provides a means of evaluating employees performance metrics and assist in identifying top performers. The performance appraisal can help employees understand their strengths and weaknesses, correct bad behaviors, and reach their full potential. In addition to that managers can use this evaluation system to assess their employees against defined objectives and address performance issues.

**Table 4.2.2.** Performance appraisal evaluation results in BOA

<b>Item</b>	<b>Ranking</b>	<b>Frequency</b>	<b>Percentage</b>
I satisfy by the system of complaint management of BOA.	Strongly Agree	114	40.4%
	Agree	102	36.2%
	Uncertain	24	8.5%
	Disagree	42	14.9%
	Strongly Disagree	0	0.0%
My supervisor/Manager communicates with me frequently about my Performance.	Strongly Agree	147	52.1%
	Agree	87	30.9%
	Uncertain	18	6.4%
	Disagree	30	10.6%
	Strongly Disagree	0	0.0%
My performance rating is based on how well I am doing.	Strongly Agree	159	56.4%
	Agree	108	38.3%
	Uncertain	9	3.2%
	Disagree	6	2.1%
	Strongly Disagree	0	0.0%
I always get the expected results of the performance evaluation what I am expecting.	Strongly Agree	123	43.6%
	Agree	129	45.7%
	Uncertain	27	9.6%
	Disagree	0	0.0%
	Strongly Disagree	3	1.1%
There is a fair and consistent base for measuring performance and individual contribution to business objectives.	Strongly Agree	60	21.3%
	Agree	153	54.3%
	Uncertain	60	21.3%
	Disagree	6	2.1%
	Strongly Disagree	3	1.1%
I agree with the evaluation results I got.	Strongly Agree	135	47.9%
	Agree	105	37.2%
	Uncertain	39	13.8%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
Performance evaluation feedback was given regularly.	Strongly Agree	90	31.9%
	Agree	159	56.4%
	Uncertain	24	8.5%
	Disagree	6	2.1%
	Strongly Disagree	3	1.1%
The feedback given to me is descriptive, detail and focused on the action than on the person.	Strongly Agree	66	23.4%
	Agree	174	61.7%
	Uncertain	39	13.8%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
I am satisfied with performance evaluation feedback I received.	Strongly Agree	69	24.5%
	Agree	174	61.7%
	Uncertain	33	11.7%
	Disagree	6	2.1%
	Strongly Disagree	0	0.0%
I am satisfied and motivated with the current over all ways of appraisal system BOA uses to evaluate my performance	Strongly Agree	138	48.9%
	Agree	114	40.4%
	Uncertain	30	10.6%
	Disagree	0	0.0%
	Strongly Disagree	0	0.0%

### **4.3 Electronic Performance Appraisal System Implementation in BOA**

Electronic performance appraisal system is rarely used to measure performance evaluation in Ethiopia across different organizations. However, it is important to have a day-to-day and standardized evaluation system. Performance management effectively supports key executives and operational management by providing timely and relevant information from both within and outside the enterprise. Electronic supported performance appraisal helps the organization to retain and motivate top talent by gaining insight into top performers across the enterprise. It increases organizations' business success by driving and fostering employee engagement with business objectives in a clear process. This process enables one to identify, plan, observe, improve, and reward performance. The process begins by empowering the employees with clearly identified performance goals and targets.

In this regard, the BOA is has been implementing the system for the last few years. Thus, this section analyzed on the questions regarding how the ERP so far implemented in the BOA. Regarding the ERP system of performance appraisal in the bank helped the staff to improve their relation with others, most of the respondents either strongly agree (99, 35.1%) or agree (135, 47.9%). However, 17.0% were uncertain about it. Thus, the management should discuss on the importance of ERP to the whole staff for better improvement.

