

THE EFFECT OF PERFORMANCE APPRAISAL ON JOB
SATISFACTION: THE CASE OF ZEMEN BANK S.C.



A Thesis submitted to Addis Ababa University, School of Commerce,
In Partial Fulfillment of the Requirements for the Master's Degree in
Human Resource Management

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ADDIS ABABA

Declaration

I hereby declare that this thesis is my original work has not been presented for an academic purpose in any other university and that all sources of material used for the thesis have been properly acknowledged.

Declared by

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Certification

This is to certify that Shewit Tekeste has properly completed her thesis Work entitled “*The effect of Performance appraisal on Employees job satisfaction in the case of Zemen Bank S.C.*” under my supervision. In my opinion, her project work is appropriate to be submitted as a partial fulfillment requirement for the award of Degree in Masters of Human Resource Management.

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Addis Ababa University

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EFFECT OF PERFORMANCE APPRISAL ON
JOB SATISFACTION IN THE CASE OF ZEMEN BANK S.C

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List of Acronyms

- HRM =Human resource management
- HR =Human Resource
- PAS =Performance Appraisal System
- PA = performance Appraisal
- PAP = Performance Appraisal Process
- ZB = Zemen Bank S.C

Abstract

The main purpose of this study was examined the effect of performance appraisal on employee job satisfaction in Zemen Bank S.C. Explanatory research design was used. As a result to analyze this effect the researcher mainly deployed quantitative type of research design. Among 197 employees, a total of 180 employees responded resulting in a 91.4% response rate using stratified random sampling in each stratum Via self administered questioner. Data collection technique was used and Statistical Package for Social Science (SPSS) software version 20.0 was employed. To analyze and present the data through the statistical tools, namely descriptive and inferential analysis methods were employed. The correlation result implied the major components of performance appraisal have positive relationship with job satisfaction. The study found that 95.7%, of variation in job satisfaction is explained by major components of performance appraisal system where as 4.3% of variance is explained by other factors. The findings indicated that majority of the employees are not satisfied with current performance appraisal system. The bank should focus on the selected major performance appraisal components and take necessary remedial actions to increase the level of employees' job satisfaction.

Key words: *performance appraisal, job satisfaction, major component of performance appraisal system.*

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Satisfied employees are the heart of the organizations without them organization cannot achieve their goals. However it is a fact that any employee for that matter needs something to induce or to look forward so that the employee motivated to work at the best interest of the company. This indeed was indicative of the more strategic approach to human resource management (HRM) policies which sought to connect the aims of the organization to performance of the individual. The organizations key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process (Lisa, 2012).

The evolution of performance appraisal practice is as far back as World war I, WD Scott was credited with coming up with performance appraisal .Formal performance appraisal systems was well established by the mid 1950s. With personality based systems being widely used .It can be defined as the formal assessment and rating of individuals by their managers, usually, an annual review meeting (Armstrong, 2006).

Job satisfaction refers to the attitudes and feeling people have about their work .positive and favorable attitudes towards the job indicate job satisfaction .Negative and unfavorable attitudes towards the job indicate job dissatisfaction (IBID, 2006).

Performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain reestablished criteria and organizational objectives. Other aspects of employees are considered as accomplishments, potential for future improvement, strengths and weaknesses, etc. In many organizations appraisal will take place formally at predetermined intervals and will involve discussion or interview between a manager and an individual employee. According to (Bratton and Gold, 1999). The purposes of such discussions can be broadly categorized into the making of administrative decisions concerning pay, promotions and careers, work responsibilities and the improvement of

performance through the discussion of development needs, identifying training opportunities and the planning of action. Both purposes require judgments to be made Managers may be required to make a decisions about the value of an employee's both in the present and the future, and this may cause some discomfort. The process of performance appraisal as much as possible must be job related instead of rating employees based on subjective and personal judgments. If appraisal is not properly used it makes employees to have a negative attitude towards it and affect employee's moral and reduces productivity and job satisfaction level of workers and the organization (IBD, 1999).

Effective appraisal system makes workers more satisfied and committed to their jobs, (Luthans ,1998).

Performance appraisal and employee job satisfaction had been selected from HR practices. The major goal of this study was to observe the effect of performance appraisal and job satisfaction in the text of Zemen bank because it is the most commonly used practice and if it is not properly handled affect the job satisfaction level of employees.

1.2 Background of the Company

Zemenbank S.c is one of privately owned share company Licensed by NBE in June, 2008 and launched operation in October 2008 in accordance with Proclamation 84/94 and the commercial code of Ethiopia With over 3000 shareholders. Zemen bank S.c. Brought Dynamism and Innovation to the Banking Sector in Ethiopians and Unique to the Ethiopian Banking Industry by Service delivery standards, Excellent service delivery supported by HighTec, targets corporate clients and high net worth individuals, Introduced innovative products and services to customers, Innovation and Technology, Convenient service hours. Zemenbank paid up capital is over Birr 800 million.

1.3 Statements of the problem

The emergence of new banks in the banking industry makes the competition intense. Employee participation in the performance appraisal process is positively related to employees' satisfaction. According to (Cawley et al. 1998) satisfaction with appraisal feedback is positively related to job satisfaction. Studies also indicate that some organizations experience dissatisfaction with their performance appraisal procedures.

According to Wright, McMahan and Mac William (1994) human resource practice are the ways that organizations use to mould employees behavior, perception, and attitude. This implies if HR practices are properly formulated and implemented the organization should be able to achieve their objectives that are mainly dependent on human resource.

Performance appraisal system is applied in the organizations to identify the skilled and best Performer employee, to increase their salary and other benefits, to increase productivity of employee by providing necessary training, to fill deficiency gap which ultimately enable employee to be satisfied from the job. Effective appraisal practice requires that the supervisor set performance standards and it also requires that employees receive.

Job satisfaction can be affected by many reasons and ineffective appraisal system is one of among many reasons. If the system is not based on effective performance measurement it will reduce the job satisfaction level of employee and this gradually leads to lower performance and effectiveness of the whole organization and it practically possible to use performance rating to major decisions for promotion ,demotion ,pay raise or pay cut etc.

The researcher made a discussion with some staffs of Zemen bank S.C, accordingly their commitment and dedication is decreases for a variety of reasons, but majority of the employees

reasons associated with to performance appraisal reason than other work related issues. Additional this is evident from the fact that some key professionals are left the bank. Moreover according to the data found from human resource Division/Department the employee turnover is increasing from the year 2013 to 2016 by 12% and evidence show got on based on the exit interview conducted by human resource department significant amount of employees who left the bank due to dissatisfaction with pay and different administrative issues and managers emotional attitude towards them and performance appraisal practice is also among many reasons .

The bank has included the issues of performance appraisal on its employee administration manual. In the manual it has been clearly stated that performance appraisal has been carried out at end the fiscal year (June) for all staff except Managers and above the level of managers whose evaluation shall be carried out twice a year at the end of December and June: Three standard form that is for all professional workers, for supervisors and managers but practically performance appraisal only made once a year for all workers, most of the questions in the form are more subjective and general this will cause problem for the rater to accurately rate the performance of their subordinate employees objectively.

To the best knowledge of the researcher, there has not been any study conducted in Zemen bank that investigated the effect of performance appraisal on employee job satisfaction and filling this gap is believed to be the main contribution of this research. Therefore, the aim of this study was to identify the significant effect of performance appraisal on employee job satisfaction in Zemen Bank S.C.

1.4 Research question

This study addresses to answer the following questions.

1. What type of performance appraisal practice is applied to employee of ZB?
2. What is the relationship between performance appraisal and job satisfaction?
3. What is the effect of performance appraisal on level of employee job satisfaction?

1.5 Objective of the study

The general and specific research objectives of the study are present below.

1.5.1 General Objective

The purpose of this study was to examine the possible relationship between performance appraisals on employee job satisfaction.

1.5.2 Specific Objective

This study has the following specific research objective

1. To assess the practice of performance appraisal of ZB s.c.
2. To determine the relationship between performance appraisal and job satisfaction
3. To find out the effect of performance appraisal system on level of employee job satisfaction

1.6 Significance of the Study

- ✓ It helps the bank to pin point the important challenges that exist currently and take remedial actions for suitable positive results.
- ✓ The findings and recommendations of the study has been vital for the human resource practitioners who design and administer employees performance appraisal to achieve organizational objectives and tackle the problem regarding employees performance appraisal and to increase job satisfaction level of employee.

- ✓ The study also contributes to other researchers as a reference or guidelines who want to conduct on the similar or related topics, in order to conclude and recommend on the problems by using this study as a facilitator.

1.7 Scope of the Study

The study was geographically delimited to employees who are working at headquarter and bole banking center (which is the largest banking center next to head quarter) of the bank covered with the views of management and non management employees of the bank. The scope of this research is it does not include other elements of the banks human resources management programs.

1.8 Limitation of the study

To conduct this study, there were limitations encountered by the researcher during on conducting this paper. Some respondent were reluctant and reserved to convey their idea freely, on what they really believe in. And also few respondents were not able to return a questionnaire timely and it was a difficult task to wait until all are returned. The study is hypothetically limited to determine the relationship between performance appraisal and job satisfaction.

1.9 Definition of Terms

Performance Appraisal: It is a systematic, periodic and so far as human possible, the impartial rating of an employee's excellence in matters pertaining to his potentialities for a better job (Flippo, 1984).

Job Satisfaction: This is the feeling by the employee towards the job they do with regards to conditions of work and the rewards accrued (Armstrong, 2006).

Performance Appraisal Process: As per DeCenzo (2010) the appraisal process is establishment of performance standards in accordance with the organization's strategic goals, Communicate expectations, Measure actual performance, Compare actual performance with standards, discuss the appraisal with the employees and initiate corrective action.

Feedback: It is the communication of the results of appraisal to the subordinates, so that they know their strong as well as weak points (Gupta, Sharma, and Bhalla, 1988).

1.10. Organization of the study

The paper comprises five chapters. The first chapter deals with the introduction part of the research topic. The second chapter review most important theoretical concepts written by various scholars in the field of HRM and performance management. The third chapter articulates and justifies the adopted methodological approaches and measurement techniques. In the fourth chapter, the analysis, discussion, and results outlined. The fifth chapter identified summery, conclusion and recommendations. At the end of the chapters reference and annexes are attached.

CHAPTER TWO: LITRATURE REVIEW

This chapter deals with review of related literature to the topics of performance appraisal and job satisfaction .Regarding the topics they are thoroughly discussed by referring different books and journals available on the libraries and on the internet.

2.1 Definition of Performance Appraisal

Performance appraisal is the process of evaluation and an employee of an organization by some qualified persons. Performance appraisal is important to know whitens the selection of an employee was right or wrong, it also help for personnel promotion, transfer, salary increase with their performance. Different scholar defined performance appraisal in the following manner

As defined by Gupta, Sharma and Bhala, (1988).Performance appraisal means the systematic evaluation of the performance of an employee by his or her supervisors. It is a tool for discovering, analyzing, and classifying the differences among workers in relation to job standards. It refers to the formal system of appraisal in which the individual is compared with others and ranked or rated. Generally appraisal is made by the supervisor or manager once or twice a year.

