

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**EMPLOYEES' ATTITUDE TOWARDS PERFORMANCE
APPRIASAL SYSTEM AND ITS COMPONENTS IN BANK OF
ABYSSINYA**

By

Nigatu Teshome Asfaw

I.D.NO GSR/1401/98

Advisor Dr. Tilahun Teklu

*A Thesis Submitted to the School of Graduate Studies of Addis Ababa
University in Partial fulfillment of the requirements for the Degree of
Master of Art in Business Administration*

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Declaration

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

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List of Acronyms

HR- Human Resource

HRM- Human resource management

BOA- Bank of Abyssinia

GRS- Graphic Rating Scale

BARS- Behavioural Anchored Rating scales

BOS- Behavioral Observation Scales

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Abstract

Employee performance appraisal is one of the most commonly used management tools in organizations irrespective of their type, size and objective. Performance appraisal is one of the most widely researched areas in industrial/organizational psychology. However, the traditional research agenda has done little to improve the usefulness of performance appraisal as a managerial tool.

Recent research has moved away from studies of rater accuracy and rating instruments to themes of employee reactions towards performance appraisal as indicators of system satisfaction and efficiency. Employee attitude towards performance appraisal has been studied as a significant factor in employee acceptance and satisfaction of performance appraisal.

This study investigated the attitude and reactions of employees towards the overall performance appraisal system as well as its major component parts such as standard setting, appraisal instrument, feedback, and appeal procedure in Bank of Abyssinia.

Data were obtained via a questionnaire from 75 participants in the head office and four branches of the bank. An interview was also made with some 10 key personnel of the bank particularly with employees working in Administration and Human Resource department

The findings of the study indicated that respondents perceived the performance appraisal system as an unfair and a system which cannot accurately measure their job related performance. Respondents also indicated their dissatisfaction with standard setting, and performance rating instrument used by the organization,

The respondents indicated their relative satisfaction with feedback aspect of performance appraisal. Satisfaction was indicated with the appeal procedure of the performance appraisal of the organization.

CHAPTER ONE

PROJECT INTRODUCTION

1.1 Introduction

Performance appraisal is one of the most important requirements for successful business and human resource policy. The ability to conduct performance appraisal relies on the ability to assess an employee's performance in a fair and accurate manner. To do so, an organization must design a performance appraisal system that can accurately measure the performance of its employees. Performance appraisal system provides valuable performance information to a number of critical human resource activities, such as allocation of rewards, e.g., merit pay, promotion; feedback on development and assessment of training needs; and others (see <http://filebox.vt.edu/users/dgc2/>).

In general

- ❖ ideally PA allows management to specify what employee must do; combines feedback and goal setting
- ❖ everyone involved needs to recognize that performance appraisal involves human judgment and information processing; can never be totally objective or infallible
- ❖ system should aim to be easy to operate, easy to explain, easy to maintain, easy to administer
- ❖ system should be job related, relevant, sensitive, reliable, acceptable, practical, open, fair, useful
- ❖ ratee should participate in the development and
- ❖ need to take legal issues into account

1.2 Project Description

The major theme of the project is to look in to the performance appraisal practice of Bank of Abyssinia. The focus is to look in to the attitude and reaction of employees towards the performance appraisal system of the organization.

The major components of performance appraisal are also the other focus of the study. The attitude of employees towards performance standard setting is one of the major performance appraisal aspects which determine the satisfaction of employees. This study will try to look in to the attitude of employees in this respect. The validity of performance appraisal technique(s) used by the organization and its reliability will also be looked into.

The study will also try to uncover the attitude that employees of the organization have towards the feedback aspect of performance appraisal i.e. whether the result of the performance rating is communicated or not and if communicated the method adopted and its effectiveness will be assessed. Lastly the study will probe in to the attitude of employees towards performance appeal aspect of the performance appraisal process

The result of the study can be used as a reference material for students in AAU and by the BOA as an input to improve its existing performance appraisal system.

1.3. Background of the Study

There is little doubt about the need for accurate measurement of employee performance in most, if not all, organizational settings. Performance evaluation serves many varied and important functions. These include assessing criteria for selection procedures and other

Personnel decisions; identifying strengths and weaknesses in job incumbents; specifying the requisite components for training programs; and providing the necessary information for feedback (Frank, James and Rick, 1982).

A key component of the performance appraisal process is the creation of specific performance criteria or competencies. These performance standards must be developed, defined and communicated to the incumbent with performance monitored against those standards throughout the year. Without equitable and objective standards, questions will continue to arise about how performance is measured and how compensation decisions are made.

The standards should be:

- ❖ included in the job description
- ❖ based on the position, not the present or former incumbent
- ❖ reasonable, measurable and specific
- ❖ subject to change as the position evolves

Once developed and communicated, the standards may need to be modified. In some cases, they are revised as a result of feedback from the incumbent. This is especially true in the case of a newly created position. In other instances, performance standards may need to be revised for particular business units or departments as the focus of the organization changes. In all instances, the performance standards should accurately reflect the skills, behaviors and goals that the organization values.

For performance appraisal to meet its desired objective appropriate techniques must be in place. Hence, there is a need to match appraisal techniques to different performance appraisal situations in the organization.

One way or another any organization comes up with the rating of its employees. The result of performance rating is important to the organization and it is also vital for employees and these calls for the need for feedback. Feedback is any information received by an individual that indicates the correctness, accuracy, or adequacy of past behaviors. When the feedback indicates certain deficiencies in what is being done, the message transmitted to the employee indicates that subsequent behavior should change in a direction designed to reduce the noted inadequacies. On the other hand, feedback can also serve a motivational function. When information about previous performance is used to focus an employee's attention on achieved levels of performance or how much is being done, the message to the employee is that it instructs him or her to orient future efforts toward increasing subsequent performance (Frank, James and Rick, 1982).

In providing feedback, the employees may not accept the result of their appraisal. When such a scenario prevails an appeal procedure must be designed so that employees can vent out their discontent about their result. In line with this employees attitude towards the overall performance appraisal system should be assessed because one of the factors that affect employees' job satisfaction and organizational commitment is their perception of the system.

It has also been suggested that employees' attitudes about and reactions toward the performance appraisal process are among the most important criteria to consider when evaluating the usefulness of performance appraisal systems (Levy and Williams, 1998). Therefore in evaluating and improving the existing system, the perception of employees towards the system is worth to consider.

1.4. Statement of the Problem

Performance evaluation is the activity used to determine the extent to which an employee performs work effectively. To make sure that, a system that measures the performance of the employees accurately must be in place. The techniques applied in the system should be valid and reliable for any human resource decision to depend on the result of performance appraisal. Failure to design and implement appropriate appraisal system will have a host of unfavorable consequences on the productivity and job satisfaction of employees as well as on the overall effectiveness of the organization and it is not practically possible to use the result of the performance rating of employees in major decision areas like promotion-demotion, pay raise/pay cut and the like. According to one of the human resource department personnel of BOA, performance evaluation in the organization is conducted once a year and there are three types of standardized forms i.e. for supervisory level employees, clerical employees and non clerical employees. Most of the questions in the forms are more of subjective. This makes it difficult for raters to accurately rate the performance of their subordinates.

According to the person, the organization is not that much serious about the performance appraisal and when supervisors are required to rate their subordinates; they do it carelessly because they are ignorant about its implication and they also assume that the organization will not base any of its HR decisions based on their rating.

He further noted that on a couple of occasions they tried to base some HR decisions like pay raise and bonus on the result of performance appraisal but failed because almost all

employees rating were more than 80% and it was not possible to differentiate the good performers from that of bad ones.

If the result of employees communicated timely by using appropriate methodology, it can be a motivating factor for employees to improve their past performance and increase commitment. To ensure the fairness of performance appraisal result there must be a procedure through which employees can appeal whenever they are dissatisfied by their performance appraisal result.

1.5. Objective of the Study

The main objective of this study is to evaluate the attitude of employees towards performance appraisal practice of the organization in general and some of the major components of the performance appraisal system such as standard setting, performance rating process, feedback and appeal process in particular.

Depending on the assessment result the study is also aimed at answering the following questions as a recommendation.

- ❖ How to conduct the standard setting process
- ❖ What to assess, which employee behavior or job outcome to observe and measure
- ❖ Who should make the assessment, which of the various people with an opportunity to observe the behaviors or results should provide the assessment?
- ❖ Which assessment procedure to use, the specific techniques need to be adopted by the organization and

- ❖ How to communicate assessment results, which communication system best serve the employee being assessed and the assessor and accomplish organizational objectives as well.

1.6. Significance of the Study

The primary beneficiary of this study will be Addis Ababa University. Since the sponsor is the university, the prime significance of this report is that it provides fresh reference on the subject that others may use it in their research.

Bank of Abyssinia is the other party that is going to benefit from the study. BOA may use it to consider some of the views implied in the study to carve the problems existed in the performance appraisal system.

1.7. Scope and limitation of the study

The study was conducted in the head office and three branches of Bank of Abyssinia. About 75 questionnaires were distributed among employees of the Bank. An interview was conducted with 5 managers who are responsible for rating the performance of their subordinates and with 5 employees.

The major limitation of the study is the failure to incorporate the Non-Clerical employees, that is only managerial and clerical employees are included in the sample.

1.8. Organization of the Paper

The rest of the paper is organized as follows: Chapter two reviews the theoretical and empirical literatures on performance appraisal. Chapter three explains the organization's background and methodology of the study. Chapter four presents the secondary and primary data analysis. Finally, conclusions and recommendations of the study will be presented in the fifth Chapter. A "Bibliography" of related literature referred to while writing the paper will be included after chapter five.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2.1. Introduction

Employee evaluation, also known as performance appraisal, is critical to the functioning of an organization as well as to the advancement of employees. The organization needs to rate its employees. Employees need to have their work reviewed so that they may be acknowledged and rewarded when appropriate. The implementation of an effective performance appraisal programme, however, is complicated by the difficult task of obtaining a truly fair and accurate appraisal of an employee's performance.

This chapter will serve as the foundation for the development of this study. An overview of the extensive historical research related to performance appraisal will be presented. Application of the concepts and models as a way to understand the dynamics of performance appraisal particularly related with employees attitude and reaction towards performance appraisal system in general and some aspects of performance appraisal system in particular will be addressed.

2.2. Definition and Description of Performance Appraisal

Employee's performance is a critical issue in the strategy that most organizations must follow to achieve their goals. Therefore it is crucial to know the meaning of performance at first. According to Harrison (1997), as cited in <http://gmr.mapn.ro>, performance is: "The outcome of the interaction between an individual's needs, perception of the result required and the amount of effort, energy and expertise that individuals have or wish to apply to the task in hand".

From the above definition of performance we can understand that performance is determined by both internal factors like individual needs and capacities and external factors quality and quantity of work. The other thing that we infer from the definition is that employees' performance highly relies on their perception of the outcome of their performance.

The big question for organizations is what to do to aid the interaction between people and their work? It is believed that staff appraisal is one of the most effective tools that organizations can use to manage this interaction in an attempt to improve the performance of the individuals and the organization.

Since performance of employees is a very critical issue in the organization its appraisal is also so critical. There are a lot of definitions concerning performance appraisal. Some of them are presented below. Aswathappa (2002), defined performance appraisal as a formal, structured system of measuring and evaluating an employee's job related behaviors and

outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. Ivancevich (2004) defined performance appraisal as an activity used to determine the extent to which an employee performs work effectively.

According to the first definition we can infer the following. Firstly, performance appraisal does not take place in an ad hoc manner; it is a structured approach. Secondly, it demonstrates that effective measurements measure issues related to the job rather than personal traits. Thirdly, the scope of performance appraisal should exceed the measurement of current performance to judge the potentiality of the employee to perform in the future and occupy advanced post within the organization. This indicates that performance appraisal should be linked with other HRM activities, for instance, carrier planning, manpower planning and training and development.

