



THE PRACTICES AND CHALLENGES OF EMPLOYEE PERFORMANCE  
EVALUATION SYSTEM IN COMERCIAL BANKS OF ETHIOPIA (HEAD  
OFFICE)

Prepared by

ASTER ASSEFA GSE/7776/10

**A thesis submitted to the Department of Public Administration and Development  
Management of Addis Ababa University in partial fulfillment of the requirements for the  
Degree of Masters in Public Management and Policy (MPMP)**

July 2019  
Addis Ababa Ethiopia

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Public Administration and Development Management**

**THE PRACTICES AND CHALLENGES OF EMPLOYEE PERFORMANCE  
EVALUATION SYSTEM IN COMERCIAL BANKS OF ETHIOPIA (HEAD  
OFFICE)**

Prepared by

ASTER ASSEFA GSE/7776/10

**A thesis submitted to the Department of Public Administration and Development  
Management of Addis Ababa University in partial fulfillment of the requirements for the  
Degree of Masters in Public Management and Policy (MPMP)**

Advisor

Gemechu Ararssa (PhD)

July 2019  
Addis Ababa Ethiopia

**Addis Ababa University**

**College of Business and Economics**

**Department of Public Administration and Development Management**

This is to certify that the thesis prepared by ASTER ASSEFA entitled “*the practice and challenges of employee performance evaluation system in commercial bank of Ethiopia (at head office)*”, which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP), complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

**Approved by Board of Examiners:**

\_\_\_\_\_ Signature\_\_\_\_\_ Date\_\_\_\_\_

Advisor

\_\_\_\_\_ Signature\_\_\_\_\_ Date\_\_\_\_\_

Internal Examiner

\_\_\_\_\_ Signature\_\_\_\_\_ Date\_\_\_\_\_

External Examiner

\_\_\_\_\_ Signature\_\_\_\_\_ Date\_\_\_\_\_

Chair of Department or Graduate Programs Coordinator

# Contents

Declaration.....	i
ACKNOWLEDGEMENT.....	ii
LIST OF ACRONYMS .....	iii
Abstract.....	iv
List of tables.....	v
List of Figures.....	vi
CHAPTER ONE.....	1
1. INTRODUCTION .....	1
1.1 BACKGROUND OF THE STUDY .....	1
1.2 BACKGROUND OF THE ORGANIZATION.....	2
1.3 Statement of the Problem.....	3
1.3.1 Research Question .....	4
1.3.2 Objective of the Study .....	4
1.3.3 Specific Objectives .....	4
1.4 Significance of the study.....	5
1.5 Scope of the Study .....	5
1.6 Organization of the Study Report .....	5
CHAPTER TWO .....	6
REVIEW OF RELATED LITERATURE .....	6
2. INTRODUCTION .....	6
2.1 What is performance? .....	6
2.2 Performance evaluation system .....	6
2.3 Employee Participation in the Appraisal System.....	8
2.4 Performance Appraisal Methods.....	9

2.4.1 Traditional Methods of Performance appraisal techniques .....	9
2.4.2 Modern Methods of Performance Appraisal Techniques .....	11
2.5 Factors Influencing the Effectiveness of PA.....	11
2.6 Employees’ perception about the performance appraisal in their organizations.....	13
2.7 Performance Appraisal Processes / Guidelines.....	14
2.8 Problems of Performance Appraisal and How to Avoid Them .....	16
2.8.1 Serious Performance Appraisal Problems.....	16
2.8.2 Process Related Problems .....	17
2.8.3 Instrument (form) Problems.....	17
2.8.4 Manager/execution Problems.....	18
2.8.5 Employee/subject Problems.....	19
2.8.6 Timing Issues .....	19
2.9 Effective Performance Appraisal .....	20
2.10 Responsible Body to Conduct PA.....	21
2.11 Empirical Literature Review .....	21
2.12 Conceptual Framework.....	23
Chapter Three Research Design and Methodology .....	24
3.1 Research Design.....	24
3.2 Data type and source .....	24
3.3 Data Collection methods.....	25
3.4 Target Population.....	25
3.5 Sampling Method.....	26
3.6 Sample Size.....	26
3.7 Data analysis method .....	27
3.8 Ethical Consideration.....	27

CHAPTER FOUR.....	28
DATA PRESENTATION, ANALYSIS AND INTERPRETATION .....	28
4.1 Profile of the respondents .....	28
4.2 Employee Performance evaluations practice at Commercial Banks of Ethiopia.....	30
4.3 Perceptions of employees towards performance evaluation practice.....	34
4.4 Challenges in performance evaluation process of the commercial bank of Ethiopia .....	39
4.5 Action taken by the management to improve performance evaluation system.....	41
CHAPTER FIVE .....	46
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	46
5.1 Summary of Major Findings .....	46
5.2 Conclusions.....	48
5.3 Recommendations.....	49
References.....	50
Appendix	

## **Declaration**

I, the undersigned, declare that this thesis entitled “the practice and challenges of employee performance evaluation system in commercial bank of Ethiopia at (head office) ” my original work, prepared under the guidance of Gemechu Ararssa (PhD). I also further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earns any degree.

**Declared by:**

Name: \_ASTER ASSEFA

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Confirmed by Advisor:**

Name: Gemechu Ararssa (PhD)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **ACKNOWLEDGEMENT**

To do this study to reach its completion, many individuals were involved. I would like to thank them for facilitating this study in one way or another way.

First of all, I would like to thank the almighty God, alpha and omega, origin of all life and owner of all knowledge and wisdom, who gave me guarantee of salvation and the opportunity and strength to pursue my graduate study.

I am greatly thankful to my advisor **Dr. gemechu ararssa**, for all his guidance and advice throughout the process of this work.

I am also grateful to employees and management of CBE, who were supportive and cooperative in supplying important data and participating in questionnaire and interview of this study.

Last but not least, I would like to express my deepest thanks to my family and friends who shared my pains and willing to see my success throughout the courses of the study.

## **LIST OF ACRONYMS**

- PA - performance appraisal
- PE - performance evaluation
- CBE - commercial bank of Ethiopia
- HR - human resource
- PMS - performance management system

## **Abstract**

*This study is intended to assess the Practice and challenges of Employee Performance Evaluation system in Commercial Bank of Ethiopia (head office). On the source of data collected through questionnaires and interview; the researcher has tried to address some of the real problems of performance evaluation practice based on the opinion of the respondents and interview of PMS Manager in this organization. Selected Questionnaire was distributed to 358 employees of the bank working in head office. The findings of the research indicated that employee performance evaluation system has numerous benefits. Among them; it creates role clarity among employees, it enables to differentiate good and poor performers, and it creates a constructive competition among staffs. The system has also helped to motivate employees and encourage development through creating communications between the employees and their managers. It also improves both individual and the bank's overall performance. However, the researcher has found that there were challenges; lack of clarity in evaluations criteria, bias and favoritism in performance evaluation process, no appropriate documentation for performance appraisal, time also affect and employees' negative attitude towards performance evaluation. Managers are also not accountable or responsible for their wrong feedback. On the basis of the findings, the researcher recommended that, the bank has to take remedial actions in order to minimize evaluator bias and favoritism, feedback is given to appropriate time to the employee, appropriate data entering to oracle performance management system, manager keeping file or document properly every time.*

***Key words: performance evaluation practice***

## List of tables

Table 4.1 respondent information based on level of education.....	30
Table 4.2 summery of response about Performance evaluations practice at CBE.....	32
Table 4.3 The Bank is able to provide clear guidelines for performance appraisal .....	34
Table 4.4 The goal/standard setting process is participatory .....	35
Table 4.5 The performance appraisal helps employees to improve their performance .....	35
Table 4.6 My performance appraisal is a fair reflection of my performance.....	36
Table 4.7 I am satisfied with my involvement in decisions that affect my work.....	37
Table 4.8 My supervisor has adequate knowledge on performance evaluation system.....	37
Table 4.9 Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process .....	38
Table 4.10 Performance evaluation is conducted for the sake of formality.....	38
Table 4.11 summary responses of Challenges in performance evaluation process at CBE.....	40
Table 4.12 my manager keeps file on what I have done during the evaluation period to evaluate my performance .....	42
Table 4.13 my managers are well trained in assessing and giving feedback .....	42
Table 4.14 managers are accountable/ responsible for their wrong feedback/comments .....	43
Table 4.15 managers are two way communication to solve the problem .....	44
Table 4.16 managers should coach and monitor employees every time about performance evaluation.....	44

## List of Figures

Figure 2.10.1 Conceptual framework .....	23
Figure 4.1 Respondents information based on gender .....	28
Figure 4.2 respondents information based on age.....	29
Figure 4.3 respondent information based on work experience .....	30

# **CHAPTER ONE**

## **1. INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Performance evaluation is formal determination of an individual's job-related action and their outcomes with a particular position. In financial trading, its objective is to assess the extent to which the individual added wealth to the firm and /or its clients, and whether his or her achievement was above or below the market or industry norms.

Financial sectors especially Banks need to give great attention to their employees' performance and evaluation since employees are the first who represents the bank in front of those prestigious customers. In addition, employees are responsible to create excellent image about the bank to those customers in order to make the bank to be a leader in such competitive business environment. Hence "People have become the primary source of competitive advantage" (Wellins, Bernthal, & Phelps, 2005).

Somerick (1993) has proven that ineffective performance evaluation can be a cause for many problems, such as low morale, low productivity, a lessening of an employee's enthusiasm and support for the organization, high rate of skilled employee termination, high rate of customer turnover, high running costs and etc. Other scholars (Longenecker & Fink 1999) stated that formal evaluations are required to justify a wide range of human resource decisions like pay raises, promotions, demotions, terminations, training needs, and etc. The goal of performance evaluation system is to enhance the employee performance (as well as job satisfaction and commitment to the organization) and the performance of the organization James, Smither & Manuel (2009).

Now a day's competitive business world, it is understood that organizations can only compete with their rivals by innovating, and organizations can be innovative by managing their human resources well. The human resource system can become more effective by having a valid and accurate performance appraisal system used for rating employees (Armstrong, 2003; Bohlander & Snell, 2004).

## 1.2 BACKGROUND OF THE ORGANIZATION

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the state bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa bank. Since then it has been playing significant roles in the development of the country. CBE also pioneer to introduce modern banking to the country. CBE has more than 1280 branches stretched across the country. The leading African bank with assets of 565.5 billion birr as on June 30<sup>th</sup> 2018. CBE plays catalytic role in the economic progress and development of the country. It is the first bank in Ethiopia to introduce automated teller machine (ATM) service for local users. Currently CBE has more than 18.8 million account holders and the number of mobile and internet banking users also reached more than 1,736,768 as of June 30<sup>th</sup> 2018. Active ATM card holders reached more than 4.4 million. As June 30, 2018, 1708 ATM machine and 11796 POS machine were available. It has the strong respondent relationship with more than 50 renewed foreign banks like comers' banks A.G, royal bank of Canada, city bank, HSBC banks... and also CBE has a SWIFT bilateral arrangement with more than 700 other banks across the world. It has more than 33000 talented and committed employees.