The majority of the respondents either strongly agree (114, 40.4%) or agree (111, 39.4%) regarding they were satisfied with the data tracking process the of the ERP system. In addition, the majority of the respondents either strongly agree (111, 39.4%) or agree (126, 44.7%) for the question the ERP system gives you feedback about your day-to-day behavioral activity. However, 6.4% (18) disagree on this issue, thus the bank should work to improve for the ERP system to give a day-to-day feedback to the whole staff. Most of the respondents either strongly agree (53, 54.3%) or agree (81, 28.7%) for the question they believed that the ERP application system of performance appraisal system in BOA is free from biased. However, 9.6% (27) disagree, such that they believed that there is a bias

in the system. Thus, the bank should early assess the system to decrease such disputes for better performance and to improve staff satisfaction and motivation.

Finally, most of the respondents either strongly agree (135, 47.9%) or agree (96, 34.0%) on the question comparing the previous paper based PAS they were satisfied by ERP system the bank uses. However, 13.8% (39) and 4.3% (12) respondents were uncertain and disagree respectively. This might be due to less concern of the management in clarifying to the staff regarding how the ERP system works in the bank that needs to be considered in the future.

**Table 4.3.** Electronic performance appraisal system in BOA

Item	Ranking	Frequency	Percentage
The ERP system of performance appraisal in the bank helps me to improve my relation with others.	Strongly Agree	99	35.1%
	Agree	135	47.9%
	Uncertain	48	17.0%
	Disagree	0	0.0%
	Strongly Disagree	0	0.0%
I am satisfied with the data tracking process of the ERP system.	Strongly Agree	114	40.4%
	Agree	111	39.4%
	Uncertain	39	13.8%
	Disagree	18	6.4%
	Strongly Disagree	0	0.0%
The ERP system gives me feedback about my day to day behavioral activity	Strongly Agree	111	39.4%
	Agree	126	44.7%
	Uncertain	27	9.6%
	Disagree	18	6.4%
	Strongly Disagree	0	0.0%
I believe that the ERP application system of performance appraisal system in BOA is free from biased	Strongly Agree	153	54.3%
	Agree	81	28.7%
	Uncertain	21	7.4%
	Disagree	27	9.6%
	Strongly Disagree	0	0.0%
Comparing the previous paper based PAS I satisfy by ERP system the bank uses.	Strongly Agree	135	47.9%
	Agree	96	34.0%
	Uncertain	39	13.8%
	Disagree	12	4.3%
	Strongly Disagree	0	0.0%

ERP system was used to evaluate employee's performance in BOA for the last two years. The bank cascades each key performance indicator parameter to each employee according to their position and responsibility. The secondary data which is collected from the BOA showed that the bank was successful in most key performance indicator achievement. In addition to that respondents of interview expressed that cascading targets for each employee helps to bring attitude change on individual performers work habit. Each employee was measured as per the target given to them and the results were saved and available any time on ERP database. This motivate employees to work hard in order to achieve their targets.

In general, electronic performance increases organizations' business success by driving and fostering employee engagement with business objectives in a clear process. This process enables one to identify, plan, observe, improve, and reward performance. The process begins by empowering the employees with clearly identified performance goals and targets. In this regard bank BOA was used ERP system in order to measure employee performance every quarter and it is computer based performance appraisal system helps the employee to work based on their target received. Literature also supported that web and computer-based PAs provide relatively unbiased, correct, and timely information and enables managers to make correct and timely decisions (Ullah et al., 2021).

#### **4.4 Effect of Performance Appraisal on Employee Performance in BOA**

Different previously conducted studies reported that there is a significant relationship exist between Performance appraisal and employee's performance and motivation makes strong and clarified the relation between performance appraisal and employee performance (Iqbal et al., 2013, Abebe & Mekonnen (2018)). Studies conducted in the commercial bank of Kenya revealed that performance appraisal system, training and development and reward system affects employee productivity (Kibichii et al., 2016, Wanjala & Kimutai et al., 2015).

