PERFORMANCE APPRAISAL SYSTEM AND ITS EFFECT ON EMPLOYEES' MOTIVATION: THE CASE OF BOLE SUB-CITY ADMINISTRATION

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DECLARATION

I, the undersigned, declare that, this is my original work, prepared under the guidance of Ato Seifu Mamo. All sources of materials used for the thesis have been duly acknowledged. I 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 earning any degree.

Obsen Moges ____ ____________________

Name **Signature**

Addis Ababa University School of Commerce **May, 2018**

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ACRONYMS

AACBB- Addis Ababa Capacity Building Bureau

CSA – Central Statics Agency

MBO – Management by Objective

PA –Performance Appraisal

PSHRD- Public Service and Human Resource Development office

SPSS- Statistical Package for Social Science

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ABSTRACT

The aim of the study was to establish the effect of performance appraisal on employee motivation at Bole Sub-City Administration. The research study adopted an explanatory type of research design in form of a survey and a sample size of one hundred fifty six (156) respondents drawn from all the sectors in the sub-city ranging from different job groups which included the senior management, middle level management and lower level employees. Stratified random sampling was used as all the respondents were drawn from different levels or strata within the sub-city. Structured questionnaires developed in form of a five point likert scale was used for data collection as they were easy to administer and cheap in terms of cost and time. Data was collected and analyzed by use of scientific package for social sciences (SPSS version 20). A regression model was used to determine the co-efficient of the effect of performance appraisal on employee motivation. The study shows that there is a weak positive significant correlation (.239) between performance appraisal and employee motivation and it can concluded that performance appraisal system has a significant impact on the employee motivation at Bole Sub-City Administration.

The study findings have revealed that the performance appraisal system of the sub-city needs serious considerations to meet the intended purpose. In a nutshell, the study has found out that the whole process of performance appraisal outcomes, Performance Appraisal process, Fairness in performance appraisal process, Employee involvement and transparency in performance appraisal, Purpose of performance appraisal were not on the right track to bring about meaningful performance improvement. Therefore, the sub-city has to take corrective measures to rectify the problems and deficits in the performance appraisal system, because the current practice would not lead to employee motivation as well as improvement in effectiveness and efficiency of civil service.

Key word: performance appraisal system and employee motivation

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The long term success of an organization is related to its ability to measure how well its employees perform within a predetermined period, and how effectively it uses that information to ensure that performance meets set standards, and also improves over time (Fisher, Schoenfeldt and Shaw, 2003). Grote (2000) refers to this process as performance management, and describes it as a handy umbrella term for all organizational activities involved in managing people on the job. Performance management helps to direct and motivate employees to maximize their efforts on behalf of the organization; it is thus an essential instrument for an organization to meet its strategic objectives (Werner, Schuler, and Jackson, 2012).

According to, Bretz et al., (2002) people working for an organization are the most valuable, the most costly, and the most volatile of all the resources that it can use to accomplish the organization’s work. For this reason the major keys are to motivate employees in order to make their performance better, and effective management system of employee’s performance is needed to evaluate their performance, these could maintain the organization performance on high level.

Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988).

In organizational setting, performance appraisal is defined as a structured formal interaction between a subordinate and a superior, that usually takes the form of a periodic interview which could either be annual or semi-annual, in which the work performance of the subordinate is examined and discussed with the view to identifying strength and weaknesses as well as opportunities for improvement and skill development. Moorhead and Griffin (1992) explain it as performance appraisal is a process of evaluating work behaviors by measurement and comparison to previously established standards, recording results, and communicating them back to the employee. It is an activity between a manager and an employee.

A number of studies highlight that a number of employees report being victims of unfair performance evaluations (Blasé, 2003; Bryne, 1971; Huo and Tyler, 2001) the outcome, the procedures followed, information used, and the interpersonal dynamics between an evaluator and an evaluate of performance appraisals may impact on employee negatively. For example, an unfair performance review may result in an employee being fired. The emotional stress of losing one‘s job as a result of an unsatisfactory performance appraisal can result in physical manifestations from weariness to muscle pain to cardiac and respiratory problems (Blasé, 2003). In another situation, an employee may experience similar emotional and physical reactions if an unfair performance appraisal resulted in his or her being put on review which would require more frequent performance appraisals.

Where performance appraisal is conducted properly, both supervisors and subordinates have reported the experience as beneficial and positive. Fairness of performance appraisal procedures may be associated with fairness of outcomes (Lindquist, 1995). The instrumental theory of procedural fairness (Thibaut and Walker. 1975; Lind and Tyler, 1988) proposes that fairness of procedures may lead to fairer decisions or outcomes. Greenberg and Folger (1983) explain as follows: 'If the process is perceived as being fair, then there is a greater likelihood that the outcomes resulting from that process will be considered fair. The tendency for procedural justice to influence distributive justice has been called the fair process effect'. Performance appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance.

In Ethiopian, the government has shown commitment to improve public service delivery by launching and implementing different reform initiatives and management techniques such as, BSC, BPR, MBO, Integrated performance management system (IMPS), and Civil service change army (Yelewit serawit) in response to challenges encounter in public service delivery system and good governance explicitly important for over all development of the country (Zerihun and Tesfaye , 2014). These initiatives aimed to radically transform the public service system into modern, effective and efficient system that allows government to attain the vision and policy strategies. However, communication of the vision and the commitment to reform is often criticized as inadequate; it is understandable that some improvements have been registered due to these reform initiatives. Furthermore, based on his review of the findings (Dilamo, 2007) concluded that, the city administration, in general, faced considerable problems and challenges of good governance in its governance system and lack of responsiveness and weakness in taking account of interests in promoting efficiency and better service and the public service in a city administration lacks client orientation in service delivery process.

Addis Ababa is the capital city of Ethiopia with an area of 530 square kilometer (km2) and a total population of more than 4 million. It has 10 sub-cities and 160 districts (*Woredas*) A.M. Asfaw et al, (2015). Thus, among the sub-cities; Bole sub city is one and has 14 woredas with total population of 308,741 with total area of 120.93 km2 (CSA, 2007) and currently it has 1209 permanent employees. The sub city has more than sixteen offices and it has its own performance appraisal system which is conducted semi annually and Feedback is received from multiple sources on objectives and competencies. This includes the self-evaluation from the staff member and feedback from multi-raters. Staff and supervisor then meet, discuss staff performance and the supervisor completes the supervisor evaluation based on this discussion.

To the knowledge of the investigators, there are no studies which examine Performance appraisal system and its effects on employees' motivation conducted at City Administration level in Addis Ababa, Ethiopia. However, despite the execution of civil service reform, many clients frequently complain on the service they received from these offices and also formal and informal complaints of staff on the reward, fairness and objectivity of Performance appraisal.

Therefore, this study would focus on performance appraisal system and its effects on employees' motivation in Bole Sub-City administration.

1.2 Problem Statement

Performance appraisal can have a profound effect on levels of employee motivation and productivity. Although there is no direct and explicit relationship between employees' motivation and performance appraisal; employee motivation is rather influenced by the outcomes of performance appraisal (i.e. the rewards provided and/or measures taken as a result performance).

According to Armstrong, (2009), People are motivated when they expect a certain course of action will likely lead to attainment of a goal and thus a valued reward – one that satisfies their needs and wants. Vroom (1964) argues that motivation comes about through expected performance outcome and the attached level of value to the outcome by the individual.

According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. In addition, Dobbins, Cardy and Platz-Vieno (1990) notify five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards. Nurse (2005) viewed provision of information for the development of managerial strategies for training and development as an outcome. Teratanavat, Raitano and Kleiner (2006) found outcomes like reduced employee stress, review of overall progress, linkage between current performance and employee's goals, and development of specific action plans for future.

To understand the problems related to performance appraisal system and its effect on employees' motivation in Bole sub-city, some of them are initial point view of the statement problem, most employees of the sub-city are discussing about the issue informally, as due attention were not taken to examine employees motivation toward the appraisal process and practices as well as the outcome of performance appraisal, and their reactions (positive or negative) to the appraisal; due to this employees of the Sub-city were not satisfied and their contribution throughout their employment were reduced.

Communication of performance rating to employees is the most important aspects in performance appraisal system. The feedback delivery helps the organization in decision making, enhancing of productivity and effectiveness within the organization. It has been pointed out that the communication of feedback regarding the performance of employees and groups in an organization is an important part of any organization human resource system (Larson 1984).The lack of all important elements of the performance appraisal system is bound to affect the consistency of raters in their rating and this can affect the validity of the performance appraisal data. The result of the performance appraisal system is also important as it can be used as the basis for training, pay and other benefits (Dash *et al.*, 2008). When a performance appraisal system is used for employee motivation, the appraisal information is used to guide the training that will lead to the development of employee capabilities (Pulakos, 2010). The main issue in the practice of performance appraisal activity is the fairness of the evaluation decision. Raters have problems evaluating the performance appraisal in a proper way. Performance of individual employees that is not measured accurately can lead to dissatisfaction with the system. One of the factors that contribute to employee‘s dissatisfaction is that raters are not knowledgeable and do not have the required skills. This will affect the process of evaluation because of bias, unfairness and unreliability may occur.

Several studies have been done in relation to performance appraisal and its effect on employees' motivation. Chaponda (2014) conducted a case study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation. Eyoel (2017) conducted a descriptive research study on the role of performance appraisal on performance of job in National Tobacco Enterprise. The research findings indicated that there is low level work performance in the Company. The analysis indicates that there is no performance appraisal satisfaction in the Company and work performance relationship that is weak or low level of the work performance.

Many of these studies that have been done on the performance appraisal system and its effect on employees' motivation at private organization and there are no studies which examine Performance appraisal system and its effects on employees' motivation conducted at Addis Ababa City Administration. Thus, the study aims at bridging the existing knowledge gaps by endeavoring to provide an answer to the question; performance appraisal practices and its effect on employee motivation at Bole Sub-City Administration.

1.3 Research Question

In order to achieve the aims of the study the following research questions are considered.

1. To what extent is the performance appraisal process is systematic in Bole Sub-City Administration?

2. To what extent that performance appraisal meets its objective in Bole Sub-City Administration?
3. How does the sub-city administration encourage employee's involvement and transparency in performance appraisal process?
4. To what extent that employee satisfied with the fairness and objectivity of performance appraisal practice in Bole Sub-City Administration?
5. How does a performance appraisal outcome contribute to employees' motivation?

1.4 Objectives of the study

1.4.1 General Objective

The main objective of this study is to investigate performance appraisal and its effect on employee motivation at Bole Sub-City Administration.

1.4.2 Specific Objectives

The specific objectives of the study are as follows:

1) To assess the nature of performance appraisal process in Bole Sub-City Administration?
2) To identify and analyze the objectives of performance appraisal system in Bole Sub-City Administration?
3) To assess the extent to which the sub-city administration encourage employee's involvement and transparency in performance appraisal process?
4) To assess the extent to which employees are satisfied with the fairness and objectivity of performance appraisal process in Bole Sub-City Administration?
5) To assess the extent to which performance appraisal outcomes contribute to employees' motivation?

1.5 Significance of the Study

The outcomes of this study will first, enable managers to identify the areas where development efforts are needed so that personal and career development should be enhanced. Again it helps managers to make out individuals who have specific skills so that their promotions and transfer will be in line with organizational requirements. In addition, it will enable managers to administer a formal organization reward and counsel poor performers. Furthermore, inform managers about which selection devices and development programs are needed for the smooth running of organizations. Finally, other researchers studying in the field of human resource management may find this research helpful to extend their knowledge about performance appraisals. The study also provides relevant information for concerned organs found at various levels of management, human resource department and labor unions, to understand the importance of effective performance appraisal system and its effect on employee motivation.

1.6 Scope of the Study

Conducting research on performance appraisal and its effect on employees' motivation throughout Ethiopia has been very complex and time consuming. As a result, the researcher had been focused on Addis Ababa City Administration namely; Bole Sub-City Administration. Hence, the study will be carried out in four pools/sectors found in Bole Sub-City Administration. The Addis Ababa City administration comprises ten Sub-cities with and 160 districts (*Woredas*), the study will be limited to Bole Sub-City Administration.

In terms of its content, the study will mainly focus on performance appraisal process, purpose of performance appraisal, involvement and transparency, fairness and outcomes of performance appraisal and its effect on employees' motivation but does not present in detail about literatures which affect employee motivation like reward management, training and development, working condition, recognition and other related issues.

The researcher has delimited the scope of the study to Bole Sub-City Administration where there exist variations in socio economic status and also because it is the residential area of the researcher where close observation indicated the existence of the problem under study. The findings of the study were limited to this population and therefore generalizations of its findings need to be made with caution.

The researcher relied on self-evaluation reports from respondents which carries their own biases. Relying on self-evaluation reports can be problematic and may threaten the reality and truthfulness of the response. In order to remove these biases, the researchers employed quantitative data collection approach to collecting data and informal discussion made with selected management organs.

1.7 Definition of the Terms

Performance Appraisal; is the systematic evaluation of employees with respect to their performance on their job and their potential for development. (DeNisi & Griffin, 2014)**.**

Performance; is the way through which employees perform their duties and the evaluation is judging the performance of employees (Scott, 2009).

Motivation; Armstrong (2012) defines motivation as the force that energizes, directs, and sustains behavior. It is concerned with the strength and direction of behavior, and the factors that influence people to behave in certain way. It is the psychological processes that cause the arousal, direction, and persistence of voluntary action that is goal oriented (Kreitner and Kinicki, 2007).