Source (<http://www.combanketh.et>)

As indicated from the company manual, starting from November 2010, the Commercial bank of Ethiopia has initiated the institutionalization of the balanced scorecard as a strategic management tool that would enable it to formulate and implement its strategy and track its performance accordingly. Since, it has successfully implemented in terms of achieving objectively measuring the contribution of processes, districts and branches towards the realization of the annual goals and targets proposed at the respective levels. This has created a fertile ground to link employees' performance with organizational objectives and goals. This in effect has brought about the creation of a mechanism that helps to visualize explicitly their contributions at corporate level as well. However, the integration of corporate performance indicators and measuring the outcomes at the individual level was missing. Following this, the implementation of employee performance management system was begun with the main aim of aligning the strategic objectives of the bank to that of individual level so that each individual employee performance will be tracked in

relation to the targets or goals given to the respective place of assignment. It is also implemented to provide a context in which the development need of the job holders can be addressed and allows the bank to manage its resources within a strategic framework and achieve better performance so that the bank can realize its vision to become a world class commercial bank by the year 2025. (CBE performance management system follow-up report (2015) accessed on CBE Portal). So this study will see the practice and challenges of performance evaluation system in commercial banks of Ethiopia.

### **1.3 Statement of the Problem**

Performance evaluation system provides a good opportunity to formally recognize employees' achievements and contributions to the organization, and to ensure that a clear link is established and maintained between performance and reward. The goal of performance evaluation system is to enhance the employee performance (as well as job satisfaction and commitment to the organization) and the performance of the organization (James, 2009).

Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. Especially in organizations that use performance management as a basis for pay and other HR decisions, it is important to ensure that all employees are treated in a fair and equitable manner (Pulakos, 2004).

The commercial bank of Ethiopia has implemented employee performance management system in the year 2014 in order to aligning the strategic objectives of the bank to that of individual level. But the implementation has been faced different types of challenges, some of these are, an alignment of performance management system with benefit packages and two extreme appraisal score (1 up to 4) for internal business process target have been given, unbalanced goals, There is a tendency of evaluating individual performance on the target not actually given, the employees performance may not be as expected. (CBE performance management system follow-up report (2015))

As the study is intended to fill the knowledge gap, the researcher makes an effort to investigate and analyze uncover the root cause of problem associated to the performance evaluation systems and also the study gives to the best alternative action for improvement of performance management systems in commercial bank of Ethiopia.

### **1.3.1 Research Question**

The study was guided by the following research questions: the practice and challenges of performance evaluation system in commercial banks of Ethiopia.

1. How is performance evaluation conducted at Commercial Banks of Ethiopia?
2. What is the perception of employees towards the performance evaluation practices of the bank?
3. What are the major challenges in performance evaluation process of the commercial bank of Ethiopia?
4. What types of actions/measures are taken by the bank to improve its performance evaluation system and practices?

### **1.3.2 Objective of the Study**

The general objective of this study was assessed the practices and the challenges of employee performance evaluations system at commercial banks of Ethiopia (head office).

### **1.3.3 Specific Objectives**

1. To examine the performance evaluation practice of the bank.
2. To assess the perception of employees towards the performance evaluation practices of the Bank
3. To identify the major problems related to performance evaluation system of the bank.
4. To identify the measures/actions taken by the management of the bank in order to improve performance evaluation system and practices of the Bank.

## **1.4 Significance of the study**

Since performance evaluation have various advantages for both organization and employees, such as pay raises, promotions, demotions, terminations, training needs, and etc. this is for employee side and for the organization side to enhancing banks performance as a hole. So, this study would support by identifying the problems of performance evaluation system and give signal to the Human Resource Management of the bank to take remedial action to minimize the barriers of performance evaluation in prospecting employees for different reasons as mentioned above.

In addition to this, the result of the study may help as an input for researchers who want to make farther improvement in this area of study for the future

## **1.5 Scope of the Study**

This study has focused on the practice and challenges of employee performance evaluation system at commercial bank of Ethiopia specifically head office. Under head office there are 9 chief executive levels.

## **1.6 Organization of the Study Report**

This research paper is organized in five chapters; the first chapter is an introductory part of the study which introduces the overall study. This part consists of back ground of the organization, problem statement, research questions, objectives, significance and scope of the study. The second chapter focuses on review of related literatures in which previous studies are consulted. The third chapter, research design and Methodology, emphasizes on the design of the study and the methodologies used. In this chapter research design, sample size and sampling techniques, source of data and data collection tools, data collection procedures and data analyzing method are discussed. The fourth chapter is devoted to data presentation, analysis and interpretation in which the collected data are analyzed and organized in meaningful manner so as to meet the objectives of the study. The fifth and last chapter is concerned with summary, conclusions and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2. INTRODACTION**

In this part of the study, the researcher has reviewed related literatures. This chapter includes the theoretical review, empirical review from previous related works and finally conceptual framework has been formulated.

##### **2.1 What is performance?**

According to Armstrong (2009) there are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments. Job performance is a function of two different things: what the person accomplishes and how the person goes about doing the job. Probably all of us have encountered people who were excellent at one and fail at the other. Thus, for an organization to be successful, both behaviors and results are important Dick (2002). Almost all definitions given in one way or another are concerned about the same thing: behavior and result. That is why Armstrong (2009) said a more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. Thus performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. This definition of performance leads to the conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered.

##### **2.2 Performance evaluation system**

Performance evaluation is the human resource management activity that is used to determine the extent to which an employee is performing the job effectively Ivancivich (1998). Performance evaluation is the process of determining how he/she is performing on the job and ideally establishing a plan of improvement Mathis and Robert (1997).

Many researchers and experts assert that sets of guidelines for design of performance management systems would lead to high performance Kaplan and Norton (2006). While

approaches to evaluation may vary, there are common features of performance management systems. Generally, these are a clear link between the goals of the organization and the work of the individuals; and work plans or objectives that are decided, with deadlines, at the start or during the year and that link directly to organizational need. This includes a clear understanding by the individual of what they have to achieve and how it will be measured clear directions about the kinds of behaviors people must have to perform their duties to the levels that are acceptable by the organization and which can be measured.

As cited by Kim (2013) in an increasingly competitive world, performance improvement is not optional; it is essential for enhancing government's effectiveness and competitiveness. In the era of globalization and the borderless economy, competency and performance of government employees need substantial improvement. In that regard, having performance management and performance appraisal including PRP programs seems to be a good idea. However, the well-articulated system design based on in-depth understanding of complex human nature and effective management of such programs is a key to success. Having a good idea is not enough. So the good idea must be followed up by system improvements and sound practices. If performance measurement is simply viewed as a data collection and reporting exercise, it will serve little purpose to a policy community Hernandez (2002).

Recently, performance appraisal and performance measures faced criticism from government employees for various reasons. First, people dislike to evaluate as well as to be evaluated in general. Second, the seniority based system might be still prevalent in many organizations so that it is hard to change perception and behavior in the short term. Third, it is difficult to develop performance objectives and measurable performance indicators because the nature of public affairs is often hard to quantify. Fourth, these systems appear to require more paperwork and increase both performance pressure and stress. Fifth, many officials may lack in depth understanding about the nature of these systems and the difficulties setting performance objectives to fulfill for the year Kim (2011).

As cited by Aggarwal and Thakur (2013) in performance appraisal two types of measures are used: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable.

Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. Traditional Methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment. Traditional method involves ranking methods, graphic rating scales, critical incident method, and narrative essays. Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc. modern methods includes management by objectives, behaviorally anchored rating scale, human resource accounting, assessment centers, 360 degrees, and so on.

One of the most difficult requirements of an effective performance appraisal system is that it is as free as possible from bias. Raters as a human being cannot deny the involvement of bias in their decision making on performance of the rates. The only thing that the raters can do is to minimize the level of unfairness as possible. Work professionalism plays an important role for the reliability of the assessment process. There are many types of bias that creep into appraisal system and the most reported are subjectivity, regency effect, halo effect, central tendency and prejudice Teklu (2013). Accordingly, biasness, subjectivity, prejudice and the like challenges the proper implementation of performance evaluation and appraisal in public sectors.

### **2.3 Employee Participation in the Appraisal System**

Rasheed et al. (2011), asserted their views about the participation of employees in appraisal systems. They said that through participation, employees are given an opportunity to raise their voice. They further added that biasness reduces and trust on the supervisors develops when performance standards and criteria for evaluation are set with the help of employee in a joint session between employee and supervisor. Decreased employee participation increases appraisal related tension and appraiser- appraise conflicts. Comprehensive and effective participation within the performance appraisal consists of joint rater-rate development of: 1) performance standards, 2) the rating form, 3) employee self-appraisal, and 4) rate participation in the interview (P.E, 1992, as cited in Roberts, 2003). Performance Standard Participation Clear and specific standards of performance are major elements of a valid and reliable performance appraisal system. The key is to develop standards that measure the essential job duties and

responsibilities utilizing a balance of process, outcome, and individual and group-based performance standards. The development of reliable, valid, fair and useful performance standards is enhanced by employee participation, as workers possess requisite unique and essential information necessary for developing realistic standards (Jordan, 1990, as cited in Roberts, 2003). Rating form participation

Employee participation in developing the rating form and appraisal procedures is the logical extension of the development of performance standards. The rating form summarizes the formal operational definition of what the organization considers worthy of formal appraisal. As such, it is important to gather employee input on the aspects of performance formally appraised as well as the measurement scales provided Roberts (1996).

## **2.4 Performance Appraisal Methods**

### **2.4.1 Traditional Methods of Performance appraisal techniques**

**Ranking Straight:** This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance and then the performance of one is compared with the other in all parameter. This method does have lot of drawbacks since peoples are different in behavior, way of working, style and concept of perfection, straight ranking techniques do not consider these factors Dewakar (2009).

According to Saiyadain (2004), if an employee is evaluated by more than on supervisor, each one of the supervisors will rank the employee according to their own assessment and the mean will determine the employee performance. Comparison among the employees will be done by the mean result.

**Comparing by Way of Paired Ranking:** As compared with ranking straight method this method is relatively better technique of comparison. Hence, the performance of one is compared with all members of the group. This method was short-lived because it was found to be quite difficult to design and it was time consuming and difficult to implement in a large number of people Dewakar (2009).

The ranking techniques are determined by the number of time that the employee is superior over their co-worker. However, since this comparison is made on an overall basis and not in terms of specific job behavior or output, it may be subject to legal challenges Casico (2004).

**Assessment of Linear Rating Scale:** This method is also known as graphic method since the parameters are putted in a graphic forms and tick box will be put in front of each parameters to rate employees from excellent performer to poor performer. The drawback of this method is that rater subjectivity is possible, But still most organizations throughout the world are using it and it is the most popular techniques Dewakar (2009).