Performance appraisal is the formal process normally conducted by means of completing an instrument that identifies and documents a job holder's contributions and workplace behaviors. A primary reason for appraising performance is to encourage employees to put forth their best effort so that the organization can reach its mission and goal. Through the appraisal process organizations identifies and recognizes effort and contributions. (Henderson, 2006).

Performance appraisal of employee implies to how efficiently the worker are performing their job and also to know their aptitudes and other qualities necessary for performing their job and also to know their aptitudes and other qualities necessary for performing the job assigned to them. The qualities of employee that are appraisal through performance appraisal are ability to do work, spirit of cooperation, managerial ability, self confidence, inactive, intelligence etc.

Performance appraisal regarded as a most significant tool for any concern. The main objective of performance appraisal is to improve the efficiency of a concern by attempting to mobilize the best possible efforts from individuals employed in it. (Gupta, Sharma, and Bhala,1988).

Performance appraisal means evaluating an employee's current or past performance relative to the performance standards. Appraisal involves setting work standards, assessing the employee's actual performance relative to these standards and providing that person to eliminate deficiencies or to continue to perform above par. (Desseler,2003).

According to (Flippo,1984) performance appraisal is a systematic, periodic and so far as human possible, the impartial rating of an employee's excellence in matters pertaining to his potentialities for a better job. From the above definitions, it is understandable that performance appraisal is a systematic and orderly process to evaluate the performance of personnel in terms of the requirements of the job.

2.2 Significance of performance appraisal

Generally, the information of performance appraisal helps the human resource managers and Subordinates by giving feedback regarding their performance.

According to (Megginston, 1981)the following are some specific uses of performance appraisal:

2.2.1 For Administrative purpose

Training and development needs: performance appraisal and help to managers identifies areas in which employee lack critical skill for either immediate or future performance because poor performance may be an indicted for the need of training and good performance may indicate unexploited potential that should be developed, Compensation adjustment: Performance appraisal results greatly help managers in determining who get pay increase it also enables employers should pay fair and relatively equitable salary and other benefits, Placement decisions: promotions, transfer and demotions are decided based on performance appraisal information promotion is mostly given as a reward for a good performance, to detect strengthens or weakness in the personnel department stating procedures and To diagnoses information is accurate: Poor performance may indicate errors in job analysis information, human resource plans or other parts of the personnel management information system reliance on is accurate

information may lead to inappropriate hiring, training or counseling decisions (Megginston,1981).

2.2.2 For employee development use

Performance appraisal also use for career development purpose by providing employee with information about the performance expectations, Feedback regarding subsequent performance this allows to improve performance, advice, coaching or counseling to help employee meet expectations that have not been achieved and a basis for career planning and development (Megginston,1981).

2.2.3 For motivational purpose

Performance appraisal also help employee for motivational purpose for both employee and the management of an organization, it can be an initiative that develop a sense of responsibility and Increase the employees' efforts toward achieving personnel and organizational goals. It also gives employees better understanding of job responsibilities, relationship among themselves of the work expected of them. According to (Henderson 2006).performance appraisal data and information are used for making decisions in the following major areas organizational and human resource planning ,employee training and development ,compensation administration ,employee movement (lateral transfer, demotion, promotion, layoff and termination and validation of selection procedures).

2.3 Problems of Performance Appraisal

Performance appraisal being one of the most complex tasks it should be done in an objective and Standardized system if it is to fulfill its intended objective or goal. In some organization that result that is expected to be attained from the activity is not achieved. Organizations find that performance appraisal often fail to achieve its mission. When appraisal is done poorly or even done well under unsatisfactory operating conditions it can lead to increase employee anxiety and hostility and eventually to poor use of human and non human resources, increase cost and declining productivity. The ultimate result can even be death of the organization (Henderson, 2006).

According to (Ivancevich,1989) performance appraisal problem can be classified in to the following two categories: Rater problems and System design and operating problems

2.3.1 Rater Problems

Rater's inadequate skill to conduct the process greatly contributes to the failure of appraisal activities. Some of the problems are as follows Central tendency: this occurs when supervisors rate most of their employees within a narrow range regardless of how people actually perform, the refers tails to distinguish significant difference among group members and lumps everyone together in an average category that is no effective or ineffective employee. Halo effect: this exists where a supervisor assigns the same rating to each factor being evaluated for an individual by generating from a single point for example an employee rated "above average" on Quantity of performance may also be rated above average on quality of performance interpersonal competence, attend once and promotion readiness. Leniency strictness: this problem exist when supervisor overly lenient in evaluating to see all performance as good and to rate it Favorably or when the supervisor is overly strict of being too hash in filling performance appraisal. Recency error: these exist when evaluators focus on an employee's most recent behavior either good or bad. This leads to a situation where employees may float for the initial months of the evaluation period and then over exert themselves in the last few months or weeks prior to evaluation. This practice leads to uneven performance and contributor to the attitude of playing the game Personal biases: this is a situation in which supervisors allow their own personal biases to influence the appraisals such biases include like or dislike for someone as well as racial and sexual biases. Personal biases can interfere with the fairness and accuracy of an evaluation and are illegal in many situations (Steers, 1991).

2.3.2 Performance appraisal System design and operating problems

These problems are occurring when the organizations select inappropriate method or use the inappropriate method and procedure of rating mostly some organization design their rating system without considering some basic criteria for evaluating and they miss the appropriate method and procedure which are aligning with their internal and external environment. Thus operating and designing system problems are series unless organizations care for their appropriateness (Ivancevich, 1989)

2.4 Principles of Effective performance Appraisal

Systematic performance appraisal should be an accurate and reliable one. The reliability and accuracy of performance appraisal is obtained wherever the barriers of performance appraisal are overcome by the management. However, there is no perfect appraisal system in all organizations but there are some systems that possess certain characteristics that can provide a more effective means for achieving the appraisal. Regardless of which method is used an understanding of what an appraisal is supposed to do is critical. The most important thing is not which form or which method of performance appraisal used but whether managers and employees understand its purposes and obtaining the actual result from the evaluation. (Ramasamy, 1998).

The management may take the following measures to make the appraising more effective. Single employee is rated by two raters. Then, the comparison is made to get accurate rating, a separate department may be created for effective performance appraisal, the plus points of an employee should be recognized, at the same time, the minus points should not be highlighted too much but they may be hinted to him, the standard for each job should be used for performance appraisal to each job according to the nature of the job, Separate printed forms should be used for performance appraisal to each job according to the nature of the job, The measurement should create confidence in the minds of employees and Continuous and personal observation of an employee (Ramasamy,1998).

The perfect performance appraisal system doesn't exist because all performance appraisal methods have their own limitations and negative impacts. According to (Flippo, 1984) the following are the characteristics of effective a performance appraisal system.

1. **Performance expectations:** the managers should clearly explain performance expectation to employees in advance of the appraisal period. This enables the employees lead their efforts and emphasis towards the expected performance level.
2. **Employee access to the result:** An effective appraisal system should provide feedback to employees on how well or bad they have performed and a continuing basis.
3. **Qualified appraisals:** the evaluators should be well trained, should be given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisals interviews and documented approaches.

4. **Standardization:** employees in the same job category, under the same supervisor and coordinator should be appraised by the same evaluation instruments, techniques, procedures and work objective.

5. **Due process:** A formal procedure should be developed for appraisal process and it is vital to reduce employees' complaint and grievances performance should be job related.

Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees' futures such as having promotion, rewards, demotion or even termination of their job within the organization suggested performance appraisal quality variations will generate strong reactions among employees. (Mayer and Davis, 1999).

In order to create effective performance appraisal system that will create employee job satisfaction any organization shall include the following four principal indicators of the quality of performance appraisal system.

1. **Clarity of performance expectations**, which shows the scope to which employees are familiar with the purpose and role of the performance appraisal. This will involve precision and clearness of the role of performance appraisal that will play in shaping an employee's fate within the organization and the performance appraisal process. (Brown, Haytt, Benson,2010).

2. **The level of communication**, between the employees and their supervisors that specifies the opportunities to evaluate information and acquire supply in combination with clarity about performance appraisal processes provide employees with the chance of exercising a level of process control. In addition providing an employee with the chance to express his or her opinion is appreciated in it and certifies his or her belongings in the organization. (Brown, Haytt,Benson,2010).

3. **Trust in the supervisor**, employees who consider their supervisor is capable and has high quality knowledge of their employees' job responsibilities will be more probable to rate their performance appraisal experience positively and trust their supervisor (Greenberg, 1896).

Also when employees trust their supervisor they grasp positive outlooks about their supervisor's motives, judging that manager will act in their finest interest.

4. **Fairness of performance appraisal process**, employees want to be treated fairly throughout the performance appraisal process as this is considered to have an effect on the quality of the results of the process. (Fortin, 2008)

2.5 Performance Appraisers

Who rates whom? This is the basic question in any organization. Ordinarily the immediate Supervisor is responsible for evaluating the performance of those who are directly subordinate to him or her in the organization. However, performance appraisal can be done by anyone that is familiar with the performance of employees. According to (Dessler,2003), appraisal of an employee is conducted by:

1. Immediate supervisor: Supervisors ratings are the heart of most appraisals because the immediate supervisor is in the best position to observe and evaluate the subordinates performance this is based on the assumption of the immediate supervisor is the person most qualified to evaluate the employees performance and the supervisor is more familiar with the subordinates performance.

2. Peer Appraisals: this type of appraisal is mostly used in an organization where employees of an organization which have the same level evaluate each other. In organization which use self managing team appraisals. The appraisal of an employee by his or her peers is becoming more popular.

3. Self rating: this is an appraisal type that gives an employee an opportunity to evaluate his/her strengths and weakness. However, it has some problems like most employees usually rate themselves higher than they are rated by supervisors or peers.

4. Appraisal by subordinates: More firms today let subordinates to rate their supervisors performance, a process sometimes called upward feedback the process helps top managers to diagnose management styles identify employees' problems and take corrective action. Subordinates ratings are especially valuable when used for developmental purposes rather than evaluative purposes.

Performance Appraisal System

According to Grote (1996) Performance appraisal is not an event, it is a process. These events happen in a predictable and sequential fashion, with one completed before the next begins. The major components of performance appraisal system are standard setting, performance rating process, appraisal form and its content, feedback, and appeal process.

2.6 Stages in Performance appraisal

The best performance appraisal systems are those in which the supervisor or managers makes an Ongoing effort to coach and monitor employees instead of leaving evaluation to the last minute. According to (Gupta, Sharma, and Bhalla, 1988). There are some stages in performance appraisal to make the appraisal more effective and appropriate. These stages are the following.