Reward: the word rewards state the benefits that workers receive from their job and significant elements of employee's job attitudes such as organizational commitment, motivation and` job satisfaction (Rees and porter, 2003)

Job satisfaction: Job satisfaction is the collection of feelings and beliefs that people have about their current jobs (Heneman ,2005). Locke (1979) defines job satisfaction as the pleasurable emotional state which emanates from assessment of individual job as facilitating the accomplishment of individuals' job values.

1.8 Organization of the Study

This study would be organized into five main chapters. The first chapter deals with the introduction, statement of the problem, the research questions, objective of the study, scope and limitations of the study and description of the study area. Under chapter two, relevant literatures will be reviewed. Chapter three highlights the methodology to be employed, such as: data sources and collection methods, population and sampling, data presentation and analysis methods. Chapter four will contain data presentation, interpretation and discussion of the result found. The last chapter will deal with the conclusion and recommendation of the findings.

CHAPTER TWO
LITERATURE REVIEW

2.1 What is Performance Appraisal?

Performance appraisal is a mechanism of assessing employees work performance against prescribed criteria. The outcome of the appraisal gives an insight to the management how and to what extent an employee is performing a given tasks and exhibit behaviors. In this regard scholars has defined performance appraisal from different perspectives.

Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting Armstrong (2009).

Performance Appraisal is the process of evaluating how well employees do their jobs compared with the set of standards and communicating that information to employees. (Mathis & Jackson1991)

Performance appraisal refers to a formal, structured system for measuring, evaluating and influencing an employee‘s job-related attributes, behaviors and outcomes. (Susan & Schuler 2000).

Jackson and Schuler (2003) describes it as evaluating performance based on the judgments and opinions of subordinates, peers, supervisor, other managers and even workers themselves, while,

Bohlander and Snell (2007) sees performance appraisal as an annual regular undertaking developed to assist employees in understanding their roles, objectives, expectations and performance success conducted by a supervisor to a subordinate.

2.2 Performance appraisal process

According to DeCenzo (2010) suggested that the ideal performance appraisal is a format (process), not a form (specific instrument) and has the following six steps. It is a process that involves setting expectations (establish performance standards with employees), communicate expectations, measure actual performance, compare actual performance with standards, discuss the appraisal with the employee and if necessary, initiate corrective action. In most organizations, these appraisals are conducted periodically, usually quarterly, semi annually or annually, and are normally recorded on some standard rating scale. The products of this appraisal process, which are sets of ratings, can play an important role in enhancing organizational effectiveness and have been used in a variety of contexts (Landy and Farr, 1980).

Establish Performance Standards

The appraisal process begins with establishment of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction and, more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are articulated in ambiguous phrases that tell us little, such as "a full day's work" or "a good job." What is a full day's work or a good job? A supervisor's expectations of employee work performance must be clear enough in her mind so that she will be able to, at some later date, communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards.

Measure Actual Performance The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the first two steps of the appraisal process.

Compare Actual Performance with Standards

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal.

Discuss the Appraisal with the Employee

One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences.

Initiate Corrective Action if Necessary

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as "putting out fires," whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow.

2.3 The Purpose of Performance Appraisal

Performance appraisal, if it is made provides basic information that will be very essential for various decisions an organization makes. Many literatures describe the purpose of performance appraisal in various ways;

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

i. **Developmental purpose.**

It can determine which employees need more training, and it can help evaluate the results of training programs. It helps the subordinate-supervisor counseling relationship, and it encourages supervisors to observe subordinates' behavior to help employees. It helps the organization decide who should receive pay raises and promotions it can determine who will be laid off. It reinforces the employee's motivation to perform more effectively.

ii. **Motivational Purpose.**

It can encourage initiative, develop a sense of responsibility, and stimulate efforts to perform better. Robbins (2003) defined motivation as the process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.

iii. **Legal Compliance**

It serves as a legally defensible reason for making promotion, transfer, reward and discourages decisions.

iv. **Compensation**

If provides information that can be used to determine what to pay and what will serve as an equitable monetary package.

v. **Communication purposes**

It can serve as a basis for an ongoing discussion between superior and subordinate about a job-related matter. Through interaction and an efficient feedback process, the parties get to know each other better.

McGregor (1987) cited by Kumar (2005) grouped the objectives of performance appraisal in a number of ways: Administrative, Informative and Motivational.

- ✓ Administrative. Providing an orderly way of determining promotions, transfers and salary increases.
- ✓ Informative. Supplying data to management on the performance of subordinates and to the individual on his or her performance.
- ✓ Motivational. Creating a learning experience that motivates staff to develop themselves and improve their performance.

Generally the above purpose of performance appraisal can be divided into two. The points related with compensation, promotion, demotion, layoffs, etc., could be termed as administrative purpose and the others which are forward looking like required training, identifying areas for growth, development planning, career planning, etc., can be called developmental purpose (Mathis and Jackson, 1997). The different purposes set to be achieved by the system demand a thorough thought to see whether such seemingly contradictory objectives could be achieved at all or fairly done. For this purpose one type of criteria or According to Stredwick (2005) there are two main purposes driving towards performance management. Firstly, the operational reasons (control, communication and effectiveness), which serve to lead and control. As organizations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives. The performance management system sets out to communicate the link between an organization's mission and strategic direction and the required employee performance. The process can also be used as a form of strict control over employees. As can be observed; the list is long even additional points could be added. However, behind all these lies the notion those managers are interested to see if employees are performing as well as they can and also to assess the potential for growth (Kressler, 2003).

Most of the times performance appraisal is related with compensation level since both the employees and the employer want to assess whether the employees are fairly rewarded for the contracted services (Grote, 2002). The evaluation has to be on concrete or verifiable factors but some of the factors will be difficult to measure directly. Strebler (1997) as cited by Nyaoga (2010) clearly indicated that employee performance appraisal has become a key feature of an organization's drive towards competitive advantage.

2.4 Effective Performance Appraisal System

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. 'Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee' (Mustapha & Daud, p.158). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

‘The success of any HR intervention in organization is heavily dependent on employees’ perception of that intervention’ (Rahman & Shah, 2012, p.11). For performance appraisal to be effective and useful, it is vital that those taking part, the appraiser and the appraisee, are both benefiting from it and find the procedure a productive tool, as without this, it would be impossible for the system to work.

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 1981). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer & Liden, 2001). A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, but it is reasonable to suppose that employees’ reactions to the appraisal system could have just as much influence on the success of an appraisal system (Cawley, Keeping & Levy, 1998). An organization might develop the most precise and sophisticated appraisal system, but if the system is not recognized by the staff, its effectiveness will be limited.

Fletcher (2004) listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being.

According to Cawley et al (1998), subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

Boachie-Mensah & Seidu (2012), advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognize it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an opportunity to network with others, but if employees perceive performance appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won’t welcome the scheme as easily.

Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting”(Bacal, 1999).

In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003). As previously mentioned Rankin & Kleiner (1988, p.14) believed that effective performance appraisals have six key factors. These six factors are:

1. Performance goals must be specifically and clearly defined.
2. Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
3. Performance appraisal programs should tie personal rewards to organizational performance.
4. The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
5. The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
6. The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Ensuring that the performance appraisal ties in with organizational goals is pivotal to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Barrett, 1967).

Performance Appraisal is intended to gather crucial information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organization wholly (Rahman & Shah, 2012). 'Effective managers recognize performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They may use performance appraisals to motivate, direct and develop subordinates' (Wiese & Buckley, 1998, p244).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987), as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal (Jordan, 1990).

Pettijohn, Pettijohn, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

On the same note, luck of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown & Benson, 2005 ; Gabris & Ihrke, 2001). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money. To avoid such drawbacks in performance appraisal processes and ensure its effective implementation, the PMAS: Guideline System and Reference Manual (2006) pointed out the following factors that the system should positively reinforce.

- **Effective Communication:** Employees at all levels should have a clear understanding of their roles, responsibilities and what is expected of them. Feedback on performance must be given on a continuous basis.
- **Objectivity**: Assessments should be made against agreed, clearly stated targets.
- **Transparency:** There should be no "surprises". Evaluations and decisions should be based on evidence drawn from well documented processes that can stand scrutiny.
- **Fairness:** Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.
- **Equitable Treatment:** All employees should be treated equally and must have equal and appropriate access to benefits, training and resources to achieve targets.
- **Mutual Respect and Trust:** Discussions about performance should be conducted with due regard to accepted principles of courtesy, respect and an understanding of each other's roles and responsibilities.

By ensuring the proper application of the above requirements organizations should be able to build mutual trust among the different levels of the organizational structure.

2.5 Components of Effective Performance Appraisal System

Performance appraisal serves as a strategy focusing on the employees choosing behaviors required to attain goals of the organization with success. An appraisal system helps to make decisions on needed areas of employee development, and assess human resource policies and programmes. The aims of relating compensation with performance and other human resource choices is to enable staff have better performance (Fisher, Schvenfeldt and Shaw, 2009). Williams (2002) feels that performance appraisal is basically concerned with creating an environment whereby employees share organization's goals and then helping them understand their contribution to the goals. According to Kohli and Deb (2010) an effective performance appraisal system has five components which include performance planning, managing of performance, performance review /assessment, performance monitoring and rewarding of performance.

2.5.1 Performance Planning

This forms the first step of successful performance appraisal and it involves coming up with standards of performance in line with organization strategic objectives and noting competencies required and development strategies to perform successfully (Kohli and Deb, 2010). Kandula (2008) states that performance planning is a managerial process that ensures that the employee delivers output persistently over a period of time as per the requirements of the organization. It is essential to involve employees in the planning process for them to understand the objectives and strategy of the organization.

It is used in managing performance where it entails the manager and the employee agreeing on the targets in order to meet the laid objectives, raise performance, competence and performance standards and capacities for their work (Armstrong, 2014).

2.5.2 Managing and Reviewing Performance

Performance managing and review is an essential work that managers do on a given performance period and that it forms a cycle that shows good and normal management practices of directing, checking and performance measurement and taking necessary action (Armstrong,2014). Performance managing provides the skills to transform performance appraisal into an on-going dialogue and development with benefits for the individual employee, teams, managers and organizations. Managing of performance is the procedure of working in the direction of achieving the performance expectations made during performance planning (Kandula, 2008). Real performance is re-evaluated after a specific period to assess whether the objectives are being achieved. In case of underperformance, managers need to guide the employee on ways to correct the inadequacy and continuously monitor the improvement efforts and improvements achieved (Kohli and Deb, 2010).

Torrington et.al, (2013) believe that top management must support and encourage performance management and review culture where they make it clear that it is very important in achieving continued success in the organization. In addition, Armstrong and Baron (2004), show that performance management ensures that management knows the result of their work related actions to their employees. The set standards are compared with the real performance in order to measure the outcome and correction measures are developed referring to the original organization goals. The results will act as a source of feedback to the staff. This also assists in coming up with communication strategies at all levels of employment to attain common objectives of the organization (Marion, 1998).

2.5.3 Performance Measurement

Performance measurement is essential part of performance appraisal. It acts as the basis to provide and generate feedback and identifying where there is success to reinforce it, and where there is poor performance for corrective actions (Armstrong, 2014). Measurement of performance is any procedure that involves setting work standards, assessing the employee's actual performance in relation to these standards and providing feedback to the employee with the aim of motivating them to eliminate performance deficiencies or to continue to perform above these standards (Dessler, 2002). Employee's motivation in their performance, personal skills development and improving future performance is influenced by the previous performance feedbacks (Kohli and Deb, 2007). According to Kandula (2008) performance assessment gives a rationale for various human resource decisions such as career planning, rewarding, training, counseling, mentoring, transferring and termination.

Armstrong (2014) also argues that measuring performance is relatively easy for the responsibility of achieving targets in terms of quantities, like sales; which more difficult for knowledge workers like scientists. But the difficulty would be eased if differentiating of results is made between outcomes and outputs. One can measure output in terms of quantities, while an outcome as a result is an effect that can be seen and felt but essentially it cannot be quantified.

2.5.4 Performance Monitoring

Monitoring of performance is the process of making accurate and objective performance observations on the basis of outcomes and expectations which are in an employee's performance plan and are duly reflected in the performance appraisal with the aim of developing the performance of employee (Ibid). Many performance appraisal schemes include monitoring, which is done after reviewing performance to indicate its quality. A scale which represents the manager's opinion is used to show how well the employee performs. Both manager and employee monitor performance and give feedback which are analyzed and additional corrective measures are given (Armstrong, 2014).

2.5.5 Rewarding of Performance

A reward can be financial or non-financial elements directed at facilitating employees who add value in competitive edge. Employees reward can occur for performing roles where they exhibit certain values and behavior and ensuring they pursue management objectives (CIPD, 2009). This occurs when finishing the period of performance in question where assessment of accomplished targets and the skills the employees have acquired; and giving feedback through discussion on the assessment done on the employees (McAfee and Chanmpagne, 1993). The whole process is evaluated and establishes whether it has contributed to the overall performance of the organization.

A successful human resource performance appraisal system is essential in providing the needed information in making decisions regarding administration. The system helps the employees to be motivated thus utilizing their full potential in achieving the goals of the organization (Musgrove & Creighton, 1973).

2.6 Criteria's for Performance Appraisal

According to Robbins & Timothy (2013) stated that the criteria management chooses to evaluate will have a major influence on what employees do. The three most popular sets of criteria outlined by Robbins & Timothy (2013) are:

1. Individual Task Outcomes: If ends count rather than means, management should evaluate an employee‘s task on outcomes such as quantity produced, scrap generated, and cost per unit of production for a plant manager or on overall sales volume in the territory, dollar increase in sales, and number of new accounts established for a salesperson.
2. Behaviors: It is difficult to attribute specific outcomes to the actions of employees in advisory or support positions or employees whose work assignments are part of a group effort.
3. Traits: The weakest criteria, because they‘re furthest removed from actual job performance, are individual traits. Having a good attitude, showing confidence, being dependable, looking busy, or possessing a wealth of experience may or may not be highly

correlated with positive task outcomes, but it‘s naïve to ignore the reality that organizations still use such traits to assess job performance.

