



**ASSESSMENT OF EMPLOYEES' PERCEPTIONS ON THE  
PRACTICES OF EMPLOYEE PERFORMANCE  
EVALUATION AND ITS CHALLENGES: The Case of  
Commercial Bank of Ethiopia (CBE)**

**BY**

**ALEMAYEHU ASSEFA ANDARGE**

**A project paper submitted to the school of graduate studies of AAU in  
partial fulfilment of the requirements for the degree of Executive Masters  
of Business Administration (EMBA)**

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**Addis Ababa University**  
**School of Graduate Studies**  
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### **CERTIFICATE**

This is to certify that this project work, “Assessment of Employees’ perceptions on the practices of employee performance evaluation and its challenges: The Case of Commercial Bank of Ethiopia (CBE)” undertaken by Alemayehu Assefa Andarge for the partial fulfilment of Executive Masters of Business Administration (EMBA) at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

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**Research Advisor**

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## **ACRONYMS**

AAU	Addis Ababa University
BPR	Business Process Reengineering
BSC	Balanced Score Card
CBE	Commercial Bank of Ethiopia
NBE	National Bank of Ethiopia
PMS	Performance Management System
SPSS	Statistical Packages for Social Science
SUC	Saint-Marry University College

## **ABSTRACT**

*The study mainly focussed on the assessment of employees' perceptions on the practice of employees' performance evaluation and its challenges the case of commercial bank of Ethiopia (CBE) .For the population, employees of the bank who are working in Addis Ababa region are considered. A descriptive survey design has been used to reach on the desired outcome and sample of 423 employees were used to distribute the respective questionnaires and 92.43% of it are responded. The data is analysed using simple descriptive statistical tools such as mean, mode of frequency distribution and percentage with the help of a software known as SPSS software. Accordingly, the majority of the respondents have responded that the performance evaluation system of the Bank is more of controlling than coaching and developmental. That is focusing on controlling aspect only which is short term in nature instead of being future oriented and focused on long term developmental benefits. Finally, on the basis of the findings, possible conclusions and recommendations are given which can solve problems which were discovered in this study.*

# CHAPTER ONE

## 1. Introduction

### 1.1 Background of the Study

Employees' performance evaluation has been practiced by numerous organizations since centuries. It is one of the most important requirements for success of business organizations. Employees are one of the most valuable assets of the organization that can make things happen, the practice of performance evaluation is an inherent and inseparable part of the organization's life. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers for developmental programs or other personnel actions that are essential to the effectiveness of human resource management. Longnecker and Fink (1999) provided several reasons that formal performance evaluation is to stay in organizations. According to them, formal performance evaluation is required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, determine employees training needs. In addition, the authors cited a study on high performance organizations that the practice of performance evaluation was cited as one of the top ten vehicles for creating competitive advantage.

Moreover, performance evaluation allows the organization to tell the employees something about their rates of growth, competencies and their potentials. However, in effective performance evaluation system can entail many problems, for instance; low moral by employees, it will lower employees productivity in terms of commitment and engagement, a lessening of an employee's enthusiasm and support for the organization. (Rafikul Islam & Shuib Bin Mohd Rasad 2005).

Evaluating employee performance is a difficult task because the job demands the immediate supervisors to understand the nature of the job and the sources of information and the information needs to be collected in a systematic way, and it is to be provided as a feedback and also integrated into the organization's performance management process for use in making compensation, job placement and training decisions and assignments. The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance evaluation system is able to provide accurate data on employee performance and hence rating accuracy is a critical aspect of the evaluation process. A difficulty of getting accurate evaluation of employee job behaviour is most often attributed to: faults in rating

format used, deficiencies in appraisal content, rater resistance to judge others and the implications of the specific purpose of appraisals for the rater and the ratee. (Thomas Decotiis & Andre Petit, 1978)

The findings of Africa case study, MKHATSWA case study at the university of south Africa, indicates that managers use performance evaluation as a tool to control and discipline subordinates, whilst subordinates use performance evaluation as a means of getting extra money through performance bonuses .This could be the reason that performance evaluation period is viewed as a period of high tension between supervisors and subordinates. (Nkwane 2012)