**Evaluation on the Parameter of Critical Incidents:** In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behavior as and when they occur Dewakar (2009).

The objective of critical incident method of performance appraisal technique is improve the supervisors ability as an observer and helps to train supervisors in taking notes while critical incidents on outstanding example of success or failure happens Saiyadain (2004).

This method helps the supervisor to provide actual examples of good and poor performance that use to explain employees rating, also it insure that the appraisal process cover the year. But this method is not too useful for comparing employees or making benefit decision Dessler (2005).

**Evaluation by the Group:** As the name indicates this is a group evaluation technique. Here, the group will determine job performance standards and evaluate with the actual performances. Since the evaluation process is taken under a group it is time consuming but it eliminate the scope of any bias and it is quite simple Dewakar (2009).

**Appraisal by Field Review:** In this method, the expert evaluator, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias Dewakar (2009).

## 2.4.2 Modern Methods of Performance Appraisal Techniques

**Multi-level Multi-source Feedback System (360 Degree Feedback):** 360 degree feedback techniques can be defined as a systematic collection and feedback of performance data on an individual or group derived from a number of stakeholders (the boss, team members, peers, customers, subordinates) in their performance Dewakar (2009).

360 Degree feedback system does work first by developing questionnaires, these questionnaires could be in a mixed or grouped forms, the respondents who are the stakeholders stated above do have a choice of alternative in relation to a particular question, in addition even they can skip the rating. Moreover the individual who is going to be evaluated do have a chance to evaluate himself. Then all the respond will be collected summarized and conduct to the individual Dewakar (2009).

### 2.5 Factors Influencing the Effectiveness of PA

PA can be influenced by three major factors appraisal system, subordinate and supervisor relationship, and the interview process. Michael Beer (1987) has discussed these three factors than can influence appraisal outcomes. First, the appraisal system can be designed to minimize the negative dynamics causing problems of performance appraisal. The supervisor often has only marginal control over these matters. Second, the ongoing relationship between boss and subordinate will have major influence on the appraisal process and outcome. Third, the interview process itself, the quality of communication between boss and subordinate, can help to minimize problems of performance appraisal.

**The appraisal system:** In order to solve the problem of defensiveness of rates that resulted as a result of conflict in the goals of performance appraisal, raters should conduct two separate performance appraisal interviews one focused on evaluation and the other coaching and development. The other solution is choosing appropriate performance data. For instance, using behavioral rating scales and behavior related appraisal techniques may solve this problem.

**Supervisor-subordinate relations:** The quality of the appraisal process is dependent on the nature of the day-to-day boss subordinate relationship. In an effective relationship, the supervisor

is providing feedback and coaching on an ongoing basis. Thus, the appraisal interview is merely a review of the issues that have already been discussed. On the other hand, if a relationship of mutual trust and supportiveness exists, subordinates are more apt to be open in discussing performance problems and less defensive in response to negative feedback.

There are no easy techniques for changing a boss subordinate relationship. It is highly affected by the context with in which the boss and subordinate work, the broader culture of the organization, and the climate of the primary work group will have important influences on boss-subordinate relationship. If the organization culture encourages participative management, open communication, supportiveness accompanied by high standards of performance, a concern for employees, and egalitarianism, it is more likely that these values will characterize.

**The appraisal interview:** The best techniques for conducting a particular appraisal interview depend on the mix of objectives pursued and the characteristics of the subordinate. Employees differ in their age, experience, sensitivity about the negative feedback, attitude towards the supervisor, and desire for the influence and control over their destiny.

According to Michael Beer (1987) there are three types of appraisal interviews each with distinct specific objectives. The differences are important in determining the skills required by the supervisor and the outcomes for employee motivations and supervisor-subordinate relationships. The three methods are termed as: tell-and-sell, tell-and-listen, and problem solving.

**The tell and sell method:** The aim of this method is to communicate evaluations to employees as accurately as possible. The fairness of the evaluation is assumed and the manger seeks (1) to let the subordinate know how they are doing, (2) to gain their acceptance of the evaluation, and (3) to get them to follow the manger's plan for improvement. In the interview, supervisors are in complete control; they do most of the talking. They attempt to influence and persuade subordinates that their observation and recommendations are valid. Clearly, this method leads to defensiveness, lack of trust, lack of open communication and exchange of invalid information and it can hurt supervisor-subordinates relations.

*The tell and listen interview:* The purpose of this interview method is to communicate the evaluation to the subordinate and then let him /her respond to it. This method is apt to result in better understanding between supervisor and subordinate than the -tell and sell method.

## **2.6 Employees' perception about the performance appraisal in their organizations**

According to McShane and Glinow (2000), Perception is the process of receiving information and making sense of the world around us. It involves deciding which information to notice, how to categorize this information, and how to interpret within the framework of our existing knowledge. Perceptual process is the dynamics of selecting, organizing, and interpreting external stimuli. The perceptual process begins when environmental stimuli are received through our senses. Most stimuli are screened out; the rest are organized and interpreted based on various information- processing activities. The resulting perceptions influence our emotions and behavior toward those objects, people, and events.

According to Armstrong (2009), Perception is the intuitive understanding, recognition and interpretation of things and events. Behavior will be influenced by the perceptions of individuals about the situation they are in. The term “psychological climate” has been coined to describe how perceptions give the situation psychological significance and meaning.

Therefore, the perception of employee about their performance appraisal depends upon their understanding of themselves and interpretation of their own.

### **Perception about the Performance Appraisal System Fairness and Objectiveness:**

Performance appraisal should be fair and objective oriented, if it is for aligning employees to organizational goals and employees’ development. Fairness is emphasized more specifically; trust will be developed if management acts fairly, equitably and consistently, if a policy of transparency is implemented, if intentions and the reasons for proposals or decisions are communicated both to employees generally and to individuals, if there is full involvement in developing reward processes, and if mutual expectations are agreed through performance management. Failure to meet these criteria, wholly or in part, is perhaps the main reason why so

many performances related pay schemes have not lived up to expectations. The starting point is to understand and apply the principles of distributive and procedural justice.

One antecedent to distributive and procedural justice of performance, appraisal is social justice between groups and employees. When we do not compensate employees fairly, by basing their compensation on work results, then the employees waste their time rather on getting the desired levels of compensation and not on improving their work. According to Susan (1995), performance evaluation system is fair if: 1) It provides adequate notice; 2) fair hearing which requires a formal review of meeting in which an employee is informed of a tentative assessment of his/her performance and employees are permitted to challenge the assessment; and 3) Judgment based on evidence that requires the organization to apply performance standards consistently across employees.

## **2.7 Performance Appraisal Processes / Guidelines**

According to Islam (2005) employees' performance management techniques should have to consider the following areas in order to come up with good performance appraisal techniques.

### **Employee Participation**

In any case, if the employees perceive the appraisal system as biased, unfair and lacks rigors, then it is unlikely that they will accept the outcomes of the system.

Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself – all can be developed with the help of employees Islam et al (2005).

### **Developing Performance Standards**

When developing standards, they must be essential to measure the job duties and responsibilities. In addition, participation of employees will make the standard reliable, valid, fair and useful performance standards Islam et al (2005).

### **Goal Setting**

Setting goal specifically performance measurement goal will motivate employees and create appraisal satisfaction, especially when the criteria's are specific, measurable, moderately challenging and acceptable (Islam et al 2005).

### **Sound Performance Appraisal Interview**

The appraisal interview must be conducted properly in order to get the most out of it.

The interviewer must be aware about sensitivity to employee needs for privacy and confidentiality. It is of utmost importance to provide undivided attention during the interview and reserve adequate time for a full discussion of the issues. Moreover an open ended question increase participation of employees in the evaluation processes Islam et al (2005).

### **Self-Evaluation**

Self-evaluation provides employees an opportunity to systematically assess their performance. Studies have indicated that self-evaluation increases employees' perceived fairness on the appraisal process. Employees can evaluate themselves by completing their own appraisal form and presenting the draft for discussion with the evaluator Islam et al (2005).

### **Management Feedback**

Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tells them to improve, they will think that the present level of performance is accepted in the organization and they may not put extra efforts to improve Islam et al (2005).

### **Evaluator training**

The main reason for employee and supervisor's frustration with the performance appraisal forces is that a large number of managers are poorly trained in how to give feedback to employees. The person who conducts the appraisal exercise should receive extensive training in goal setting, setting performance standards, conducting interviews, providing feedback, avoiding rating biases, etc. He/she should know how to conduct appraisals accurately, consistently, fairly and objectively. In particular, top management must be aware about the competency level of the raters as mentioned by Islam et al (2005)

## **2.8 Problems of Performance Appraisal and How to Avoid Them**

John Sullivan, with his magazine has explained the top 50 problems with performance appraisal. He categorized them as, most serious performance appraisal problems, process related problems, instrument (form) problems, manager/execution problems, employee/subject problems and timing issues. With his explanation he has clearly shown us that evaluating employee performance has many dimensions of difficulties which need to give serious attention. (<http://www.tlnt.com>). Some of these performance appraisal problems those related with this study are briefly discussed in the following section;

### **2.8.1 Serious Performance Appraisal Problems**

According to the Author mentioned above some of the most serious performance appraisal problems include the following.

**Don't assess actual performance:** - Most of the time managers assess to factors that contributes to actual performance like characterizations of their personal "traits" (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance) rather than assessing the actual output.

**Infrequent feedback:** - feedback is given at the time of conducting performance result, but feedback need to be given at formal interval before conducting performance appraisal result.

**Non-data-based assessment:** - most performance appraisal processes are subjective due to not having pre populating forms with data to evaluate individuals. Decision made based on such subjectivity leads to poor performance appraisal process and creates bias among the individuals.

**Lack of accountability:** - most of the time managers are not accountable for their in accurate feedback or for making mistakes. If an individual keep silent with the wrong feedback given by his immediate supervisor no one will ask the supervisor his/her reason for the wrong feedback. In practice the supervisor is asked when the question is come from the individual.

## 2.8.2 Process Related Problems

As per Sullivan magazine process related problems includes the following.

**Disconnected from rewards:** - sometimes performance appraisal is not liked with employees benefit package or punishment like getting a merit raise, bonus, or promotion, demotion etc. At this time supervisors and manager may take the performance appraisal process carelessly.

**Each year stands alone:** - each performance appraisal by definition covers a finite period of time. However, if the goal is to assess potential and identify patterns, an employee's performance must be assessed over multiple years.

**A focus on the squeaky wheel:** - most performance appraisal systems focus on weak performers. There is significantly less focus on top performers and thus there is no system to capture their best practices and then to share them with others.

**No second review:** - in most organization performance appraisal is conducted by a single supervisor and conducted to the individuals. Since performance appraisal is conducted for the benefit of both individual and organization; to get accurate and fairness result a second review is necessary.