In the other way Armstrong (2009) proposed that the criteria for reviewing performance should be balanced between achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance (competencies); the degree to which behavior upholds the core values of the organization and day-to-day effectiveness.

2.7 Challenges of performance appraisal

The use of ratings and other techniques in PA assume that the human observer is reasonably objective and accurate but raters memories are quite fallible and raters subscribe to their own sets of expectations about people, expectations that may or may not be valid. Despite the fact that a completely error-free PA is only an ideal we can aim for, with all actual appraisals falling short of this ideal, a number of factors that significantly impede objective appraisal have been isolated for discussion.

A. Bias

Bias is simply a personality-based tendency, either toward or against something. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm (Kumbhar, 2011). This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees (Ali, Mahdi and Malihe, 2012). So to overcome the bias problem, the appraiser needs to be objective and not let their feelings of liking or disliking the individual influence their assessment (Caruth and Humphreys, 2008).

B. Stereotyping

Stereotyping is mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group (Afriyie, 2009). Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. However, regardless of whether the stereotype is positive or negative, making membership in a group, rather than explicitly identifying the characteristics of the individuals, creates the potential for significant error in evaluations (Holzer, 2007). Stereotyping can be avoided by getting to know each employee as an individual and objectively evaluating individual employees based on their actual performance (Denby, 2010).

C. Halo error

Decenzo and Robbins (1993) note that the halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor. According to them, if an employee tends to be conscientious and dependable, the rater might become biased toward that individual to the extent that he will rate him or her positively on many desirable attributes. Also as per their observation in an institution, students tend to rate a faculty member as outstanding on all criteria when they are particularly appreciative of a few things he or she does in the classroom as compared to a few bad habits which might result in students evaluating the instructor as lousy across the board. Cleaveland, Murphy and Williams (1989) also postulate that the halo error is perhaps the most pervasive error in performance appraisal as raters who commit this error assign their ratings on the basis of global impressions of ratees. According to them, an employee is rated either high or low on many aspects of job performance because the rater knows (or thinks he or she knows) that the employee is high or low on some specific aspects.

D. Similarity error

Decenzo and Robbins,(1993), state that, when evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. In this case, evaluators who see themselves as aggressive may evaluate others by looking for aggressiveness thus, those who demonstrate this characteristic tend to benefit while others are penalized.

E. Central tendency

Beardwell and Holden (1997) note that central tendency is the reluctance to make extreme ratings (in either direction); the ability to distinguish between and among ratees; a form of range restriction. According to them, raters who are prone to the central tendency error are those who continually rate all employees as average. In this case, if a manager rates all subordinates as 3, on a scale of 1 to 5, then no differentiation among the subordinates exists. As such, failure to rate subordinates as 5, for those who deserve that rating and as 1, if the case warrants it, will only create problems, especially if this information is used for pay increases.

2.8 The concept of Motivation

Motivation is central to management because it explains why people behave the way they do in organizations. Motivation may also be defined as the internal process leading to behavior to satisfy needs. Motivation increases the willingness of the workers to work, thus increasing effectiveness of the organization. Organization goal is to develop motivated employees and support their morale regarding their respective works for better performance (Shadare et al, 2009).

2.8.1 Definitions of motivation

Many scholars had tried to define motivation and it's a well-studied field which has roots in many academic disciplines such as psychology, sociology, education, political science, and economics.

According to Society for Human Resource Management (2010), motivation is generally defined as the psychological forces that determine the direction of a person's level of effort, as well as a person's persistence in the face of obstacles. Denhardt et al. (2008) also define motivation as an internal state that causes people to behave in a particular way to accomplish particular goals and purposes. Whilst it is not possible to observe motivation itself, it's possible to observe the outward manifestations of motivation. For instance, the acquisition of money may be an extrinsic motivator, but it is simply the manifestation of the internal drive to meet intrinsic needs like purchasing food, paying rent for shelter, or acquiring high social status. Denhardt et al, (2008) further stated that motivation is not the same as satisfaction. Satisfaction is past oriented, whereas motivation is future oriented.

The three components of motivation as listed by Arnold et al (1991) are:

- Direction – what a person is trying to do?

- Effort – how hard a person is trying?
- Persistence – how long a person keeps on trying?

According to Armstrong (2014), motivating other people is about getting them to move in the direction you want them to go in order to achieve a result. Motivating yourself is about setting the direction independently and then taking a course of action which will ensure that you get there. Motivation can be described as goal-directed behavior. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs.

There are two types of motivation as originally identified by Guest, (2001);

- Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. According to Malone and Lepper (1987), intrinsic motivation is what people will do without external inducement such as hunger, a sense of duty, altruism, and a desire to feel appreciated.
- Extrinsic motivation – what is done to or for people to motivate them. This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.

2.8.2 Theories of Motivation

Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. Maslow (1946) and Herzberg (1968) are content theorists who stress on the satisfaction of needs. Maslow (1946) and Herzberg (1968) theory focuses on the question of what arouses, sustains and regulates goal directed behavior that is what particular things motivate people. There is the assumption that everyone responds in much the same way to motivating pressures and that there is, therefore one best way to motivate everybody and it focuses on the needs of an individual.

2.8.3 Process theories of motivation

They are group of theories about work motivation that attempt to identify the relationships among the dynamic variables which make up motivation and actions required to influence behavior and actions. The three known theories are: equity, expectancy and goal-setting theory.

i. Equity Theory

Adams (1965) formulated the equity approach as an appropriate way to effective supervision and the equity approach is another important means of ensuring motivation of workers. Workers tend to believe in it if the organizational reward system is fair. This theory assumes that people want to be treated fairly and they tend to compare contributions and rewards to those received by others. The equity theory states that people need to perceive equal outcomes for perceived equal circumstances (Ott, 1989). The principles for this theory are that if workers discover that the company does not properly reward them, they will feel dissatisfied and their morale will be lower. The outcome is that they will not work hard anymore or they may choose to depart from the current company. If the workers believe that they are adequately rewarded for what they do, they will maintain the same level of output and performance. On the other hand, if workers perceive the rewards as more than they consider fair, then they will most likely work even harder in the organization.

Equity theory is based on the premise that a worker perceives the relationship between outcomes, what the employee gets from a job and organization, and inputs, what the employee contributes to a job and organization. Outcomes include pay, fringe benefits, job satisfaction, status, opportunities for advancement, job security and prestige. Inputs refer to the contributions made, such as the amount of time worked, the amount of effort expanded, the number of units produced, education, work experience and anything else that employees perceive that they contribute to the organization. Equity theory is concerned with outcomes and inputs as they are perceived by those involved, and are not necessarily based on any objective standards.

ii. Goal Setting Theory

Locke (1968) introduced the goal setting approach and believes that the intentions to work towards a goal are major sources of work motivation. Basically, the specific goals increase work performance and that is to say that the specific hard goals produce a higher level of output than does the generalized goal of just "do the best". The specific goal itself acts as an internal stimulus and hence provides the motivation force to people. Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have done and what they want to do. Thus, feedback acts to guide behavior, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal. On goal-setting theory application, management by objectives (MBO) is one way of doing it (Huczynski and Buchanan, 2001). However, goal setting theory has implications for the design and conduct of staff appraisal system and management by objectives (MBO) methods focus on the achievement of agreed or negotiated performance targets. Some other theories are learning theories which state that managers can increase employee motivation and performance by the way they link the outcomes that employees receive to the performance of desired behaviors in the organization and goal attainments.

iii. Expectancy Theory

The theory is also referred to expectancy valence theory. Expectancy Theory was brought forth by Vroom (1964) and its idea is that people's expectations in their performance affect their behavior and the reward they seek. It argues that motivation comes about through expected performance outcome and the attached level of value to the outcome by the individual.

Motivation is only likely when a clearly perceived and usable relationship exists between performance and outcome, and the outcome is seen as a means of satisfying needs. This explains why extrinsic financial motivation – for example, an incentive or bonus scheme – works only if the link between effort and reward is clear (in the words of Lawler (1990) there is a 'line of sight') and the value of the reward is worth the effort. It also explains why intrinsic motivation arising from the work itself can be more powerful than extrinsic motivation. Intrinsic motivation outcomes are more under the control of individuals, who can place greater reliance on their past experiences to indicate the extent to which positive and advantageous results are likely to be obtained by their behavior.

Victor Vroom (1969) in Ott (1989) states that an employee will be motivated to exert a high level of effort when he/she believes that effort will lead to a good performance appraisal, and followed by organization rewards such as, bonus, salary increment or promotion which later satisfy personal goals. Simply put, it means that people are motivated by calculating how much they can get from something, how likely their actions will cause them to get it and how much others in similar circumstances have received (Ott, 1989). The theory is based on three concepts and is also known as valence -instrumentality - expectancy theory (Huczynski and Buchanana, 2001). The expectancy approach focuses on three relationships. Effort-performance Linkage is the probability perceived by an individual that exerting a given amount of effort would lead to performance. Performance-reward linkage is the degree to which the individual believes that increase in performance will lead to a certain outcome. Valence is the importance that an individual places on the potential outcome or reward that can be achieved on the job. This considers the goals and needs of the individual, for example, people will always perceive that recognition and reward offered by bosses are more valuable and better. According to Jennifer and Gareth, (2012), there are basic three question related to the three variables expectancy, instrumental, and valence. The first one is, does how hard I try really affect my performance? Second, Are personal consequence linked to my performance and third, Do I value the consequences available to me? To be motivated employees must have a positive answer for these three questions.

2.9 Factors Affecting Employee Motivation

The desire within a person causing them to act is called motivation. We need to understand motivation is important because many human resource concerns like compensation and performance are affected by, and influence motivation (Mathis and Jackson, 2005). Motivating employees brings goal oriented behavior. Lawler (1994) shows that performance appraisal impacts strongly on the motivation of employees. Motivated employees influence organization policies, and in turn affect organization performance. Employees’ persue performance objectives set by those in managerial levels. Armstrong (2014) believes that the factors that can affect motivation in an organization include organization culture, learning and development, career planning and development, reward systems, work environment and, management and leadership styles

2.9.1 Organization Culture

Organization culture refers to beliefs, traditions, policies, values or attitudes that influence what people do and think in organizations (Mullins, 2010). Culture is a most powerful and intangible ingredient of performance. Strong and positive culture is important for good performance and it brings about positive work environment where every employee becomes comfortable to work in. A strong positive culture can improve performance magnificently, whiles a negative culture usually lowers employee motivation which leads to low performance (Kandula, 2007).

2.9.2 Management and Leadership Style

Leadership influences and supports other employees to work enthusiastically towards achieving objectives. It helps individuals come up with goals, and motivates them to achieve the identified goals (Newstrom, 2011). Every leader has a role to influence others to willingly seek out for defined objectives. Managers direct whereas leaders create and inspire others to achieve and go beyond their normal capabilities (Greenburg, 2011). Robbins and Judge (2013) state that good management brings about consistency and order by planning, coming up with organization structures, and monitoring performance with respect to those plans.

2.9.3 Learning and Development

According to Armstrong (2014) learning and development ensures that organization has staff with the knowledge and skills and are engaged as required. He also opines that organizations need people who have high levels of knowledge, skills and competencies and their need to consider personal needs of their employees for development and growth. Fletcher (2004) argues that for an organization to achieve its desired objectives learning and development must be tied to its strategies. Reynolds (2004) concur that firm’s that train managers and staff get better results and improve performance.

2.9.4 Career Planning and Development

This is a great source of motivation as ones skills are matched with the needs of the organization. It is a vital instrument for organizations since it enables them attain organizational objectives

(Armstrong, 2014). Career planning and development is a great opportunity since a good and systematic career management can motivate employees and enhance their performance (Kandula, 2008). In performance appraisal, careers are used as avenues to gratify self-esteem and self-actualization needs of employees, and it has a prominent role in the grand strategy of performance management (Ibid).

2.9.5 Reward Systems

Reward systems recognize the value employees add to an organization resulting to rewarding them. Reward system in addition to financial rewards, also deals with non-financial reward which may include development opportunities, added and higher level job tasks and recognition (Armstrong, 2014). He also argues that the reward system is driven by strategy employed in business which on the other hand drives the reward strategy. Employees who perform well in organizations tend to receive rewards. The reward system is used in performance management to help in improving performance through different rewards such as recognition and training.

Reward is useful for a successful performance of employees as poor reward systems may lead to collapsing of other strategies used in managing performance irrespective of how professional the strategies are and how well they are implemented. Employees and organization can perform at their level best due to raised employee motivation; and this turn leads to higher rewards (Kandula, 2008).

2.10 Performance Appraisal and Employee Motivation

In most organizations the performance of individual employees determines success of that organization. Performance appraisal and motivation are important for organizations to make the most out of the effectiveness of individual employees. Performance of each employee is affected by a number of factors such as their capability, the support they receive from the organization and expanded efforts. For competitive organizational and individual performance, human resource management activities should be developed, evaluated and changed when necessary (Mathis and Jackson, 2005).