Finally, the benefit of performance appraisal is not restricted to the organization and its employees, but it also spreads to society as well. The second definition takes performance appraisal as an activity through which an organization ensures that its employees are performing the assigned tasks in a manner which can enhance organizational effectiveness, which is also the central theme of the second definition forwarded by Ivancevic. According to Milkocich and Boudreau (2006), performance appraisal is the process that measures employee performance and it involves deciding (1)

What to assess, (2) who should make the assessment (3) which assessment procedure to use, and (4) how to communicate assessment result. This definition concentrates rather on the dimensions of performance appraisal process i.e. the major issues that organizations have to look in to for the successful carrying out of the formal performance appraisal process if there is one. In this study an emphasis will be given to the fourth dimension: the feed back aspect of performance appraisal.

Wexley and Klomovski (1990), as cited in <http://grm.mapn.ro>, defined performance Appraisal as: “The process by which employees are assessed for purposes of enhancing their development or formulating an administrative decision”. The significant point in this definition is that performance Appraisal is considered as a managerial tool for facilitating administrative decision related to human resource. In other words, the outcomes of performance Appraisal should be directed to wards the benefit of the organization and the individual employee.

2.3. Purpose of Performance Appraisal

Walsh and Fisher (2005) identified four purposes of performance appraisal and according to them the performance appraisal:

- (1) Provide feedback about strengths and weaknesses;
- (2) Distinguish between individuals to allocate rewards;
- (3) Evaluate and maintain the human resource systems of the organization; and
- (4) Create a paper trail of documentation.

Even if Walsh and Fisher identified some of the major performance appraisal purposes, their finding is not the full list and it also lacks elaboration. Performance appraisal can serve the following major purposes.

- Appraisal can be used to improve current as well as future performance of employees, provide timely feedback, increase motivation, identify training needs, identify potential of employees, let individuals know what is expected from them, focus on career development, award salary increases and solve job problems.
- It can be used to set out job objectives, provide information for human resource planning and career success, assess the effectiveness of the selection process and as a reward or punishment”.

We can also see the purpose of performance appraisal from two perspectives:

1. From an administrative perspective, appraisal can serve as a provider with the necessary information for facilitating managerial decisions related to personnel functions.
2. From a developmental perspective, appraisal has to do with ways that enhance employee ability and motivation.

In the first perspective, the result of performance appraisal of employees can help the organization to decide well informed decisions in the other areas of Human resource like

human resource planning, recruitment and selection, training and development and compensation. The result obtained from a formal performance appraisal in any organizational setting can be a base to evaluate and improve the effectiveness of the various human resource practices in the organization.

More specifically performance appraisal can serve the general purpose of improving the current as well as the future performance of employees through a systematic rating of their performance on the job as well as enhancing their job satisfaction and organizational commitment according to the second perspective.

These various benefits of performance appraisal justify the attention that must be given to the proper planning and implementation of workable performance appraisal system in all organization settings. It is quite clear that those organizations with proper performance appraisal system have a superior competitive advantage than those with out it.

Table 2.1 Summary of Past research works on performance appraisal

Research Title and Author(s)	Research Objective	Method	Result
<p>A Fairer Examination of Rating Scales When Used for Performance Appraisal in a Real Organizational Setting, Aharon Tziner (1984)</p>	<p>To compare BARS with the traditional rating scales</p>	<p>Fifty-seven executive managers, heads of units, randomly selected from an industrial organization which deals with the development of aircraft products, participated in the present research. They appraised the work performance of all their subordinates by using both the BARS and graphic rating scale. The sample consisted of 376 employees</p>	<p>the ratings on two of the five dimensions, i.e. quality of work performance and organizational commitment, were significantly less contaminated by leniency effect in the BARS than in the graphic rating scale format. On another dimension, i.e. professional knowledge, the difference between formats was marginally significant. Last, on the other two dimensions (i.e. quantity of work performance and initiative) non-significant differences were reached when comparing the two types of formats in regard to leniency effect</p>
<p>The Effects of Appraisal Instrument, Feedback and Goal-Setting on Worker Satisfaction and Commitment, Aharon Tziner; Gary P. Latham (1989)</p>	<p>To test the following two hypothesis 1. The improvement in both work satisfaction and organizational commitment (both restricted to aspects dealing with superior-subordinate relationships) subsequent to the use of a BOS-based appraisal is significantly higher than the GRS-based performance appraisal 2. Performance feedback followed by goal-setting results in a larger improvement in work satisfaction and organizational commitment (both restricted to aspects dealing with superior-subordinate relationships) than is the case with employees whose performance review consists of performance feedback alone.</p>	<p>Twenty managers and 125 subordinates participated in the experiment. All these people were employed by the Israel Airports Authority (IAA). The managers were assigned randomly to one of four groups, namely BOS with feedback and goal-setting, BOS with feedback only, GRS with feedback and goal-setting, and GRS with feedback only. Each group had 30 to 33 employees, and each of the 20 managers conducted the appraisal on 6 or 7 employees</p>	<p>-Feedback combined with goal-setting conditions resulted in significantly higher work satisfaction improvement than was the case in the feedback-alone conditions -The BOS-based appraisal resulted in greater work satisfaction improvement than was the case in the GRS-based appraisal conditions. -The magnitude of improvement in work satisfaction from the combination of feedback and goal-setting using BOS was nearly twice as much as that found in the other three experimental conditions. -With respect to organizational commitment, improvement feedback followed by goal-setting generated a significantly higher magnitude of improvement than feedback alone</p>

<p>The Role of Perceived System Knowledge(PSK) in Predicting Appraisal Reactions, Job Satisfaction, and Organizational Commitment, Paul E. Levy; Jane R. Williams (1998)</p>	<p>The research is aimed at testing the following four hypothesis's.</p> <ul style="list-style-type: none"> -When controlling for performance rating, PSK will make a significant contribution to the prediction of appraisal feedback reactions. In particular, employees high on PSK will exhibit more positive reactions than will those who are low on PSK. -When controlling for performance rating, PSK will make a significant contribution to the prediction of job satisfaction. In particular, employees high on PSK will display higher job satisfaction than will those who are low on PSK. -When controlling for performance rating, PSK will make a significant contribution to the prediction of organizational commitment. In particular, employees high on PSK will exhibit higher levels of organizational commitment than will those who are low on PSK. -When controlling for performance rating, PSK will make a significant contribution to the prediction of procedural fairness. In particular, employees high on PSK will report higher levels of fairness than will those who are low on PSK. 	<p>Subjects' were 62 employees from two Midwestern banking institutions. Participation was voluntary and confidentiality was provided for all subjects. Both institutions were part of a larger banking group. Of those employees who filled out the demographic questionnaire, 71 per cent were female and 29 per cent were male.</p>	<ul style="list-style-type: none"> -when controlling for performance rating, PSK incremented the percentage of variance accounted for in predicting appraisal reactions and individuals who reported having greater knowledge of the performance appraisal system were also more receptive to the feedback than were those who reported having lower levels of knowledge. -Individuals high on PSK tended to be more satisfied with their job than were their low PSK counterparts. -High PSK individuals were more committed to their organization than were their low PSK peers -Individuals' beliefs regarding how well they understand the system are important determinants of how just they perceive the appraisal process
<p>Satisfaction with a Performance Appraisal System and Appraisal Discussion, Michael K. Mount (1984)</p>	<p>There are two purposes of this research: (1) to compare aspects of the appraisal system which are most highly related to satisfaction with the performance appraisal discussion and also to the performance appraisal system, overall; and, (2) to compare managers' and employees' reactions to the appraisal discussion and to the appraisal system, overall.</p>	<p>Subjects were 612 managers and 1550 employees located in the corporate headquarters. They were sent a questionnaire through company mail. The directions indicated that the questionnaire was designed to assess managers' and subordinates reactions to different aspects of the performance appraisal programme, and that the information would be used to evaluate the effectiveness of the revised programme</p>	<p>There are two main findings which are especially noteworthy. First, the results indicate that the aspects of the appraisal system which are related to satisfaction with a critical event in the appraisal process, the appraisal discussion, are different from those related to satisfaction with the appraisal system, overall. Second, there are differences between managers' and employees' opinions regarding the appraisal system. Managers are more satisfied than employees with most aspects of the appraisal</p>

			system. Also, aspects of the appraisal system which are related to managers' and employees' satisfaction with the appraisal discussion are significantly different.
Satisfaction with performance appraisal systems (PSA), Jill Cook and Alf Crossman (2004)	To investigate if differences in satisfaction could be linked to the role played in the PAS	The data were collected by questionnaire distributed to all staff through the Dstl internal post system. A total of 382 usable questionnaires were returned. The questionnaire comprised a series of statements followed by five-point rating scales with strongly agree (5) to strongly disagree (1) anchors.	No intrinsic difference in satisfaction level linked to role in administering a PSA and that the source of satisfaction and/or dissatisfaction with the PAS was not equally attributable to all aspects of organisational justice.

Table 2.2 Definition of Important Terms

Term	Definition
Graphic Rating Scale	The method which lists a set of performance factors such as job knowledge, work quality, cooperation that the supervisor uses to rate employee performance using an incremental scale
Behaviorally Anchored Rating Scales (BARS)	BARS combine elements from critical incident and graphic rating scale approaches. The supervisor rates employees according to items on a numerical scale
Leniency/Severity	either extremely harsh or extremely lenient in your assessment of employees and rating accordingly; this can occur due to “black and white only thinking” and/or because you lower your standards to either give the employee the benefit of the doubt or to avoid confrontation
Halo Effect	form first impression (either favorable or unfavorable) and then all future assessments of employee (positive or negative), regardless of the criteria or performance dimension being rated, hinge on that impression and become a sort of self-fulfilling prophesy

2.4. Employees’ Attitude and Reaction toward the Components of Performance Appraisal

In this section we will be exploring the employee aspect of performance appraisal. The attitude and the subsequent reaction of employees to the aspects of performance appraisal system like feedback and to the performance appraisal system in general can be the same or different. Employees can have a positive attitude to some aspects of the system but may not have the same attitude to the system as a whole.

Hence, it is worthy to look in to those factors that affect the attitude of employees towards the performance appraisal system in general and its aspects in particular. One of the major components of performance appraisal is the performance appraisal instruments (rating scales). Among the major factors affecting the employee's attitude is the rating scale used by the organization. According to Tziner (1984), the BARS method appears to be less susceptible than a graphic rating scale to both halo and leniency effect. His conclusion is reliable because of the absence of methodological flaws (equal number of scale points was ensured for both scales). However, in his study there are certain dimensions in which the result among the two rating scales showed insignificant difference or no difference at all (e.g. initiative). Such a result may be attributed to the lack of raters training. A particularly significant finding emerged from Tziner's study is that the overall performance evaluation, made after the ratings on performance dimensions were completed, manifested an undeniable psychometric superiority.

It was less contaminated by leniency effect in the BARS than in the graphic rating scale format form. The most prominent merit of BARS is that they provide a standardized frame of reference in observing, recording and interpreting behavioural incidents. Therefore, the ratings on performance dimensions, subsequently based on these incidents, reflect to a larger

extent objective reality (i.e actual performance and behaviour. Consequently, they are presumably also less contaminated by prevalent rating errors.

Tziner and Latham (1989), also backed the conclusion of the Tziner study by recommending the superiority of BOS rating scale. Particularly when it is used in conjunction with feedback followed by goal setting, BOS will result in worker satisfaction and organizational commitment. The other major contribution of this study lays in that it extended the research of Behavioral Observation Scales to the Israeli organizational setting which differs largely from North American counterpart. Hobson and Gibson (1983), also suggested the use of supervisor's rating in conjunction with the behaviorally based scales.

In conclusion, the performance evaluation instrument in use and its proper application has a major impact on the attitude and reaction of employees. Therefore, organizations must carefully plan and implement a technique which can accurately measure a work related behaviour and performance of employees and also are required to train the appraiser in how to make the best use of the instrument in use. The reason is that utilizing performance appraisal instruments and designing training programs without considering the nature of the task may explain unsuccessful attempts in devising more accurate and efficient performance

appraisal systems. Appraising performance according to the nature of the task, matching task nature with performance appraisal instrument, and designing training programs to increase observational accuracy may improve performance appraisal systems as well as enhance the attitude of employees.