In this section, data were analyzed and interpreted regarding the overall effect of performance appraisal on employee performance at BOA. The results collected from the study participant's response showed that, most of the respondents (84, 29.8%) and (153,

54.3%) were strongly agree and agree respectively with regard to the PA identifies their performance problems. However, 14.9% (42), and 3 (1.1%) were uncertain and disagree on the PA identifies their problem. This implied that even though most of the respondents either agree or strongly agree on the importance of PA to identify employee performance considerable employees were uncertain or disagrees on it. Thus, the bank management should set the performance appraisal system to clearly identify the employee's problems.

The majority of the respondents either strongly agree (183, 64.9%) or agree (87, 30.9%) regarding their performance rater helped them to understand what needed to do to improve their performance. Likewise, most of the respondents strongly agree (129, 45.7%) or agree (129, 45.7%) regarding the evaluation results influenced their behavior, attitudes and Moral. Besides, regarding the question the performance appraisal helped them to improve their job performance, most of the respondents either strongly agree (123, 43.6%) or agree (117, 41.5%). Thus, the results found in this study revealed that if employee performance appraisal is conducted in a transparent and fair way, it helps the employees to understand their limitations that further helped to improve their work performance as a specific and their personal behavior as a general. Besides, it can create a conducive environment that would make the organization to achieve the set goals and objectives.

Regarding the performance appraisal helped the employee to get training based on their performance appraisal, majority of the respondents were either strongly agree (87, 30.9%) or agree (120, 42.6%). Only, 21.3% (60) and 5.3% (15) were uncertain and disagree respectively about the PA result helped them to get training. This is due to the fact that majority of the respondents got PA results what they were expecting or most of them performed their job well that might not need additional training.

It is obvious that in the modern human resource management system, performance appraisal result of the employee is becoming a key for promotion and additional carriers. In this regard, 30.9% (87) and 126 (44.7%) of the respondents were strongly agree and agree respectively for the question there were promotional opportunities based on

performance appraisal in the Organization. However, 21.3% (60), 2.1% (6), and 1.1% (3) respondents were uncertain, disagree and strongly disagree. This is due to the fact that many employees had small total working experience that might limited them from promotion. Regarding the fringes and salary increments based on the PA result, about 63.8% (180) of the respondents were either strongly agree (73, 25.95) of agree (107, 37.9%). However, more than quarter of the respondents (75, 26.6%) were uncertain about the fringes and increments based on their PA result. Even, 8.2% and 1.4% of the respondents were disagree and strongly disagree. This might be due to the fact that many of the respondents were less experienced in the bank to get the fringes and increment. However, the bank management should orient all staff about the benefits that would be provided to the staff according to their performance. This could increase staff commitment and motivation that would help the bank to achieve its goals. Finally, majority of the respondents either strongly agree (120, 42.6%) or agree (108, 38.3%) for the question based on ERP system you believed that your previous and current performance results would be available any time. Generally, based on the data collected from 282 respondents, the electronic PA system is working well in the BOA.

**Table 4.4.** Effect of performance appraisal on employee performance in BOA

Item	Ranking	Frequency	Percentage
The Performance appraisal identifies my performance problems.	Strongly Agree	84	29.8%
	Agree	153	54.3%
	Uncertain	42	14.9%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
My performance rater helps me to understand what I need to do to improve my performance.	Strongly Agree	183	64.9%
	Agree	87	30.9%
	Uncertain	12	4.3%
	Disagree	0	0.0%
	Strongly Disagree	0	0.0%
The evaluation results influence my behavior, attitudes and Moral.	Strongly Agree	129	45.7%
	Agree	129	45.7%
	Uncertain	18	6.4%
	Disagree	3	1.1%
	Strongly Disagree	3	1.1%
There are promotional opportunities based on performance appraisal in the <b>Organization.</b>	Strongly Agree	87	30.9%
	Agree	126	44.7%
	Uncertain	60	21.3%
	Disagree	6	2.1%
	Strongly Disagree	3	1.1%
The performance appraisal result helps employees to get training.	Strongly Agree	87	30.9%
	Agree	120	42.6%
	Uncertain	60	21.3%
	Disagree	15	5.3%
	Strongly Disagree	0	0.0%
I got fringes and salary increments based on my PA result	Strongly Agree	73	25.9%
	Agree	107	37.9%
	Uncertain	75	26.6%
	Disagree	23	8.2%
	Strongly Disagree	4	1.4%
The performance appraisal system has helped me to improve my job performance.	Strongly Agree	123	43.6%
	Agree	117	41.5%
	Uncertain	39	13.8%
	Disagree	3	1.1%
	Strongly Disagree	0	0.0%
Based on ERP system I believe that my previous and current performance results would be available any time.	Strongly Agree	120	42.6%
	Agree	108	38.3%
	Uncertain	48	17.0%
	Disagree	3	1.1%
	Strongly Disagree	3	1.1%