Many empirical studies have revealed that an effective performance appraisal as part of the human resource management makes a difference to achieve goals of the organization. A study by Muruiki (2016) shows that there is a strong positive significant correlation between performance appraisal and employee motivation and it can concluded that performance appraisal system has a significant impact on the employee motivation at the based on Ministry of Labour, East Africa Community and Social Protection in Kenya. The conclusion of the findings was that the Ministry uses performance appraisal to motivate employees though there is need for a comprehensive policy to link pay to performance. Chaponda (2014) conducted a study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation. Eyoel (2017) conducted a descriptive research study on the role of performance appraisal on performance of job in National Tobacco Enterprise. The response about the effect of performance appraisal System on level employees' satisfaction with Distinctiveness the respondent to some extent was positive. And also Consistency and Consensus low level of satisfaction. The correlation analysis result also indicates employees' work performance of performance appraisal System had positive and significant (Very strong association) relationship with employees' work performance whereas the finding of linear regression analysis indicates that performance appraisal System had positively and significantly influence work performance. Also a workplace employment relations survey conducted by Zhang (2012) on the impact of performance appraisal on employee performance shows that performance appraisal has a positive and significant relationship with employee performance. The study also tested other variables and established a strong and positive correlation between performance appraisal and employee motivation and reward.

Alene (2017) did a descriptive study on the effect of performance appraisal on employee motivation in CBE and have been able to present the perceptions of the employees with regard to the performance appraisal system wherein the employees express that they had low level of satisfaction with the performance appraisal system being practiced by the organization. The study concludes that performance appraisal process on employee motivation established that the system is important for employee motivation. Different raters can increase the accuracy of performance evaluation (can reduce bias) and increase employee's perceptions. The manager's ability to address the skills gaps can have a significant impact on the employee's motivation.

Yohannes (2016) in his study on the role of appraisal system on job performance concluded that the performance management system of CBE have positive effect but not on the intended level because the feedback giving activities of the bank had negative effect on employee performance and also the result of the appraisal and evaluation system of the Bank is not connected with reward and career development of the employees. The researcher recommended that, the system should have inputs from the staff members through setting out objectives, appraisal and evaluation systems of the bank. The result of the evaluation should be connected with the reward system of the bank and also the career development of the employees. Malik & Aslam (2013) also had an empirical study by exploring the connection between what employees perceive about performance appraisal and what impact this perception has on their work motivation in Telecom sector of Pakistan. The finding reveals significant relationships between variables. Perceived fairness is found as critically important dimension of performance appraisal for employee motivation in Telecom sector of Pakistan.

Another study conducted by Kamiti (2014) in his research on the effect of performance appraisal on motivation of civil servants revealed that performance appraisal is an important factor which touches on the employees' motivation. The study recommended that promotions and trainings motivate employees in the civil service apart from monetary rewards. To summarize, most of these empirical studies have considered PA as important human resource function since performance appraisal results are used for managerial decision making and for variety of other purposes including administrative decisions, and strongly discovered existence of a relationship between appraisal of performance and employee motivation. In addition it is important that organizations link performance to rewards and to sanctions. As a result the employees' behavior will be facilitated through motivation in order to increase productivity and improve performance in the organization.

So that this study was conducted to know performance appraisal system and its effect on employees' motivation in Bole Sub-City Administration as no research has been done before on this sector and on this relationship. So this study had been done to fill this gap.

2.11 Conceptual Framework

To answer, the research questions of this study a conceptual framework is being build that also show possible variables, and relationships between these variables and using previous literature. Based on the overall review of related literatures and empirical studies, the researcher proposed to develop the following conceptual framework for the study. The research study was analyzed the relationship between performance appraisal and its effect on employee motivation. In this regard how the independent variables such as process, purpose, transparency, fairness and outcomes of performance appraisal influence the dependent variable employees motivation.

Conceptual Framework of the study

Independent Variables Dependent Variable

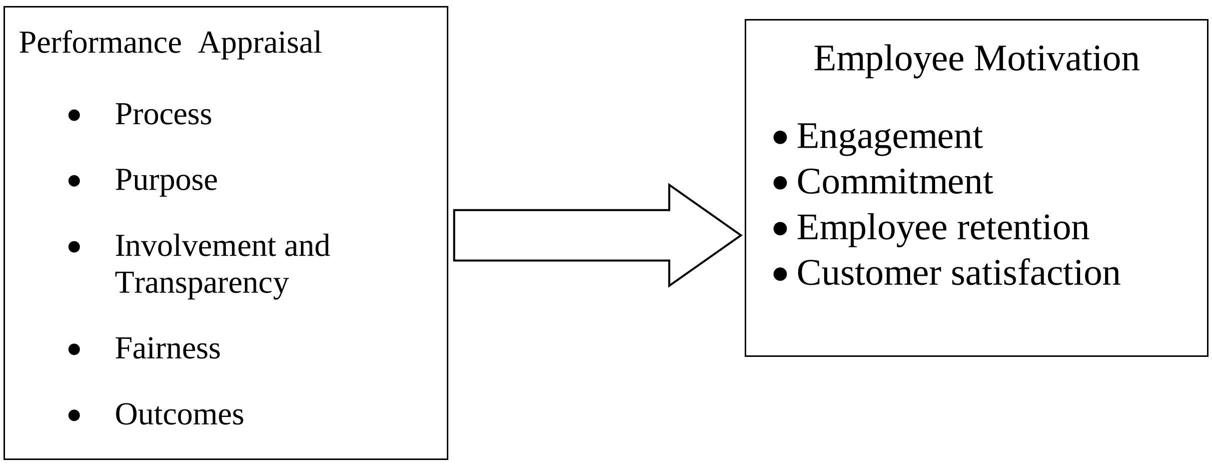


Figure – Conceptual framework adopted from review of related literature

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Description of the Study Area

According to proclamation no. 18/2005 amended Addis Ababa city administration has 10 sub cities and 116 woredas. Among the sub-cities, Bole sub city one and has 14 woredas with total population of 308,741 and total area of 120.93 km2 (CSA, 2007). Bole sub city comprises more than sixteen offices. In terms of economic activities, there is no compiled data. But the major infrastructural and service delivery activities includes health, education, roads, housing, SME, and ICT etc. The major source of the revenue includes tax income and profit tax, service fee, and transfers from the city government. With respect to expenditure, the sub city have primarily been allocating to infrastructure development followed by health and education services. Based on the data collected from bole sub-city public service and human resource administration; as of November 2010 E.C the sub-city has 1209 permanent within the four pools.

3.2. Research Approach and Design

There are three different research methods and those are qualitative research method, quantitative research method and mixed methods. Since the main objective of the researcher is to analyze Performance Appraisal and its effect on Employee Motivation the appropriate types of research used to achieve the objective of this study are explanatory types of study and the researcher mainly deployed quantitative type of research method.

Explanatory research is deeper in the sense that it describes phenomena and attempts to explain why behavior is the way it is. In other words, it enables us to understand the very nature of what we are actually looking at. In order to answer the research questions and the problems, the researcher used explanatory research design.

Quantitative research method allows the researcher in order to use objective measurement, to quantifying the relationships between variables, collect data in the form of numbers and use statistical tools for data analysis. The study is cross-sectional in the sense that relevant data will be collected at one point in time.

3.3. Sources of Data

The research is based on both primary and secondary data collected from primary and secondary sources. In this study, information from the secondary sources of data have been collected from different published and unpublished materials which include government official documents such as plans, reports, performance appraisal and evaluation checklists, manuals, and performance evaluation reports have also been used as inputs of main sources of secondary data.

The primary data has been collected through questionnaire that include close ended for respondents and some informal open ended questions for managerial positions. Questionnaire is selected because it is critical and easy to get direct response and feedback from the respondents and also as the respondents are the main actors in the performance appraisal process.

3.4. Target Population

Target population in the study would be permanent employees working with the Bole Sub-City. According to Public Service and Human Resource Development Office (2016) of Bole sub-city there are 1,209 (one thousand two hundred nine) employees working as permanent employees located at the sub-city that comprises four pools in it.

The research has applied the stratified random sampling technique due to the reason that the sample size in each stratum varies according to the relative importance of the stratum in the population Masuku, (2014). Therefore, sample size for each stratum is set taking in to consideration the representation of the sample to the population under each stratum.

The preferred method for selecting the sample from each stratum is simple random sampling using the method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata (each sector). This proportional allocation is most efficient and an optimal design when the purpose of sampling is to estimate the population value Kotari, (2004).

Table 1: Total population of the study area (Source; Employee record by PSHRD as of Hidar, 2010.)

S/N	Office	Male	Female	Total
1	Chief Excutive	**190**	**201**	**391**
2	Public Service and Human Resource Development office	**154**	**137**	**291**
3	Land development and management office	**288**	**193**	**481**
4	Health Buruea	**23**	**23**	**46**
	Total	**655**	**554**	**1209**

3.5. Sampling method and Sampling size determination

3.5.1. Sampling method

The intention of the study would be to assess the performance appraisal system and its effect on employees' motivation. The researcher has used stratified random sampling appropriate for selecting samples from the population. A stratified random sampling allowed us to take into account the different subgroups of people in the population (such as different divisions & departments) and helps guarantee that the sample accurately represents the population on specific characteristics. The four sectors under sub-city represent subsamples or strata and in this study cases the criteria of strata identification is the four pools. Then sample will randomly select from each stratum or pools. Each employee of the sector bureaus' or pools has equal chance to be accessed.

The sampling frame or Target population taken was employees working under four pools of the Sub-City namely, Chief Executive (55 employees), Public Service and Human Resource Development office (41 employees), Land development and management office (67 employees) and Health Bureau (6 employees) selected on the assumption that they could represent the city administration and ensuring of the highest response rate. The total number of employees working in the sub-city are1209.

3.5.2. Sampling size determination

According to Kotari (2004), a sample design is a definite plan for obtaining a sample from a given population. For all research questions where it would be impracticable to collect data from the entire population, it needs to select a sample Suanders, Lewies & Thornhill (2009). Since there are many limitations such as time, budget and other factors to include the total population in the study, it is necessary to take sample from the total population under study. For this purpose, the researcher used optimal sample size that is not too large sample size to be in line with available resource and time and too small sample size, which may not represent the total population. Therefore, appropriate sample size has been applied in order to get good representative data.

With this respect to select sample respondents stratified sampling was used. According to Catherine (2002) Stratified sampling is a method by which the researcher stratifies his sample by subject area. If the population is believed to be heterogeneous in some characteristics, using stratified sampling results in more reliable and detailed information Kothari (2004).Thus, the researcher selects this method to insure the representativeness of the respondents from four categories; Chief executives, Public service and human resource development office, Land development and management office and health office employees' of the Sub-City in the sample. In order to determine the sample size the researcher has used the Sample size determination Kothari (2004):

$$\mathbf{N} = \frac{\mathbf{z2 * p * q * N}}{\mathbf{e2\ (N - 1) + z2 * p * q}}$$

N = 1209;

e = 0.05 (estimate within 5% of true value);

z = 2.005 (as per the table of area under normal curve for the given confidence level of 95.5%

p = the estimate proportion of defectives in the population 0.05

q = sample proportion, *q* = *1 – p.*

Based on the above formula the sample size is equals 169.

Therefore Proportional sample determination formula from each stratum:

Sample size from strata 1 = 169(strata 1/(total no. of strata)) 169(391/(1209) Equals 54 and the remaining strata is done like this. In addition the selected sample size based on gender also calculated with this formula; 190/391*55=27 male and 201/391*55=28 female for the first pool and the remaining pool is computed just like this. Hence, the sample size for each stratum is summarized on the following table:

Table 2: Sample size from each four sector.

S/N	Office	Male	Female	Total
1	Chief Executive	**27**	**58**	**55**
2	Public Service and Human Resource Development office	**22**	**19**	**41**
3	Land development and management office	**40**	**27**	**67**
4	Health Bureau	**3**	**3**	**6**
	Total	**91**	**77**	**169**

3.6. Procedure of Data collection

First the researcher prepared the appropriate questionnaire keeping the personal profiles of the one who files the questionnaire and then distributes the questionnaire to the sample employees. After effectively collecting the information, the researcher insert, analyze and summarize with SPSS version 20 and put it either in table and figure form and the major findings of the study is identified and interpreted taking in to account the theoretical perspective and based on that conclusions drawn and feasible recommendations forwarded. After taking sample from the employees, an interview would be conducted with responsible individuals from management to triangulate the result.

The research questionnaire has adopted from Five Point Likert Scale to establish the performance appraisal system and its effect on employees' motivation in Bole Sub-City Administration. The researcher will be communicate with the Chief executive and Public Service and Human Resource Development office of the sub-city seeking permission to gather and access data from employees and other sources. As per the request of the researcher, the sub-city is issuing a letter to the four pools that instruct the required co-operation to deliver.

3.7. Data Collection Method

The researcher used a questionnaire as primary data collection instrument. The purpose of using questionnaire is because of the direct response and feedback from the respondents in an easy manner and within short period of time. The questionnaire has closed-ended or structured questions which ease the processes of analyzing data from the respondents. Thus, the results gathered from respondents increased the speed and accuracy of recording, as well as more comparable.

The questionnaire of this research was adopted from different researchers work such as Asuma (2013), Onyije (2015), Muriuki (2016) and Birhanu, Genet (2017) and modified by the researcher in order to relate it with the specific objective of the research. The questionnaire is developed in English language using five point scales: - Strongly agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1). Mean and standard deviation has been used to analyze the result. Readers should note that as the likert scale used ranges from 5 being strongly agree to 1 being strongly disagree a mean of a value less than 3 will show negative response and vice versa.

Research Questionnaire prepared for the study will contains six parts. These are: -

1. Performance appraisal process questionnaire.

This part of questionnaire measures performance appraisal practices on five point likert scales and this aspect is measured from performance appraisal in terms of clarity of performance expectations, level of communication, trust in the supervisor and fairness about performance appraisal process.

2. Questions Related to Purpose of Performance Appraisal

This part of the questionnaire measures the performance appraisal system and its effect on employees' motivation on five point likert scale.