- 1. Establishment of standards:** the first step in performance appraisal is to set up clear standards against which performance is to be compared. The various factors should be clearly discussed with the management before preparing the appraisal standards.
- 2. Communication of standards:** The employers should be informed about the standards expected from them feedback from employees should be received so as to know whether the employees have followed it or not.
- 3. Measurement of performance:** the information regarding actual performance of the employee should be acquired by personal observation or reports which may be oral or statistical.
- 4. Comparison of actual performance:** The actual performance of an employee is compared with the standards which established to know the variation in performance of an employee.
- 5. Discussion with employees (feedback stage):** The results of appraisal should be communicated to the subordinates so that they know their strong as well as weak points.
- 6. Corrective action:** the corrective action may involve two stages. The immediate action is taken to adjust the differences then formal training programs may be organized in addition to personal coaching and counseling.

2.7 Appraisal methods and forms

The formal performance appraisal usually involves the use of a standard form developed by the HR department to measure employee performance. Again, “if you can’t measure it, you can’t manage it. But we must be careful how we measure success, as the assessment should be as objective as possible, not subjective. Employees need to know the standards and understand what good performance looks like, and they need to be able to measure their own performance. If we are stuck with a form that has subjective sections, work with our employees to develop clear accurate standards. There are two types of measures used in performance appraisal: objective

measures which are directly quantifiable and subjective measures which are not directly quantifiable.

There are various methods of appraising employees performance in fact there is no universally accepted method an organization has to use. This may be determined by factors like the size, nature, financial capability and objectives of the organization.

According to (Flippo, 1984) the different performance appraisal methods can be classified is to two major groups namely ,Traditional appraisal methods and Modern appraisal method

2.7.1 Traditional Appraisal Methods

These types of appraisals are still widely used by many organizations. The most commonly used traditional performance appraisals are the following:

A. check List Appraisal: When this technique is used employee performance and characterize are described by words and statements the rates is expected as required to choose one among words that describes the individual's performance. But sometimes the personnel department assigns weights to different items in the list in accordance to their importance without the rater knowledge. The rater indicates the answers of an employee against each question by putting a tick mark within two columns provide to each questions as yes or no that is yes for positive answers and no for negative answers. This method have has its own advantage and disadvantage. the major advantages are it's easy to administer and It needs limited training and standardization the major Disadvantage is It's costly and time consuming to develop the check list and questioner for each job category.(Flippo,1984)

B. Forced choice method: in this method, the rate is presented with a serious of two or more favorable or unfavorable choices and the rates select one of the statements, by which the employee is best described from the given choices. These methods force the rates to choose from the alternatives this is the reason it called forced choice method and it have an advantage of easy to administer and it is fit for a wide variety of jobs. (Ramasamy,1998).

C. Critical Incident Method: In this method the rater records statements describing Extremely good or bad employee behavior related to performance. These statements are supported by explanations of the actual happenings that were recorded at the time they took place. These statements are called critical incidents. Both negative and positive incidents are recorded and the employee is appraised on all events occurred in a particular time.(Ramasamy,1998).

D. Field review Method: When this method is adopted a skilled representative of personnel management assists supervisors with their ratings. An employee's performance is appraised through interview between the rater and the immediate supervisor of a concerned employee. The rater asks the supervisor questions about the performance of an employee the success of this type of appraisal method is based on the competence of the interviewer (Ramasamy,1998).

E. Ranking Method: This method is very old and simple form of performance appraisal. An employee is ranked one against the other in the working group for example if there are 10 workers in the working group, the most efficient worker is ranked as number one and the last efficient worker is ranked as number ten (Ramasamy,1998).

F. Paired comparison Method: This method is a part of ranking method. It has been developed to be used in a big organization. Each employee is compared with other employees taking only one at a time. The evaluator compares two employees and puts a tick mark against an employee who he considers a better employee. In the same way an individual is compared with all other existing employees. Finally, an employee who gets maximum ticks for being a better employee is considered the best employee. This method is suitable for large organizations and individual traits can be evaluated. However, this method is expensive and time consuming. (Ramasamy,1998).

G. Graphics Rating Scale: This method is the oldest and most commonly used type of performance appraisal. In this method each individual's trait or characteristics are presented by certain scale from low to high. A graphic rating scale lists traits such as quality and reliability of an employee and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait this method of appraisal is widely used because it is less expensive, easy to raters and it's applicable to a large number of employees. However it has some limitations like it expose to raters biases and feed back is limited due to these factors employees sometimes may complain against the results (Dessler, 2003).

2.7.2 Modern appraisal Methods

These methods of appraisal enable the rater to evaluate either employee's performance in the better way than the traditional methods. Some of the modern appraisal methods are the following:

A. Assessment centers: These methods are designed to differentiate between the current performance and potential performance of an employee and they used to select managers and supervisors by recognizing their potential performance in their job. The employees who will be examined to be supervisions are brought together into similar condition of job or assessment counters. The assessment includes interview, psychological tests, and personal background histories leaderless group discussions and evaluated by well trained persons. The evaluate can show and measure their future potential performance depending on the current performance of an employee (Graham, 1998).

B. Behaviorally anchored Rating Scales (BARS)

This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are used as a basis for rating employee performance. While, more time consuming then other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feed back to employee. (Dessler, 2003) According to (Flippo,1984) there are two behavior anchored rating scales these are: Behavior expectation scales (BES) and Behavior observation scales (BOS). The Behavior expectation scales are used to help the rates to define as superiors, average or below average the behavior of the employee. The Behavior observation scales (BOS) used where the rater reports the frequency with which the employee engagements in the behavior specified is the anchors.

C. Management by Objective (MBO)

This method of appraisal is more than an appraisal program it reflects a management philosophy which values and utilize employee contributions. By establishing clear and well defined objectives, the employees are provided with a course to follow and practice their duties and responsibilities properly. MBO generally refers to a comprehensive, organizational wide goal setting and appraisal program consisting of six steps these steps are the following:

- Set the organization goals
- Set departmental goals
- Discuss departmental goals by department needs and Subordinates.
- Define the expected results the managers and their subordinates set employees performance target.

- Performance review: The managers and supervisors compare each employee actual and expected performance.
- Provide feedbacks the managers and employees discuss and evaluate the result (Dessler, 2003).

An important feature of MBO is that it enhance open communication with the employees on their result and this help them to get feedback on their performance and fosters superior and subordinate relationship due to frequent interaction. MBO enhance participation of subordinates and employees in managing their own affairs on the other hand there are a number of limitations in applying MBO some of them are: It is time consuming, Reluctance of superiors to delegate authority and subordinate accept authority for fear of accountability, It gives more emphasis on the short term objectives rather than long run objectives and Its objectives sometimes could be too ambitious which results in employee frustration. In general, BO is very effective in some condition like when employees and supervisors are flexible and self control in their jobs and in some uses it may not be effective. To make more effective it is important to reduce its problems (Dessler, 2003).

2.8 Appraisal Interview

Appraisal interview is an interview in which the superior and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. Performance appraisal process is incomplete without the feedback given to the employee about his or her performance once appraisal has been made the raters should discuss and review the performance with the raters so that they will receive feedback about where they stand in terms of performance standards feedback is necessary to improve performance. Performance interview has the following objectives: to correct an employee performance who doesn't meet organizational requirement or performance standards, to maintain the performance of employees who perform in an acceptable manner and to recognize superior performance so that they will be continued (Dessler, 2003).

2.8.1 Types of Appraisal Interview

There are three types of Appraisal interview

I. When performance is satisfactory and promotable

II. When performance is satisfactory but not promotable

III. When performance is unsatisfactory but correctable.

I. When performance is satisfactory and promotable: This is the easiest of the three appraisal interview. The person's performance is satisfactory and there is a promotion ahead. The main objective is to discuss the employee's career plans and to develop a specific action plan for the educational and professional development the employee needs to move to the next job. (Dessler, 2003)

II. When performance is satisfactory but not promotable: This is for employee whose performance is satisfactory but for whom promotion is not possible. The main objective is to maintain satisfactory performance and an employee. (Dessler, 2003)

III. When Performance is unsatisfactory but correctable: the appraisal interview objective is to be out an action plan for correcting the unsatisfactory performance (Dessler, 2003)

2.9 Definition of Job satisfaction

Job satisfaction can be understood as the way employees feel about their jobs and different aspects of their jobs (Spector, 1997). According to Spector a shift has taken place in the last 30 years of research from job satisfaction as need to job satisfaction as an attitudinal variable. For example, employees can have an attitude of being engaged with or disassociated from their organization. Job satisfaction can be defined as an emotional state related to the positive or negative appraisal of job experiences. Job satisfaction is a global construct or as a constellation of different dimensions to which the employee reacts affectively (Locke, 1969).

McNamara defines job satisfaction as one's feelings or state of mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors, e.g. the quality of one's Relationship with their supervisor, the quality of the physical environment in which they work, degree of the fulfillment of their work, etc. (McNamara, 1999).

Job satisfaction is a worker's sense of achievement and success on the job. It is generally perceived to be directly linked to productivity as well as to personal wellbeing. Job satisfaction implies doing a job one enjoys, doing it well, and being rewarded for one's efforts. Job satisfaction further implies enthusiasm and happiness with one's work. Job satisfaction is the key ingredient that leads to recognition, income, promotion, and the achievement of other goals that

lead to a feeling of fulfillment for the organization, high levels of job satisfaction of its workers strongly suggest a workforce that is motivated and committed to high quality performance. Increased productivity quantity and quality of output per hour worked would seem to be almost an automatic byproduct of improved quality of workmanship. (Kaliski,2007).

Hoppock, (1935) defined job satisfaction as any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say I am satisfied with my job.

According to this approach although job satisfaction is under the influence of many external factors, it remains something internal that has to do with the way how the employee feels. That is job satisfaction presents a set of factors that cause a feeling of satisfaction. Vroom, (1964) defines job satisfaction as affective orientations on the part of individuals toward work roles which they are presently occupying.

2.10 Factors affecting job satisfaction

Genuine job satisfaction comes from a feeling of security whereby one's performance is judged objectively by the quality of work performance rather than artificial criteria such as being related to highly placed executives or to relatives in the firm. (Kelski, 2007).

The level of job satisfaction is affected by intrinsic and extrinsic motivating factors, the quality of supervision, social relationships with the work group and the degree to which individuals succeed or fail in their work. (Armstrong, 2006).

When considering job satisfaction, probably the most important point to bear in mind is that many factors that affect it. What makes workers happy with their jobs varies from worker to worker and from day to day. **Apart from the factors previously mentioned, job satisfaction is influenced by the employee's personal characteristics, the manager's personal characteristics and management style, and the nature of the work itself.** Managers who want to maintain high levels of satisfaction in the workforce must understand the needs of each member of the workforce. (Kelski, 2007).