The other major aspect of performance appraisal is feedback. One way or other organizations come up with the rating of their employees. The result of performance rating is important to

the organization and it is also vital for employees and this calls for the need for feedback. Feedback is any information received by an individual that indicates the correctness, accuracy, or adequacy of past behaviors. When the feedback indicates certain deficiencies in what is being done, the message transmitted to the employee indicates that subsequent behavior should change in a direction designed to reduce the noted inadequacies. On the other hand, feedback can also serve a motivational function. When information about previous performance is used to focus an employee's attention on achieved levels of performance or how much is being done, the message to the employee instructs him or her to orient future efforts toward increasing subsequent performance (Landy, Farr, and Jacobs, 1982).

Performance feedback followed by goal-setting caused nonetheless a considerable magnitude of improvement. Perhaps through the process of goal-setting the appraisee receives a broader picture of his work unit and the organization's objectives, and how goals set for him relate to and contribute to his work unit and his organization accomplishments.

Consequently, the emergence of feelings as those tapped by current organization commitment measures, like 'I am proud to tell others that I am part of this work unit' or 'I would accept almost any job in order to stay with this work unit' may be readily reasoned.

With regard to organizational commitment, performance feedback combined with goal setting effect was upheld, no wonder that it worked for work satisfaction, too. Goal-setting may foster feelings of perceived participation in work-related issues, and may enhance feelings of meaningfulness at work, both of which were components of the present work satisfaction measure (Tziner and Latham, 1989).

Concerning whether to provide a feedback to employees all the time or not, Ivancevich and Gluck (1989), suggested that communicating feedback shall be optional. According to the authors in evaluation for development purpose, the ratings should be communicated whereas in evaluation to determine pay, promotion, and other rewards, the ratings are not sometimes communicated. Waldersee and Luthans (1994), also said that providing feedback all the time might not result in positive outcome. They further argued that for those employees that are performing routine and highly standardized jobs, providing feedback particularly positive feedback result in reduction in employees performance. However, Waldersee and Luthans supported the four theoretical mechanisms through which feedback affects employees' performance and they summarized the mechanisms as follows:

The first theoretical mechanism which feedback may impact performance is through reduction of uncertainty or ambiguity about a person's environment and behaviors by the information contained in the feedback.

A second way that feedback may affect performance is through self efficacy enhancement. Knowledge of achievement brought on by positive feedback may raise a person's self efficacy, their self set performance goals, and ultimately their performance.

A third way feedback may impact performance is through the behavioral reward properties inherent in positive feedback. In the behavioral paradigm, receiving positive feedback is considered to be desirable and therefore is considered to be a positive reinforcer.

A fourth way that feedback may affect performance is through influence on the employee's self regulatory system. Individuals have performance standards or goals against which they judge the adequacy of their current performance. If the feedback information received indicates a negative deviation from this performance standard (corrective feedback), then the

individual is motivated to try harder and thus performance improves. That is, corrective feedback is feedback which indicates that the individual's performance is below the standard.

In conclusion, no one can discredit the role that feedback play in the successful carrying out performance appraisal. From the benefits mentioned above organizations need to give a due attention for feedback aspect of performance appraisal. Some of the things that organizations ensure in this respect are:

- The objective of feedback shall be constructive rather than destructive i.e. it must concentrate on how to improve the future performance
- The rater and the feedback provider for the same individual shall not be the same

- There shall be feedback discussion and there must be a mechanism through which employees can appeal about their reservation and dissatisfaction to concerned party in the organization.

If a well designed feedback providing mechanism as well as an appeal process is there in the organization, employees' attitude towards the feedback will be fostered.

2.5. Employees' Attitude and Satisfaction of Performance Appraisal System

A significant direction of research regarding performance appraisal efficacy and approaches for evaluation has concentrated on employee satisfaction and perceptions of the process. This direction has lead researchers and practitioners to take a more comprehensive view of performance appraisal system efficacy and evaluation of systems which include these factors.

One common theme of recent research is that attitudes of the system's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal system (Mount, 1984).

Employee perceptions of fairness of performance appraisal have been shown to be linked to satisfaction with the system. Fairness of performance appraisal has been studied by a number of researchers over time. In their review of performance appraisal research Levy and Williams (1998), indicated that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system.

Their findings suggested that most employees perceive their performance appraisal system as neither accurate nor fair. Therefore, appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased and irrelevant. A major problem of organizations is that the performance appraisal process and the performance evaluation system are often perceived as both inaccurate and unfair.

Perception and satisfaction has got a positive relationship as far as performance appraisal is concerned. Two studies that deal with the satisfaction with performance appraisal system are the study of Mount (1984), and that of Cook and Crossman (2004). Concerning the aspects that determine the satisfaction of appraisal discussion and the aspects of over all performance appraisal system satisfaction, the results of Mount showed significant differences. With this respect, only one aspect of the appraisal system (satisfaction with the way the appraisal forms helped discuss performance) was significantly related to both dependent variables for both managers and employees. This indicates that the appraisal form is an important aspect of managers' and employees' satisfaction with the appraisal system and the appraisal discussion. In general, however, the results indicate that aspects of the appraisal system which relate to

individual's satisfaction with the system, overall, are quite different from those which relate to satisfaction with a critical event in the appraisal process, the appraisal discussion.

Concerning the overall satisfaction of employees and managers with the performance appraisal system, the two studies reached at conflicting results. According to Mount (1984), managers are more satisfied with performance appraisal system than employees.

However, the research result of Cook and Crossman (2004), showed otherwise. Mount justified his finding by raising two points i.e. managers are given training about performance appraisal whereas employees are not, and managers are givers of information about performance appraisal results whereas employees are on the receiving end. Mount considered the role that these two parties (the managers and employees) play in the performance appraisal system as an independent variable and satisfaction as a dependent variable and argued that managers are more satisfied than employees because they do have greater system knowledge and play a vital role in the system than employees. The finding of Cook and Crossman contradict the findings of Mount.

They are arguing that being a rater or ratee dose not make a difference as far as satisfaction with the appraisal system is concerned. They further argued 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 problems, the knowledge of those problems dissatisfies managers.

Cook and Crossman (2004) reported that leadership credibility of immediate supervisors is significantly associated with whether employees perceive performance appraisal systems as

procedurally fair and instrumentally just and appropriate. Their study explored this issue as well as related issues of job burnout, job satisfaction, manager innovation and cooperation between organizational units. Mount, (1984) found a significant positive relation between employee attitudes and procedurally just performance appraisals and underscored the importance employees place on fairness.

In two successive studies of the role of perceived system knowledge in predicting appraisal reactions, job satisfaction, and organizational commitment Levy and Williams (1992, 98), concluded individuals who believe that they understand the performance appraisal system used in their organization are: (1) more accepting of and more favorably disposed to the appraisal feedback and system, (2) more satisfied with their jobs, (3) more committed to their organization, and (4) more likely to evaluate the appraisal process as fair. Further they also concluded that individuals who think that they understand the appraisal process are more apt to respond favorably to a host of important organizational variables at a later time.

The work of (Miller and Monge's 1986, Schneider's 1981), as cited in Tziner and Latham (1989), emphasized on the impact of role setting of supervisors and employees together as a determinant factor for employees commitment to their organization. Goal-setting foster feelings of perceived participation in work-related issues, and may enhance feelings of meaningfulness at work, both of which were components of the present work satisfaction measure.

According to Mount (1984), efforts to enhance satisfaction with the appraisal system should take into consideration the unique perspective of managers and employees in the appraisal process. For example, in the present study managerial satisfaction could be enhanced by an

appraisal system which enables the work planning (goal setting) enhanced process to be discussed easily during the appraisal.

On the other hand employees' satisfaction could be enhanced by discussing their career plans during the appraisal. And, it appears that both managerial and employee satisfaction could be enhanced by designing appraisal forms which aid the appraisal discussion. Further, the results suggest that both managers and employees should receive orientation and training in how to use the appraisal system.

For a performance appraisal system to be perceived by employees as fair and sound the following activities must be ensure frequency of evaluation, identification of goals to eliminate weaknesses, and supervisory knowledge of a subordinate's level of performance and job duties. These factors are significantly related to perceptions of fairness and accuracy of performance appraisal. Hence, performance appraisal should be done as frequently as possible, the supervisor should work with the subordinate to agree on responsibilities; and, that the supervisor should devote sufficient time to observe and evaluate employee's performance.

To sum up, for employees to have a positive perception and to be satisfied by the appraisal system, the organization need to ensure that

- ❖ Appraisals are conducted frequently;
- ❖ There is a formal system of appraisal;
- ❖ Supervisors have a high degree of job knowledge;
- ❖ Ratees have an opportunity to appeal ratings;
- ❖ Performance dimensions are seen to be highly relevant;

- ❖ Action plans are formed for dealing with present weaknesses; and
- ❖ The organizational climate is cooperative rather than competitive.

2.6. Legal Considerations in Performance Appraisal

To provide information that can serve the organization's goals and that complies with the law, a performance evaluation system must provide accurate and reliable data. The ability to generate accurate and reliable data is enhanced if a systematic process is followed. According to Ivancecich (2004), the following six steps can provide the basis for such a systematic process:

- Establish performance standard for each position and the criteria for evaluation.
- Establish performance evaluation policies on when to rate, how often to rate, and who should rate.
- Have raters gather data on employees' performance.
- Have raters (and employees in some systems) evaluate employees' performance
- Discuss the evaluation with the employee.
- Make decisions and file the evaluation.

Performance appraisal data as stated earlier are used to make many important human resource decisions (e.g. pay, promotion, training, transfer and termination). The appraisal system is a common target of legal disputes by employees involving charges of unfairness and bias. An employee may seek the legal recourse to obtain relief from a discriminatory performance appraisal.

Every organization is guided by the rules and regulations of the federal and/or state agencies of its respective country. In this respect, the Federal civil service commission is the agency in charge in Ethiopian context.

According to Article 31 of the Federal Civil Servants proclamation:

A. The purpose of performance appraisal shall be:

- ❖ to enable civil servants to effectively discharge their duties in accordance with the expected level, quality standards and time and expense;
- ❖ to evaluate civil servants on continuous basis and identify their strengths and weaknesses with a view to improve their future performance;
- ❖ to identify training needs of employees;
- ❖ to give reward based on results;
- ❖ to enable management to make its administrative decisions based on concrete evidence.

B. Performance evaluation shall be carried out in a transparent manner.

C. The agency shall issue directives on performance evaluation.

The legal aspect of performance appraisal shall be given due attention because failure to comply with polices and regulations results in penalties that can be easily avoided by performing performance appraisal activities by taking in to consideration the legal issues.

CHAPTER THREE

ORGANIZATION BACKGROUND AND METHODOLOGY OF THE STUDY

3.1. ORGANIZATION BACKGROUND

3.1.1. Establishment of Bank of Abyssinia

Bank of Abyssinia was established on February 1996. BOA is one of the major private banks in Ethiopia operating in more than 25 branches all over the country. Currently the Bank has about 1023 employees.

3.1.2. Organization of Bank of Abyssinia

The general assembly (share holders) appoints Board of Directors. The Board elects president. The Bank is administered by the president and two vice presidents, i.e. Vice President Operations & Strategic Planning and Vice President, Finance & Administration.