3. Questions Related to Employee involvement and transparency in Performance Appraisal process

This part of the questionnaires assess the performance appraisal process is clear, continues communication and feedback

4. Questions Related to Fairness in Performance Appraisal process

These parts of the questionnaires assess whether the performance appraisal process is fair and equity.

5. Questions Related to Performance Appraisal Outcomes

This part of the questionnaires asks how employee motivation is influenced by the outcomes of performance appraisal (i.e. the rewards provided and/or measures taken as a result performance).

6. General information of respondents

This part of the questionnaires asks for the demographic information of the respondents like their age, sex, experience and educational background.

Questionnaires were administered by the researcher and finally of the total distributed 169 questionnaires, 156 were returned in time. It implies response rate of 92.3%.

3.8. Method of Data Analysis

Statistical Package for Social Science (SPSS) software version 20.0 was employed to analyze and present the data through the statistical tools, namely descriptive and inferential analysis. The descriptive statistics analysis was presented in tables. In this the respondents demographic characteristics and there level of reactions for questions were summarized and analyzed by comparing Mean and Standard deviations score of each variable. To determine the significance and relationship magnitude of independent and dependent variables Pearson correlation coefficient were deployed. On the other hand multiple leaner regressions was adopted in order to understand the effect of independent variable over the dependent variable

Descriptive analysis –used to summarize the demographic characteristics of the respondent and to know the level of employee perception of performance appraisal based on the response for each item and analyzed by comparing the mean and standard deviation score of each variable.

Correlation Analysis: is to show the strength of the association between the variables involved. Inter-correlations coefficients (r) were calculated by using the Pearson‘s Product Moment. According to Cohen (1998 as cited by Warokka, and Gallato, 2012), the correlation coefficient (r) ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, r ranging from 0.30 to 0.49 may be considered as a moderate degree of correlation, and r ranging from 0.50 to 1.00 may be regarded as a high degree of correlation.

Field (2006) also state that the output of correlation matrix can be the correlation coefficient that lies between -1 and +1 within this framework, a correlation coefficient of +1 indicates a perfect positive relationship, and a correlation coefficient of -1 indicates a perfect negative relationship; whereas a coefficient of 0 indicates no liner relationship.

While, for correlations purposes, the descriptors developed by Davis (1971, as cited by Alene, 2017) the interpretation of strength of correlation coefficient is shown in table below.

Interpretation of strength of correlation coefficient

Value of coefficient	**Relation between variables**
0.70-1.00	Very strong association
0.50-0.69	Substantial association
0.30-0.49	Moderate association
0.10- 0.29	Low association
0.01-0.09	Negligible association

Source: Alwadael (2010)

3.9 Instrument Validity and Reliability

As per Kothari (2004), reliability refers to consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those other questions in the questionnaire. To test the reliability of the questionnaire the researcher conduct internal survey on 15 employees of Bole Sub-City. The researcher used Cronbach‘s alpha to calculate the internal consistency of the instrument where alpha was computed for purpose of performance appraisal, outcomes of performance appraisal, process of performance appraisal, fairness in performance appraisal, employee involvement and transparency in performance appraisal process and employee motivation as follows,

Table 3.9 Result of the Reliability Analysis

Items	**Cronbach’s Alpha**	**No. of Items**
Performance Appraisal process	.890	15
Purpose of Performance Appraisal	.871	8
Employee involvement and transparency	.927	11
Fairness of performance appraisal	.839	8
Performance appraisal outcomes	.866	9
Employee Motivation	.899	10

* Source SPSS output, 2018

According to Robert & Richard (2008), Acceptable levels of Cronbach Alpha for attitude scales is 0.7 and above. Therefore, the scale used in this study has internal reliability because the alpha values exceed the minimum accepted level of (0.7). This also confirms that the questionnaire were reliable.

The questionnaire‘s internal validity refers to its ability to measure what we intend it to measure. In other words what we find with our questionnaire actually represents the reality of what we are measuring Kothari (2004). In order to ensure the validity of this study, the instrument were checked and evaluated by professionals in the subject matter area. Moreover, my advisor also had evaluated and commented on the instrument before it has been distributed to the respondents.

3.10 Ethical Considerations

The primary responsibility of the researcher would be confirming strictly its confidentiality and guarantying their privacy during treating the information given by respondents. The purpose of the research should be explained to respondents before conducting survey by preparing them with covering letters. It also will be more concerned not to violate the self esteem and self respect of the subjects as well. Data and study results would be confidential, secured, not disclosed to any one; it is solely used for academic purpose.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

4.1 Demographic Characteristics of Respondents

The first part of the questionnaire consists of six items about demographic information of the respondents. It covers the personal data of respondents, such as sex, age, educational background, year of service, job category and department of work. The following table will reveal the total demographic characteristics of the respondents.

Table 4.1 the frequency and percentage distribution of Demographic characteristics

Respondent Background	Category	Frequency	Percent
Sex of Respondents	Male	112	71.8
	Female	44	28.2
	Total	156	100.0
Age of Respondents	18-25 years old	25	16.0
	26-35 years old	93	59.6
	36-45 years old	28	17.9
	Above 45 years old	10	6.4
	Total	156	100.0

Educational Qualification of Respondents	Certificate	0	0
	Diploma	33	21.2
	BA/BSC	99	63.5
	MA/MSC	24	15.4
	PHD	0	0
	Total	156	100
Respondents Service Year in the sub-city.	0-5 years	43	27.6
	6-10 years	62	39.7
	11-15 years	28	17.9
	16-20 years	10	6.4
	21 and above	10	6.4
	Missing	3	1.9
	Total	156	100.0
Respondent job category	Senior Management	47	30.1
	Middle Level	68	43.6
	Lower Level	41	26.3
	Total	156	100.0
Respondents pool of work	Chief Executive	51	32.7
	Public Service and Human Resource Development office	39	25.0
	Land development and management office	60	38.5
	Health Bureau	6	3.8

	Total	156	100.0

Source: Own Survey, 2018

As shown in table 4-1, of the total respondents 71.8% (112) were male and the remaining 28.2% (44) were females. This shows that male respondents were participated in the study more in number than female respondents. With regard to respondents age category, the highest group of respondents i.e. 93 (59.6%) fall under age category of 26-35. The next higher group 28 (17.9%) and 25 (16.0%) fall under age category of 36-45 and 18-25 respectively. The remaining 10 (6.4%) are above the age of 45. This implies that about 75.6% of the respondents are below 35 years of age. From this figure it is possible to say that the majority of the respondents were at productive ages i.e. age range from 18 to 35years. Accordingly, such employees who are in the age range underscored above need to be treated and motivated well and evaluate in accurate way.

The above table also demonstrates educational background of the respondents. As indicated in the table, 99 (63.5%) of the total respondent are holder of BA/BSC followed by diploma holders 66 (21.2%). The remaining 24 (15.4%) have MA/MSC. This implied that the company has fairly educated employees and would have the required capability to effectively respond to the questions provided in the questionnaire.

Respondents service year in the sub-city indicated that 62 (39.7%) of them have 6-10 years of service, 43(27.6%), of them have been with between 0-5 years, and 28(17.9%) of respondents have served for 11-15 years, and 10(6.4%) and also 10(6.4%) of them are equally served in the sub-city for 16-20 and above 21years respectively and the remaining 3(1.9%) were not willing to indicate their work experience . This result ascertains that respondents have enough experience with the Performance Appraisal practices being undertaken in their respective organization and this would allow each to share their experiences, understandings and knowledge of the practices via the questionnaire.

The findings above on the respondents department of work show that most respondents were from Department of Land development and management office at 38%, Department of Chief Executive office were 33%, Public Service and Human Resource development office 25%, and

Health office were 4%. These results imply that all the departments were represented and majorities were from Department of Land development and management office.

4.2 Descriptive Statistics of Variables

In the analysis (Zaidatol and Bagheri (2009) comparison bases of mean score for five point Likert scale instruments is used to compare the mean value.

Table 4.2 Mean score measurement

Mean score	Description
<3.39	Low
3.40 - 3.79	Moderate
>3.80	High

Source: (Zaidatol and Bagheri (2009)

According to (Zaidatol and Bagheri (2009) the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considered as high.

4.10 Descriptive Statistics on Performance Appraisal Process

Table 4.2.1 Summary of respondents' opinion on Performance Appraisal Process

Statement	**N**	**Mean**	**Std. Deviation**
There is clear and realistic standard based on which employee performance is appraised	156	3.52	1.293
There is clear criteria based on which employee performance is evaluated	156	3.15	1.064
The performance appraisal process communicates performance expectations to the employee before measuring the actual performance	156	3.28	1.064
The performance appraisal process encourages employees involvement in the rating period	156	3.22	1.038
Employee performance appraisal is conducted regularly rather than once or twice in a year	156	3.21	1.117
Employee actual performance is rated in light of the predetermined performance standard	156	3.30	1.037
The result of the evaluation are openly explained and discussed to the employee concerned.	156	3.42	1.169

I have the right tools to help me achieve my work goals	156	3.08	1.077
The managers take into consideration my performance throughout the evaluation period rather than by looking the short term achievement or failure.	156	3.34	1.133
Employee performance appraisal is linked with the monetary and non-monitory rewards provided by the organization	156	2.87	1.021
PA Process	**156**	**3.239**	**1.1013**

* Source: Own Survey, 2018

The study sought to find out the respondents level of agreement with aspects that relate to performance appraisal process and its effect of employee motivation at Bole Sub-City administration. According to the findings, respondents agreed that in bole sub-city the Performance Appraisal Process has an effect on employee motivation by mean of 3.24 (SD 1.02) on a 5 point scale

This implies that respondents have a lower level of agreement towards the performance appraisal process have an effect on employee motivation.

4.10 Descriptive Statistics on Purpose of Performance Appraisal System

Table 4.2.2 Summary of respondents' opinion on Purpose of Performance Appraisal

Statement	N	Mean	Std. Deviation
The performance appraisal intends to provide constructive feedback and recognition to encourage better performers	156	3.63	1.066
The appraisal result is used to provide coaching and support to poor performers to improve their performance	156	3.25	1.075
The Sub-City collects information through performance appraisal and uses it to make decisions such as, promotion, demotion, suspension and termination.	156	3.15	1.286
The purpose of performance appraisal in the sub-city focuses on employee development.	156	3.35	1.217
The purpose of performance appraisal in the sub-city is basically to identify and prepare individuals for increased responsibility.	156	3.39	1.007

The purpose of performance appraisal to provide rewards to better performers and to take corrective measures against poor performers	156	3.40	1.243
Purpose of PA	156	**3.39**	**1.149**

* Source: Own Survey, 2018

The study sought to find out the respondents agreement level with statements that relate to level of agreement with the statement that relate to the purpose of performance appraisal play in employee motivation. According to the findings, the respondents agreed that in bole sub-city the purpose of performance appraisal considered important in employee motivation by a mean of 3.39 (SD=1.149) on a 5-point scale

This shows that respondents generally agreed that the purpose of performance appraisal system have a lower level of effect on employee motivation.

4.10 Descriptive Statistics on Employee involvement and transparency in Performance Appraisal process

Concerning the issue of involvement and transparency, the respondents indicated the extent to which they agreed with the statements under employee involvement and transparency in Performance Appraisal process where table 4.2.3 represents the findings.

Table 4.2.3 Summary of respondents' opinion on employee involvement and transparency in Performance Appraisal process

Statement	**N**	**Mean**	**Std. Deviation**
I personally involved in the process of setting objectives and targets of my future Performance.	156	3.71	1.191
The performance criteria/instruments used to measure my performance are adequately communicated to employees	156	3.69	1.093
The process through which my performance is evaluated/appraised is cleat and transparent	156	3.43	1.096
I participate in appraising the performance of my colleagues/teammates	156	3.31	1.157

I participate in appraising the performance of my superior	156	3.22	1.145
The manager frequently communicates with me about my performance.	156	3.32	1.169
When my performance has not met minimum standards, my supervisor openly discusses with me the reasons and solutions	156	3.05	0.956
I am formally informed in writing about my overall performance results semi-annually or annually	156	3.26	1.264
The reward and corrective measures associated with performance appraisal results are clearly communicated to employees	156	2.94	1.134
Employee involvement and transparency of PA	**156**	**3.325**	**1.134**

* Source: Own Survey, 2018

The study sought to find out the respondents agreement level with statements that relate to level of agreement with the statement that relate to Employee involvement and transparency of performance appraisal play in employee motivation. According to the findings, the respondents agreed that employee involvement and transparency in performance appraisal considered important in employee motivation by a mean score of 3.32 (SD=1.134) on a 5-point scale

This shows that respondents generally agreed that employee involvement and transparency in performance appraisal have a lower level of effect on employee motivation. Since according to (Zaidatol and Bagheri (2009) the mean score below 3.39 is considered as low.

4.10 Descriptive Statistics on Fairness in Performance Appraisal process

The respondents were asked to indicate the extent to which they agreed with the statements in fairness in performance appraisal process where table 4.2.4 represents the findings.