**Cross-comparisons are not required:** - most of the time performance appraisal processes are not done by comparing each member of the team with one another. A cross comparison is require in order to identify the strongest and weakest side of one another.

## 2.8.3 Instrument (form) Problems

As ascertained by Sullivan in his magazine, Instrument (form) related problems of performance evaluation process includes,

**Doesn't address diversity:** - all too often, the same appraisal form is applied to a large but not homogeneous group of employees (i.e. all hourly, all exempts, all managers etc.). As a result, the assessment form does not fit the job.

**The factors are all equal:** - most forms treat all assessment factors as if they are of equal importance. Instead, they should be weighted based on their relative importance in a particular job.

**Disconnected from job descriptions:** – in many cases, the factors on the form are completely different from the factors on an employee’s job description, bonus criteria, or yearly goals. This can confuse employees and cause them to lose focus.

#### **2.8.4 Manager/execution Problems**

Managers related problems are the most briefly stated problems of performance evaluation process by the Author. Below are some of common managers’ related problems explained by the Authors mentioned.

**Managers are not trained:** - in most organizations, managers are not trained on how to assess and give honest feedback. If the process includes a career development component, it is even more likely that managers will not know how to enhance the career path of their employees.

**Gaming the system:** - often managers artificially rate individual employees to save money or to keep employees from becoming visible for promotion. Some selfishly give a score just below that required for a pay increase, while others give scores just above the point where they would be required to take disciplinary action.

**Recency errors:** - managers, especially those who don’t consult employee files and data, have a tendency to evaluate based primarily on events that occurred during the last few months (rather than over the entire year).

**Inconsistency across managers:** - some managers are naturally “easy raters” while others are not. As a result, employees working under easy managers have a better chance of promotion due to their higher scores. In firms that rely heavily on the narrative portion of the assessment, having a manager with poor writing skills may hamper an employee’s career. Without “benchmark” numbers to set as a standard, inconsistency is guaranteed in large organizations.

**Managers don’t know the employee:** - managers of large and global organizations, as well as newly hired and “transferred in” managers may be forced to do appraisals on employees they barely know. Recently promoted managers may be forced to assess their former friends and colleagues.

### **2.8.5 Employee/subject Problems**

Employees related problems are also briefly explained by the author In addition to the above mentioned types of PA problems. Some of the problems raised in relation with employees are:-

**One-way communication:** - some managers simply give the employee the form to quickly sign and they don't even solicit feedback. Many employees are intimidated by managers and the process, and as a result, they say nothing during or after the appraisal.

**Self-assessment is not possible:** - Generally employees do not have a chance to evaluate themselves. It is possible to say that this practice is not implemented yet. But giving a chance to self-assessment will create a smooth environment and end up with good performance appraisal result.

**One-way process:** - in most cases, employees do not have information about the factors on how they will be evaluated. Managers conduct the evaluation process in on way. There is no formal and informal communication between employees and managers prior to conducting the appraisal.

**Retention issues:** - employees' retention issue rose when the performance appraisal process is conducted unfairly. Top employees are turns to look for another job when they feel that the performance appraisal is unfair and no differential in recognition and rewards for their superior performance.

**Many possible emotional consequences:** - if performance appraisal is blotched, you can expect a decrease in employee engagement, trust employer brand strength, teamwork, and innovation contribution. Employee referrals from disgruntled employees will probably also drop.

### **2.8.6 Timing Issues**

**A time-consuming process:** - most of the forms are incredibly long and time consuming. As a result, some managers routinely recycle "last year's" evaluations. If HR is required to sit in on the sessions, the amount of wasted time increases significantly.

## **2.9 Effective Performance Appraisal**

As asserted by Saiyadain (2003) effective performance appraisal systems that are applicable in this research are:-

### **Relevance**

As asserted by the author, the performance standards/criteria should be clearly linked with the organization goal and the employee's specific job duties and responsibilities. Moreover the performance standards / criteria should measure how well an employee has done the work. He has defined relevance as

*“What really makes the difference between success and failure on a particular job, and according to whom?” Saiyadain (2003)*

From the above definition we can understand that the performance evaluation criteria in addition to linked with the goal and objective of the organization, it should have to measure the performance /achievement of employees out com.

### **Sensitivity**

According to Saiyadain (2003) the performance appraisal system should have to differentiate between good performer and poor performer. While doing so, employees' morale will be built and the performance appraisal result can be used for administrative purposes. If not; the process will be pointless work.

### **Reliability**

This is the most important requirement of effective performance appraisal techniques. The performance evaluation result done by different parts (such as, Supervisors, Peers, Subordinates) should have to agree closely with one another. In order to do this all the evaluator need to have enough time to observe the individual. Saiyadain (2003)

### **Practicality**

The performance appraisal process of an organization need to be as simple as to put in to practice, Moreover the outcome of the result needs to serve its purpose. The purpose could be

employees' promotion, bonus, salary increment and employee's recognition or demotion. (Saiyadain 2003)

## **2.10 Responsible Body to Conduct PA**

PA is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. Tosi, Rossi and Carroll (1986) said (wrote) as follows: "Performance evaluation by one's superior, groups of management at higher levels subordinated or peers. It has been department and for certain purposes, self-ratings are used." Additionally, Mathis and Jackson, (1997), also wrote as follows: Again performance appraisal can be done by any one of familiar with the performance of individual employees. Possibilities are including the following.

Supervisors who rate their employees

Employee who rate their supervisors

Team members who rate each other

Outsider sources

Employee selfappraisals

Multiscore (360°) appraisal

## **2.11 Empirical Literature Review**

According to Bhattacharjee and Sengupta (2011) studied that employees are the most crucial and valuable assets for an organization. If an organization wants to gain speedy growth, it is very important to manage the Human resource of the organization well. It is a challenging task to identify the gap between the actual competence of human resource working in the organization and the desired competence expected out of them and then bridge the gap. Since the time an employee enters the organization till the time they leave the organization, it becomes essential to identify the entire cycle of what competency is expected and what do they actually possess so that their performance can be managed and strategic advantage can be achieved.

According to Nihinlola (2014) studied that Perception of Employee towards Performing Performance Evaluation System at National Horticultural Research Institute (NIHORT) Nigeria, The overall perception of the respondent shows negative result that the employees perceived towards the practice, indicated that the system was affected by subjectivity and influenced by major errors and bias.

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

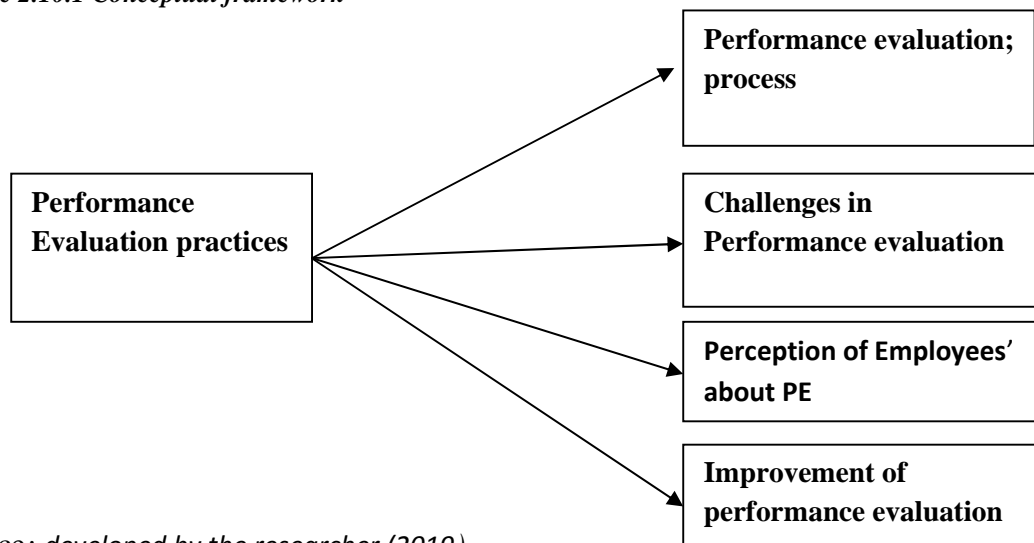
Based on the literature reviewed the above in this chapter the researcher has got a clear understanding about the concept and overview of performance evaluation system.

John (2011) with his magazine has explained some challenges/problems with performance appraisal. He categorized them as, most serious performance appraisal challenges, process-related, instrument (form) challenges, manager/execution challenges, employee/subject challenges and timing issues. The most serious ones include, not assessing real performance (rather ending up in comparison of manager's traits with the employee), Occasional feedback, Non-data-based assessment, Lack of responsibility.

## 2.12 Conceptual Framework

The conceptual framework indicates the crucial practice, which is useful to show the direction of the study. The study shows the variables, performance evaluation use to cascade organizational goal to individual performance, challenges of PE such as not appropriate document, lack of performance criteria, evaluator bias, and manager not give feedback on time. Perception of employee in PE either negative or positive, measure taken to improve PE such as continues training, properly data tracing in to oracle performance management system.

*Figure 2.10.1 Conceptual framework*



Source: *developed by the researcher (2019)*

## **Chapter Three Research Design and Methodology**

### **3.1 Research Design**

This study applied both qualitative and quantitative approach (mixed method approach). The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies (Creswell 2012). Hence, by applying the mixed method the researcher has tried to ensure the strength of the findings towards being more objective and generalized to the entire population.

Kothari (2004) identified that to describe the characteristics of a particular phenomenon, descriptive research is preferable. It is concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation. According to Best (1970), cited in Louis Cohen et al. (2007) descriptive research is concerned with: conditions or relationships that exist, practices that prevail, beliefs, points of views, or attitudes that are held, processes that are going on, effects that are being felt, or trends that are developing.

### **3.2 Data type and source**

According to Adams, Raeside & White (2007), there are two types of data, primary and secondary. The primary data are those which are gathered for the first time and afresh and thus collected for the case at hand. Secondary data is a data collected by someone else and there is a great deal available to researchers from books, libraries and on the web. For the purpose of this study in order to obtain relevant information both primary and secondary data were used.

Primary data was collected using interviews and questionnaires from the PMS managers and employees of the Commercial Bank of Ethiopia. The questionnaire was based on the mentioned research questions.

The secondary data sources were collected from different published and unpublished materials such as reference books, journals and the internet. In addition company reports, annual reports, and HR manuals of the bank had also used as a secondary data sources.

### 3.3 Data Collection methods

The researcher has used questionnaire and interview form manager performance management as the tools for obtaining the necessary primary data information for the research. The questionnaire would made up of open-ended and closed-ended items. The questionnaire was largely closed-ended and it has been measured by a five-point Likert scale (from strongly Agree to strongly disagree).

Semi structured interview would also schedule to gather information on the subject from the Chief Managers. The aim for using the interview guide was to enable the researcher gather other information that could not be captured with the questionnaire.