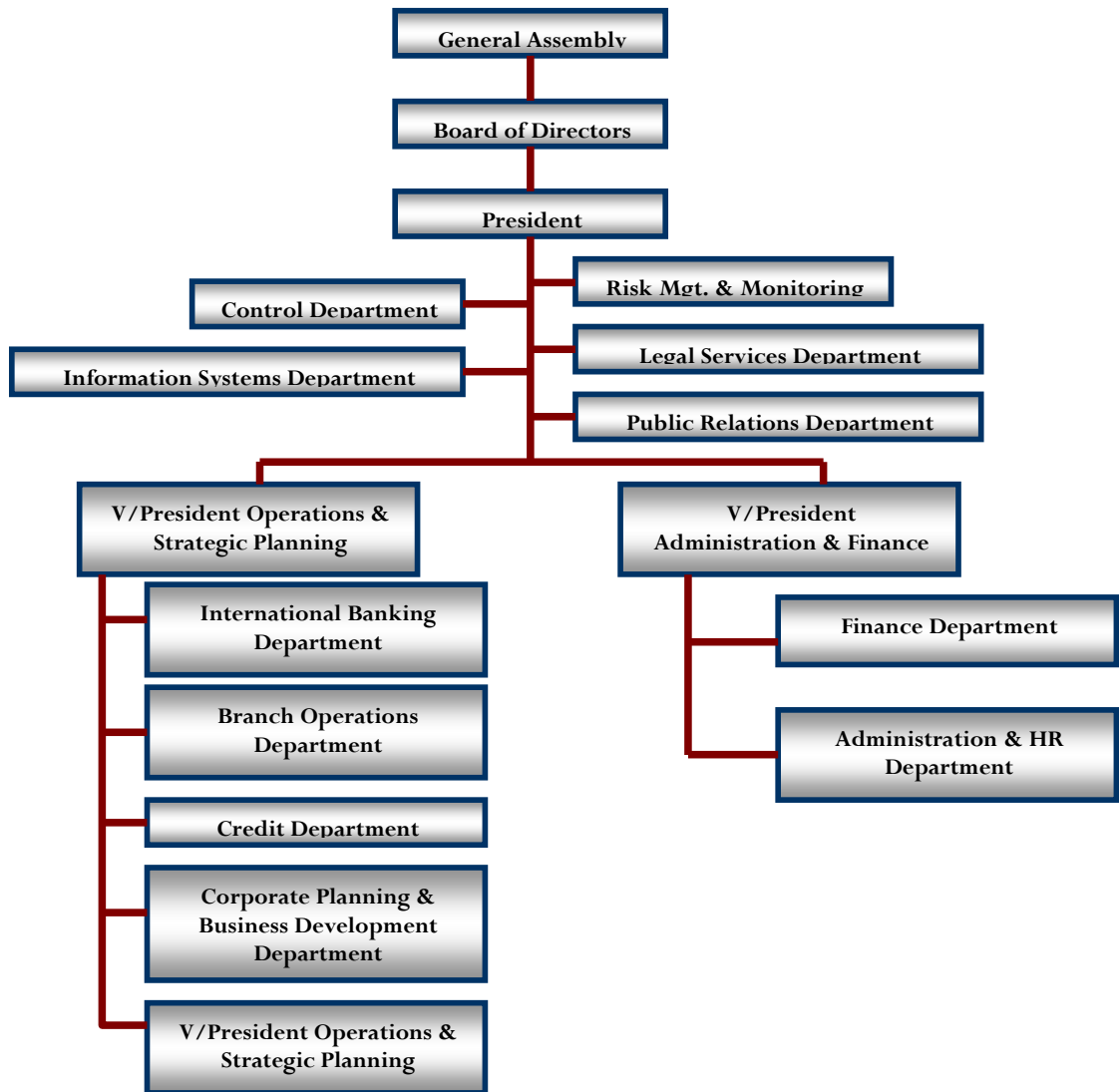


FIGURE 2.1. Organizational Structure of Bank of Abyssinia

3.2. METHODOLOGY OF THE STUDY

3.2.1. Introduction

This study is designed to investigate perceptions of fairness of performance appraisal and satisfaction with a performance appraisal system. The study was conducted in the bank of Abyssinia. The data were obtained using a three-part questionnaire. Participants were asked to respond in their role as a rate and rater in the performance appraisal system.

Section I of the questionnaire contained demographic questions. Section two contained 31 items allocated to five scales representing attitude of employees towards performance appraisal. Section III was an open space for respondents to write on about any issue related to the performance appraisal practice of their organization.

This section presents the methodology used to select the sample; collect the data; and, analyze the data according to the objectives of the study.

3.2.2. Selection of target Organization

Bank of Abyssinia (BOA) was selected as an appropriate organization for this case study after a visit to the organization head office. After talking to some key personnel in the organization and I came to realize that there is a problem that the organization as well as employees are facing in relation to performance appraisal and I decided to conduct a case study.

3.2.3. Sample Size Determination

Data were collected from the supervisory and clerical employees of the organization, leaving the non-clerical staff. Since the performance appraisal system is centralized and the same in all the branches of the bank, the study was conducted in 3 randomly selected branches and head office of the organization. The sample size was determined proportionally by taking in to

account the number of employees at each branch and head office. The sampling is summarized in the table below.

TABLE 3.1 Sample determination of the study

<u>No</u>	Branches/ Head office	<u>No</u> of employees	Sample size
1	Head office	50	12
2	Arada Branch	29	22
3	Bole Branch	59	16
4	Raguel Branch	37	25
Total		175	75

3.2.4. Data Collection Procedures

Each employee who participated in the performance appraisal system (excluded were Non-clerical employees) received a questionnaire delivered to their work station. Out of the 75 distributed questionnaires 63 completed or partially completed were returned. Of these, three were unusable due to substantial lack of completion. A total of 60 useable questionnaires were used in the analyses. Data was also collected through interview questions and document review.

An interview was made with 5 randomly selected personnel of Administration and Human resource department and 5 other employees. Document review was also conducted on the forms used by the organization in rating the supervisory and clerical employees of the organization.

3.2.5. Analysis of Data

The data were analyzed according to the objectives of the study. The individual analysis of each objective is presented in the following section.

Demographic characteristics were summarized using frequencies and percentages for all variables including: age; sex; years in the organization; years on the current job/position; and educational level.

Frequencies, percentages, and graphs were used in analyzing data regarding the attitude and satisfaction of employees towards the performance appraisal system and its major components. In this regard a powerful statistical tool, SPSS, was used.

CHAPTER FOUR

RESULTS OF THE STUDY

The primary focus of this study is to determine employee attitude of fairness of and satisfaction with a performance appraisal system and some of its major components.

4.1. Demographic Characteristics of Respondents

Out of the 75 questionnaires distributed to employees of the bank 60(80%) questionnaires were returned with full information. Below are the demographic characteristics of the

respondents in terms of age; gender; length of tenure in the present position and with the present organization; and highest level of education completed.

Forty percent (n= 24) of the respondents were female. The remaining 60% (n =36) of the respondents were male. Regarding the age of the study participants, the largest group (n=45, 75%) was in the 26-40 years age group. The second largest group (n=13, 21.7%) indicated their age as within the 18-25 year group. A very small proportion (n=2, 3.3%) indicated that they were in the age group of 41-50 years (see table 4.1).

TABLE 4.1

Sex and Age of respondents

		Age category of respondents			Total
		18-25 years old	26-40 years old	41-50 years old	
Sex of respondents	Male	8	26	2	36
	Female	5	19	0	24
Total		13	45	2	60

The largest group of respondents (n=20, 33.3%) indicated that they had been working in the organization between 1 and 3 years. 17 (28.3%) and 13(21.7%) of respondents indicated a tenure with the organization of between 6 and 10years and 4-5 years respectively. 7 (11.7%) and 3 (5%) of the respondents reported their stay in the organization less than one year and longer than 10 years respectively.

Regarding time worked in the current job, the largest group (n=38, 63.3%) reported job tenure of 1-3 years. Nearly one-fourth of all respondents (n=16, 26.7%) indicated that they had been in their current job for less than one year. 6.7 percent (n=4) and 3.3 percent (n=2) responded of their tenure as 4-5 and 6-10 years respectively (See table 4.2). The largest group of respondents (n=32, 53.3%) reported a Bachelor degree as their highest level of education. The

next largest group (n=18, 30%) indicated a diploma as their highest level of education. The remainder of respondents (n=10, 16.7%) indicated Masters Degree and above as their education level (See table 4.3)

TABLE 4.2

Service of the respondents in the organization and on the current job

		Service in the organization					Total
		Less than 1 year	1-3 years	4-5 years	6-10 years	Greater than 10 years	
Service on the current job	Less than 1 year	7	6	1	2	0	16
	1-3 years	0	14	11	12	1	38
	4-5 years	0	0	1	2	1	4
	6-10 years	0	0	0	1	1	2
Total		7	20	13	17	3	60

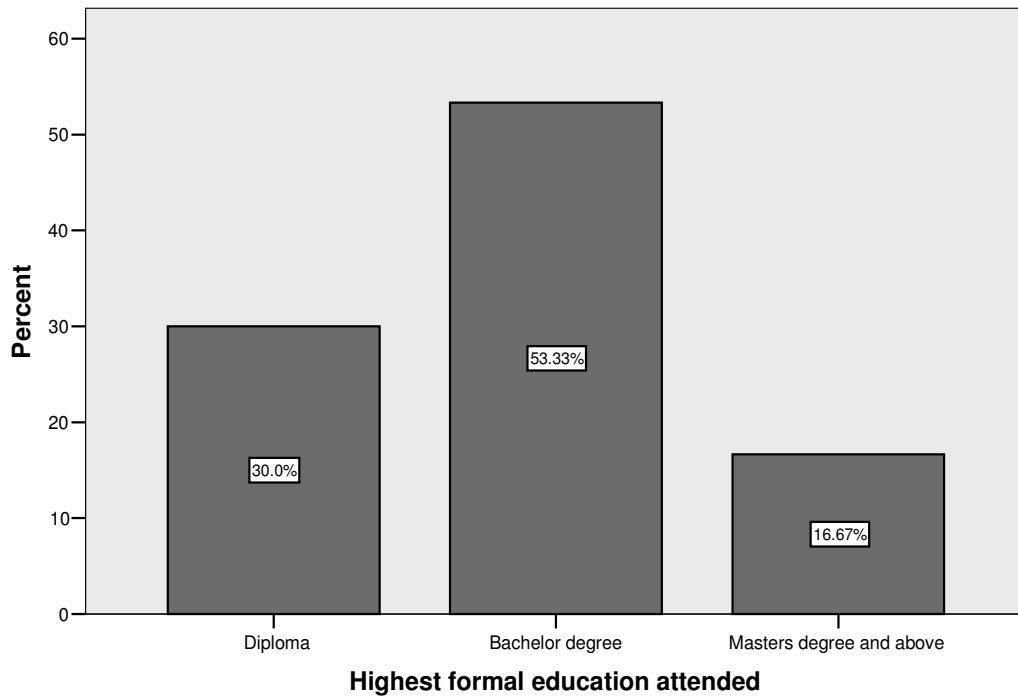
TABLE 4.3

Respondents' Highest formal education attended

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	18	30.0	30.0	30.0
	Bachelor degree	32	53.3	53.3	83.3
	Masters degree and above	10	16.7	16.7	100.0
Total		60	100.0	100.0	

FIGURE 4.1

Highest education level of respondents



4.2. Attitude of Employees towards the Major Components of Performance Appraisal

At first employees were asked whether there is a formal performance appraisal in the organization or not and their responses are summarized in table 4.4 below.

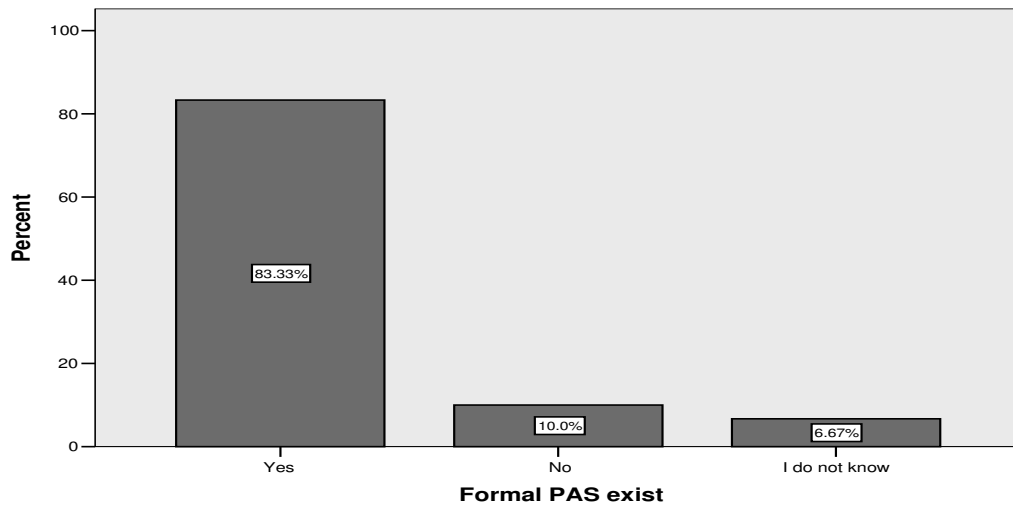
TABLE 4.4

Existence of formal performance appraisal system in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	50	83.3	83.3	83.3
	No	6	10.0	10.0	93.3
	I do not	4	6.7	6.7	100.0

	know				
	Total	60	100.0	100.0	

Figure 4.2
Existence of formal performance appraisal system in the organization



As we can see from table 4.4 and diagram 4.2 almost all respondents (n=50, 83.3%) agreed about the existence of formal performance appraisal system in the organization. 6(10%) of the respondents said there is no formal performance appraisal system and 4(6.7%) of the respondents claimed that they do not know whether there is formal performance appraisal system or not. According to the interview with five members of senior management and five employees of BOA, there exists a formal appraisal system in the organization.