From the interview which is conducted with line managers and manager's respondents expressed that electronic based performance appraisal which is conducted with ERP system was effective in the improvements of employee performance and it has significant

effect on the overall performance of the bank. They expressed that ERP system supported for the achievement of sustainable development in all key performance indicators and to realize the mission of the bank.

Generally, from the findings of this study and previously conducted studies in different settings of Ethiopia and outside Ethiopia we can conclude that a good PA process is important to motivate employees and would help the management of the bank to take appropriate immediate action for better performance.

## **Chapter Five: Summary, Conclusion and Recommendations**

This chapter presents information derived from this study in three sections. The first section is summary of the findings. The second presents conclusions for practice based on those findings and the relevant literature. The final section presents recommendations.

### **5.1 Summary of the Findings**

The summary of the major findings of the study were summarized as follows:

- The bank has conducted employee performance appraisal periodically.
- The bank management sets the performance targets in discussion with the employees.
- There is a system where the supervisors/managers communicated with the employees on their performance.
- The employees understood the overall performance appraisal process the bank followed.
- The performance appraisal feedback is detailed and descriptive and given regularly to the employees.
- The employed got their expected PA results, and satisfied and motivated with the PA results they have got.
- The ERP helped the employee to have relation with other employees.
- The employees satisfied with the data tracking process in the ERP.
- The ERP system is free from bias and it is good compared to the previous PAS system.
- Performance appraisal system in the bank identified the employees' problems.
- Performance appraisal result helped the employees to improve job performance.
- The PA result in the BOA is available at any time in their system data base and this increase employee's satisfaction.
- The bank links some benefit packages, trainings and promotions with performance appraisal result of individual employees. However, it lacks full implementation of linking benefit packages, trainings and promotions with individual performance appraisal results.

### **5.1 Conclusions**

Based on the summary of the finding, the following conclusions are drawn. The result of the finding indicated that the performance appraisal system in the BOA is conducted

regularly where the performance targets are set in discussion with the employees. There is a clear understanding of the overall PA process by the employees that would help the bank to achieve its goals. The employees get their PA feedback regularly and most of the time their result was based on their performance that helped the employees to be satisfied and motivated by the overall PA process the bank followed. The ERP makes the bank to identify the employee performance on daily bases, to be less biased and helped the employee to have good relation with their colleagues. Finally, the bank used the employee PA results to identify personnel problems, to give training, to improve job performance and to use the result for promotional opportunity among the staff. However, there is some limitation on the use of individual performance appraisal results to align with benefit packages and promotional activities.

## **5.2 Recommendations**

Based on the data collection, analysis and interpretation the researcher made the following important recommendations to the BOA.

- The bank management should set individual performance targets in discussion with the employees in order to motivate and to increase effectiveness of employees on their daily activity
- There should be a system for the supervisors/managers to communicate frequently with the employees in order to improve employee engagement.
- The bank should create awareness and discuss with employees fully about the EPR system to create a free, fair and non-biased performance appraisal.
- By Identifying the training and development needs Periodic training should be given to performers based on performance appraisal results in order to improve their skill and to increase their productivity.
- The bank should fully utilize the results of individual performance appraisal to promotional activities and should align with benefit packages in order to maximize the benefit of electronic performance appraisal system. Performance based reward system is highly important to attract good people and retaining skillful and knowledgeable employees.