Table 4.2.4 Summary of respondents' opinion on Fairness in Performance Appraisal process

Statement	**N**	**Mean**	**Std. Deviation**
I am evaluated fairly according to the setting standards without subjectively and biased.	156	3.54	1.262

Appraisers treat all employees fairly and consistently during performance appraisal process	156	3.29	.948
The performance appraisal result provide you with a fair reflection of your actual performance	156	3.41	1.065
The performance appraisal process is free from discrimination and favoritism	156	3.03	.912
The performance appraisal process is free from appraisers' errors	156	3.19	1.197
There is a feeling of equity and fairness among employees regarding provision of performance-based rewards.	156	3.12	1.199
Fairness in Performance Appraisal process	**156**	**3.263**	**1.097**

* Source: Own Survey, 2018

The study sought to find out the respondents agreement level with statements that relate to level of agreement with the statement that relate to Fairness in Performance Appraisal process has an effect on employee motivation. According to the findings, the overall response for the six items indicates the mean= 3.26 and SD= 1.18.The higher the mean score, the more that respondent agreed with the statement and vice versa. The figures for standard deviation (SD) also indicate the degree to which responses varied from each other; the higher the figure for SD, the more variation in the responses. Therefore; this result based on Zaidatol and Bagheri (2009) mean score compression basis, the mean score= 3.26 indicates that there is lower level of satisfaction towards the current performance appraisal process.

4.10 Descriptive Statistics on Performance Appraisal Outcomes

The study sought to what extent the respondents agreed with the listed aspects. Table 4.2.5 gives the results.

Table 4.2.5 Summary of respondents' opinion on Performance Appraisal Outcomes

Statement	**N**	**Mean**	**Std. Deviation**
Information generated through performance evaluation is strongly determines pay and promotion decisions	156	3.59	1.169

Information generated through performance evaluation is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors make discharge or retention decision	156	3.46	1.037
The performance appraisal result provide you with a fair reflection of your actual performance	156	3.47	.993
The organization provide you with adequate training that enables you to do your job well	156	3.52	1.000
Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential.	156	3.45	1.055
Information generated through performance evaluation in is used to motivate subordinates through recognition and support.	156	3.65	1.118
Appraisal outcomes have given you opportunity for self-development and to eliminate weak areas in performance.	156	3.15	1.135
Performance Appraisal Outcomes	**156**	**3.47**	**1.072**

* Source: Own Survey, 2018

The study sought to find out the respondents agreement level with the statement concerning the aspects of Performance Appraisal Outcomes and the relation with employee motivation. According to the findings the sub-city's Performance Appraisal Outcomes affect employee motivation positively by a mean of 3.47 SD 1.072; the respondents moderately agreed with Performance Appraisal Outcomes affect employee motivation

Therefore; this result based on Zaidatol and Bagheri (2009) mean score compression basis, the mean score= 3.47 indicates that there is moderate level of satisfaction towards the current performance appraisal outcomes and this denotes that respondents have moderate level of satisfaction towards their performance appraisal outcome is a base for determining reward, penalties and training.

4.10 Employee Motivation

The respondents were asked to indicate the extent to which they agreed with the statements in employee motivation where table 4.2.6 represents the findings summary.

Table 4.2.6 Summary of respondents' opinion on Employee Motivation

Statement	**N**	**Mean**	**Std. Deviation**
My organization values and beliefs support achievement of organizational goals	156	2.65	1.163
The organization culture helps attract and retain the high quality people in my organization	156	1.83	.738
Managers give employees recognition for a job well done and motivates them	156	2.67	1.011
Supervisors delegate powers and responsibilities to us that helps in decision making	156	2.94	.992
I am satisfied with the usefulness of learning inputs in improving my performance	156	3.92	.617
My performance gaps are identified for appropriate training programme	156	3.85	1.196
The organization supports my development and career aspirations	156	3.35	.949
My supervisor coaches and mentors me to raise my level of competence	156	2.68	1.022
The rewards in my organization are in form of promotion, certificate of merit, leadership responsibilities and monetary rewards	156	2.36	.727
Employee Motivation	**156**	**3.243**	**7.769**

* Source: Own Survey, 2018

The study sought to find out the respondents agreement level with statements that relate to level of agreement with the statement that relate to Employee Motivation, the overall mean result of the nine statements regarding employee motivation that employees are agreed 3.24 SD 7.769. When the mean value is compared with (Zaidatol and Bagheri, 2009) mean score comparison basis it is below 3.39.

4.10 Analysis of Performance appraisal and its effect on employee motivation

Table 4.3: Overall contribution of the five variables on the factors of performance appraisal system Represented by the mean and standard deviation among the variables.

Variables	N	Mean	Std. Deviation
Performance Appraisal process	156	3.24	.755
Purpose of Performance Appraisal	156	3.36	.879
Employee involvement and transparency in Performance Appraisal	156	3.33	.785
Fairness in Performance Appraisal process	156	3.26	.824
Performance Appraisal Outcomes	156	3.46	.748

Source: Own Survey

4.10 Model Test

Before applying regression analysis to test performance appraisal and its effect on employees' motivation, some tests were conducted in order to ensure the appropriateness of the survey data to assumptions of regression analysis as follows.

4.4.1 Multicollinearity Test

In this section the correlation between employees motivation and explanatory variables; performance appraisal process, purpose, outcomes, employee involvement and transparency and fairness in performance appraisal process have been presented and analyzed. A correlation matrix is used to ensure the correlation between explanatory variables.

Table 4.4.1 Multicollinearity test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Performance Appraisal process	.417	2.399
	Purpose of Performance Appraisal	.302	3.311
	Employee involvement and transparency in Performance Appraisal	.310	3.231
	Fairness in Performance Appraisal process	.433	2.311
	Performance Appraisal Outcomes	.417	2.397
a. Dependent Variable: Employee Motivation			

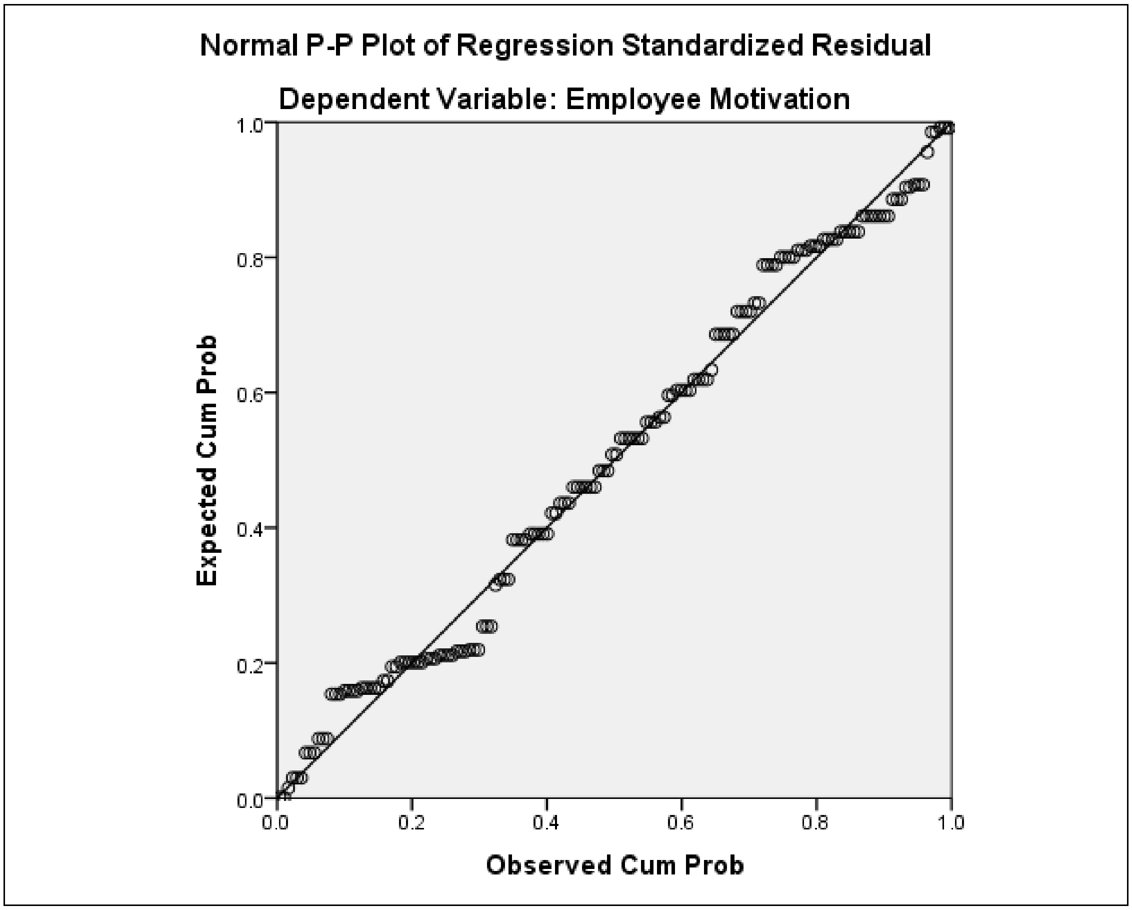
Source: Own Survey 2018

The above table shows that all tolerance levels are more than 0.2(Menard, 1995) and VIF is less than 10(Myers, 1990) providing that there is no multicollinearity problem.

4.7 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable employees motivation and the independent variables; Performance Appraisal process, Purpose of Performance Appraisal , Employee involvement and transparency in Performance Appraisal, Fairness in Performance Appraisal process and Performance Appraisal Outcomes is linear; plots of the regression residuals through SPSS software had been used.

Figure 4.4.2: Normal Point Plot of Standardized Residual

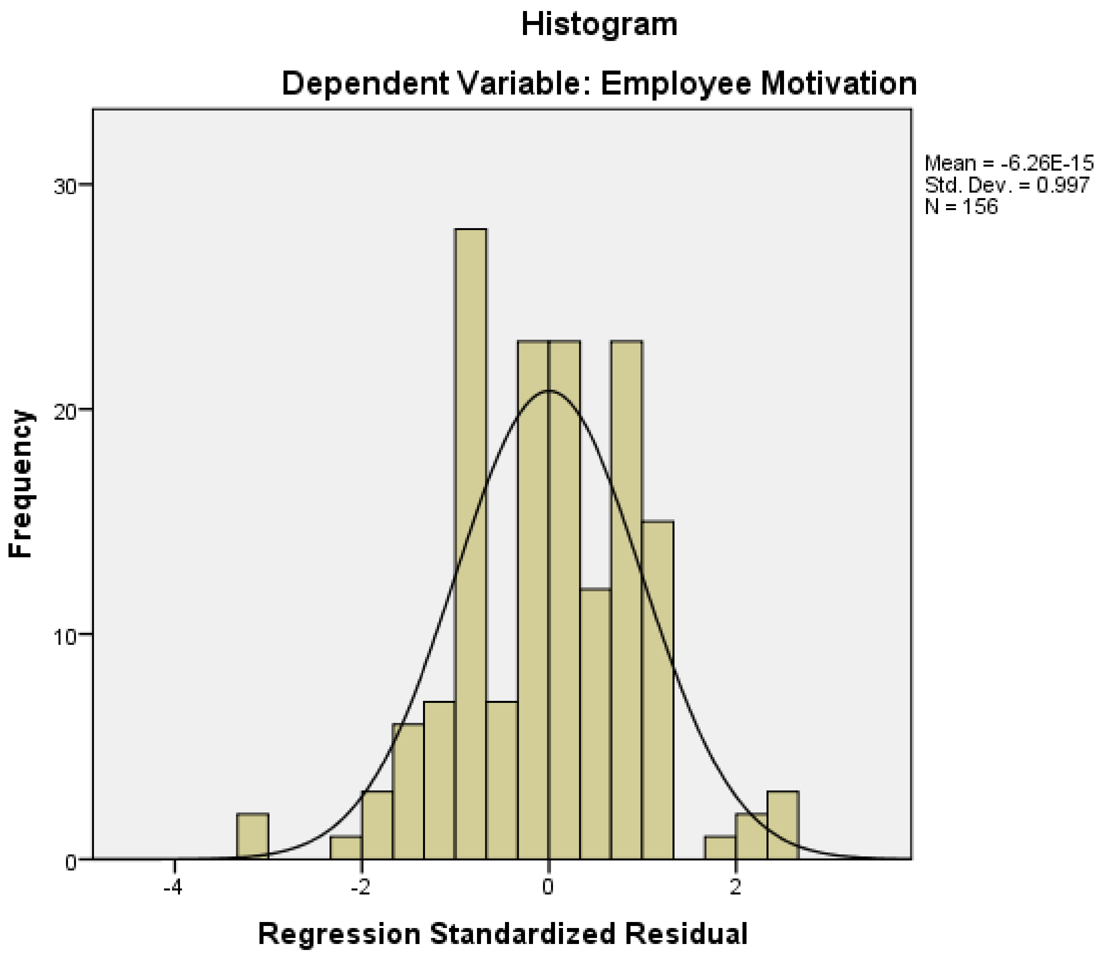


(Source: Own Survey, 2018)

4.7 Normality Test

Figure 4.4.3 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

Figure 4.4.3: Frequency Distribution of Standardized Residual



(Source: Own Survey, 2018)

Thus, from an examination of the information presented in all the three tests the researcher conclude that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated.

4.7 The Relationship between the Performance Appraisal components and Employee Motivation

Correlation analysis is primarily concerned with finding out whether a significant relationship exists between two variables (Field, 2005). It is used to describe the strength and direction of the linear relationship between two variables. Pearson correlation (commonly called Pearson Correlation Coefficient) is used for the study to investigate a relationship between performance appraisal and employee motivation. The value of Pearson product-moment correlation coefficient (r) normally varies between -1 to +1. The sign indicates whether there is a positive correlation (as one variable increase, other also increase) or negative correlation (as one variable increase, other decrease). According to Field (2005), a coefficient(r) of +1 indicates a perfect positive relationship while -1 indicates a negative relationship. Breaking down the strength of the relationship, values of r=±0.1 to ± .29 represent a weak relationship while r=±0.3 to ± .49 represent a medium relationship while r=±0.5 to ± 1.0 indicate a strong relationship.