4.2.1. Attitude of Employees towards the Performance

Rating Process

As indicated in the literature part of this study, employees can have a positive attitude towards some aspects of performance appraisal system but may not perceive the overall performance

appraisal system positively. In this section the perception of employees towards standard setting; clarifying expectation; rater; and accuracy of rating method will be reviewed.

Responses were measured on five point Likert scale with 1 = Strongly Agree; 2 = agree; 3 = Neither Agree nor Disagree; 4 = Disagree; and, 5 = Strongly Disagree. To make easy the interpretation, the following values are assigned to each scale: 1.50 or less = Strongly Agree; 1.51-2.5 = Agree; 2.51 – 3.49 = Neither Agree nor Disagree; 3.50 – 4.49 = Disagree; and 4.5 or greater = Strongly Disagree

4.2.1.1. Attitude of employees towards standard setting

Setting standard before the start of any appraisal period is beneficial to both the organization and the employees. For the organization it will be used as a yardstick against which the performance of employees will be compared at the end of the rating period; and for the employee it avoids role ambiguity and confusion. In this respect about 61.6% of the respondents disagree and strongly disagree about the practice of setting standard before the beginning of a rating period. An interview conducted with two members of senior management of the Bank revealed the absence of standard setting. The individuals further commented that employees are expected to perform according to their job description and said that there exists jobs with out job description which makes it difficult to rate the performance of employees working on such kind of positions.

Concerning explaining expectations to employees, only one quarter of the respondents were with in the range of agreement and the majority of respondents (55%) were in the range of disagreement. The remaining 20% were indifferent about the question. For the question

concerning whether the rater explains expectation regularly or not, again a significant large no of respondents were with in the range of disagreement (table 4.5).

To see the correlation between these two variables a Spearman’s correlation coefficient was employed and the result showed a significant correlation (5.26) between the two variables (table 4.7). This signifies those who disagreed that raters explain expectations to ratees also disagreed about the regularity of the activity and this holds true for the rest of the scales.

Performance appraisal as one of the most critical activity in the organization and its acceptance by all parties involved is a key factor. Various researches concluded that one way of ensuring employees positive attitude to wards the system and acceptance of the rating result is through involving employees in setting the standard against which they are going to be rated.

In this regard respondent were asked whether the organization gave them an opportunity to participate in setting the standard or not and the lion’s share of the responses of the participants signifies a disagreement (68.3%, those disagree and strongly disagree), with the highest mean (3.57) than the other variables in this category (table 4.6).

To observe the correlation between standard setting at the beginning of the performance rating period and the participation of employees a Pearson’s correlation coefficient was applied and the result shows a considerable correlation between the two variables, i.e.4.98 (table 4.8).

TABLE 4.5

Summary of items that measure attitude of standard setting process of respondents

	Standard setting at the beginning		Rater explains expectations to ratee		Rater explain expectations regularly		Employee participation in setting the standard	
	Count	%	Count	%	Count	%	Count	%
Strongly agree	5	8.3%	4	6.7%	3	5.0%	2	3.3%

Agree	11	18.3%	11	18.3%	9	15.0%	11	18.3%
Neither agree or disagree	7	11.7%	12	20.0%	17	28.3%	6	10.0%
Disagree	29	48.3%	28	46.7%	24	40.0%	33	55.0%
Strongly disagree	8	13.3%	5	8.3%	7	11.7%	8	13.3%

TABLE 4.6

Descriptive Statistics of items that measure attitude of standard setting process of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Standard setting at the beginning	60	1	5	3.40	1.182
Rater explains expectations to ratee	60	1	5	3.32	1.081
Rater explain expectations regularly	60	1	5	3.38	1.043
Employee participation in setting the standard	60	1	5	3.57	1.047

TABLE 4.7

Correlation between variables 'rater explains expectations to ratee' and 'rater explain expectation to ratee regularly'

			Rater explains expectations to ratee	Rater explain expectations regularly
Spearman's rho	Rater explains expectations to ratee	Correlation Coefficient	1.000	.526(**)
		Sig. (2-tailed)	.	.000
		N	60	60
	Rater explain expectations regularly	Correlation Coefficient	.526(**)	1.000
		Sig. (2-tailed)	.000	.
		N	60	60

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

TABLE 4.8

Correlation between variables 'Standard setting at the beginning' and 'Employees participate in setting the standard'

		Standard setting at the beginning	Employee participation in setting the standard
Standard setting at the beginning	Pearson Correlation	1	.498(**)
	Sig. (2-tailed)		.000
	N	60	60
Employee participation	Pearson Correlation	.498(**)	1

in setting the standard			
	Sig. (2-tailed)	.000	
	N	60	60

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

4.2.1.2 Attitude of Employees towards Appraisal Instrument and its Content

The other factor that determines the effectiveness of performance appraisal is the appraisal instrument used and its content. An interview conducted with the members of senior management and employees of BOA; and the document review revealed the fact that the instrument used by the organization is inappropriate and lacks the quality of rating the real performance of individuals. The major problem of instrument is that the factors that are used in the form are too general and the standards are vague. In the form factors like job knowledge, work quality, cooperation, absenteeism, and initiative are included and these factors may not be sufficient to rate the performance of individuals. The other problem with the instrument is the uniform usage of the form with out taking in to account differences among different jobs and positions. Even if there are three forms used by BOA, the factors are more or less the same.

The appraisal instrument used by BOA is Graphic Rating scale (GRS) and has all the drawbacks of GRS. One of the member of senior management strongly commented about the difficulty of the organization to base most of Human Resource decision like salary increment, promotion, transfer, and the like on the basis of the result of performance appraisal. According to him the method applied by the organization is not capable of differentiating the good performers from the poor ones.

Respondents were asked to opine about the relationship between their job and the factors with which their performance is measured and the majority of the respondents (58.4%) were in the range of disagreement, 15% indifferent, and 26.6% were in the range of agreement. Respondents were also asked whether or not the factors in the form have a relationship with the core activity that they carry out, more or less the same response was obtained (table 4.9). The mean values of the two variables were tilted towards negative response, i.e. 3.35 and 3.32 for the two variables respectively (table 4.10).

The correlation between the two variables: Performance expectation related to job and Performance expectation related to core activity, was .954 (see table 4.11). This shows a very strong correlation among the two variables and those respondents who were on the side of disagreement about a positive relationship between performance expectations and their job also either disagree or strongly disagree about a positive relation between the performance expectations and the core activities they perform.

TABLE 4.9

Summary of items that measure attitude of the appraisal instrument and its content of respondents

	Per. expectation related to job		Per. expectation related to core activity	
	Count	%	Count	%
Strongly agree	5	8.3%	5	8.3%
Agree	11	18.3%	11	18.3%
Neither agree or disagree	9	15.0%	9	15.0%
Disagree	28	46.7%	30	50.0%
Strongly disagree	7	11.7%	5	8.3%

TABLE 4.10

Descriptive Statistics of items that measure attitude of the appraisal instrument and its content of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Performance expectation related to job	60	1	5	3.35	1.162
Performance expectation related to core activity	60	1	5	3.32	1.127

TABLE 4.11

Correlation between variables 'Performance expectations are related to job' and 'Performance expectations related to core activity'

			Per. expectations related to job	Per. expectations related to core activity
Spearman's rho	Per. expectations related to job	Correlation Coefficient	1.000	.954(**)
		Sig. (2-tailed)	.	.000
		N	60	60
	Per. expectations related to core activity	Correlation Coefficient	.954(**)	1.000
		Sig. (2-tailed)	.000	.
		N	60	60

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

4.2.1.3. Attitude of Employees towards Raters

No matter how accurate the instrument used in rating the performance of employees, there must be qualified raters with the necessary knowledge, skill and experience in relation to rating the performance of employees. Raters' qualification and ability of accurately rating the performance of employees in the organization is one of the major factors determining the attitude and satisfaction of employees towards the performance appraisal system.

From the result of the interview it is the immediate supervisors, section heads, department heads, deputy managers, and branch managers who are responsible to rate the performance of the employees of BOA. According to one of the members of management team of BOA,

employees of the organization complain when ever they are rated by other individuals than their immediate supervisor because of the fact that immediate supervisors have better exposure to the performance of the subordinates than say for instance branch managers. Another member of the management team of the Bank on his part commented that raters found out side Administration and Human Resource Department do not give a due attention for performance appraisal and its process due to lack of knowledge of the consequences of the result of their action and the implication of performance appraisal results. Lack of training, in how to conduct performance rating of employee, by the organization to raters is another factor contributing to raters' problems.

Leniency problem is also the other major problem cited by the interviewees. Since the salary increment is associated with performance evaluation, raters tend to give high rating to their subordinates to avoid confrontation and there is also a tendency by raters to be liked by their subordinates by giving high rating. Lastly, raters most of the time favor their relatives and those employees they like for any reason (e.g., same age, race, gender, value, religion, etc).

Five questions were asked in relation to the rater aspect of performance appraisal system. As indicated in table 4.12, equal number of employees (28%) were in the category of 'Agree' and 'Neither Agree nor Disagree' about the assignment of qualified raters to rate their performance. About one fourth of the respondents responded negatively towards the assignment of qualified raters.

'Rater understands the job requirements and difficulty' is the factor with a relatively large number of respondents with a negative response (36%), having the largest mean value (2.92) compared to the other variables (table 4.13), as indicted in table 4.12. 43.3% of the respondents positively responded about raters knowledge of their job; 30% of the respondents were indifferent and the remaining 26.7% were negatively responded.

Concerning raters' knowledge of rating procedures and format, 35% of the respondents were neutral, 36.6% responded that raters have knowledge of rating procedures of the organization and the format used in performance rating, and the remaining 28.3% of the respondents responded negatively.

Whether or not raters are equipped with the necessary skills and experience in how to rate their subordinates, (30%) were indifferent, 40% of the respondents positively responded to the question, and the remaining 30% of the respondents reacted negatively (table 4.12).

TABLE 4.12

Summary of items that measure attitude of raters of respondents

	Org. assign qualified raters		Rater knows what the ratee is doing		Rater understands the job req. and difficulty		Rater's knowledge of rating procedures and format		Rater knows how to evaluate	
	Count	%	Count	%	Count	%	Count	%	Count	%
Strongly agree	10	16.7%	6	10.0%	5	8.3%	5	8.3%	8	13.3%
Agree	17	28.3%	20	33.3%	19	31.7%	17	28.3%	16	26.7%
Neither agree or disagree	17	28.3%	18	30.0%	18	30.0%	21	35.0%	18	30.0%
Disagree	9	15.0%	10	16.7%	13	21.7%	12	20.0%	13	21.7%
Strongly disagree	7	11.7%	6	10.0%	5	8.3%	5	8.3%	5	8.3%

TABLE 4.13

Descriptive Statistics of items that measure attitude of raters of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Org. assign qualified raters	60	1	5	2.77	1.240
Rater knows what the ratee is doing	60	1	5	2.83	1.137
Rater understands the job req. and difficulty	60	1	5	2.90	1.100
Rater's knowledge of rating procedures and format	60	1	5	2.92	1.078

Rater knows how to evaluate	60	1	5	2.85	1.162
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4.2.1.4. Attitude of Employees towards Accuracy of Rating

To measure the overall accuracy of rating process of performance appraisal, two questions were forwarded to the target group and their response is summarized in table 4.14. The first question that participants were asked was whether or not the performance rating is related to what they do for the organization and the vast majority of respondents (65%) responded negatively with a mean value of 3.52(see table 4.15) signifying the negative reaction of respondents to this particular variable. For the second question, which is about whether or not the employees rating reflects the amount of work and the challenge they face while performing their assigned duties, more than half (53.3%) responded negatively, 23.3% were indifferent, and the remaining 23.3% were positive.