2.11 Measuring Job Satisfaction

Job satisfaction does not come automatically to business organizations. In a broad sense, the job satisfaction program needs to exist and should have activities carefully designed to achieve the intended job satisfaction goals. It must be an action program and it should be carefully monitored to ensure that changes are periodically made as needed. (Kelski,2007). According to (Armstrong, 2006) the level of job satisfaction can be measured by the use of attitude surveys. There are four methods of conducting them:

1. **By the use of structured questionnaires**

These can be issued to all or a sample of employees. The advantage of using standardized questionnaires is that they have been thoroughly tested and in many cases norms are available against which results can be compared. Benchmarking can be carried out with other organizations additional questions especially relevant to the company can be added to the standard list. A tailor made questionnaire can be used to highlight particular issues, but it may be advisable to obtain professional help from an experienced psychologist, who can carry out the skilled work of drafting and pilot testing the questionnaire and interpreting the results. Questionnaires have the advantage of being relatively cheap to administer and analyze, especially when there are large numbers involved.

2. **By the use of interviews**

These may be open ended or depth interviews in which the discussion is allowed to range quite freely or they may be semi structured in that there is a checklist of points to be covered, although the aim of the interviewer should be to allow discussion to flow around the points so that the frank and open views of the individual are obtained. Alternatively, and more rarely, interviews can be highly structured so that they become no more than the spoken application of a questionnaire. Individual interviews are to be preferred because they are more likely to be revealing, but they are expensive and time consuming and not so easy to analyze. Discussions through ‘focus groups’(that is groups of employees convened to focus their attention on particular issues) are a quicker way of reaching a large number of people, but the results are not so easy to quantify and some people may have difficulty in expressing their views in public.

3. By a combination of questionnaire and interview

This is the ideal approach because it combines the quantitative data from the questionnaire with the qualitative data the interviews. It is always advisable to accompany questionnaires with some depth interviews, even if time permits only a limited sample. An alternative approach is to administer the questionnaire to a group of people and then discuss the reactions to each question with the group. This ensures that a quantified analysis is possible but enables the group, or at least some members of it, to express their feelings more fully.

4. By the use of focus groups

A focus group is a representative sample of employees whose attitudes and opinions are sought on issues concerning the organization and their work. The essential features of a focus group are that it is structured, informed, constructive, and confidential.

2.12 Steps to achieve job satisfaction

Organizations can help to increase job satisfaction by putting systems in place that will ensure that workers are being rewarded for being successful. The following list of suggestions may contribute to job satisfaction:

1. flexible work arrangements possibly including telecommuting, training and other professional growth opportunities, Interesting work that offers variety and challenge and allows the workers to put their signature on the finished product,
2. Opportunities to use one's talents and to be creative,
3. Opportunities to take responsibilities and direct one's own work,
4. A stable, secure work environment that includes job security and continuity,
5. An environment in which workers are supported by an accessible supervisor who provides timely feedback as well as congenial team members,
6. Flexible benefits, such as childcare and exercise facilities, up to date technology and quality health insurance (Kelski,2007).

2.13 Empirical Studies

Among many studies that deal with employees job satisfaction and performance appraisal system are the study conducted at KENYA REVENUE AUTHORITY, by CAROLINE W. M'MBUKITHUKU, (2011) the researcher concluded that the findings have indicated a positive and significant relationship between performance appraisals and job satisfaction.

On the other hand According to research conducted at KENYA COMMERCIAL BANK, by VICTORIA MUTILE KITHUKU, (2012) the researcher concluded that the method of performance appraisal used by the bank have an effect on employee motivation and general job satisfaction.

Another study was the study of mount (1984) and cook and Crossman (2004).The result of mount showed concerning the aspects that determine the satisfaction of appraisal discussion and the aspect of overall performance appraisal system the result was significant difference .with this respect, only one aspect of appraisal system that is (satisfaction with the way the appraisal forms helped discuss performance) was significantly related to both dependent variables for manager and employees. This shows that the appraisal form is an important aspect of managers and employees satisfaction and managers are more satisfied in performance appraisal system than employees. The major finding of cook and Crossman contradicted the finding of mount they stated that being rater or rate doesn't make a difference as far as satisfaction with the appraisal system is concerned.

They further argue that managers are more dissatisfied by performance appraisal system than employees. Managers know about performance appraisal system of their organization more than employees and since all systems are having certain problem the knowledge of those problems dissatisfied managers.

Mount justified his finding by raising two points that managers are given training about performance appraisal were as employees are not and managers are givers of information about performance appraisal results wear as employees are on the receiving end.

Mount consider the role the managers and employees play in the performance appraisal system as an independent variable and satisfaction as a dependent variable and argue that managers are more satisfied than employees because they do have a greater system knowledge and play a vital role in the system than employees. According to mount effort to enhance satisfaction with the

appraisal system should take into consideration the unique perspectives of manager and employees in the appraisal process.

For instance managerial satisfaction could be enhanced by an appraisal system which enables the work planning or goal setting enhanced process to be discussed easily during the appraisal and employee satisfaction could be enhanced by discussing their career plans during the appraisal and it appears that both managers and employee satisfaction could be enhanced by designing appraisal forms which aid the appraisal discussion. Further the result suggests that both managers and employees should receive orientation and training in how to use the appraisal system to be perceived by employees as fair and sound the following activities must be ensured:

1. Frequencies of evaluation,
2. Identification of goal to eliminate weakness
3. and supervisory knowledge subordinate level of performance and job duties.

These factors significantly related to perception of fairness and accuracy of performance appraisal system. Cook and Crossman reported that leadership credibility of immediate supervisor is significantly associated with whether employee perceived performance appraisal system as procedurally fair and instrumentally just and appropriate.

In these studies of the role of perceived system knowledge in predicting appraisal reaction, job satisfaction and organizational commitment (levy and William, 1998) conclude individual who believe that they understand the performance appraisal system used in their organization are:

1. More satisfied with their job
 2. More accepting of and more favorably disposed to the appraisal feedback and system
 3. More committed to their organization
 4. More likely to evaluate the appraisal process as fair
 5. More appropriate to respond favorably to a host of organizational variables at a later time
- The attitude and subsequent reaction of employee to aspect of performance appraisal system like feedback and to the performance appraisal system in general can be the same or different employees can have positive attitude to some aspect of the system but may not have the same attitude to the system as whole. Performance appraisal should be done as frequently as possible, supervisor should work with the subordinate to agree on responsibility and that the supervisor devote sufficient time to observe and evaluate employees performance.

For employees to have a positive perception and to be satisfied by the performance appraisal system their organization needs to ensure that: there should be

1. Formal system of performance appraisal system,
2. The performance appraisal dimension should be highly relevant,
3. Performance appraisal should be conducted frequently,
4. Managers should have high job knowledge of their subordinate,
5. A system to appeal about appraisal results,
6. Remedy for dealing with current system weakness and the environment of the organization should cooperative.

According to (Murphy & Cleveland, 1991) state that when the following criteria are met, performance appraisals are most likely to be perceived by employees as accurate and fair:

- 1) Appraisals are conducted frequently;
- 2) There is a formal system of appraisal;
- 3) Supervisors have a high degree of job knowledge;
- 4) Ratees have an opportunity to appeal ratings;
- 5) Performance dimensions are seen to be highly relevant;
- 6) Action plans are formed for dealing with present weaknesses; and
- 7) The organizational climate is cooperative rather than competitive cited by Walsh (2003, p. 24)

It is a commonly held and a seemingly not unreasonable belief that an increase in job satisfaction will result in improved performance. But research has not established any strongly positive connection between satisfaction and performance. A review of the extensive literature on this subject by Brayfield and Crockett (1955) concluded that there was little evidence of any simple or appreciable relationship between employee attitudes and their performance.

An updated review of their analysis by (Vroom, 1964) covered 20 studies, in each of which one or more measures of job satisfaction or employee attitudes was correlated with one or more criteria of performance.

Brayfield and Crockett concluded that Productivity is seldom a goal in itself but a means to goal attainment. Therefore we might expect high satisfaction and high productivity to occur together when productivity is perceived as a path to certain important goals and when these goals are

achieved. Under such conditions, satisfaction and productivity might be unrelated or even negatively related.

It can be argued that it is not job satisfaction that produces high performance but high performance that produces job satisfaction, and that a satisfied worker is not necessarily a productive worker and a high producer is not necessarily a satisfied worker. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance. They may be even more satisfied if they are then rewarded by extrinsic recognition or an intrinsic sense of achievement. This suggests that performance improvements can be achieved by:

1. Giving people the opportunity to perform,
2. Ensuring that they have the knowledge and skill required to perform and,
3. Rewarding them by financial or nonfinancial means when they do perform.

It can also be argued that some people may be complacently satisfied with their job and will not be inspired to work harder or better. They may find other ways to satisfy their needs (Armstrong, 2007).

Employees' attitude and satisfaction towards an organization performance appraisal system is a significant direction of research regarding its efficiency and approaches for evaluation has concentrated on employees' satisfaction and perception of the whole process. According to Levy and Williams employee perception of fairness of performance appraisal system has shown linked to satisfaction with the system in their review of performance appraisal research indicated that the most important performance appraisal issue faced by organizations is perceived fairness of performance review and performance appraisal system.

On their findings they suggested most employees perceived their performance appraisal system as neither accurate nor fair hence performance appraisal system and process can be a source of dissatisfaction when employees believe the system is biased and irrelevant. One of the major problems of organization is the performance appraisal system and process and the evaluation system is perceived as inaccurate and unfair.

2.14 Legal Considerations in Performance Appraisal

In order to provide the necessary information that can be used in accomplishing organizations goals and that complies with the law the appraisal system must provide accurate and reliable information. The ability to generate those information is enhanced if the systematic process followed (Ivancevich, 2004). According (Ivancevich, 2004) the following six steps can provide the basis for such systematic process.

1. Establish performance standards for each position and criteria for evaluation.
2. Establish performance evaluation policies on when to rate, how often to rate and who should rate.
3. Have raters gather data on employees' performance
4. Have raters evaluate employees' performance
5. Discuss the evaluation with the employee
6. Make decision and file evaluation.

Even if performance appraisal started earlier and used to make many important human resource decisions it is a common target of legal dispute by involving charges of unfairness and bias an employee may seek the legal resource to obtain relief from a discriminatory performance appraisal system. The federal civil service minister is in charge for government organization in Ethiopia context According to article 31 of federal civil service proclamation 515/2007 the purpose of performance appraisal shall be : To enable civil servant to effectively discharge their duties in accordance with the expected level, quality ,standards, time and expense, To evaluate civil servants on continuous basis and identify their strengths and weakness with a view to improve their future performance. To identify training needs of employees, To give reward based on result, To enable management to make its administrative decisions based on concrete evidence. The legal aspect of performance appraisal shall be given due attention because failure to comply with policies and regulation result in penalties that can be easily avoided by performing performance appraisal activities by taking in to consideration the legal issues.

2.15 Conceptual Framework

Many studies have found positive relationship between performance appraisal and employee job satisfaction .Improper usage of appraisal makes employees to have a negative attitude and perception towards it and it affect employee's moral and reduces productivity and job satisfaction level of workers and the organization (Bratton and Gold, 1999). Effective appraisal system makes workers more satisfied and committed to their jobs, (Luthans, 1998).