Table 4.5 Correlations of PA components with Employees Motivation

Correlations						
	PAPro	PURPA	TRAPA	FAIRPA	OUTCPA	EM
PAPro Sig. (2-tailed)	1					
PURPA Sig. (2-tailed)	.726** .000	1				
TRAPA Sig. (2-tailed)	.693** .000	.769** .000	1			
FAIRPA Sig. (2-tailed)	.514** .000	.531** .000	.645** .000	1		

OUTCPA Sig. (2-tailed)	.470** .000	.628** .000	.624** .000	.693** .000	1	
EM Sig. (2-tailed)	.416** .000	.254** .001	.341** .000	.295** .000	.095 .237	1
**. Correlation is significant at the 0.01 level (2-tailed). **. Correlation is significant at the 0.05 level (2-tailed).						

* Source: Own Survey, 2018

For most of the relationships, the inter correlations among variables were found to be in the expected direction. Significant correlations were observed between performance appraisal process and employee motivation (r = .416, p<.01). Similarly, the correlation between purpose of performance appraisal and employee motivation was (r = .254, p<.01) and Employee transparency in performance appraisal and employee motivation (r = .341 p<.01), followed by Fairness in performance appraisal and employee motivation (r = .295, p<.01), and performance appraisal outcomes and employee motivation (r=.095, p>05). Correlation analysis among the Five Variable factors shows that performance appraisal process correlated significantly and positively with employee motivation (r = .416, p<.01), purpose of performance appraisal (r = .254; p < .01), Employee involvement and transparency in performance appraisal (r = .341; p < .01), and Fairness in performance appraisal correlated significantly and positively with employee motivation (r = .295, p < .01) and, performance appraisal outcomes has a neglected relationship and statistically insignificantly and positive correlation with the employee motivation (r = 095, p >.05).

4.10 The effect of the Five Variable Factors on Employee Motivation

Multiple regression analysis is used to explore the relationship between one dependent variable and a number of independent variables or predictors (Pallant, 2005). Multiple regression also tells that how much of the variance in dependent variable can be explained by independent variables. It also determines the statistical significance of the results, both in terms of model and the individual independent variables (Pallant, 2005).

In this study performance appraisal process, purpose of performance appraisal, Employee involvement and transparency, Fairness in performance appraisal and performance appraisal outcomes are treated as independent variables and employee motivation as the dependent variable. Multiple regression analysis was employed to test the effect of the five variables on employee motivation

4.7 Regression Analysis

This section presents a discussion of the results of inferential statistics. The researcher conducted a multiple regression analysis so as to investigate into the limitations facing employee motivation at bole sub-city. The researcher applied the statistical package SPSS to code, enter and compute the measurements of the multiple regressions for the study. Findings are presented in the following tables;

Table 4.7.1: Model Summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.489[a]	.239	.214	.33686	.239	9.423	5	150	.000
a. Predictors: (Constant), Performance Appraisal Outcomes, Performance Appraisal process, Fairness in Performance Appraisal process, Employee involvement and transparency in Performance Appraisal , Purpose of Performance Appraisal									

Source: Own survey

The five independent variables that were studied, explain 23.9% of variance in employee motivation as represented by the R2. This therefore means that other factors not studied in this research contribute 21.4% of variance in the dependent variable. Therefore, further research should be conducted to investigate into the determinants of employee motivation.

The strength of relationship between one dependent variable and one or more independent variables is determined by coefficient of determination r^2 (also called regression coefficient). The regression coefficient varies between -1 and +1. -1 represents complete negative relationship while +1 represents perfect relationship (Saunders et al., 2012). As shown in table 4.7.1, the value of Adjusted R2 is .239 which implies that the predictor variable (the four variables) has explained about 23.9% of variance in the dependent variable of employee motivation.

Table 4.7.2: ANOVA[a] table for regression model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.346	5	1.069	9.423	.000[b]
	Residual	17.021	150	.113		
	Total	22.367	155			
a. Dependent Variable: Employee Motivation						
b. Predictors: (Constant), Performance Appraisal Outcomes, Performance Appraisal process, Fairness in Performance Appraisal process, Employee involvement and transparency in Performance Appraisal , Purpose of Performance Appraisal						

Source: Own survey

The F critical at 5% level of significance was 1.44 as extracted from the F statistical tables. Since F calculated is greater than the F critical (value = 9.423), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, (Performance Appraisal Outcomes, Performance Appraisal process, Fairness in Performance Appraisal process, Employee involvement and transparency in Performance Appraisal , Purpose of Performance Appraisal) explain the variation in the dependent variable which is employee motivation. Conversely, if the significance value of F was larger than 0.05 then the independent Variables would not explain the variation in the dependent variable.

The ANOVA table presents results from the test of the null hypothesis that R-square is zero. An R-square of zero indicates no linear relationship between the predictor and dependent variable. The ANOVA table 4.7.2 indicates that the regression model is statistically significant F is 9.423, with an observed significance level of less than 0.001.

Table 4.7.3: Coefficients [a] table of regression model

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.317	.145		15.963	.000		
	Performance Appraisal process	.189	.055	.376	3.411	.001	.417	2.399
	Purpose of Performance Appraisal	-.047	.056	-.109	-.838	.404	.302	3.311
	Employee involvement and transparency in Performance Appraisal	.095	.062	.197	1.540	.126	.310	3.231
	Fairness in Performance Appraisal process	.112	.050	.244	2.252	.026	.433	2.311
	Performance Appraisal Outcomes	-.155	.056	-.306	-2.770	.006	.417	2.397
a. Dependent Variable: Employee Motivation								

Source: Own survey

From the regression findings, the substitution of the equation (Y = β0+ β1X1 + β2X2 + β3X3 +β4X4+β5X5) becomes: Y=2.317X1+.189X2-.047X3+.095X4+.112X5-.155

where Y is the dependent variable (Employee motivation), X1 is the Performance Appraisal process variable, X2 is the Purpose of Performance Appraisal variable, X3 is Employee involvement and transparency in Performance Appraisal variable, X4 the Fairness in Performance Appraisal process variable and X5 is Performance Appraisal Outcomes .

According to the equation, taking all factors (Performance appraisal outcomes, performance appraisal process, Fairness in performance appraisal process, employee involvement and transparency in performance appraisal, Purpose of performance appraisal) constant at zero, employee motivation will be 2.317. The data findings also show that a unit increase performance appraisal process will lead to a 0.189 increase in employee motivation holding other factors constant; a unit increase in purpose of performance appraisal will lead to a -0.047 decrease in employee motivation holding other factors constant; a unit increase in employee involvement and transparency in performance appraisal will lead to 0.095 increase in employee motivation holding other factors constant; while a unit increase in fairness in performance appraisal process will lead to a 0.112 increase in employee motivation holding other factors constant; while a unit increase in Performance Appraisal Outcomes -0.155 decrease in employee motivation holding other factors constant.

At 5% level of significance and 95% level of confidence, performance appraisal process had a 0.001 level of significance; fairness in performance appraisal process had a 0.026, Performance appraisal outcomes had a 0.006 level of significance; while purpose of performance appraisal and employee involvement and transparency had statistically insignificant above 5% implying that the most significant factors are performance appraisal process and Performance appraisal outcomes.

4.8 Testing the Hypothesis

ANOVA analysis is normally used to compare the mean scores of more than two groups or variables. It is also called analysis of variance because it compares the variance between groups (Pallant, 2005). The F ratio or F statistic represents the variance. If the F ratio is large and probability is less than 0.05 then it is termed statistically significant (Saunders et al., 2012). A significant F test indicates that we can reject the null hypothesis and accept alternate hypothesis, stating that the population means are equal (Pallant, 2005). Thus the researcher is used ANOVA to check the acceptance or rejection of the formulated hypotheses of the study.

The first hypothesis of the study infers that there is significant relationship between performance appraisal process and employee motivation.

Hypothesis 1: There is a significant relationship between the performance appraisal process and employee motivation.

Hypothesis 0: There is no significant relationship between performance appraisal process and employee motivation.

Table 4.8.1: ANOVA[a] Hypothesis 1

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.868	1	3.868	32.201	.000[b]
Residual	18.499	154	.120		
Total	22.367	155			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Performance Appraisal process

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 32.201and the significance level is less than0.05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H1). The large value of F ratio and less value of significance level [$F = 32.201$, $p<.05$] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between performance appraisal process and employee motivation.

The second hypothesis of the study infers that there is significant relationship between purpose of performance appraisal and employee motivation.

Hypothesis 2: There is a significant relationship between purpose of performance appraisal and employee motivation.

Hypothesis 0: There is no significant relationship between purpose of performance appraisal and employee motivation.

Table 4.8.2: ANOVA[a] Hypothesis 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.442	1	1.442	10.610	.001[b]
	Residual	20.926	154	.136		
	Total	22.367	155			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Purpose of Performance Appraisal

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 10.610 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H2). The large value of F ratio and less value of significance level [$F = 10.610$, $p<.05$] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between purpose of performance appraisal and employee motivation.

The third hypothesis of the study infers that there is significant relationship between employee involvement and transparency in performance appraisal and employee motivation**.**

Hypothesis 3: There is a significant relationship between employee involvement and transparency in performance appraisal and employee motivation**.**

Hypothesis 0: There is no significant relationship between employee involvement and transparency in performance appraisal and employee motivation**.**

Table 4.8.3: ANOVA[a] Hypothesis 3

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.604	1	2.604	20.288	.000[b]
	Residual	19.764	154	.128		
	Total	22.367	155			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Employee involvement and transparency in Performance Appraisal

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 20.288 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H3). The large value of F ratio and less value of significance level [F = 20.288, $p<.05$] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between employee involvement and transparency in performance appraisal and employee motivation**.**

The fourth hypothesis of the study infers that there is significant relationship between fairness in performance appraisal process and employee motivation.

Hypothesis 4: There is a significant relationship between fairness in performance appraisal process and employee motivation.

Hypothesis 0: There is no significant relationship between fairness in performance appraisal process and employee motivation.

Table 4.8.4: ANOVA[a] Hypothesis 4

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.947	1	1.947	14.684	.000[b]
1	Residual	20.420	154	.133		
	Total	22.367	155			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Fairness in Performance Appraisal process

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 14.684and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H4). The large value of F ratio and less value of significance level [F = 14.684, p<.05] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between fairness in performance appraisal process and employee motivation.

The fifth hypothesis of the study infers that there is significant relationship between performance appraisal outcomes and employee motivation.

Hypothesis 5: There is a significant relationship between performance appraisal outcomes and employee motivation.

Hypothesis 0: There is no significant relationship between performance appraisal outcomes and employee motivation.

Table 4.8.5: ANOVA[a] Hypothesis 5

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.203	1	.203	1.411	.237[b]
1	Residual	22.164	154	.144		
	Total	22.367	155			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Performance Appraisal Outcomes

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 1.411and the significance level is greater than .05. The decision rule is that we accept the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H4). The large value of F ratio and less value of significance level [F = 1.411, p>.05] indicates that the researcher accept the null hypothesis and accept alternate hypothesis i.e. There is no significant relationship between performance appraisal outcomes and employee motivation.

4.9 Interpretation and Discussion of Results

In terms of measuring whether the performance appraisal process in the company's is effective, the researcher would look into whether the process includes fundamental elements of an effective appraisal according to the literature. The elements that will be discussed are performance appraisal process, purpose, outcomes, employee involvement and transparency and fairness in performance appraisal process.

1. Nature of Performance appraisal process in Bole Sub-City Administration

The study has found out that the performance appraisal process has been properly implemented by the sub-city. However, participants of the survey have raised a number of issues on the performance appraisal process of the sub-city in terms of; Disparity of rating, the evaluations were not made based on the scorecard and plans cascaded to individuals, intentional bias on the bases of relationship with evaluators, political opinion and even gender, limited capacity of evaluators to undertake their assignment in an objective manner, and vague and ambiguous checklists and so on.

2. The purpose of performance appraisal systems in Bole Sub-City Administration.

The result implied that employees of the sub-city have a good understanding of the purpose of the performance appraisal and it has a weak association with employee motivation (r=254 p=.000). On the other hand the result revealed that employees of the sub-city did not agree on the extent to which the sub-city views their performance and is often the basis for reward allocations, including merit pay increases.

3. Involvement and transparency in performance appraisal process

Most of the respondents are involved in the process of setting objectives and targets of their future performance. Participation of each and every employee in plan preparation is quite essential to bring about consensus on performance targets. As we have seen in the literature review, participation of employees in setting their own goals, targets and measures motivates them to improve their performances. Individuals can not contribute their fair share unless they are involved in planning what their organizations aspires to achieve. Empirical studies have shown that performance of employees participated in setting goal processes was much higher than their peers who did not participate in planning process (Latham, Borgogni and Petita, 2008).

4. Fairness and objectivity of performance appraisal process in Bole Sub-City Administration

The study has found out that respondents indicated that there is low level of satisfaction towards the feeling of objectivity, equity and fairness among employees. So that performance appraisal system in the sub-city is believed to be biased, irrelevant and political, that may be a source of dissatisfaction with the system. Thus, employee reaction to the appraisal system is a critical aspect of the acceptance and effectiveness of the system. Huge dissatisfaction and perceptions of unfairness and inequality in the ratings may lead to the failure of the system (Cardy and Dobbins, 1994).

5. Performance appraisal outcomes contribute to employees' motivation

The study has found out that performance appraisal outcomes have neglected association and statistically insignificant relationship with employee motivation at the sub-city. The researcher indentified that recognition and reward to sector offices, units, and individuals were being provided in the form of gift materials, trophies, bond, certificates, publication on notice board and etc. As indicated in Table of the respondents have said that the recognition and reward did not motivate sector offices, units and employees for further performance improvement. According to the study, most of the survey participants prefer other kinds of recognition and reward such as budget increase, salary increment, promotion, and education and training opportunities.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

5.1 Summary

According to the data analysis presented in the previous chapter, there were different findings concerning the overall performance appraisal system and its effect on the employees' motivation in Bole Sub-City Administration.