TABEL 4.14

Summary of items that measure attitude of accuracy of rating of respondents

	Rating related to the work of ratee		Rating reflects the amount of work of ratee	
	Count	%	Count	%
Strongly agree	4	6.7%	5	8.3%
Agree	7	11.7%	9	15.0%
Neither agree or disagree	10	16.7%	14	23.3%
Disagree	32	53.3%	24	40.0%
Strongly disagree	7	11.7%	8	13.3%

TABEL 4.15

Descriptive Statistics of items that measure attitude of accuracy of rating of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Rating related to the work of ratee	60	1	5	3.52	1.066
Rating reflects the amount of work of ratee	60	1	5	3.35	1.147
Valid N (listwise)	60				

In summary, so far we have seen that varying perception of employees towards some aspects of the performance rating process. In some cases most of the respondents negatively reacted (e.g. standard setting, rating instrument used), whereas in the case of raters accuracy most of the respondents reacted either positively or indifferent.

To look in to the overall attitude of employees towards the performance rating process, their perception was measured by using the scale ‘I am satisfied with the way the PA system is used to evaluate and rate my performance’, and their responses are summarized in the table below.

Table 4.16

Attitude of overall rating process of respondents

	Satisfaction with rating process	
	Count	%
Strongly agree	1	1.7%
Agree	2	3.3%
Neither agree or disagree	19	31.7%
Disagree	31	51.7%
Strongly disagree	7	11.7%

TABLE 4.17

Descriptive Statistics of attitude of overall rating process of the respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Satisfaction with rating process	60	1	5	3.68	.792
Valid N (listwise)	60				

Most of the respondents (n=38, 63.4%) were not satisfied with the performance rating process, 19 (31.7%) of the respondents were neutral, and a very small number of respondents had positive attitude towards the performance rating of their organization (table 4.16). A mean value of 3.68 (table 4.17) indicates the negative reaction of respondents to the performance rating aspect of performance appraisal.

4.2.2. Attitude of Employees towards the Feedback aspect of Performance Appraisal

4.2.2.1. Attitude of Employees towards Providing Feedback

Feedback is one of the major components of performance appraisal. After rating the performance of employees it is natural to let them know their progress. There might be exceptional situations under which performance rating may not be communicated, but most of the time feedback is a necessary procedure.

In this regard, all the respondents participated in the interview agreed about the existence of a feedback process after the performance rating is done. As indicated in table 4.18 63% of the respondents confirmed the existence of the process, almost one fourth (26.7%) of the

respondents opted to be indifferent, and the remaining insignificant portion (10%) of the respondents said there is no feedback process.

Even if most of the respondents agreed about the existence of feedback process, one half (50%) of them said that feedback is not provided regularly. 16.7% of the respondents agreed about the frequent provision of feedback and the rest (33.3%) were neutral(table 4.18).

To see if feedback provided for employees has a relationship with the job they are doing in the organization, a 'My rater/organization gives me feedback that is important to the things I do at work' scale was used and 47.4% of the respondent said that the feedback they receive is not related to the work they are performing in the organization, one fourth of the respondent were indifferent, the remaining 28.3% reacted positively (table 4.18).

To see the correlation between this scale and 'The PAP makes sure that my performance expectations measure what I really do for the organization' scale, a Spearman's correlation coefficient was applied. The result showed a significant correlation exists between the two variables with a correlation coefficient of 4.13 indicating that those who disagree or strongly disagree on the first variable also did the same on the second one (see table 4.20).

To look in to whether or not rater and ratee review the appraisal result, most of the respondents (n=33, 55%) agreed with the existence of review of their performance with the rater, whereas 13 (21.6%) disagree, and the remaining 14 (23.3%) of the respondents were neutral (table 4.18).

TABLE 4.18

Summary of items that measure attitude of feedback of respondents

	Providing feedback		Providing feedback regularly		Rater provide feedback that is related to job		Rater and ratee review performance progress	
	Count	%	Count	%	Count	%	Count	%
Strongly agree	6	10.0%	3	5.0%	3	5.0%	6	10.0%
Agree	32	53.3%	7	11.7%	14	23.3%	27	45.0%
Neither agree or disagree	16	26.7%	20	33.3%	15	25.0%	14	23.3%
Disagree	5	8.3%	22	36.7%	16	26.7%	11	18.3%
Strongly disagree	1	1.7%	8	13.3%	12	20.0%	2	3.3%

TABLE 4.19

Descriptive Statistics of items that measure attitude of feedback of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Providing feedback	60	1	5	2.38	.846
Providing feedback regularly	60	1	5	3.42	1.030
Rater provide feedback that is related to job	60	1	5	3.33	1.188
Rater and ratee review performance progress	60	1	5	2.60	1.012
Valid N (listwise)	60				

TABLE 4.20

Correlation between variables 'Performance expectation related to job' and 'Rater provide feedback that is related to job'

		Per. expectation related to job	Rater provide feedback that is related to job
Spearman's rho	Per. expectation related to job	Correlation Coefficient	1.000
		Sig. (2-tailed)	.413(**)
			.001

		N	60	60
	Rater provide feedback that is related to job	Correlation Coefficient	.413(**)	1.000
		Sig. (2-tailed)	.001	.
		N	60	60

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

4.2.2.2. Attitude of Employees towards Explaining Rating Decision

Providing feedback to employees by itself cannot ensure satisfaction and positive attitude of employees towards feedback process. Past research findings strongly suggest feedback discussion to be applied by organizations. Feedback discussion reduces the ambiguity surrounding appraisal result and increase employees' acceptance of their performance result. To this end participants were asked two questions. The first question was aimed at whether or not the rater/organization explains rating decisions and 27(45%) of the respondents were positive about it, 17(28.3%) respondents were indifferent and the remaining 16(26.6%) responded negatively (see table 4.21). 'My rater lets me ask him or her questions about my performance rating' was the scale used to identify whether or not the rater entertains questions of employees related to their performance rating and 32(53.4%) of the respondents agreed, 17(28.3%) were neutral and the remaining 11(18.3%) responded negatively (table 4.21). spearman's correlation coefficient showed a significant correlation (.498) between the above two variables (see table 4.23).

After the end of any performance appraisal period the rater/organization shall suggest ways that employees can employ to improve their performance particularly those performed below the standard. In this regard for the scale 'My rater helps me understand what I need to do to

improve my performance’ the majority of respondents (n=24, 40%) said that they had no help from their rater concerning how to improve their performance, 19(31.6%) responded positively and the remaining 17(28.3%) were neutral (table 4.21).

Lastly, employees need to know how their performance is being measured: the method applied, the factors considered and the like. In this respect for the scale ‘My rater/organization helps me to understand the process used to evaluate and rate my performance’, the majority (n=27, 45%) of the respondents denied any explanation from either the organization or rater regarding the process that is used to measure their performance, 22(36.7%) were neutral and 11(18.3%) were positive (see table 4.21). The mean value of this scale was the maximum (3.35) indicating the negative reaction of respondents to this particular variable compared to the other variables in the category (table 4.22).

TABLE 4.21

Summary of items that measure attitude of accuracy of rating of the raters

	Rater helps ratee to understand the process of PA		Rater explain decisions that concern ratees		Rater entertain questions related to rating results		Rater shows ways to improve performance	
	Count	%	Count	%	Count	%	Count	%
Strongly agree	2	3.3%	4	6.7%	7	11.7%	5	8.3%
Agree	9	15.0%	23	38.3%	25	41.7%	14	23.3%
Neither agree or disagree	22	36.7%	17	28.3%	17	28.3%	17	28.3%
Disagree	20	33.3%	11	18.3%	8	13.3%	20	33.3%
Strongly disagree	7	11.7%	5	8.3%	3	5.0%	4	6.7%

TABLE 4.22

Descriptive Statistics of items that measure attitude of accuracy of rating of the raters

	N	Minimum	Maximum	Mean	Std. Deviation
Rater helps ratee to understand the process of PA	60	1	5	3.35	.988
Rater explain decisions that concern ratees	60	1	5	2.83	1.076
Rater entertain questions related to rating results	60	1	5	2.58	1.030
Rater shows ways to improve performance	60	1	5	3.07	1.087
Valid N (listwise)	60				

TABLE 4.23

Correlation between variables 'Rater explain rating decisions' and 'Rater entertains questions related to rating results'

			Rater explain rating decisions	Rater entertain questions related to rating results
Spearman's rho	Rater explain rating decisions	Correlation Coefficient	1.000	.489(**)
		Sig. (2-tailed)	.	.000
		N	60	60
	Rater entertain questions related to rating results	Correlation Coefficient	.489(**)	1.000
		Sig. (2-tailed)	.000	.
		N	60	60

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

In summary, to see the overall attitude of employees towards feedback aspect of the performance appraisal process respondents answers were measured by using the scale 'I am satisfied with the feedback aspect of performance appraisal system' and the vast majority (n= 48, 80%) of respondents were positively reacted, only 4 (6.7%) respondents responded negatively and the remaining 8(13.3%) were indifferent (table 4.24).

The mean value of 1.98 strongly suggested that employees have a positive attitude towards the feedback (see figure 4.3).

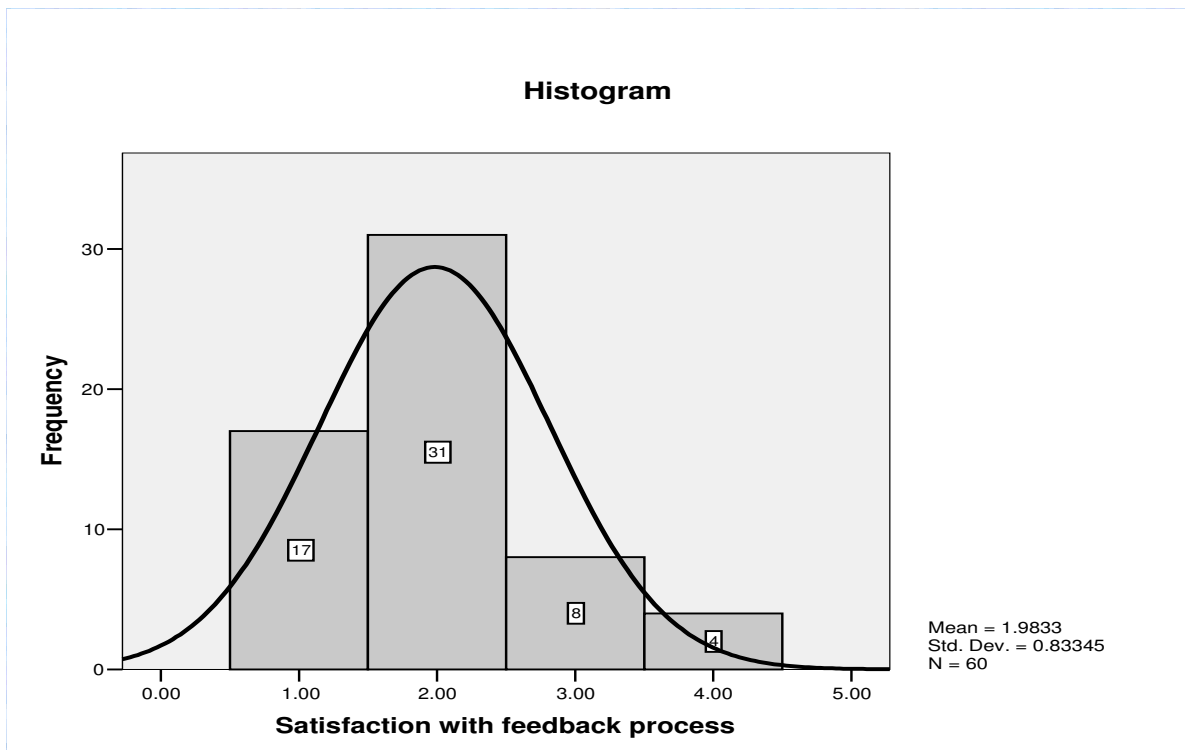
TABLE 4.24

Attitude of feedback process of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	28.3	28.3	28.3
	Agree	31	51.7	51.7	80.0
	Neither agree or disagree	8	13.3	13.3	93.3
	Disagree	4	6.7	6.7	100.0
	Total	60	100.0	100.0	

FIGURE 4.3

Attitude of feedback process of the respondents



4.2.3. Attitude of Employees towards the Appeal Process

After rating and communicating the result of the performance of employees, employees might not be happy with the result they obtained. When ever such a situation prevails a method through which they can appeal their reservation should be there. According to two members of the management team of the Bank, when ever any one has a reservation about the performance rating result, he/she can demand an explanation from his/her immediate supervisor and if there is no solution at this stage the matter will be taken to the Administration and Human Resource Department and an independent ad hoc committee will be formed to sort out the case.