The major components of performance appraisal system are standard setting, performance rating process(rater assurance or confidence, accuracy of the rating), appraisal form and its content, feedback, explaining rating decision) and appeal process. Employee's job satisfaction can be affected by different factors among those factors ineffective performance appraisal is one of the reason.

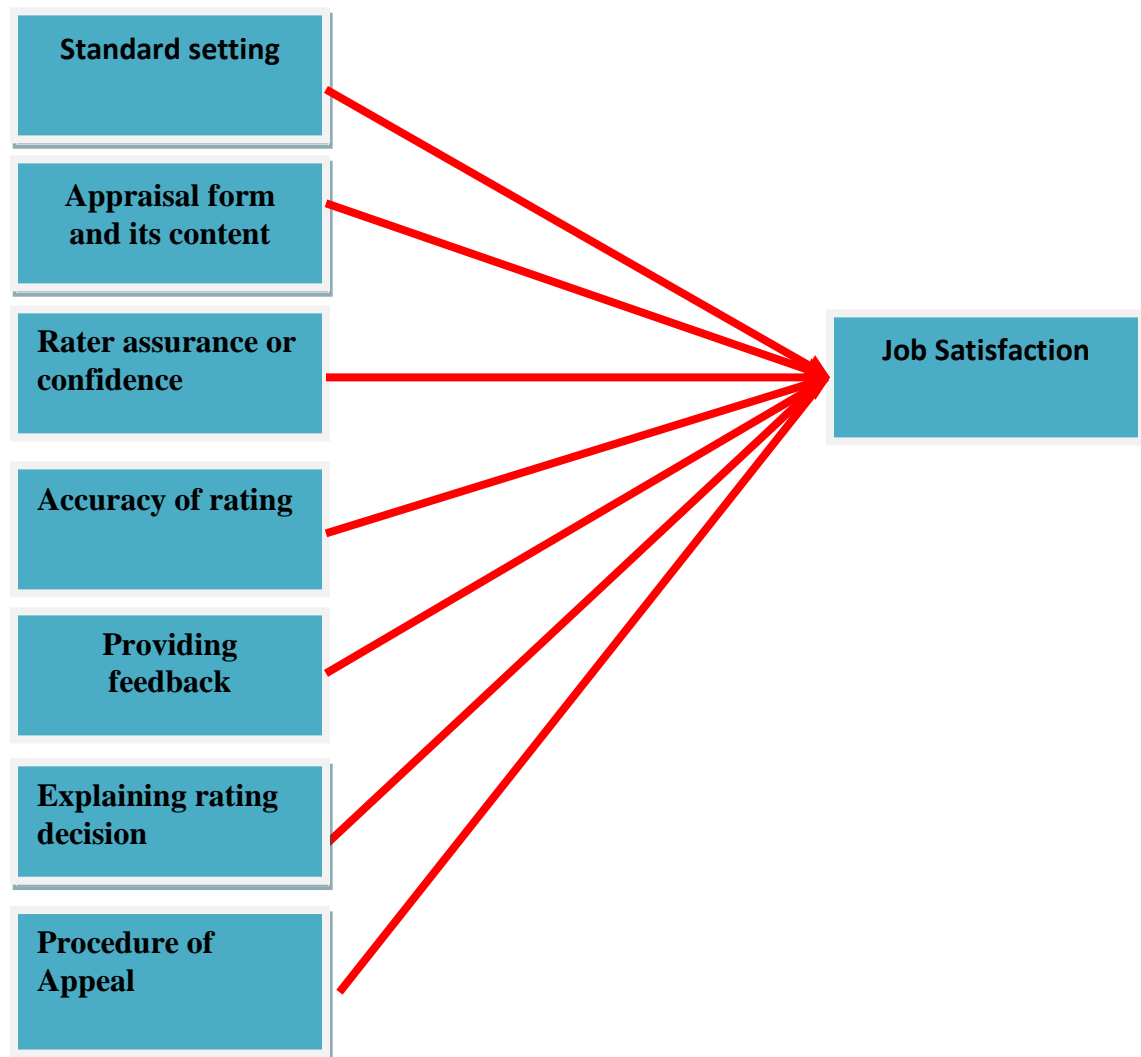
These literatures support the existence of positive relationship between performance appraisal and employee job satisfaction .The independent variable is (Major components of performance appraisal system) and dependent variable job satisfaction Hence, based on this the following conceptual framework is developed.

Figure 2.1. Conceptual framework performance appraisal and job satisfaction

Independent variables

dependent variables

Performance appraisal system



Source: The researcher's conceptual framework (2017) based on literature

CHAPTER THREE: RESEARCH METHODOLOGY

The study conducted to measure the effect of performance appraisal on employee job satisfaction. To realize the objective of the study and provide a conclusive answer for the research questions outlined in chapter one, the following research design and methodology were employed.

3.1. Research Approach and Design

Since the main objective of the researcher is to analyze the Effect of Performance Appraisal on Employee job satisfaction. Explanatory research design was used. As a result to analyze this Relationship the researcher mainly deployed quantitative type of research design. Quantitative research design allows the researcher in order to use objective measurement, to quantifying the relationships between variables, Collect data in the form of numbers and use statistical tools for data analysis.

3.2 Target population, Sampling Technique, Sample Size and Sample Frame

3.2.1 Target Population

A population is the group of units about which the researcher wants to make judgments. These units can be groups of individuals, customers, companies, or products (Mooi and Sarstedt 2011). The population of interest for this study is 404 employee (working in the head office and bole branch here in Addis Ababa) of Zemen bank which is one of the private owned banks working in Ethiopia and target population is management and non management employees .

3.2.2 Sampling Technique

The researcher used Stratified Random sampling technique to distribute the survey questionnaires.

Stratified sampling: is dividing the sampling frame or the population into several different homogenous groups called strata. to ensure that each stratum is equally represented, an equally sized randomized sample is obtained from each stratum separately.

This study have Five strata i.e, Division managers/Branch managers, Section Heads, Senior Officers, Officers, junior staffs.

3.2.3 Sample Frame and Sample Size

A sampling frame is a list of individuals in the population (Mooi and Sarstedt 2011). In this study the sampling frame was 404 employees Which includes the full time employees (employees who served the bank at least more than 1 year or at least their job performance rated once by the supervisor . In addition to the management team .this employees also knows about the overall bank rules, regulation, policy ,culture and environment).

Sample size

Considering the nature of the study and the total population in the organization in the head office and bole banking center to decide the amount of sample size (Yamane, 1967) sample size determination formula has been used where n is the sample size, N is population size, and e is the error of 5 percentage points and a confidence coefficient of 95% are assumed for this equation.

$$n = \frac{N}{1 + Ne^2} = \frac{404}{1 + 404(0.05)^2} = 197$$

- Hence by utilizing the above formula, the calculated sample size was 197 and, questioners were distributed according to table.

Table 3.1 sample size determination

| Population | Population size | Sample size |
|-----------------------------------|-----------------|-------------|
| Division managers/Branch managers | 38 | 18 |
| Section Heads | 23 | 11 |
| Senior Officers | 49 | 24 |
| Officers | 102 | 49 |
| junior staffs | 192 | 95 |
| Total | 404 | 197 |

Source: Document review of Zemen bank S.C

Distributions= population Size X sample size

Total no of population Size

3.3 Research Instrument

The research instrument that the researcher used structured questionnaire that allows for the measurement of the effect of performance appraisal on job satisfaction of employee.

Questionnaires are particularly suitable for quantitative data and also they are convenient, the personal influence of the researcher is also eliminated and respondents were have time to check fact and think about their answers, which tends to lead to more accurate information and also it is cheap and quick to administer (Williman 2006).

The research questioner consisted three sections based on five point Likert scale. The first section gathered information about respondents profile like age, gender, experience, education etc. The second section collected data about closed ended questions and the third section were open ended questions(to provide or to give opportunity for participants and the expression of their personal view).The data were collected via self administered questioner .First the researcher distributed the questioner to the respondents in person then After completing, respondents returned it directly to the researcher.

The developed questionnaire pilot tested to critique the questions and mention any vague point in the questions so that to identify and eliminate potential problem. Based on feedback the questionnaire were re-finned for clarity.

3.4 Data collection procedures

To conduct this research, information from both primary and secondary data sources were used. Primary data was collected through via structured questioner.The study also utilized secondary data from written materials like academic books, journals, research papers, internet resources for literature review.

3.5 Techniques of data Analysis

The data analyzed according to the objective of the research and the analysis of each objective was presented. Demographic characteristics was summarized using frequencies and percentage. For all variables frequencies, percentage, tables graphs and words was used to present data regarding the effect of performance appraisal system on employee job satisfaction the study is used Pearson's correlation analysis and The research used SPSS (statistical package for social science) software, version 20 to analyze the quantitative data collected from the questionnaire.

Descriptive Statistics: consists of collection, organization, summarization, and presentation of data under this percentage frequency will be calculated and Descriptive statistics such as standard Deviation and means was used for the independent and dependent variables.

Inferential Statistics: is concerned with the process of generalization. and also known as sampling statistics and are mainly concerned with two major type of problems: (i) the estimation of population parameters, and (ii) the testing of statistical hypotheses. consists of generalizing from samples to population performing estimation and hypothesis tests determining relationship among variables, and making predictions under this relationships between the independent variable performance appraisal and dependent variables job satisfaction explained using correlation and regression. **Correlation analysis** can tell the correlation among variables but it doesn't tell which relation is stronger. **Regression analysis** was used to measure the relative strength of independent variables on Dependent variable.

3.5.1 Reliability

Reliability is the degree to which what researchers measure is free from random error (Mooi and Sarstedt, 2011) and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Marczyk et al. 2005). In this study, Chronbach's alpha (α) was used to test the reliability of the measure. As a result, Cronbach's alpha of the questionnaire revealed 0.992 scored. Usually, reliability coefficients should be at least '.70' and the higher is the better.

Therefore the reliability of the response was accepted & assured.

Table 3.2: Reliability statistics of the instrument

| Variables | Cronbach's Alpha | No. of Items |
|---------------------------------------|-------------------------|---------------------|
| Standard setting | 0.895 | 3 |
| Appraisal form and its content | 0.979 | 2 |
| Rater assurance or confidence | 0.978 | 5 |
| Accuracy of rating | 0.969 | 2 |
| Providing feedback | 0.938 | 3 |
| Explaining rating decision | 0.979 | 4 |
| Procedure of Appeal | 0.939 | 3 |
| Job satisfaction | 0.987 | 7 |
| Total scale | 0.992 | 29 |

Source: own survey, 2017

3.5.2 Validity

Validity refers to whether we are measuring what we want to measure (Mooi and Sarstedt 2011). It is related to research methodology because its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of any given study (Marczyk et al. 2005). To ensure the validity of the study, the researcher used expert opinion from experienced Human resource managers, academic doctors, and research advisor. Also, validity of measure is guaranteed using a thorough and adequate literature review. Finally, pilot test was conducted to ensure the clarity of the question items. Based on the feedback from the pilot study, the self-administered questionnaire was revised.