### 3.4 Target Population

The total population of the study was, employees of the bank found in head office

Under commercial bank of Ethiopia in head office total employees are 3379. According to these respondents were selected forms all these chief executive level. In this study the researcher choose head office level because of to get sufficient data for analysis, performance evaluation takes place in head office level and full data about profile of employee of commercial bank are existed in head office level.

Chief Business Office	552
Chief Credit Office	518
Chief Executive Office	19
Chief Finance Office	278
Chief Human Resource Office	328
Chief Internal Audit	111
Chief Legal Office	53
Chief Operation Office	1493
Chief Risk Office	27
Head office TOTAL	<b>3379</b>

Though, incorporating all employees' idea on the analysis would have been better for conclusion and generalization, but economically and operationally it would be very difficult to contact all employees in the research. Therefore, taking a respective sample of the population of the employees' has found to be feasible.

### 3.5 Sampling Method

The researcher used stratified random sampling method to select samples from the target population. Because even if according to commercial bank of Ethiopia the structures are two categories, the one is front line and the 2<sup>nd</sup> is back office. and also head office are back office but under head office 9 chief executive level but they have different 9 job category so the researcher used stratum for every chief level.

According to Kothari (2004) stratified sampling result in more reliable and detailed information and enable to get more representative samples.

### 3.6 Sample Size

by using Yamane (1967) as quoted in Israel, 2013 sample size calculation formula, the researcher has determined the total sample size and for respective divisions proportionally.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision. With the level of precision e= 5% and N= 3379;

$$n = \frac{3379}{1 + 3379(0.05)^2} = 357.66$$

Therefore, the sample size to be taken from the total population will be 358 employees.

	Sample frame	distribution sample
Chief Business Office	552	59
Chief Credit Office	518	55
Chief Executive Office	19	2
Chief Finance Office	278	29
Chief Human Resource Office	328	35
Chief Internal Audit	111	12
Chief Legal Office	53	6
Chief Operation Office	1493	158
Chief Risk Office	27	2
Head office TOTAL	<b>3379</b>	<b>358</b>

### **3.7 Data analysis method**

Once the required data were collected from the primary and secondary sources, it was analyzed through quantitative and qualitative data analysis methods. And, descriptive statistics help to describe the general level of agreement of respondents. It reveals the conformity of respondents' response about employee performance evaluation system in CBE. In addition, frequency and percentage were used to present the data. And tables and charts have been also used to ensure easy understanding of the analysis.

The collected data have been inserted into data sheets and made ready for data analysis using statistical packages for social sciences (SPSS) version 20.

### **3.8 Ethical Consideration**

The researcher has obtained the consent of the organization for the study. Employees who have completed the questionnaire were informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants have been informed about the purpose of the study and their privacy and dignity also maintained. Confidential information of the bank has not been disclosed and the collected data have been used for the purposes of the study only. Regarding published and unpublished materials used in the literature review and throughout all parts of the study, all citations from copyright holders have been made properly.

## CHAPTER FOUR

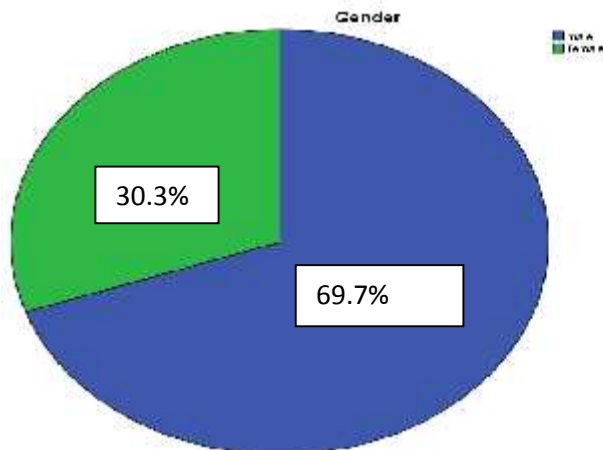
### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this section data presents, the data collected from both primary and secondary sources have been analyzed and interpreted in light of the research objectives the first part, discusses demographic information about the respondents, Then after part two discusses main part of question about performance evaluation systems. The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The questionnaire distributed to a total sample of 358 respondents. But the researcher collects 323 (90%).

#### 4.1 Profile of the respondents

According to fig 4.1 the total sample of the respondents 98 (30.3%) are female and 225 (69.7%) respondents are male so we can say that Commercial Bank of Ethiopia at head office widely covers male staffs. Indeed, the number of female respondents' participated in the study is almost proportional, given the total number of female employees in commercial bank of Ethiopia.

Figure 4.1 Respondents information based on gender

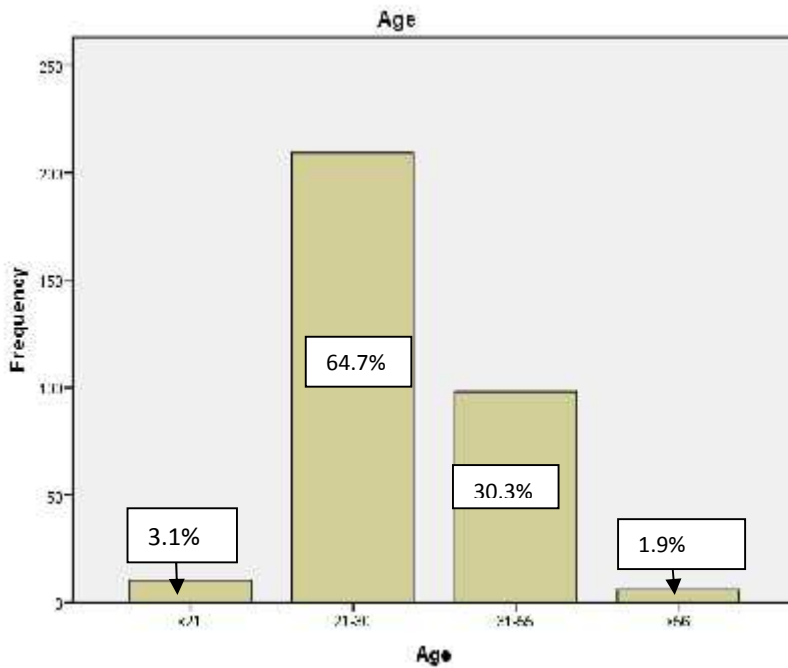


Source: questionnaire data (2019)

As indicated fig 4.2 below most of Commercial Bank of Ethiopia staffs age are 21-30 means that 64.7 % ( 209 respondents). So, majority of the bank's employee are in the young age, it helps the

bank to design a sound working system, since they can be trained, educated and developed. Age 31-55 covers 30.3 % ( 98 respondents) the total sample of 358 respondents. Age less than 21 proportionally minimum staff in commercial bank of Ethiopia 3.1 % (10 respondents). Age greater than 56 almost none 1.9% (6 respondents) from sample of 358 respondents.

**Figure 4.2 respondents information based on age**



Source: questionnaire data (2019)

As we can see table 4.1 the respondent status according to educational background 82% covers first degree holder. After that masters' degree covers 14.9%. Thirdly we see below college diploma covers 3.1%. This is because of that, in recent years the bank is hiring fresh degree graduates directly from universities and colleges.

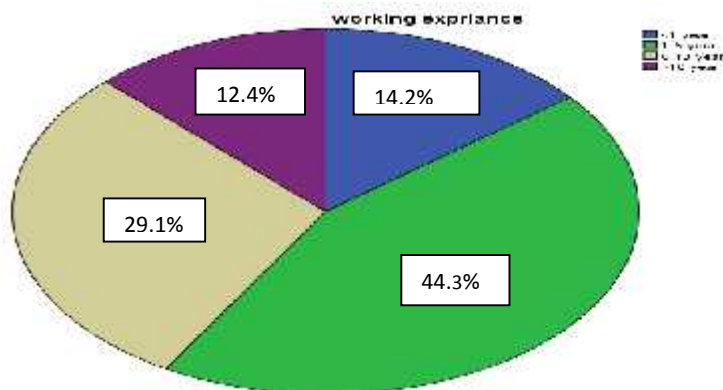
**Table 4.1 respondent information based on level of education**

	Frequency	Percent
College Diploma	10	3.1
BA/BSc Degree	265	82.0
Master's Degree	48	14.9

Source: questionnaire data (2019)

Fig 4.3 shows are work experience of respondents in order to this 44.3% covers year from 1 up to 5 years. Then year 6 up to 10 covers 29.1%.14.2% covers less than 1 years and finally greater than 10 years covers 12.4%.

**Figure 4.3 respondent information based on work experience**



Source: questionnaire data (2019)

## **4.2 Employee Performance evaluations practice at Commercial Banks of Ethiopia**

The analysis results regarding performance evaluation practices of the CBE are summarized in table 4.2 below.

As table 4.2 shows that from the total sample respondents 71.9% of respondents said strongly agree and agree that Performance evaluation criteria are aligned with the objective and goal of the bank. However, 15.4% of respondents responses strongly disagree and disagree those

performance evaluation criteria are aligned with the objective and goal of the bank. 12.7% of respondents say neutral that variable performance evaluation criteria are aligned with the objective and goal of the bank. The mean of this variable is 3.83. This Indicates constructive response about Performance evaluation criteria are aligned with the objective and goal of the commercial bank of Ethiopia. The goals of the unit and the organization are made clear, and the employee understands the link between what he or she does and organizational success. This is a contribution to the communication of what the unit and the organization are all about and how organizational goals cascade down to the unit and the individual employee.

Second variable, from total of respondents 66.6% responses strongly agree and agree that Performance evaluation criteria are specific and directly related to the job. But 20.4% responses strongly disagree and disagree that performance evaluation criteria are specific and directly related to the job. 13% of responses are neutral. The mean of this variable is 3.59 this means the sample of respondents give constructive response for commercial bank of Ethiopia Performance evaluation criteria are specific and directly related to the job. In commercial bank of Ethiopia job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviors and results required of their specific position. Employees also gain a better understanding of what it takes to be a successful performer (i.e., which criteria define job success).

Third variable, from the total sample of respondents 44.6% of response strongly agree and agree that realistic standard against which employee performance is measured in commercial bank of Ethiopia. However 27.9% of response strongly disagree and disagree that realistic standard against which employee performance is measured in commercial bank of Ethiopia. 27.6% response are neutral. The mean of this variable is 3.19 this indicates sample of respondents are positive response to that, realistic standard against which employee performance is measured in commercial bank of Ethiopia.