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## Annexes

### Annex I: Survey Questionnaire for employees

**Dear respondents:**

This questionnaire is designed for preparing a thesis on the title of ‘**to assess the effect of electronic performance appraisal system on employee’s performance: The Case of Bank of Abyssinia Eastern Addis Ababa**’ The outcome of the study will be used in order to suggest possible solutions for problems identified while conducting the study. I kindly request you to spent your precious time to fill the questionnaire as frank as you could be and reasonable as possible. I inform you that, the information you provide will be used for academic purpose only. The information you provide is confidential. Therefore, you are not expected to write your name. At last, I would like to thank you in advance for your willingness to give your valuable ideas, without which the purpose of this study will not be achieved.

**Thank you for your Cooperation!**

*Tick only in one box (√)*

#### **Section I: General information**

1. Sex A. Male B. Female
2. Marital status A. Single B. Married-
3. Education A. Primary school B. Secondary school C. Diploma D. First Degree E. Second degree and above
4. Current position you are working? -----
5. For how long have you served in BOA? -----
6. How often is your performance appraised or reviewed? .....

#### **Section II: Effect of Performance Appraisers on Employee Motivation**

The study aims to assess the effect of performance appraisal process on employee performance. Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 5= Strongly Agree, 4= Agree, 3= Uncertain, 2= Disagree, 1 = Strongly Disagree. Tick (x) which best describes your opinion of the statement.

No	The effect of performance appraise on employee performance question	5	4	3	2	1
1	Performance appraisal conducted periodically					
2	I am involved in setting of performance targets.					
3	I clearly understand the purpose of performance appraisal process.					
4	The system gives me the opportunity to agree about the objectives I have given to perform.					
5	I discuss about performance standards with my supervisor.					
6	The goals given to me are specific, measurable, achievable, relevant and time bound.					
7	There is a system that will solve my complaint about the amount of goal the bank sets to me.					
8	I satisfy by the system of complaint management of BOA.					
9	My supervisor/Manager communicates with me frequently about my Performance.					
10	My performance rating is based on how well I am doing.					
11	I always get the expected results of the performance evaluation what I am expecting.					
12	There is a fair and consistent base for measuring performance and individual contribution to business objectives.					
13	I am satisfied after and before performance appraisal process.					
14	I agree with the evaluation results I got.					
15	Performance evaluation feedback was given regularly.					
16	The feedback given to me is descriptive, detail and focused on the action than on the person.					
17	I am satisfied with performance evaluation feedback I received.					
18	I am satisfied and motivated with the current over all ways of appraisal system BOA uses to evaluate my performance					
19	The ERP system of performance appraisal in the bank helps me to improve my relation with others.					

20	I am satisfied with the data tracking process of the ERP system.					
21	The ERP system gives me feedback about my day to day behavioral activity					
22	I believe that the ERP application system of performance appraisal system in BOA is free from biased					
23	Comparing the previous paper based PAS I satisfy by ERP system the bank uses.					
24	The Performance appraisal identifies my performance problems.					
25	My performance rater helps me to understand what I need to do to improve my performance.					
26	The evaluation results influence my behavior, attitudes and Moral.					
27	There are promotional opportunities based on performance appraisal in the Organization.					
28	The performance appraisal result helps employees to get training.					
29	The performance appraisal system has helped me to improve my job performance.					
30	Based on ERP system I believe that my previous and current performance results would be available any time.					

## **Annex 2: Interview Question to managers and line managers**

1. What Performance Management system used in your organization?
2. Do you think that employees of your organization have awareness about the performance appraisal system?
3. What is your overall opinion about the effect of the technologically supported performance appraisal on Bank of Abyssinia employee's performance?
4. Do you think that performance appraisal management implemented in your organization is effective? How?
5. What is the purpose of the performance appraisal system to the employee's performance development contributions?
6. Please give ideas as to how the implementation of the performance appraisal management systems could be improved.
7. What mechanism your organization uses to link performance appraisal with employee performance
8. Do you think that your organization HR technological use improves performance appraisal system?