3.6 Ethical issues

It could not be ethical to access some confidential documents of the organization. Therefore, the organization's code of ethics was taken in to account without significantly compromising findings of the study.

Also it may not be ethical to ask employees to answer questionnaires while they are at their work responsibility. Hence, enough time was given to respondents so that they either took the questionnaire to their home or used their break time.

CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter present findings and discussion from the study about the effect of performance appraisal practice on employee job satisfaction. The main focus of this research is to analyze the effect of performance appraisal system and its major components on the employees' job satisfaction.

4.1 Response rate of Respondents

Out of 197 questionnaires distributed to the head office and Bole branches in Addis, 180(91.4%) questionnaires were returned with full information. Except for the questions on part three.

4.2 Demographic Characteristics of Respondents

The table below shows the demographic characteristics of the respondents in terms of Gender, Age, Work Experience, Educational Background and their current position is stated.

Table 4:1 Demographic characteristics of respondents

| No | Variable | category | Frequency | Percent |
|--------------|------------------------|--|-----------|---------|
| 1 | Sex of respondents | Male | 121 | 67.2 |
| | | Female | 59 | 32.8 |
| | | Total | 180 | 100 |
| 2 | Age of respondents | below 25 | 25 | 13.9 |
| | | 2535 | 144 | 80.0 |
| | | 3645 | 6 | 3.3 |
| | | Above 45 | 5 | 2.8 |
| | | Total | 180 | 100.0 |
| 3 | Work Experience | Less than 2 year | 6 | 3.3 |
| | | 23 years | 87 | 48.3 |
| | | 45 years | 60 | 33.3 |
| | | 467years | 9 | 5.0 |
| | | more than 7 years | 18 | 10.0 |
| | | Total | 180 | 100 |
| 4 | Educational Background | Diploma | 2 | 1.1 |
| | | Bachelor's Degree | 175 | 97.2 |
| | | MA | 3 | 1.7 |
| | | PHD and above | | |
| | | Total | 180 | 100 |
| 5 | position | Division managers/Branch managers | 16 | 8.9 |
| | | Section Head | 11 | 6.1 |
| | | Senior Officers | 24 | 13.3 |
| | | Officers | 34 | 18.9 |
| | | Junior staffs/Tellers/Customer Service Representatives | 95 | 52.8 |
| Total | | | 180 | 100 |

Source: Own survey 2017

As it is shown in the table 4.2, majority of respondents which is 67.2% (n=121) were male the remaining 32.8% (n=59) were female.

With regard to age the majority of the respondents are found in the age category of between 25-35 years which are 80 % of the respondents. The second major group of respondents found in the age category of below 25 years which are 13.9% of the respondents and the third age category found that in the age group of 36-45 years which is 3.3% of the respondents. Finally the remaining small proportion shows that they were in the age range category of above 45 which are 2.8%. This implies that majority of respondents are young which is between 25-35 years old, therefore, the bank has to retain these young force by implementing effective performance appraisal system.

With regard to work Experience the majority of the respondents have 23 Years experience which are 48.3 %. The second major group of respondents found in the 45 Years which are 33.3% of the respondents and the third category found More than 7 years that of 10 % and 6-7 Years which is 5% of the respondents. Finally the remaining small years of experience less than 2 Year which is 3.3%. It is believed that employees are well experienced and have a sound knowledge about their organization performance appraisal practices that required for the study.

Regarding the educational qualification of the respondents majority of the respondents are Bachelor degree holders which are 97.2% of the respondents. The second largest category of respondents is Masters' degree holders which constitute 1.7% of the respondents and the third largest group was Diploma holder 1.1%, it shows that majority of them are literate enough in order to understand and answer the research instruments correctly and respondents with different educational background are represented in the study.

Concerning the position to which the respondents the majority of the respondents which are 52.8 % of them are Junior staffs/Tellers/Customer Service Representatives and the second largest group are Officers 18.9% and the third largest were Senior Officers 13.3% and Division managers/Branch managers 8.9 % and the last largest group is Section Head 6.1%.

4.3 Descriptive analysis of performance appraisal and employees' job satisfaction.

In order to see the general perception of the respondents regarding selected performance appraisal practices and employee job satisfaction, the study used the following table.

Table 4:2 Descriptive analyses of performance appraisal and employees' job satisfaction

| No | Items | Rating | | | | | |
|---|---|---|-----------|---------|-----|-----|-----|
| | | SDA | DA | Neutral | A | SA | |
| 1 | Setting standards | | | | | | |
| | | | | | | | |
| | The performance appraisal process requires that performance expectations set for me at the start of a rating period | Frequency | 1 | 36 | 24 | 90 | 29 |
| | | % | 0.6 | 20 | 13 | 50 | 16 |
| | My rater clearly and regularly explains to me what he or she expects from my performance | Frequency | | 7 | 11 | 131 | 31 |
| | | % | | 3.9 | 6.1 | 73 | 17 |
| | The PAP allows me to help set the performance standards that my supervisor will use to rate my performance | Frequency | | 7 | 11 | 132 | 30 |
| | | % | | 3.9 | 6.1 | 73 | 17 |
| | 2 | Appraisal form and its content | | | | | |
| | | | | | | | |
| The PAS makes sure that my performance expectations measure what I really do for the bank | | Frequency | 7 | 93 | 13 | 65 | 2 |
| | | % | 3.9 | 52 | 7.2 | 36 | 1.1 |
| The expectations set reflect the most important factors in my job Providing feedback | | Frequency | | 98 | 20 | 60 | 2 |
| | | % | | 54 | 11 | 33 | 1.1 |
| 3 | | Rater assurance or confidence | | | | | |
| | | | | | | | |
| | | My bank makes sure that I am assigned to a rater who is qualified to evaluate my work | Frequency | 1 | 15 | 50 | 96 |
| | % | | 0.6 | 8.3 | 28 | 53 | 10 |
| | My bank ensures that I am assigned a rater who knows | Frequency | 1 | 10 | 44 | 110 | 15 |
| | | % | | | | | |

| | | | | | | | |
|----------|---|-----------|-----|-----|-----|-----|-----|
| | what I am supposed to be doing | % | 0.6 | 5.6 | 24 | 61 | 8.3 |
| | My bank makes sure that my rater understands the requirements and difficulties of my work | Frequency | 1 | 33 | 40 | 100 | 6 |
| | | % | 0.6 | 18 | 22 | 56 | 3.3 |
| | My bank makes sure that my rater understands the PAP rating procedures and rating format | Frequency | 2 | 17 | 56 | 93 | 12 |
| | | % | 1.1 | 9.4 | 31 | 52 | 6.7 |
| | My bank makes sure that I am assigned a rater that knows how to evaluate my performance | Frequency | 2 | 16 | 50 | 90 | 22 |
| | | % | 1.1 | 8.9 | 28 | 50 | 12 |
| 4 | Accuracy of rating | | | | | | |
| | My performance rating is based on how well I do my work | Frequency | 2 | 95 | | 71 | 12 |
| | | % | 1.1 | 53 | | 39 | 6.7 |
| | My performance rating reflects how much work I do | Frequency | 1 | 98 | 13 | 61 | 7 |
| | | % | 0.6 | 54 | 7.2 | 34 | 3.9 |
| 5 | Providing feedback | | | | | | |
| | My rater or bank lets me know how I am doing | Frequency | 1 | 25 | 41 | 103 | 10 |
| | | % | 0.6 | 14 | 23 | 57 | 5.6 |
| | My rater regularly gives me feedback that is important to the things I do at work | Frequency | | 5 | 65 | 61 | 49 |
| | | % | | 2.8 | 36 | 34 | 27 |
| | My rater reviews with me my progress towards my goals | Frequency | | 16 | 69 | 83 | 12 |
| | | % | | 8.9 | 38 | 46 | 6.7 |
| 6 | Explaining rating decision | | | | | | |
| | My rater helps me to understand the process used to evaluate and rate my performance | Frequency | | 103 | 21 | 49 | 7 |
| | | % | | 57 | 12 | 27 | 3.9 |
| | My rater takes the time to explain my rating result | Frequency | | 92 | 20 | 66 | 2 |
| | | % | | 51 | 11 | 37 | 1.1 |
| | My rater lets me ask him or her questions about my | Frequency | | 83 | 16 | 72 | 9 |

| | | | | | | | |
|----------|---|-----------|-----|-----|-----|----|-----|
| | performance rating | % | | 46 | 8.9 | 40 | 5 |
| | My rater helps me understand what I need to do to improve my performance | Frequency | | 79 | 34 | 55 | 12 |
| | | % | | 44 | 19 | 31 | 6.7 |
| 7 | Procedure of Appeal | | | | | | |
| | I have ways to appeal(request or ask) a performance rating that I think is biased or inaccurate | Frequency | 11 | 19 | 30 | 85 | 35 |
| | | % | 6.1 | 11 | 17 | 47 | 19 |
| | I can challenge a performance rating if I think it is Unfair | Frequency | 1 | 50 | 50 | 66 | 13 |
| | | % | 0.6 | 28 | 28 | 37 | 7.2 |
| | My performance rating can be changed if I can show that it is incorrect or unfair | Frequency | 2 | 71 | 42 | 54 | 11 |
| | | % | 1.1 | 39 | 23 | 30 | 6.1 |
| 8 | Job satisfaction | | | | | | |
| | I am comfortable in communicating my feelings of disagreement about my rating to my supervisor | Frequency | 1 | 100 | 22 | 44 | 13 |
| | | % | 0.6 | 56 | 12 | 24 | 7.2 |
| | I am satisfied with the appeal process of the performance appraisal system | Frequency | 2 | 99 | 26 | 52 | 1 |
| | | % | 1.1 | 55 | 14 | 29 | 0.6 |
| | I am satisfied with the feedback aspect of performance appraisal system | Frequency | 6 | 87 | 44 | 33 | 10 |
| | | % | 3.3 | 48 | 24 | 18 | 5.6 |
| | I am satisfied with the way the PAS is used to evaluate and rate my performance | Frequency | 1 | 99 | 23 | 48 | 9 |
| | | % | 0.6 | 55 | 13 | 27 | 5 |
| | Does performance evaluation serves on the basis of job satisfaction | Frequency | 1 | 36 | 61 | 44 | 38 |
| | | % | 0.6 | 20 | 34 | 24 | 21 |
| | How much are you satisfied with your job? | Frequency | 15 | 84 | 32 | 39 | 10 |
| | | % | 8.3 | 47 | 18 | 22 | 5.6 |
| | How much are you satisfied with the current performance appraisal system of your bank? | Frequency | 14 | 108 | 9 | 38 | 11 |
| | | % | 7.8 | 60 | 5 | 21 | 6.1 |

Source: own survey questionnaire, 2017

Concerning the item **standard setting**, as indicated in the above Table 4.3 the majority of respondents agree for each of the three questions. From this results, conducting transparent performance appraisal which ultimately minimized biasness of rate (employees) and rater (organization).For the organization it will serve as a benchmark against which the performance of an employee will be compared at the end of rating period and from employee side it will avoid ambiguity and confusion and it will also help to perform according to expectations and standards.