**Table 4.2 summary of response about Performance evaluations practice at CBE**

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
<b>Performance evaluation criteria are aligned with the objective and goal of the bank</b>	Count	24	26	41	122	110	323	3.83
	%	7.4%	8.0%	12.7%	37.8%	34.1%	100%	
<b>Performance evaluation criteria are specific and directly related to the job</b>	count	30	36	42	142	73	323	3.59
	%	9.3%	11.1%	13%	44%	22.6%	100%	
<b>There is realistic standard against which employee performance is measured</b>	count	22	68	89	114	30	323	3.19
	%	6.8%	21.1%	27.6%	35.3%	9.3%	100%	
<b>Feedback is given to employees about their performance evaluation so that they know where they are compared to the expected standard</b>	count	28	90	85	96	24	323	2.99
	%	8.7%	27.9%	26.3%	29.7%	7.4%	100%	
<b>While conducting the evaluation result there is enough time to Interview to hear and address employees' problems/needs.</b>	count	21	113	93	73	23	323	2.89
	%	6.5%	35%	28.8%	22.6%	7.1%	100%	
<b>Performance results are used constructively for development; purpose</b>	count	29	56	65	99	74	323	3.41
	%	9%	17.3%	20.1%	30.7%	22.9%	100%	
<b>There are mechanisms to handle employees' complaints regarding performance evaluation</b>	count	35	56	93	90	49	323	3.19
	%	10.8%	17.3%	28.8%	27.9%	15.2%	100%	

Source: questionnaire data (2019)

Fourth variable, from the total sample of respondents 37.1% responses strongly agree and agree that Feedback is given to employees about their performance evaluation so that they know where they are compared to the expected standard. However 36.6% responses strongly disagree and disagree or the statements of Feedback is given to employees about their performance evaluation so that they know where they are compared to the expected standard. 26.3% responses are

neutral. We can see the mean 2.99(below the average standards or mean less than 3) it indicates that the responses of the respondents negative for this statements, Feedback is given to employees about their performance evaluation so that they know where they are compared to the expected standard. Giving feedback is one of the core techniques that helps to improve employees' performance and helps employees to know their strength and improve their weakness; Managers should give feedback at common interval. It also coach employees and help them to improve performance on an ongoing basis.

Fifth variable, from the total sample of respondents 29.7% responses strongly agree and agree that while conducting the evaluation result there is enough time to Interview to hear and address employees' problems/needs. But out of 100%, 41.5% of respondent response strongly disagree and disagree that while conducting the evaluation result there is enough time to Interview to hear and address employees' problems/needs. 28.8% of responses are neutral. The mean of this variable is 2.89 (below the average) this shows that respondents response is negative for the statements, while conducting the evaluation result there is enough time to Interview to hear and address employees' problems/needs.

Sixth variable, from the total respondents 53.6% responses strongly agree and agree that Performance results are used constructively for development; purpose. However 26.3%of respondents responses strongly disagree and disagree, that Performance results is used constructively for development; purpose. 20.1% responses are neutral. When we come to this variable mean is 3.41 so the responses are positive that, Performance results are used constructively for development; purpose.

Seventh variable, from the total respondent 43.1% of responses strongly agree and agree that mechanisms to handle employees' complaints regarding performance evaluation. But 28.1% of respondent responses strongly disagree and disagree for the statements mechanism to handle employees' complaints regarding performance evaluation. 28.8% responses are neutral. The mean of this variable is 3.19 it means positive response to statements, mechanisms to handle employees' complaints regarding performance evaluation.

### 4.3 Perceptions of employees towards performance evaluation practice

The analysis results regarding perceptions of employees towards performance evaluation practices of the CBE.

According to table 4.3 states the employee perception about clear guidelines for performance appraisal in the commercial bank of Ethiopia from the total sample of respondents 59.8% of responses strongly agree and agree and 15.1% of responses strongly disagree and disagree. 25.1% of responses are neutral. The variable of the mean is 3.60. This indicates in commercial bank of Ethiopia have clear guidelines about performance appraisal.

**Table 4.3 The Bank is able to provide clear guidelines for performance appraisal**

	Frequency	Percent	Mean
Strongly Disagree	13	4.0	3.60
Disagree	36	11.1	
Neutral	81	25.1	
Agree	131	40.6	
Strongly Agree	62	19.2	
Total	323	100.0	

Source: questionnaire data (2019)

Table 4.4 states that 46.8% of respondent's responses strongly agree and agree of CBE goal/standard setting process are participatory. However 27.2% of responses strongly disagree and disagree in CBE goal/standard setting process is participatory. From the total of 26% responses are neutral. The Mean of this response is 3.22. It indicates majority of respondents agree to goal/standard setting process is participatory in commercial bank of Ethiopia. In the literature review In any case, if the employees perceive the appraisal system as biased and unfair, then it is unlikely that they will accept the outcomes of the system. Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself – all can be developed with the help of employees.

**Table 4.4 The goal/standard setting process is participatory**

	Frequency	Percent	Mean
Strongly Disagree	23	7.1	3.22
Disagree	65	20.1	
Neutral	84	26.0	
Agree	121	37.5	
Strongly Agree	30	9.3	
Total	323	100.0	

Source: questionnaire data (2019)

According to table 4.5 below associates, from the total respondents 63.7% of responses strongly agree and agree in commercial bank of Ethiopia performance appraisal help employees to improve their performance. But from the total of respondents 23.8% responses strongly disagree and disagree, it means in commercial bank of Ethiopia performance appraisal not helps employees to improve their performance. 12.4% responses are neutral. Average of the variable is 3.63. It states commercial bank of Ethiopia use performance appraisal helps employees to improve their performance, majority of the respondents agreed to this.

**Table 4.5 The performance appraisal helps employees to improve their performance**

	Frequency	Percent	Mean
Strongly Disagree	12	3.7	3.63
Disagree	65	20.1	
Neutral	40	12.4	
Agree	119	36.8	
Strongly Agree	87	26.9	
Total	323	100.0	

Source: questionnaire data (2019)

According to table 4.6 states that from the total respondents 43% of responses strongly agree and agree that my performance appraisal is a fair reflection of my performance. 35.3% of respondent response strongly disagree and disagree that performance appraisal is a fair reflection of individual performance. 21.4% of responses are neutral. The mean of this variable is 3.11 it indicates the much respondents agreed at commercial bank of Ethiopia the performance appraisal is a fair reflection of individual performance.

**Table 4.6 My performance appraisal is a fair reflection of my performance**

	Frequency	Percent	Mean
Strongly Disagree	23	7.1	3.11
Disagree	91	28.2	
Neutral	69	21.4	
Agree	106	32.8	
Strongly Agree	34	10.5	
Total	323	100.0	

Source: questionnaire data (2019)

Based on table 4.7 below from the total respondents 38.1% of responses strongly agree and agree, I am satisfied with my involvement in decisions that affect my work. However 39.6% of respondent responses strongly disagree and disagree, that satisfaction on involvement in decisions that affect individual work.22.3% of response covers neutral. The average of this response is 2.97 (less than 3) the interpretation this is more of respondents response are disagree; I am satisfied with my involvement in decisions that affect my work.

**Table 4.7 I am satisfied with my involvement in decisions that affect my work**

	Frequency	Percent	Mean
Strongly Disagree	32	9.9	2.97
Disagree	96	29.7	
Neutral	72	22.3	
Agree	95	29.4	
Strongly Agree	28	8.7	
Total	323	100.0	

Source: questionnaire data (2019)

According to table 4.8 below from the total sample of respondents 38% of responses strongly agree and agree that my supervisor has adequate knowledge on performance evaluation system. But 22.3% respondent responses strongly disagree and disagree my supervisor has adequate knowledge on performance evaluation system. 39% responses are neutral. The mean of these variables is 3.19 it means that CBE supervisor has adequate knowledge on performance evaluation system most of respondents are agreed or positive response.

**Table 4.8 My supervisor has adequate knowledge on performance evaluation system**

	Frequency	Percent	Mean
Strongly Disagree	25	7.7	3.19
Disagree	47	14.6	
Neutral	128	39.6	
Agree	88	27.2	
Strongly Agree	35	10.8	
Total	323	100.0	

Source: questionnaire data (2019)

As indicated table 4.9 from the total respondent of response 54.8% of strongly agree and agree for the statement of Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process. However 26.9% of responses strongly disagree and disagree, that Interpersonal relationship can influence the evaluation and the decisions in the performance

appraisal process. 18.3% of response is neutral. The average of this statement is 3.33(above the 3 so respondents had positive response).

**Table 4.9 Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process**

	Frequency	Percent	Mean
Strongly Disagree	30	9.3	3.33
Disagree	57	17.6	
Neutral	59	18.3	
Agree	131	40.6	
Strongly Agree	46	14.2	
Total	323	100.0	

Source: questionnaire data (2019)

Table 4.10 below states that from the total sample of respondents 40.2% responses strangely agree and agree that Performance evaluation is conducted for the sake of formality in commercial bank of Ethiopia. But 37.8% of responses strongly disagree and disagree for the statement of Performance evaluation is conducted for the sake of formality in commercial bank of Ethiopia. 22% say neutral. Mean of this statement is 2.90. This means the response of the respondent are negative. So commercial bank of Ethiopia used properly Performance evaluation for improvement of goals as well as individual performance.

**Table 4.10 Performance evaluation is conducted for the sake of formality**

	Frequency	Percent	mean
Strongly Disagree	73	22.6	2.90
Disagree	49	15.2	
Neutral	71	22.0	
Agree	97	30.0	
Strongly Agree	33	10.2	
Total	323	100.0	

Source: questionnaire data (2019)

#### **4.4 Challenges in performance evaluation process of the commercial bank of Ethiopia**

In This section we can see some challenges are faced the performance evaluation system in commercial bank of Ethiopia.

According to table 4.11 respondent response about Challenges in performance evaluation process at CBE from the total sample of respondents 58.6% of say strongly agree and agree that Lack of clarity in evaluations criteria. However 22.6% of respondent responses strongly disagree and disagree, that Lack of clarity in evaluations criteria.18.9% of responses are neutral. Again in this table other challenges are Lack of credible performance data. Based on this data from total respondents 61.9% of responses strongly agreed and agree. However 24.7% of respondent responses strongly disagree and disagree, that Lack of credible performance data. 13.3% of data responses are neutral.

Based on table 4.11 below another Challenge in performance evaluation process at CBE, Bias and favoritism in performance evaluation process 51.4% of from the total sample of respondents answered strongly agree and agree. However, 25.1% of responses strongly disagree and disagree that Bias and favoritism in performance evaluation process at commercial bank of Ethiopia. 23.5% of responses are neutral.