The standard questionnaire developed by different scholars was used. In order to ensure the reliability and validity of these standard scales pilot test was conducted and this is therefore confirm that the questionnaire were reliable with crombach's alpha value of 0.882. A total of 169 questionnaires distributed to respondents for the study and 92% of the questionnaire were found to be completed correctly.

The study revealed that performance appraisal has an effect of employee motivation in Bole Sub-City Administration. Inferential statics was done on the variables and linear regression was done to obtain the r coefficient and r square that determine the relationship. Based on this fact, the data analysis showed that when we hold all independent variables at zero, a unit increase the performance appraisal process will lead to a 0.189 increase in employee motivation; a unit increase in the purpose of performance appraisal will lead to a -0.047 decrease in employee motivation; a unit increase in the employee involvement and transparency of performance appraisal will lead to a 0.095 increase in employee motivation. Also a unit increase in fairness in performance appraisal will lead to a 0.112 increase in employee motivation, and a unit increase in performance appraisal outcomes will lead to a -0.155 decrease in employee motivation.

Regression analysis is also done in order to identify the extent to which performance appraisal can influence employee motivation. It shows how much variance of dependent variable is capture. In this case the R square =.239 and it can be interpreted as the weighting combination of performance appraisal system explained approximately 23.9 percent of the variance employees motivation. In the model summary (table 4.7.1), R2(R square) of .239 indicates that 23.9% of the variation in employee's motivation is explained by the performance appraisal components. The study establishes weak positive correlation between employee motivation and performance appraisal.

At 5% level of significant and 95% level of confidence, performance appraisal process, fairness in performance appraisal and performance appraisal outcomes had a 0.001, 0.026 and .006 level of significant respectively; while purpose of performance appraisal and employee involvement and transparency had statistically insignificant above 5% level of significant.

The study also checked the acceptance or rejection of the formulated hypotheses on the study. Based on the result all of the formulated hypotheses have a significant relationship and we reject the null hypothesis and accept the alternative hypotheses. While H5; There is significant and positive relationship between performance appraisal outcome and employee motivation shows statistically insignificant and we accept the null hypotheses with ($F= 1.411$, $P>.05$).

The study also showed that there was a small and significant correlation between purpose of performance appraisal and fairness in performance appraisal process with employee motivation. It also understood that performance appraisal process, employee involvement and transparency in performance appraisal have medium and significant correlation with employee motivation. The study also shows that negligible and statistically insignificant association between performance appraisal outcome and employee motivation at Bole Sub-City Administration.

5.2 Conclusions

The primary objective of this study was to assess performance appraisal system and its effect on employees' motivation in the case of Bole Sub-City Administration. Such studies are very important since performance appraisal components such as process, purpose, outcomes, fairness, involvement and transparency has been issues of major concern with its effect on employee motivation.

This study has made a modest endeavor to look at the components of performance appraisal system in Bole Sub-City by putting the research objectives and questions at the spotlight; the study has attempted to conduct the study and tried to meet research objective. In doing so, the researcher has collected primary data through self-administered questionnaire from randomly selected respondents and informal interview with purposively selected individuals of the sub-city.

The study has reached a conclusion that the performance appraisal process in the study area has failed to break away from the previous practices that were in existence before the implementation performance management system because, according to the study findings, performance appraisal are being practiced using simple checklists instead of the performance targets planned via the balanced scorecard. Though, different manuals and guidelines have been developed to facilitate the performance management process, they are not translated in to practice. The research has found out serious discrepancies between what have been stipulated in the manuals and guidelines, and the actual practice on the ground. All the steps required in performance appraisal system such as establish performance standards, measure actual performance, compare actual performance with standards, discuss the appraisal with the employee and initiate corrective action if necessary were done just for compliance.

The study was conducted in Bole Sub-City Administration because the functioning of the government depends upon how people work. Within the public sector, an improvement in effectiveness and efficiency of civil service is central to the government's strategy of maintaining and improving national prosperity.

Therefore, the sub-city has to take corrective measures to rectify the problems and deficits in the performance appraisal system and processes, because the current practice would not lead to organizational performance improvement. Though some achievements are visible, a lot remains to be done to bring about tangible performance improvement. The constraints include failure to involve all the stakeholder/workforce during performance planning, different level of understanding in applying the performance management tool, non-alignment of individual actions and efforts to that of the organization, inadequate coaching and technical support to sector offices, and individual employees, failure to tailor coaching and mentoring to practical

5.3 Recommendations

Based on the research findings, the study has produced the following recommendations to improve the performance appraisal system and process in the sub-city:

- ✓ The sub-city administration has to make sure that the performance appraisal process is being properly implemented by all the sector office. It is advisable to identify sector offices and units which have limitations in fully implementing the performance appraisal system and understand the underlying causes, and interventions to circumvent constraints.

- ✓ Exert maximum effort to ensure the participation of all employees and head of sector offices have adequately participated in the planning processes. Participatory planning is one the key instruments to bring the entire workforce on the same page in regard to where their sector office is heading.
- ✓ The sub-city should ascertain that every employee of the sub-city has a clear understanding of the purpose of having a performance appraisal system by using the result to make administrative and developmental decisions and allocating resources for training sessions and inductions for new hires as well.
- ✓ A system has to be developed and utilized to bring about performance accountability. Sector offices and individuals with unacceptably poor performance because of their own negligence must be held accountable.
- ✓ Trainings must be planned, facilitated by trained and experienced trainers, and given in small size participants.
- ✓ The reward system needs revisiting. The study has found out that rewards in the form of crystal cups, medals, education and training opportunities, visit to historical sites, certificate of excellence or bond, and coverage on electronic and print media, as stipulated in the Performance Evaluation and Reward System Manual (AACBB, 2013c), are not adequate enough to motivate sector offices and individual employees. Additional financial and non financial rewards should be considered.
- ✓ The sub-city should encourage more communication between management staff and their subordinates. This regular communication, especially with regards to the performance of employees, the sub-city can make employees motivation and also make them committed to the sub-city.
- ✓ There are many things that a manager must avoid while conducting a performance appraisal and one of the most common mistake that they make is following halo effect; it is where an employer always rates an employee higher than his fellow counterparts, which is unfair. This effect could be on any basis like social status, appearance, dressing style, communication and etc.

- ✓ The next thing to avoid is being biased to employees whom the employer likes and as a result giving them higher points and giving lower points to employees the manager doesn’t like. Performance appraisal must not be reviewed or conducted or judged on the basis of recent behavior of the employee, as it will not be the right thing to do.
- ✓ The employee training and development activity shall be based on a systematically identified knowledge and skill deficit so as it maximize the effort of the employee and increase motivation.
- ✓ Transparency in performance appraisal indicates there should be no surprises. Evaluations and decisions should be based on evidence drawn from well documented processes that can stand scrutiny.

5.4 Limitations

Limitation of this study is that it relies on self reported data. Though self reported objective and demographic data is easily verifiable, other information like feelings, attitudes and perceptions are not.

5.5 Suggestion of Future Research

Further studies on the subject could include all sub-cities found in Addis Ababa city administration and also ensure the inclusion of all job categories to minimize error that may arise due to hierarchy. It would also be suggested that other aspects that affect employee motivation like, training and development, reward, culture, leadership style, and so on.

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Appendix

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

HUMAN RESOURCE MANAGEMENT

<u>Questionnaire to be filled by selected employees in Bole Sub-City Administration</u>

Dear respondents:

The main purpose of this questionnaire is to collect the data on ―performance appraisal system and its effects on employees' motivation at Bole Sub-City Administration Office which will be used as an input for a research in a particular fulfillment of the requirement for the master‘s degree in human resource management.

I kindly request you to provide me with reliable information and your genuine response is solely used for academic purpose. The information provided will be related treated utmost confidentiality.

I thank you very much for taking precious time to complete my questionnaires and your cooperation is greatly appreciated.

Regards,

<u>INSTRUCTION:-</u>

I. Please answer all questions
II. In all questions you are required to put / √ /or circling on the option of the letters or as instructed
III. All information given would remain confidential and to maintain anonymity no names are requires.

SECTION A: BACKGROUND INFORMATION

1. Gender?
   1. Male   2. Female

2. Please give your age bracket?

   1. 18-25   2. 26-35   3. 36-45   4. 46 and above

3. What is your educational background?

   1. Certificate   2. Diploma   3. BA/BSC   4. MA/MSC 5. PHD

4. Work Experience in year?

   1. 0-5yrs   2. 6-10yrs   3. 11-15yrs   4. 16-20yrs   5. 21 and above

5. Indicate your job category?

   1. Senior management   2. Middle level   3. Lower level

6. State your Department/pool/ of Work?

   1. Chief Executive

   2. Public Service and Human Resource Development office

   3. Land development and management office

   4. Health Bureau

SECTION B: PERFORMANCE APPRAISAL SYSTEM AND ITS EFFECT OF EMPLOYEE MOTIVATION

Please read each statement in this section carefully and indicate the extent of your agreement on the statement by putting / √ /or "X" **in the boxes using the following rating scale:**(5). Strongly Agree (4). Agree (3). Neither Agree nor Disagree (2). Disagree (1) Strongly Disagree

1. Questions Related to Performance Appraisal process

S/N	Questions	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
1	There is clear and realistic standard based on which employee performance is appraised					
2	There is clear criteria based on which employee performance is evaluated					
3	The performance appraisal process communicates performance expectations to the employee before measuring the actual performance					
4	The performance appraisal process encourages employees involvement in the rating period					
5	Employee performance appraisal is conducted regularly rather than once or twice in a year					
6	Employee actual performance is rated in light of the predetermined performance standard					
7	The result of the evaluation are openly explained and discussed to the employee concerned.					
8	I have the right tools to help me achieve my work goals					
9	The managers take into consideration my performance throughout the evaluation period rather than by looking the short term achievement or failure.					
10	Employee performance appraisal is linked with the monetary and non-monitory rewards provided by the organization					

2. **Questions Related to Purpose of Performance Appraisal**						
S/N	**Questions**	**Strongly Agree**	**Agree**	**Neither Agree or Disagree**	**Disagree**	**Strongly Disagree**
1	The performance appraisal intends to provide constructive feedback and recognition to encourage better performers					
2	The appraisal result is used to provide coaching and support to poor performers to improve their performance					
3	The Sub-City collects information through performance appraisal and uses it to make decisions such as, promotion, demotion, suspension and termination.					
4	The purpose of performance appraisal in the sub-city focuses on employee development.					
5	The purpose of performance appraisal in the sub-city is basically to identify and prepare individuals for increased responsibility.					
6	The purpose of performance appraisal to provide rewards to better performers and to take corrective measures against poor performers					
3. **Questions Related to Employee involvement and transparency in Performance Appraisal process**						
S/N	**Questions**	**Strongly Agree**	**Agree**	**Neither Agree or Disagree**	**Disagree**	**Strongly Disagree**

1	I personally involved in the process of setting objectives and targets of my future Performance.					
2	The performance criteria/instruments used to measure my performance are adequately communicated to employees					
3	The process through which my performance is evaluated/appraised is cleat and transparent					
4	I participate in appraising the performance of my colleagues/teammates					
5	I participate in appraising the performance of my superior					
6	The manager frequently communicates with me about my performance.					
7	When my performance has not met minimum standards, my supervisor openly discusses with me the reasons and solutions					
8	I am formally informed in writing about my overall performance results semi-annually or annually					
9	The reward and corrective measures associated with performance appraisal results are clearly communicated to employees					

4.Questions Related to Fairness in Performance Appraisal process

S/N	Questions	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
1	I am evaluated fairly according to the setting standards without subjectively and biased.					

2	Appraisers treat all employees fairly and consistently during performance appraisal process					
3	The performance appraisal result provide you with a fair reflection of your actual performance					
4	The performance appraisal process is free from discrimination and favoritism					
5	The performance appraisal process is free from appraisers' errors					
6	There is a feeling of equity and fairness among employees regarding provision of performance-based rewards.					

5. **Questions Related to Performance Appraisal Outcomes**

S/N	**Questions**	**Strongly Agree**	**Agree**	**Neither Agree or Disagree**	**Disagree**	**Strongly Disagree**
1	Information generated through performance evaluation is strongly determines pay and promotion decisions					
2	Information generated through performance evaluation is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors make discharge or retention decision					
3	My organization uses evaluations to provide constructive feedback to improve performance.					
4	The organization provide you with adequate training that enables you to do your job well					
5	Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential.					
6	Information generated through performance evaluation in is used to motivate subordinates through recognition and support.					

7	Appraisal outcomes have given you opportunity for self-development and to eliminate weak areas in performance.					
6.	**Questions Related to Employee Motivation**					
1	My organization values and beliefs support achievement of organizational goals	**Strongly Agree**	**Agree**	**Neither Agree or Disagree**	**Disagree**	**Strongly Disagree**
2	The organization culture helps attract and retain the high quality people in my organization					
3	Managers give employees recognition for a job well done and motivates them					
4	Supervisors delegate powers and responsibilities to us that helps in decision making					
5	I am satisfied with the usefulness of learning inputs in improving my performance					
6	My performance gaps are identified for appropriate training programme					
7	The organization supports my development and career aspirations					
8	My supervisor coaches and mentors me to raise my level of competence					
9	The rewards in my organization are in form of promotion, certificate of merit, leadership responsibilities and monetary rewards					