Based on the information collected from human resources department all jobs have their job description and employee are act according to their job description employees know what to do and what the bank expect from them.

Regarding **Appraisal form and its content**, employees were asked two questions majority of respondent were disagreed.

Among many factors that can determine the effectiveness of performance appraisal system is instrument used and its content. ZB bank used two forms that is for professional and for managers to measure their performance.

Among a set of performance factors that are lists on the instrument what ZB uses knowledge of the job, quality of work, team work and etc. Also the supervisor uses to rate employee performance using an incremental scale. The supervisor rates each subordinate by giving the score for each factor that best describes employees' performance for each trait. The assigned values for the traits are then totaled and the average point becomes the performance appraisal result of the employees.

So this indicated that the Appraisal form and its content are to general and not specific work related.

Regarding the **Rater assurance or confidence** five questions were asked majority of the respondents agree.

No matter how accurate the performance appraisal instrument is there must be qualified raters with necessary knowledge, skill, ability, and experience to rate their subordinate it is one of major factors that can determine satisfaction towards the performance appraisal system and can affect the job satisfaction of employees. From the information given by human resources department the immediate supervisor is responsible to rate the performance of employees.

Regarding the **accuracy of the performance appraisal system** two questions were asked. In the first question participants were asked whether the performance rating is based on how well they do their job and the majority 52.8% were disagreed , 39.4% were agree,6.7 % were strongly agree and1.1% were strongly disagree.

In the second question they were asked if the rating reflects how much work they do the majority 54.4% of respondents were also disagreed, 33.9% were agreed and the rest 7.2% were in different,3.9% were strongly agree and 0.6% strongly disagree. So this indicated that the **accuracy of the rating** is not based on the work they do.

Regarding Feedback majority of the respondent were in agreement, **Feedback** is one of the major component of performance appraisal after rating the performance of employees it is necessary to let them know there progress in this regard.

Regarding **Explaining rating decision** employees were asked four questions majority of the respondent were disagree. So providing feedback alone cannot ensure employee satisfaction and positive attitude towards the performance appraisal system the rater shall explains the performance result in a way that will help the employees and employees need to know how their performance is being measured.

Concerning **procedure of Appeal** respondents were asked three questions. From table we can see most of the respondents were in agreement for two questions, respondents were asked if they can change unfair performance appraisal results in this regard 39.4% were in disagreement, 30% were in agreement, 6.1 % were strongly agreed, 1.1 % were strongly disagreed and the rest 23.3% were neutral. This result shows that even if employees know that they can appeal and challenge unfair performance appraisal rating they are not that much confident about the performance appraisal result change. So after rating and communicating the result employees might not be happy with the result they obtained when this kind of situations occurs they can appeal their reservations.

Regarding **job satisfaction questions** employees were asked seven questions majority of the respondent were disagree.

For the questions how much they are satisfied with their job the response were 46.7% were dissatisfied, 8.3 % strongly dissatisfied , 17.8% Neutral, 21.7% satisfied and the rest 5.6% were strongly satisfied.

To find out how much employees are satisfied with current performance appraisal system respondents were asked to state their level of satisfaction and the majority 60% were dissatisfied, 7.8 % strongly dissatisfied , 5% Neutral, 20.4% satisfied and the rest 6.1% were strongly satisfied.

To investigate what kind of performance appraisal system is considered important for the bank employees were asked open ended question to describe their opinion among the 180 respondents 80% of them say they prefer performance appraisal that is continuous rather than once a year this way it will be more effective for the bank and also for the employees continuous development the rest 11% said they want the current system to be sustained the rest 9% of the respondents didn't give any response.

Based on the employee administrative manual of the bank and the information from human resource department there is a formal appraisal system once a year for professional workers on June and twice for managers. This practice has its own negative effect on the performance appraisal system because to be more effective with performance appraisal it must be continuous rather than one a year.

4.4 Mean and Standard Deviation of performance appraisal and Job satisfaction

Table 4:3 Mean and Standard Deviation of performance appraisal and Job satisfaction

| Descriptive Statistics | | | |
|--------------------------------------|----------|-------------|-----------------------|
| | N | Mean | Std. Deviation |
| Standard setting | 180 | 3.8907 | .69923 |
| Appraisal form and content | 180 | 2.8000 | .97253 |
| Rater assurance or confidence | 180 | 3.5889 | .77148 |
| Accuracy of rating | 180 | 2.9194 | 1.05328 |
| Providing feedback | 180 | 3.6315 | .76346 |
| Explaining rating decision | 180 | 2.9236 | .96413 |
| Procedure of Appeal | 180 | 3.2870 | .96091 |
| Job satisfaction | 180 | 2.8325 | .98707 |
| Valid N (list wise) | 180 | | |

Source: own survey questionnaire 2017

The above descriptive statistics clearly indicates the corresponding arithmetic mean and standard deviation of every construct totals (total of every individual categorical construct). Thus, Standard setting categorical total has a mean of 3.8907 and a standard deviation of .69923, Appraisal form and content categorical total has a mean of 2.8000 and a standard deviation of .97253, Rater assurance or confidence categorical total has a mean of 3.5889 and a standard deviation of .77148, Accuracy of rating categorical total has a mean of 2.9194 and a standard deviation of 1.05328, providing feedback categorical total has a mean of 3.6315 and a standard

deviation of .76346, Explaining rating decision categorical total has a mean of 2.9236 and a standard deviation of .96413, and finally Procedure of Appeal categorical total has a mean of 3.2870 and a standard deviation of .96091 which shows that majority of the respondents have good perception on Standard setting of performance appraisal compare to other items.

This analysis of mean of categorical constructs showed that with the exception of Standard setting, Rater assurance or confidence, Providing feedback, Procedure of Appeal all other constructs such as, Appraisal form and content; Accuracy of rating, Explaining rating decision has a mean value less than the average standard. This implies that the Appraisal form and content; Accuracy of rating, Explaining rating decision is weak and employees are moderately satisfied with. While Employee Job satisfaction categorical total has a mean of 2.8325 and a standard deviation of .98707, this implies that the performance appraisal affected Employee Job satisfaction in the bank and it is revealed that the major performance appraisal components had a greater influence on employee job satisfaction.

4.5 Correlation Analysis

Correlation is a measure of association between two variables. According to Kothari (2004), positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the stated direction), whereas negative values of „ r “ indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of „ r “ indicates that there is no association between the two variables.

When $r = (+) 1$, it indicates perfect positive correlation and when it is $(-) 1$, it indicates perfect negative correlation. In the same way, Cohen (1998) cited by (Warokka et al. 2012), also interpreted the coefficient of correlation between 0 and 1 as in the following manner. The correlation coefficient (r) ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, r ranging from 0.30 to 0.49 may be considered as a moderate degree of correlation, and r ranging from 0.50 to 1.00 may be regarded as a high degree of correlation.

In this study determines the strengths of relationship between (Performance appraisal and job satisfaction).

Table 4.4. Correlation analysis

| | | Standard setting | Appraisal form and content | Rater assurance or confidence | Accuracy of rating | Providing feedback | Explaining rating decision | Procedure of Appeal | Job satisfaction |
|--------------------------------------|---------------------|------------------|----------------------------|-------------------------------|--------------------|--------------------|----------------------------|---------------------|------------------|
| Standard setting | Pearson Correlation | 1 | | | | | | | |
| | Sig. (2tailed) | | | | | | | | |
| | N | 180 | | | | | | | |
| Appraisal form and content | Pearson Correlation | .697** | 1 | | | | | | |
| | Sig. (2tailed) | .000 | | | | | | | |
| | N | 180 | 180 | | | | | | |
| Rater assurance or confidence | Pearson Correlation | .909** | .730** | 1 | | | | | |
| | Sig. (2tailed) | .000 | .000 | | | | | | |
| | N | 180 | 180 | 180 | | | | | |
| Accuracy of rating | Pearson Correlation | .690** | .969** | .758** | 1 | | | | |
| | Sig. (2tailed) | .000 | .000 | .000 | | | | | |
| | N | 180 | 180 | 180 | 180 | | | | |
| Providing feedback | Pearson Correlation | .881** | .822** | .967** | .839** | 1 | | | |
| | Sig. (2tailed) | .000 | .000 | .000 | .000 | | | | |
| | N | 180 | 180 | 180 | 180 | 180 | | | |
| Explaining rating decision | Pearson Correlation | .710** | .970** | .785** | .977** | .875** | 1 | | |
| | Sig. (2tailed) | .000 | .000 | .000 | .000 | .000 | | | |
| | N | 180 | 180 | 180 | 180 | 180 | 180 | | |
| Procedure of Appeal | Pearson Correlation | .887** | .875** | .947** | .884** | .968** | .909** | 1 | |
| | Sig. (2tailed) | .000 | .000 | .000 | .000 | .000 | .000 | | |
| | N | 180 | 180 | 180 | 180 | 180 | 180 | 180 | |
| Job satisfaction | Pearson Correlation | .790** | .951** | .792** | .947** | .876** | .958** | .912** | 1 |
| | Sig. (2tailed) | .000 | .000 | .000 | .000 | .000 | .000 | .000 | |
| | N | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |

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

Correlation results presented in Table 4.4 show that there is significant positive relation between Standard setting in performance appraisal and job satisfaction.(sig=.000, r= .790).

- ✚ There is significant positive relation between Appraisal form and content and job satisfaction (sig=.000, r=. 951).
- ✚ There is significant positive relation between Rater assurance or confidence job satisfaction (sig=.000, r= . 792).
- ✚ There is significant positive relation between Accuracy of rating and job satisfaction (sig=.000, r=. 947).
- ✚ There is significant positive relation between providing feedback and job satisfaction (sig=.000, r=. 876).
- ✚ There is significant positive relation between Explaining rating decision and job satisfaction (sig=.000, r= .958).
- ✚ There is significant positive relation between Procedure of Appeal and job satisfaction (sig=.000, r= .912).

From the analysis, it is noted that Performance appraisal is positively correlated with job satisfaction.

4.6 Regression analysis

Regression analysis helps in order to measure the relative strength of independent variable on dependent variable. Hence, the regression between the major components of performance appraisal and Job satisfaction is analyzed.

Table 4.5 Regression analyses of respondents

| Model Summary | | | | | | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .979 ^a | .958 | .957 | .20526 | .958 | 566.764 | 7 | 172 | .000 |

a. Predictors: (Constant), procedure of Appeal, Appraisal form and content, Standard setting, Providing feedback, Accuracy of rating, Rater assurance or confidence, Explaining rating decision

The above model summary shows the Adjusted R Square R which is the degree of association between major components of performance appraisal system and job satisfaction is 0.957. This implies 95.7%, of variation in job satisfaction is explained by major components of performance appraisal system where as 4.3% of variance is explained by other factors.