**Table 4.11 summary responses of Challenges in performance evaluation process at CBE**

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
<b>Lack of clarity in evaluations criteria</b>	count	20	53	61	121	68	323	3.51
	%	6.2%	16.4%	18.9%	37.5%	21.1%	100%	
<b>Lack of credible performance data</b>	count	23	57	43	133	67	323	3.51
	%	7.1%	17.6%	13.3%	41.2%	20.7%	100%	
<b>Bias and favoritism in performance evaluation process</b>	count	21	60	76	100	66	323	3.40
	%	6.5%	18.6%	23.5%	31%	20.4%	100%	
<b>There is no appropriate documentation for performance appraisal</b>	count	29	90	57	98	49	323	3.15
	%	9%	27.9%	17.6%	30.3%	15.2%	100%	
<b>The evaluation process takes longer time</b>	count	30	74	86	98	35	323	3.11
	%	9.3%	22.9%	26.6%	30.3%	10.8%	100%	
<b>Employees' negative attitude towards performance evaluation</b>	count	30	89	61	98	45	323	3.12
	%	9.3%	27.6%	18.9%	30.3%	13.9%	100%	
<b>Managers use performance evaluation results to hurt employees</b>	count	70	53	99	61	40	323	2.4
	%	21.7%	16.4%	30.7%	18.9%	12.4%	100%	

Source: questionnaire data (2019)

In the above table 4.11 we can see that Challenges in performance evaluation process at CBE There is no appropriate documentation for performance appraisal, respondent answered 45.5% strongly agree and agree from total of respondents. But 36.9% of respondent responses strongly disagree and disagree that no appropriate documentation for performance appraisal in commercial bank of Ethiopia. From the total respondents 17.6% of responses are neutral.

In the statement of the evaluation process takes longer time, the samples respondents answered 41.1% strongly agree and agree. And also 32.2% responses strongly disagree and disagree that

the evaluation process takes longer time in commercial bank of Ethiopia. 26.6% of responses are neutral. In table 4.11 also Challenges in performance evaluation process at CBE, Employees' negative attitude towards performance evaluation, the respondent responses 44.2% strongly agree and agree. However 36.9% of respondent responses strongly disagree and disagree, that Employees' negative attitude towards performance evaluation process. 30.3% of responses are neutral. In the above table 4.11 from the total sample of respondents 31.3% of responses strongly agree and agree for Managers use performance evaluation results to hurt employees. However 38.1% of responses strongly disagree and disagree that Managers use performance evaluation results to hurt employees. 30.7% responses are neutral. In general the above table we can see that the mean deviation of each variable (3.51, 3.51, 3.40, 3.15, 3.15, 3.11, 3.12 respectively) those all variables are positive responses. It means that the commercial bank of Ethiopia faced the above problems of performance evaluation process. According to the respondent answer Lack of clarity in evaluations criteria and Lack of reliable performance data are more focus or high mean value. But the statements, Managers use performance evaluation results to hurt employees that respondent responses are below average. So performance evaluation is not hurt to employee but to enhance the employee performance (as well as job satisfaction and commitment to the organization) and the performance of the organization.

#### **4.5 Action taken by the management to improve performance evaluation system**

According to table 4.12 below from the total respondent 43.4% of responses strongly agree and agree that manager keeps file on what I have done during the evaluation period to evaluate my performance. However 29.1% of respondent answered strongly disagree and disagree. 27.6% of responses are neutral. In the literature review, Supervisors must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance.

**Table 4.12 my manager keeps file on what I have done during the evaluation period to evaluate my performance**

	Frequency	Percent	mean
Strongly Disagree	30	9.3	3.18
Disagree	64	19.8	
Neutral	89	27.6	
Agree	99	30.7	
Strongly Agree	41	12.7	
Total	323	100.0	

Source: questionnaire data (2019)

From table 4.13 below from the total sample of respondent 38.1% of response strongly agree and agree that my managers are well trained in assessing and giving feedback. 37.1% of responses strongly disagree and disagree managers are well trained in assessing and giving feedback. 24.8% answered neutral. Most of time in commercial bank of Ethiopia managers is not trained on how to assess and give direct feedback. If the process includes a job development component, it is even more likely that managers will not know how to enhance the job description of their employees.

**Table 4.13 my managers are well trained in assessing and giving feedback**

	Frequency	Percent	mean
Strongly Disagree	23	7.1	2.98
Disagree	97	31.0	
Neutral	80	24.8	
Agree	103	31.9	
Strongly Agree	20	6.2	
Total	323	100.0	

Source: questionnaire data (2019)

In table 4.14 we can see that another measurement, from the total sample of respondent 37.1% of responses strongly agree and agree for that managers are accountable or responsible for their wrong feedback/comments. However 37.5% of responses strongly disagree and disagree that managers are accountable/responsible for their wrong feedback/comments. 25.4% of responses are neutral. Most of respondent say managers are not accountable for their in accurate feedback or for making mistakes. If an individual keep silent with the wrong feedback given by his immediate supervisor no one will ask the supervisor his/her reason for the wrong feedback. In practice the supervisor is asked when the question is come from the individual.

**Table 4.14 managers are accountable/ responsible for their wrong feedback/comments**

	Frequency	Percent	mean
Strongly Disagree	41	12.7	2.97
Disagree	80	24.8	
Neutral	82	25.4	
Agree	87	26.9	
Strongly Agree	33	10.2	
Total	323	100.0	

Source: questionnaire data (2019)

According to below table 4.15 from the total respondent 39%of responses strongly agree and agree that managers are two- way communication to employees to solve the performance evaluation problem. But 33.1% of responses strongly disagree and disagree that managers are two- way communication to employees to solve the performance evaluation problem. 27.9% of responses are neutral. Employees should feel free to communicate with their supervisors regarding their progress as well as problems while trying to achieve their objectives.

**Table 4.15 managers are two way communication to solve the problem**

	Frequency	Percent	mean
Strongly Disagree	24	7.4	3.10
Disagree	83	25.7	
Neutral	90	27.9	
Agree	90	27.9	
Strongly Agree	36	11.1	
Total	323	100.0	

Source: questionnaire data (2019)

Table 4.16 states that coaching and monitoring, so from sample of respondents 48% of responses strongly agree and agree that managers should coach and monitor employees every time about performance evaluation. However, 37.8% of response strongly disagree and disagree that managers should coach and monitor employees every time about performance evaluation. 14.2% of responses are neutral.

**Table 4.16 managers should coach and monitor employees every time about performance evaluation**

	Frequency	Percent	mean
Strongly Disagree	38	11.8	3.15
Disagree	84	26.0	
Neutral	46	14.2	
Agree	101	31.3	
Strongly Agree	54	16.7	
Total	323	100.0	

Source: questionnaire data (2019)

Based on data collected from interview, performance evaluation has two category the first team evaluation and second individual performance evaluation. Before the evaluation first design, employee job description, critical role, goal and target to properly cascade for evaluation process. In commercial bank of Ethiopia apply main purpose of performance evaluation system 50% of measure for promotion, reward, either intrinsic or extrinsic. The root cause of problem associated to the performance evaluation systems is data tracing, manager's level of understanding about performance evaluation is different. Managers also subjectivity, reward for the wrong person, size of the CBE difficult to manage employee performance. And also PMS Manager says use to improve performance evaluation; continues training and create awareness of manager. Employee motivation also support by guideline.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, the researcher has attempted to present findings of the survey data collected through questionnaire completed by randomly selected respondents with complementation of data gathered through interview and document reviews. The questionnaire and the interview were designed in line with the research questions and performance evaluation system frameworks.

#### 5.1 Summary of Major Findings

The study was conducted with the main objective of this study was assessed the practices and the challenges of employee performance evaluations system at commercial banks of Ethiopia (head office). And it was tried to answer the following basic research questions.

1. How is performance evaluation conducted at Commercial Banks of Ethiopia?
2. What is the perception of employees towards the performance evaluation practices of the bank?
3. What are the major challenges in performance evaluation process of the commercial bank of Ethiopia?
4. What types of actions/measures are taken by bank take to improve its performance evaluation system and practices?

Based on the discussion and data interpretation undertaken in the previous chapter, the following summaries of finding are derived.

- Majority of respondents agreed Performance evaluation criteria are aligned with the objective and goals, also specific and directly related to the job in commercial bank of Ethiopia.
- The employee performance measurement has actual standards, most of respondent also agreed.
- According to the respondent, Feedback is less given to employees about their performance evaluation so that they didn't know where they are compared to the

expected standard. And there is not enough time to Interview to hear and address employees' problems or needs.

- Based on majority of respondent responses agreed there are mechanisms to handle employees' complaints regarding performance evaluation and results are used constructively for development purpose.
- Commercial bank of Ethiopia is providing clear guidelines for performance appraisal and also goal/standard setting process is participatory. So performance appraisal helps employees to improve their performance.
- Majority of respondent agreed my supervisor has adequate knowledge on performance evaluation system and also my performance appraisal is a fair reflection of my performance. But not satisfied with my involvement in decisions making.
- Interpersonal relationships affect in the evaluation period. Performance evaluation is conducted not for the sack of formality. But for the purpose of reward, recognition and align to bank goal.
- In evaluation process there are many challenges faced in commercial bank of Ethiopia. Such as, Lack of clarity in evaluations criteria, Bias and favoritism in performance evaluation process, no appropriate documentation for performance appraisal, time also affect and Employees' negative attitude towards performance evaluation. Managers are also not accountable or responsible for their wrong feedback.
- Action taken by the management to improve performance evaluation system manager uses keeps file or document, coach and monitor employees every time about performance evaluation. According to respondent response accountability/responsibility for their wrong feedback/comments not enough.

## 5.2 Conclusions

This study is intended to assess the employee performance evaluation system in commercial bank of Ethiopia; challenges or constraints in the appraisal process, and how to improve those evaluation systems and employees' perception towards the system and examine its processes in the bank. To get these findings, the researcher has collected primary data through questionnaire from 323(90%) sampled employees and using interview from PMS Managers and analyzed by using SPSS version 20 to get descriptive statistics. Secondary data such as reports, books, journals and manuals of performance rating formats, have also been used to triangulate the information gathered through primary data collection instruments and techniques.

As a result, based on the above mentioned summary of findings, the researcher has reached on the following conclusions.

Based on the respondent agreement we can conclude that performance evaluation criteria are aligned with the objective and goals, also specific and directly related to the job in commercial bank of Ethiopia. And also employee performance measurement has actual standards. So it promotes the alignment of individual objectives with organizational objectives.

In commercial bank of Ethiopia manager's feedback is less given to employees about their performance evaluation so that they didn't know where they are compared to the expected standard. And there is not enough time to Interview to hear and address employees' problems or needs.

In commercial bank of Ethiopia, managers are not accountable to their wrong feedback; so that employees' morale will decrease and forced to leave the organization. Moreover the overall performances of the organization will decrease. In addition, if feedback is not given at the right time, the bank loses the benefit to get the most out employees.

There are many constraints of performance evaluation system in commercial bank of Ethiopia: Those problems are caused by lack of employee data tracing it means manual data entering to oracle performance management system and also manager level of understanding about performance evaluation are different.

For improvement of performance evaluation system manager must be take sufficient amount of training about performance evaluation and give feedback appropriate time. And human resource

development takes responsibility for every managers should coach and monitor employees every time about performance evaluation.

### **5.3 Recommendations**

On the above findings and conclusions reached, the following recommendations are forwarded in order to improve the performance evaluation system in commercial bank of Ethiopia.