From table 4.25 we can see that most of the respondents (n=36, 60%) said that an appeal procedure is there, 12(20%) of the respondents were indifferent, and 12(20%) either disagree or strongly disagree about the availability of an appeal procedure in the organization.

Certain systems even if they are on the paper, they might not be working properly and to see whether or not an appeal procedure in BOA is working or not, respondents were asked questions aimed at evaluating the appeal aspect of performance appraisal process. The first question was aimed at if at all there is an opportunity for employees to challenge the result they perceive as unfair. The higher percentage (n=38, 63.3%) of the respondents claimed that they can challenge their performance rating result, 13(21.7%) were neutral and the remaining small percentage 9(15%) of the respondents were negative (table 4.25). Respondents were also asked whether they are free to communicate their disagreement or not, more or less the same response were obtained.

To look in to the possibility of change of performance rating result with justification, the scale 'My performance rating can be changed if I can show that it is incorrect or unfair' was used to see their view. In this regard 33(55%) of the respondents agreed, 14(23.3%) were indifferent and the remaining 13(21.7%) were on the opposition end (table 4.25).

From all the variables in this category it is ‘possibility of rating change if it is unfair’ with the highest mean value (2.6) (see table 4.26). This suggests that even if employees know that they can appeal and challenge the performance rating they think unfair, they are not that much confident about the change.

TABLE 4.25

Summary of items that measure attitude of appeal process of respondents

	There is a way to appeal		Ratees challenge unfair rating		The possibility of rating change if it is unfair		Ratees free to comm. their disagree	
	Count	%	Count	%	Count	%	Count	%
Strongly agree	12	20.0%	12	20.0%	10	16.7%	13	21.7%
Agree	24	40.0%	26	43.3%	23	38.3%	29	48.3%
Neither agree or disagree	12	20.0%	13	21.7%	14	23.3%	10	16.7%
Disagree	10	16.7%	7	11.7%	7	11.7%	6	10.0%
Strongly disagree	2	3.3%	2	3.3%	6	10.0%	2	3.3%

TABLE 4.26

Descriptive Statistics of items that measure attitude of appeal process of respondents

	N	Minimum	Maximum	Mean	Std. Deviation
There is a way to appeal	60	1	5	2.43	1.095
Ratees challenge unfair rating	60	1	5	2.35	1.039
The possibility of rating change if it is unfair	60	1	5	2.60	1.196
Ratees are free to comm. their disagree. to raters	60	1	5	2.25	1.019
Valid N (listwise)	60				

In summary, respondents’ attitude about the appeal procedure employed by the organization was measured by using the scale ‘I am satisfied with the appeal process of the performance appraisal system’, and the vast majority of respondents (n=47, 78.4%) said that they are satisfied with the appeal procedure, 11(18.3%) were indifferent, and only 2(3.3%) were negatively responded (table 4.27). The mean value (2.03) also showed a positive attitude and reaction of employees towards the appeal process (see figure 4.4).

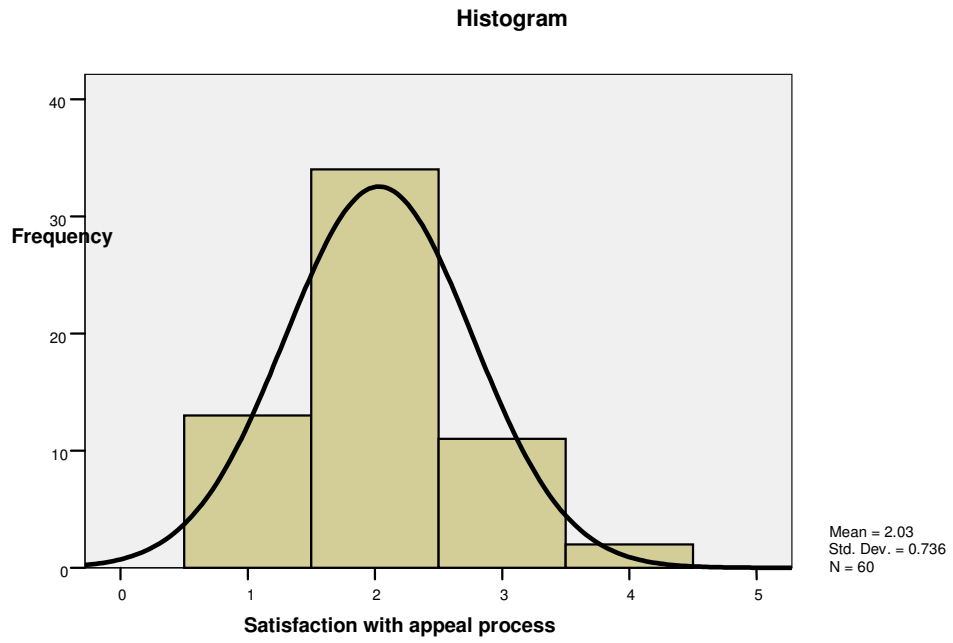
TABLE 4.27

Attitude of overall appeal process of respondents

	Satisfaction with appeal process	
	Count	%
Strongly agree	13	21.7%
Agree	34	56.7%
Neither agree or disagree	11	18.3%
Disagree	2	3.3%

Figure 4.4

Attitude of overall appeal process of respondents



4.3 Reaction towards Overall Performance Appraisal System

4.3.1. Attitude of Employees towards Overall Performance

Appraisal System

Satisfactions with some aspects of the performance appraisal system dose not guarantee satisfaction with the entire system. Employees might be satisfied say for instance with the appeal procedure or appraisal discussion, but this does not signify by any means employees are satisfied with the overall system. So far we have seen the attitude and reaction of employees towards the major aspects of the appraisal system of BOA and in this section we will be looking at the reaction of employees towards the overall system.

The interview conducted with employees of the bank showed that most of the employees are not satisfied with the way performance evaluation is being conducted in the organization. They further suggested for the organization to make major intervention to the existing performance appraisal system.

Those participated in this case study (60) were asked if they are satisfied with the existing performance appraisal system and their responses were summarized in the table 4.28. As indicated in the table the majority of respondents (n=37, 61.7%) were dissatisfied with the appraisal system of BOA, 19(31.7%) were indifferent and only 4(6.7%) respondents were satisfied with the existing system. As can be seen from Figure 4.5, the distribution of respondents was skewed to the right with the mean value of 3.65, indicating the negative reaction of employees to the existing appraisal system of the organization.

TABLE 4.28

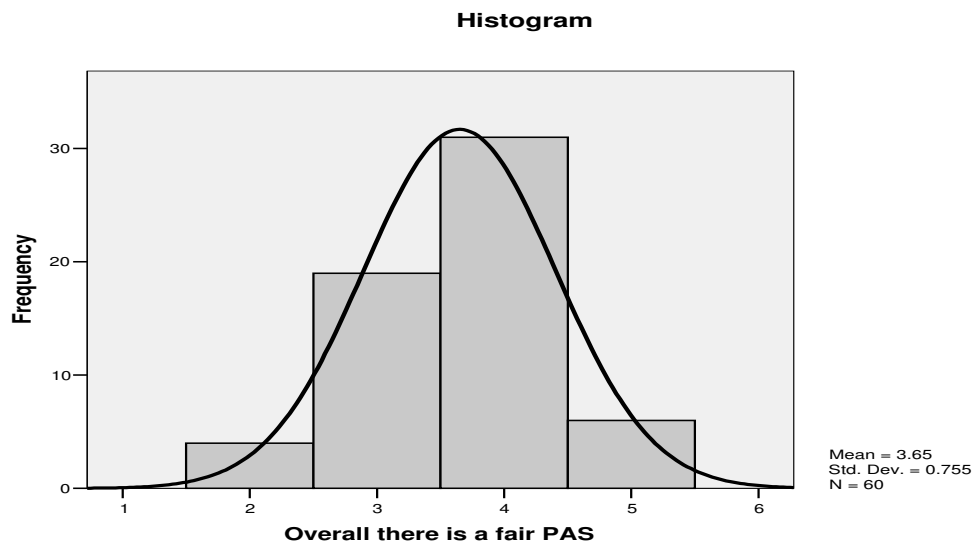
Attitude of overall appraisal system of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	4	6.7	6.7	6.7
	Neither agree or disagree	19	31.7	31.7	38.3

	Disagree	31	51.7	51.7	90.0
	Strongly disagree	6	10.0	10.0	100.0
	Total	60	100.0	100.0	

FIGURE 4.5

Attitude of overall appraisal system of respondents



4.3.2 Raters and Ratees Attitude towards and Satisfaction with Performance Appraisal System

Concerning raters and ratees attitude and satisfaction with the performance appraisal system, two conflicting research findings were discussed in the literature review part of this study (see section 2.5). To test whether there is a difference in attitude and satisfaction with performance

appraisal system of BOA, those respondents participated in the study were classified in to two groups (54 ratees and 6 raters) and their response is presented in table 4.29 below.

TABLE 4.29

Raters and ratees attitude and satisfaction towards performance appraisal system

Respondent status * Overall there is a fair PAS Crosstabulation							
			Overall there is a fair PAS				Total
			Agree	Neither agree or disagree	Disagree	Strongly disagree	
Respondent status	Ratee	Count	0	17	31	6	54
		% within Respondent status	.0%	31.5%	57.4%	11.1%	100.0%
		% within Overall there is a fair PAS	.0%	89.5%	100.0%	100.0%	90.0%
		% of Total	.0%	28.3%	51.7%	10.0%	90.0%
Rater		Count	4	2	0	0	6
		% within Respondent status	66.7%	33.3%	.0%	.0%	100.0%
		% within Overall there is a fair PAS	100.0%	10.5%	.0%	.0%	10.0%
		% of Total	6.7%	3.3%	.0%	.0%	10.0%
Total		Count	4	19	31	6	60
		% within Respondent status	6.7%	31.7%	51.7%	10.0%	100.0%
		% within Overall there is a fair PAS	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	6.7%	31.7%	51.7%	10.0%	100.0%

Out of the six managers participated in the study 4(66.7%) were satisfied and claimed that there is fair performance appraisal system in the organization and the remaining 2(33.3%) were indifferent. Unlike raters, 37(68.5%) ratees claimed that there is unfair performance appraisal system in the organization and the remaining 17(31.5%) were indifferent. The result coincides with the study of mount (1984), who found out that managers are more satisfied with performance appraisal system than employees because managers do have greater system knowledge and play a vital role in the system than employees.

4.3.3 Relation between Performance Appraisal satisfaction and Highest Formal Education Attended

To investigate the impact of formal education on performance appraisal attitude and satisfaction the respondents highest education level is compared against the variable ‘overall, I think the PPR system is fair’ and the response of respondents is summarized in table 4.30 below.