Table 4.6 ANOVA

| ANOVA ^a | | | | | | |
|---|------------|----------------|-----|-------------|---------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 167.154 | 7 | 23.879 | 566.764 | .000 ^b |
| | Residual | 7.247 | 172 | .042 | | |
| | Total | 174.401 | 179 | | | |
| a. Dependent Variable: Job satisfaction | | | | | | |
| b. Predictors: (Constant), procedure of Appeal, Appraisal form and content, Standard setting, Providing feedback, Accuracy of rating, Rater assurance or confidence, Explaining rating decision | | | | | | |

The below table shows the extent to which each independent variables influence the dependent variable. The relative importance of (independent variables) in contributing to the variance of the (dependent variable) is explained by the standardized beta coefficient.

Table 4.7 Coefficients**Coefficients^a**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .753 | .132 | | 5.723 | .000 |
| | Standard setting | .510 | .060 | .361 | 8.527 | .000 |
| | Appraisal form and content | .107 | .079 | .106 | 1.350 | .179 |
| | Rater assurance or confidence | .667 | .115 | .522 | 5.827 | .000 |
| | Accuracy of rating | .218 | .077 | .232 | 2.812 | .005 |
| | Providing feedback | .389 | .119 | .301 | 3.255 | .001 |
| | Explaining rating decision | .393 | .108 | .384 | 3.654 | .000 |
| | Procedure of Appeal | .152 | .098 | .148 | 1.556 | .121 |

a. Dependent Variable: Job satisfaction

The above table shows the extent to which each independent variables influence the dependent variable. The relative importance of (independent variables) in contributing to the variance of the (dependent variable) is explained by the standardized beta coefficient.

The beta value is positive that means a higher positive effect of performance appraisal associated with higher job satisfaction.

Among the independent variables, Explaining rating decision is more significant and statistically meaningful. This can be interpreted as a certain improvement on the Explaining rating decision will increase employee's job satisfaction 38%. Thus, Explaining rating decision has a greater rate of change than other variables.

CHAPTER FIVE: SUMMERY, CONCLUSION AND RECOMMENDATION

Based on finding of the research the following summary, conclusions, and recommendations are presented.

5.1 Summary of Major Findings

After gone through the analysis an interpretation obtained from the questionnaire the researcher come with the following summary:

- ✚ Based on the employee administrative manual of the bank and the information from human resource department there is a formal appraisal system once a year for professional workers on June and twice for managers.
- ✚ Majority of the employees accept The present of standard setting process, raters capability of rating, feedback system and procedure of appeal but still needs improvement
- ✚ Existence of inappropriate appraisal forms, lack of accuracy and reliability of rating, the appraisal discussion between the rater and rate is not free and transparent (explaining rating decision) .
- ✚ Majority of the employees were not satisfied towards the overall PAS and performance appraisal practice.
- ✚ From the correlation analysis, it is noted that Performance appraisal is positively correlated with job satisfaction.
- ✚ And also from the correlation analysis there is a significant positive relationship between the performance appraisal system and job satisfactions of employees ZB.
- ✚ From the Regression analysis, the degree of association between major components of performance appraisal system and job satisfaction is 0.957. This implies 95.7%, of variation in job satisfaction is explained by major components of performance appraisal system where as 4.3% of variance is explained by other factors.

5.2 CONCLUSION

The general objective of the study was to determine the effect of performance appraisal on employee job satisfaction using a survey questionnaire in Zemen Bank S.C. The study was guided by the following specific objectives: to assess the practice of performance appraisal of ZB to determine the relationship between performance appraisal and job satisfaction and to find out the effect of performance appraisal system on level of employee job satisfaction in Zemen bank S.C.

From the finding of the study there is a formal appraisal system once a year for professional workers on June and twice for managers. Performance setting at the beginning of the appraisal period, Majority of employees is Agree about their raters' capability of rating, about the feedback system and procedure of appeal.

On the contrary on the item about forms of appraisal, accuracy of rating, explaining rating decision most of the employees disagreed on this items.

And also Most of the employees are not satisfied with current appraisal system and they also want it change for the future.

The result of the correlation analysis shows that there is a positive and significant relationship between Performance appraisal and the Job satisfaction.

The result of the regression analysis shows that the variance on Job satisfaction is greatly (95.7%) explained by the Performance appraisal.

5.3 RECOMMENDATION

The researcher has recommended that, in order to increase satisfied employees, the bank has to improve the existing performance appraisal practices. Performance appraisal practices which need general improvement are discussed as follows;

- ❖ The Performance appraisal form that is being used by the bank requires major change concerning to the content it should be according to performance expectation measures and job what the employee perform since the scales in the form are, subjective and lack specific work relatedness. In addition the bank needs to adjust the appraisal forms and its content in such a way that reflects the work related behavior of employees.
- ❖ There is also a need to customize the rating formats by considering the difference among jobs in the bank. To ensure rating accuracy ZB need to rate the performance of its employee on regular basis at least twice a year. Regarding employee performance it's desirable to give the employee immediate feedback rather than waiting for annual review date.
- ❖ The performance appraisal discussion should be an interactive process, giving to employees the chance to participate, ask question, respond feedback and offer suggestions for further carrier development. And also ZB needs to train more raters in order to enhance their capability towards performance appraisal aspects particularly in appraisal discussion, communicating and forwarding constructive criticisms and performance appraisal rating result.
- ❖ . Even the most well designed PAS is useless unless the organization is committed to ensure that it's used properly and constantly implemented. ZB and specifically its human resource department must take an active role in the process encouraging managers to conduct timely and accurate appraisal, reviewing and individual performance evaluation in advance and working with managers to revise the performance appraisal as necessary.

- ❖ Procedure of appeal is one of the step of performance appraisal system hence even though procedure of appeal existed in the bank employee should have a confidence concerning to the performance result to change if they thing it is unfair . The bank needs to enhance the confidence level of their employee in the appeal process to make the system very successful.
- ❖ By implementing the above listed recommendation, the bank should focus on the selected major performance appraisal components to increase the level of employees' job satisfaction.
- ❖ Further research should be done to investigate how other factors other than performance appraisal impact on employee's job satisfaction level.

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ANNEXS



Questionnaire

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
Masters of Arts (MA) program in
Human Resource Management

Dear Respondent,

I am a post graduate student at Addis Ababa University School of Commerce. This questionnaire is prepared to collect data for my dissertation project on the topic of **“The effect of performance appraisal on employee’s job satisfaction: *The case study of Zemen bank S.c*”**. in partial fulfillment of the Degree of Master in human resource management .

Confidentiality: I want to assure you that, this research is only intended for academic purpose only authorized by AAU. Thus your ideas and comments are highly honored and kept confidential.

Therefore, I request your cooperation to properly complete all the items covered in the questionnaire since your genuine feedback is of utmost importance in determining the study’s outcome.

I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

Finally, you are kindly requested to return the questionnaire by answering every possible item at your earliest time.

General Instructions

- **To make the Satisfaction Survey objective and make your response confidential, There is no need of writing your name.**
- ✚ **Thank you, for your cooperation and timely response in advance.**

Shewit Tekeste

Student at the Addis Ababa University School of commerce

Cell Phone -0986263757

I. Demographic Information

(Please put (√) to indicate your answer)

1. Sex Male Female

2. Your age category below 25 25-35 36-45 Above 45

3. Years of service or work experience in the Zemenbank S.c

Less than 2 year 2-3 years 4-5 years 7 years

more than 7 years

4. Highest formal education attended

Diploma Bachelor's Degree MA PHD and above

5. Under which position are you working?

Division managers/Branch managers

Section Head

Senior Officers

Officers

Junior staffs/Tellers/Customer Service Representatives

II – Please indicate the level of your agreement with the statement below

(Please put (√) to indicate your answer)

Definition of some term

PA – Performance Appraisal.

PAP Performance Appraisal Process

PAS Performance Appraisal System

| S.N | Questions | Level of Agreement | | | | |
|-----|---|--------------------|----------|---------|-------|----------------|
| | | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| | Setting performance Expectations or standards | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 1 | The performance appraisal process requires that performance expectations set for me at the start of a rating period | 1 | 2 | 3 | 4 | 5 |
| 2 | My rater clearly and regularly explains to me what he or she expects from my performance | | | | | |
| 3 | The PAP allows me to help set the performance standards that my supervisor will use to rate my performance | | | | | |
| | Appraisal form and its content | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 4 | The PAS makes sure that my performance expectations measure what I really do for the bank | | | | | |
| 5 | The expectations set reflect the most important factors in my job Providing feedback | | | | | |
| | Rater assurance or confidence | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 6 | My bank makes sure that I am assigned to a rater who is qualified to evaluate my work | | | | | |
| 7 | My bank ensures that I am assigned a rater who knows what I am supposed to be doing | | | | | |
| 8 | My bank makes sure that my rater | | | | | |

| | | | | | | |
|----|--|-------------------|----------|---------|-------|----------------|
| | understands the requirements and difficulties of my work | | | | | |
| 9 | My bank makes sure that my rater understands the PAP rating procedures and rating format | | | | | |
| 10 | My bank makes sure that I am assigned a rater that knows how to evaluate my performance | | | | | |
| | Accuracy of rating | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 11 | My performance rating is based on how well I do my work | | | | | |
| 12 | My performance rating reflects how much work I do | | | | | |
| | Providing feedback | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 13 | My rater or bank lets me know how I am doing | | | | | |
| 14 | My rater regularly gives me feedback that is important to the things I do at work | | | | | |
| 15 | My rater reviews with me my progress towards my goals | | | | | |
| | Explaining rating decision | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 16 | My rater helps me to understand the process used to evaluate and rate my performance | | | | | |
| 17 | My rater takes the time to explain | | | | | |

| | | | | | | |
|----|---|-------------------|----------|---------|-------|----------------|
| | my rating result | | | | | |
| 18 | My rater lets me ask him or her questions about my performance rating | | | | | |
| 19 | My rater helps me understand what I need to do to improve my performance | | | | | |
| | Procedure of Appeal | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 20 | I have ways to appeal(request or ask) a performance rating that I think is biased or inaccurate | | | | | |
| 21 | I can challenge a performance rating if I think it is Unfair | | | | | |
| 22 | My performance rating can be changed if I can show that it is incorrect or unfair | | | | | |
| | Job satisfaction | Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| 23 | I am comfortable in communicating my feelings of disagreement about my rating to my supervisor | | | | | |
| 24 | I am satisfied with the appeal process of the performance appraisal system | | | | | |
| 25 | I am satisfied with the feedback aspect of performance appraisal system | | | | | |
| 26 | I am satisfied with the way the | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| | PAS is used to evaluate and rate my performance | | | | | |
| 27 | Does performance evaluation serves on the basis of job satisfaction | | | | | |
| 28 | How much are you satisfied with your job? | | | | | |
| 29 | How much are you satisfied with the current performance appraisal system of your bank? | | | | | |

Source: own survey questionnaire 2017

III Please describe the following questions

1. What kind of performance appraisal practice is considered by you is important for the Bank or In your opinion Performance evaluation should be conducted after how much time duration?

2. If you would like to add any comments about your answers or the PA system of the bank please write them below.

Thank You So Much for Your Cooperation