- Employee performance data capturing mechanism must be enhanced (fair and continues recording data).
- The evaluator should put performance value based on clear guideline.
- Coach and give training for all managers and employees about performance evaluation system every time until the problems are minimizing.
- Scheduled time manager and employee to discuss about performance evaluation system
- Commercial bank of Ethiopia evaluator should be attention to their employees that they participating in performance evaluation.
- The human resource department also responsible among employees about how the performance evaluation process is conducted. Time need to be given to hear and address employees related problems. The departments should implement mechanism (Such as, Suggestion Box, Employees interview, Developing and distributing questionnaires' etc) to address employees to hear performance related issues.
- The department needs to implement a system that will help to evaluate the performance result prior to conducting the final result to employees. This will help to avoid subjectivity and any bias. Moreover managers will be accountable for their performance evaluation practices.
- In all performance evaluation process the employee and supervisor must do attentively to get the best result.
- It is impossible to avoid evaluator bias for it is human in nature to get biased somehow. It is possible to reduce its level by continuous training. It means the bank's management should give training to supervisors and managers who are responsible for conducting performance evaluation.

## References

- Adams, Raeside, & White (2007) *Research Methods for Graduate Business and Social Science Students*
- Aggarwal, A. Thakur, M. (2013) Techniques of Performance Appraisal, A Review *International Journal of Engineering and Advanced Technology (IJEAT)*, ISSN: 2249 – 8958, Volume-2, Issue 3, February 2013
- Armstrong, M. (2003) *a handbook of human resource management practice*, London: Kogan Page
- Armstrong, M. (2009) *a Handbook of Performance Management: An evidence-based guide to delivering high performance* 4th edition, Kogan Page Limited.
- Bhattacharjee, S. Sengupta, S. (2011) *a study of performance Management System in a Corporate Firm*, VSRD-IJBMR 496-513
- Bohlander, G. & Snell, S. (2004). *Managing human resources*, Mason, Ohio: South-Western.
- Cascio, F.W. (2003). *Managing Human Resources: Productivity Quality of work life profits*, 6th edition, McGraw –Hill Higher Education. PP.328-369.
- CBE performance management system follow-up report (2015), accessed on CBE Portal
- Creswell, (2012) *Planning, conducting and Evaluating Qualitative, Quantitative and Mixed*, Second edition, USA: Sage Publisher.
- Dessler, G. (2000) *Human resource management*, New Jersey: Prentice Hall.
- Dewakar, G. (2009) *Human Resource Management*, Delhi.PP.26-60
- Dick, G. (2002) *the Performance Appraisal Question and Answer Book: A Survival Guide for Managers*, New York. AMACON
- Hernandez, D. (2002) Local Government Performance Management, *Public Management* 84: 10-11.
- Islam, R, Shuib, B& Mohd, R. (2005) *Employee Performance Evaluation by Ahp: A Case Study*, Honolulu, Hawaii, July 8-10, 2005
- James, W. Smither & Manuel, L. (2009) *Performance Management, Putting Research into Action*

- John, S. (2011). The top 50 challenges with performance appraisal. Available at: [www.tlnt.Com](http://www.tlnt.Com).
- John, S. (2013) Top 50 problems with performance appraisal: <https://11blog.synergita.com/2013/2/to...>
- Kaplan, R and Norton, D. (2006) *Alignment: Using the Balanced Scorecard to Create Corporate Synergies*; Boston, MA: Harvard Business School Press.
- Kim Pan S. (2013) *Performance Management and Performance Appraisal in the Public Sector*; New York, April 4-8, 2011
- Kothari, C.R. (2004) *Research Methodology; Methods and Techniques*, Second Edition, New Delhi: New age International Publisher.
- Longenecker, C.O. & Fink, L.S. (1999) *Creative Effective Performance Appraisals*, Industrial Management, 18-23.
- Louis, C. Lawrence, M. & Keith, M. (2007) *Research Methods in Education*, 6th edition, Taylor and Francis group.
- Mathis, Robert L, Jackson, John H. (1997). *Human resources management 8th New York*. Waste publishing company.
- Michael Beer (1987). "Performance appraisal", In Lorch, J.(Ed). *Hand book of organizational Behavior*, Prentice Hall, Englewood, Cliffs, NJ pp.286-299.
- M.S. Susan Taylor. (1995). *Due process in Performance appraisal: A Quasi –Experiment in Procedural justice*, Administrative science quarterly, Vol.40, and No.3. (Sept., 1995).
- Nihinlola, A. J. (2014) Performance Evaluation System: *International Journal of Business and Social Science*, Vol. 5, No. 8.
- Pulakos, E.D. (2004) *Performance management: A roadmap for developing, implementing and evaluating performance management systems*. SHRM Foundation: Alexandria, VA.
- Rasheed, M.I, Aslam, H.D, Yousaf, S, and Noor, A. (2011) A critical analysis of performance appraisal system for teachers in public sector universities of

Pakistan: A case study of the Islamia University of Bahawalpur (IUB),  
*African Journal of Business Management*, 5(9), 3735-3744.

Roberts, G.E (1996). A Case Study in Performance Appraisal System Development:  
Lessons from a Municipal Police Department. *American Review of Public  
Administration*, 26, 361-385.

Roberts, G. E. (2003). Employee performance appraisal system participation: A  
technique that works. *Journal of Public Personnel Management*, 32(1), 89-98.

Saiyadain, S. (2003) Human Resource Management. Delhi: Tata MCGraw-Hill  
education Publishing Company Limited.

Saiyadain, S. (2004) Human Resource Management. Delhi: Tata MCGraw-Hill education  
Publishing Company Limited.

Somerick, N.M. (1993) Strategies for improving employee relations by using  
performance appraisals more effectively: *Journal of public relation*, 38(3), 37-  
39.

Teklu, w. (2013) Assessing the Challenges and Prospects of Balanced Score Card (BSC)  
In Performance Appraisal; Addis Ababa Ethiopia.

Tosi, Henry L. Risso, John R. and Carrol, Stephen J: *Managing Organizational Behavior*.  
New York: Pitman Publishing Inc. 1986.

Yamane, T. (1967). *statistics: an introductory analysis*, 2nd edition, new work: Harper and  
row.

Website: - [www.combanketh.et](http://www.combanketh.et)

## Appendix

### Appendix- 1: Questionnaire

Addis Ababa University

College of Business and Economics

Department of Public Administration and Development Management

Dear respondent, this questionnaire is designed to collect information about the practice and challenges of performance evaluation system in Commercial Bank of Ethiopia at head office. The information shall be used as a primary data in my research which I am conducting as a partial fulfillment of my study at Addis Abeba University for completing masters Public Management and Policy.

#### 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 demand your opinion, please try to honestly describe as per the questions on the space provided

Thank you for your contribution

*Aster Assefa*

#### PART I:-Respondent Information

<b>Gender</b>	
Male	
Female	

<b>Age</b>	
<21	
21-30	

31-55	
>56	

<b>Level of education</b>	
High school graduate	
College Diploma	
BA/BSc Degree	
Master's Degree	
PhD	
Others	

<b>How long have you been working with commercial bank of Ethiopia</b>	
<1 year	
1-5 year	
6-10 year	
>10 year	

**Part Two: -Questions related to the practices of performance Evaluation**

**Note: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree**

**SECTION 2(A): How is performance evaluation conducted at Commercial Banks of Ethiopia?**

S. No		5	4	3	2	1
1	Performance evaluation criteria are aligned with the objective and goal of the bank.					

2	Performance evaluation criteria are specific and directly related to the job					
3	There is realistic standard against which employee performance is measured					
4	Feedback is given to employees about their performance evaluation so that they know where they are compared to the expected standard					
5	While conducting the evaluation result there is enough time to Interview to hear and address employees' problems/needs.					
6	Performance results are used constructively for development; purpose					
7	There are mechanisms to handle employees' complaints regarding performance evaluation					

**SECTION 2(B):** Perceptions of Employees towards Performance evaluation practice

S.No		5	4	3	2	1
1	The Bank is able to provide clear guidelines for performance appraisal					
2	The goal/standard setting process is participatory					
3	The performance appraisal helps employees to improve their performance					
4	My performance appraisal is a fair reflection of my performance					
5	I am satisfied with my involvement in decisions that affect my work					
6	My supervisor has adequate knowledge on performance evaluation system					

7	Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process					
8	Performance evaluation is conducted for the sake of formality					

**SECTION 2(C):** Challenges in performance evaluation process of the commercial bank of Ethiopia

S. No		5	4	3	2	1
1	Lack of clarity in evaluations criteria					
2	Lack of credible performance data					
3	Bias and favoritism in performance evaluation process					
4	There is no appropriate documentation for performance appraisal					
5	The evaluation process takes longer time					
6	Employees' negative attitude towards performance evaluation					
7	Managers use performance evaluation results to hurt employees					

**SECTION 2(D):** actions taken by the management to improve its performance evaluation system and practices

S. No		5	4	3	2	1
1	My Manager keeps file on what I have done during the evaluation period to evaluate my performance					
2	My managers are well trained in assessing and giving feedback.					
3	Managers are accountable/ responsible for their wrong feedback/comments					
4	Managers are two way communication to solve the problem					

5	Managers should coach and mentor employees every time about performance evaluation					
---	--	--	--	--	--	--

**Part III. Additional Questions (open- end question)**

1. What major problems do you see in the existing performance appraisal system?

---



---

2. What do you think, are the possible solutions to solve these constraints/challenges?

---



---

3. What actions do you propose to improve the performance evaluation system and practices?

---



---

4. Please, write other points that are not addressed in the questionnaire, if any

---



---

## **Appendix- ii: interview**

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Public Administration and Development Management**

Dear Managers, this interview are designed to collect primary data or information about the practice and challenges of employee performance evaluation system in commercial bank of Ethiopia at head office. Thank you for your contribution.

*Aster Assefa*

- 1 How is performance evaluation conducted at your Bank?
- 2 What are the reasons/Purposes to conduct performance evaluation at commercial Bank?
- 3 What are the major problems/challenges and there consequences that your department is facing with respect to performance evaluation?
- 4 What measurements are taken in order to overcome the problems?
- 5 Finally, is there anything that you want to comment about the performance evaluation system of your department?

Appendix



የኢትዮጵያ ንግድ ባንክ  
COMMERCIAL BANK OF ETHIOPIA  
INTER DEPARTMENTAL MEMORANDUM

DATE ቀን	May 13, 2019
TO ላ	Manager - Employee Performance Management
FROM ከ	Manager - Training Operation
SUBJECT ጉዳይ	Request for Cooperation to Conduct Research

Addis Ababa University of Business & Economic, CBE/ under its letter date CHF/PADM/153/2019 Dated 14/05/2019 has requested our bank to assist **Aster Assefa**, Student to undertake her Research paper On " **The practice & Challenges of Employee Performance Evaluation System** "The Case of Commercial bank of Ethiopia."

Therefore, I would like to kindly request you to provide the required assistance and cooperation without compromising confidentiality.

With Best Regards

**Sablewengael Tilahun**

/hk