TABLE 4.30

Relation between highest formal education attended and overall satisfaction with performance appraisal system of the respondents

Highest formal education attended * Overall there is a fair PAS Crosstabulation

		Overall there is a fair PAS				Total	
		Agree	Neither agree or disagree	Disagree	Strongly disagree		
Highest formal education attended	Diploma	Count	3	5	10	0	18
		% within Highest formal education attended	16.7%	27.8%	55.6%	.0%	100.0%
	Bachelor degree	Count	1	10	16	5	32
		% within Highest formal education attended	3.1%	31.3%	50.0%	15.6%	100.0%
	Masters degree and above	Count	0	4	5	1	10
		% within Highest formal education attended	.0%	40.0%	50.0%	10.0%	100.0%
Total		Count	4	19	31	6	60
		% within Highest formal education attended	6.7%	31.7%	51.7%	10.0%	100.0%

As we can observe from the above table, as the education level of employees increase their dissatisfaction with the system also increases. This indicates that the more individuals advance in their career path the more will be their expectation because they are exposed to much knowledge and experience.

4.4 Action to be taken by BOA concerning Performance

Appraisal System

Concerning what the organization should do in the future with respect to performance appraisal system, respondents were asked whether there is a need to adjust or totally change

the existing system and they responded positively to both scales as indicated in table 4.31 below.

TABLE 4.31

Suggestion of respondents about the future action of the organization

	Need for adjusting the PAS		Need to totally changing PAS	
	Count	%	Count	%
Strongly agree	33	55.0%	32	53.3%
Agree	22	36.7%	23	38.3%
Neither agree or disagree	3	5.0%	4	6.7%
Disagree	1	1.7%	1	1.7%
Strongly disagree	1	1.7%		

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Based on the findings of the study, the following conclusions, implications and recommendations are presented.

5.1. CONCLUSION

- ❖ Respondents perceived the performance appraisal system not being able to measure their true performance (mean=3.65).
- ❖ Respondents perceived the overall performance rating process negatively (mean 3.68), but their perception vary among the different aspect of performance rating process.
 - ✓ Standard setting aspect- respondents reacted to all the items negatively in this category particularly to the item “Employee participates in setting the standard” with mean value of 3.57. From this we can conclude the absence of standard setting and communication of expectations to ratees at the start of an appraisal period.
 - ✓ Rating instrument and its content- respondents perceived the appraisal instrument inappropriate and the content of the instrument irrelevant. The mean value of the two items in this category namely Performance expectation related to job and Performance expectation related to core activity were 3.35 and 3.32 respectively. From this we can conclude that the instrument used by the BOA is not capable of measuring the job related behavior of employees.
 - ✓ Rater- to the rater aspect of performance rating, respondents were a bit positive to almost all items in the category. The mean of all the five items were between 2.77-2.92. From this result we can conclude that employees are not entirely confident and happy about the raters.
 - ✓ Accuracy of rating- respondents reacted with strong disagreement to both the items in this category i.e. Rating related to the work of ratee (mean=3.52) and Rating reflects the amount of work of ratee (mean=3.35). This leads to the

conclusion that what employees are receiving as their performance result is not the right reflection of their true performance. The rating of employees lack reliability and its result cannot be used as a base for any decision. This makes the rating result of employees inappropriate in other human resource decision areas like salary increment, promotion, training need identification and etc.

❖ The perception of respondents to the feedback aspect of performance appraisal was positive (28.3% in the strongly agreed and 51.7% agreed). The mean value (1.98) of the overall satisfaction with feedback backs the positive reaction of employees towards feedback.

✓ Providing feedback-respondents were positive particularly to the item 'My rater/organization lets me know how I am doing (mean=2.38)' and showed negative response to items 'My rater/organization gives me feedback regularly (mean=3.42)' and 'My rater/organization routinely gives me feedback that is important to the things I do at work (mean=3.33)'. Based on these facts we can conclude that there exists a working feedback process in the organization. However, the feedback given to employees lacks regularity and is not related to what employees are actually doing for the organization.

✓ Appraisal discussion- Respondents were not happy about the appraisal discussion particularly to items 'My rater/organization helps me to understand the process used to evaluate and rate my performance(mean=3.35)' and 'My rater helps me understand what I need to do to improve my performance (mean=3.07)'. Respondents were particularly agreed that the raters allow questions related to performance rating. Therefore, we can conclude that there is an appraisal discussion between the rater and ratee. However, during the discussion raters fail to explain to ratees how their performance is measured

and also raters fail to show ways that ratees can use to improve their performance.

- ❖ Respondents were satisfied with the appeal procedure of the organization by responding positively to almost all the items in this category. All the items were in the 'agree' (see table 4.26) category except the item 'My performance rating can be changed if I can show that it is incorrect or unfair (mean=2.6)' in which they were a bit indifferent. Therefore, it is possible to conclude that the appeal procedure exists and working properly in the organization.
- ❖ From the study we can conclude that managers are more satisfied with performance appraisal than employees.

5.2. RECOMMENDATION:

In light of the above conclusions the following recommendations are forwarded

- ✓ Standard against which the performance of employees is going to be measured must be set and should be communicated so that employees might know what is expected of them and raters know what factors they need to take in to account when they rate the performance of their subordinates. If there is a job description for each position, the responsibilities listed in these documents can serve as good starting points for the review. If job descriptions are not available, the evaluation form should provide space for the manager to list the most critical elements of successful performance of the individual job.

- ✓ The rating instrument that is being used by the organization requires major intervention. Since the scales in the form are too general and lack work relatedness, it is worth to adjust the instrument and its content in such a way that it reflects the work related behavior of employees. There is also a need to customize the rating instrument by considering the difference among jobs and positions in the organization.
- ✓ The PAS of BOA should provide the opportunity for the raters and ratees to jointly develop a plan for future performance. This may include further education for the employee to improve his/her skills or acquire new ones, or opportunities for the employee to take on new responsibilities during the coming appraisal period.
- ✓ BOA needs to train its raters to enhance their knowledge and experience in performance rating aspect. Training will help the raters to understand the true implication of performance appraisal and it also helps to reduce errors that raters commit while rating the performance of their subordinates.
- ✓ To ensure the rating accuracy, BOA needs to rate the performance of its employees on regular basis at least twice a year.
- ✓ BOA needs to communicate the result of their appraisal to employees on a regular basis so that employees can improve their performance. The appraisal discussion should be an interactive process, giving the ratee the chance to participate, ask questions, respond to feedback, and offer suggestions for further career development. The ratee may not always agree with all comments in the review, but should be given the opportunity to express concerns and request clarification
- ✓ Training must be given to those individuals that conduct appraisal discussion so that they can communicate with the ratees in the most constructive way. There is also a

need to give training to employees so that they can understand the different facets of the system.

- ✓ Raters must be oriented and if necessary trained so that they can suggest how ratees can improve their performance when ever ratees are not doing well.
- ✓ The management of BOA needs to give a due attention to performance appraisal and an appropriate policy and procedure must be formulated. While doing so, legal cases should be taken in to account.

- ✓ Of course, the formal review is not meant to take the place of valuable, informal communications between evaluation periods conveying constructive criticism or praise for a job well done. Ideally, there should be constant communication regarding employee performance. And there are certain instances in which it is strongly advisable to give the employee immediate feedback rather than waiting for the annual review date. If the employee is falling severely short of the standards for satisfactory performance of his job responsibilities, committing serious breaches of company policies, such as excessive unexcused absences or tardiness, or engaging in behavior that is disruptive to other employees, it is prudent to address these issues immediately and take the appropriate disciplinary or rehabilitative action if the situation is not corrected.

- ✓ Even the most well designed performance appraisal system is worthless unless the company is committed to ensuring that it is used properly and consistently. BOA and, specifically, its human resources department must take an active role in the process, encouraging managers to conduct timely and accurate appraisals, reviewing individual performance evaluations in advance and working with the manager to revise the appraisal as necessary. If a manager is reluctant to bring up negatives with the

employee, the human resources department can conduct workshops or provide individual coaching on techniques for providing constructive criticism. The manager should come to understand that providing accurate and constructive employee feedback is an organizational priority, and an important criterion of acceptable performance as a manager.

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Annex 1 Questionnaire

**ADDIS ABABA UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
MASTERS OF BUSINESS ADMINISTRATION
MBA PROGRAM**

To be filled by Ratees and Raters

This questionnaire is designed to collect information about the practice of employee performance evaluation in a functioning organization in Ethiopia. The information shall be used as a primary data in my case research which I am conducting as a partial requirement of my study at Addis Ababa University for completing my MBA under the Faculty of Business and Economics

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

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

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

General Instructions

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

Thank you, for your cooperation and timely response in advance

Thank you,
Nigatu Teshome

Section One– Demographic Information

1. years of service in the organization

- Less than one year
 - 1-3 years
 - 4-5 years
 - 6-10 years
 - Greater than 10 years
2. years of service on the current job
- Less than one year
 - 1-3 years
 - 4-5 years
 - 6-10 years
 - Greater than 10 years
3. your age
- 18-25
 - 26-40
 - 41-50
 - 51-60
 - 61+
4. sex
- Male
 - Female
5. Highest formal education attended
- High school
 - Technical school 1 year
 - 2 years
 - Other
 - College 1 year
 - 2 years
 - 3 years
 - Bachelor's Degree
 - Advance Degree studies
6. your status in performance appraisal system of the organization
- Ratee
 - Rater

Section Two – Please indicate the level of your agreement with the statement below.

Term definition:

PA - Performance Appraisal.

PAP- Performance Appraisal Process

1. Is there a formal performance appraisal system in your organization

- Yes
- No
- I do not know

N0

Question

Strongly agree
Agree
Neither agree or disagree
disagree
Strongly disagree

Setting performance expectation/goal

- 1 The performance appraisal process requires that performance expectations be set for me at the start of a rating period
- 2 My rater clearly explains to me what he or she expects for my performance
- 3 My rater regularly explains to me what he or she expects of my performance
- 4 The PAP allows me to help set the performance standards that my supervisor will use to rate my performance

Rater confidence

- 5 My organization makes sure that I am assigned a rater who is qualified to evaluate my work
- 6 My organization ensures that I am assigned a rater who knows what I am supposed to be doing
- 7 My organization makes sure that my rater understands the requirements and difficulties of my work
- 8 My organization makes sure that my rater understands the PAP rating procedures and rating format
- 9 My organization makes sure that I am assigned a rater that knows how to evaluate my performance

Appraisal format and its content

- 10 The PAP makes sure that my performance expectations measure what I really do for the organization
- 11 The expectations set reflect the most important factors in my job

Providing feedback

- 12 My rater/organization lets me know how I am doing
- 13 My rater/organization gives me feedback regularly
- 14 My rater/organization routinely gives me feedback that is important to the things I do at work
- 15 My rater/organization reviews with me my progress

towards my goals

Accuracy of rating

- 16 My performance rating is base on how well I do my work
- 17 My performance rating reflects how much work I do

Explaining rating decision

- 18 My rater/organization helps me to understand the process used to evaluate and rate my performance
- 19 My rater takes the time to my rating result
- 20 My rater lets me ask him or her questions about my performance rating
- 21 My rater helps me understand what I need to do to improve my performance

Appeal Procedure

- 22 I have ways to appeal a performance rating that I think is biased or inaccurate
- 23 I can challenge a performance rating if I think it is unfair
- 24 My performance rating can be changed if I can show that it is incorrect or unfair
- 25 I am comfortable in communicating my feelings of disagreement about my rating to my supervisor

Reaction towards the overall performance appraisal system

- 26 overall, I think the PPR system is fair
- 27 I am satisfied with the appeal process of the performance appraisal system
- 28 I am satisfied with the feedback aspect of performance appraisal system
- 29 I am satisfied with the way the PA system is used to evaluate and rate my performance
My organization needs to make certain adjustments
- 30 to the existing PA system
- 31 I think my organization should change the way they evaluate and rate job performance

Section Three – if you would like to add any comments about your answers, or the PA system, please would you write them below.

7. Do you think the techniques applied are capable of accurately rating the performance of employees? If not what solutions do you suggest?
8. Is there a feedback process?
9. Is there an appeal procedure?
10. Are you satisfied with the performance appraisal system of your organization?
11. Is there a need to adjust or else totally change the process?
12. Any additional comment?