In Ethiopia case ,the findings of a comparison case study of employees performance evaluation practices and problems in Ethiopia higher education institutions ,indicate that performance evaluation is implemented in AAU at moderate level, while ,it is implemented in the SUC relatively in a better way on the basis of the desired goals. However, the use of performance evaluation for motivational purposes is not at the desired level, and very low in AAU. Additionally ,performance evaluation used by employees ,close supervisors is not such a motivational approach .Rather ,it consists of mixed interests which is vague ,particularly to be used for the purpose of determining warnings, retentions or discharging low performing workers. The study reveals that such mixed interests rather discourage workers from competitive workings and creativities. (Zewdie Shibre (PhD), Chemedda & Diriba, 2012).

When we come to specifically to the commercial bank of Ethiopia, the findings of the case study by Mulualem Teshager(2011) , indicate that the evaluation criteria or measurement tool lack simplicity, completeness /not inclusive/, also the existence of knowledge gap in understanding of the concept about the evaluation tool i.e., BSC. In addition, no developed individual scorecards, linking scorecards with reward system has its own setbacks .Since rewarding with regard to team performance might create employees dissatisfaction and demoralizes best performing individuals.

Hence, the study will specifically assess the perceptions of employees on the practices of employee performance evaluation and the challenges or problems that affected the effectiveness of the performance evaluation to meet its objectives in commercial bank of Ethiopia.

## 1.2 Description of Study Area

The beginning of banking in Ethiopia ,as in most other countries of the world ,were non institutional banking operations were based on the private initiative of merchants or others possessing or in urgent need of money. Early banking activity in the specific case of Ethiopia was, however, curtailed by traditional religious opposition to usury i.e., the lending of money for profit .This practice was condemned in both the Bible and the Quran, and also found expression in the Fetha Nagast, or traditional Ethiopian code of law. Ethiopian traders ,above all those in the export–import business ,couldn't however be constrained by such prohibition .The establishment of various capital city in different periods and also the cities emerge as a major commercial center trading with the rich lands south of the Blue Nile ,with the Sudan and with the port of Massawa, seems to have been followed by increasing borrowing and lending on the basis of a rate of interest .(NBE-Wikipedia)

Technological developments in Europe and later in Egypt ,the establishment of British and French colonies in the Red Sea and Gulf of Eden area ,and the opening of the Suez Canal in 1869, together created an international climate which was increasingly conducive to the beginning of banking in the area .This trend was further accentuated, towards the end of the century, by the establishment of the Italian colony of Eritrea, the coming to Ethiopia of Indian merchants based on Bombay ,and Emperor Menilek's introduction of telephone ,telegraph and postal systems linking the new Ethiopian capital ,Addis Ababa, with the outside world.(NBE-Wikipedia)

Then Menilek, convinced of the need for a bank, was enamoured of the plan and accordingly established bank termed the bank of Abyssinia with a minimum capital of 500,000.00 pounds, of which 150,000.00 pounds should be paid up by the time of company formation by granting a fifty year concession to the British banking institution. Shares were to be offered for public subscription in London, Paris, Rome, Berlin, New York, Cairo and Addis Ababa, with the approval of the governments concerned. (NBE-Wikipedia)

Though the bank of Abyssinia had played an important role in introducing banking to Ethiopia, and in facilitating the country's commercial contact with the outside world, the institution's defects became increasingly apparent as time went on. The major defect was as the bank was a foreign owned private institution which was more interested in making profits than assisting Ethiopia's economy and social development. Then the government became

more and more convinced that the bank should be replaced by a national institution able and willing to collaborate in the country's development process.(NBE-Wikipedia)

The liquidation of the bank of Abyssinia and the establishment of a new one, to be called the Bank of Ethiopia, was effected by a decree on August 1931. The old bank's premises, furniture and staff were inherited by new bank .And, the Bank of Ethiopia differed from its predecessor in being at last a truly national bank .the Ethiopian government held 60% of the shares, and all its transactions were subject to the scrutiny of the Ethiopian Minister Of Finance. The bank operated, however for little more than five. Its work was brought to an end by the Italian fascist occupation, during which the first Italian viceroy appropriated half the 1,700,000.00 Maria Theresa dollars found in the bank's vaults. (NBE-Wikipedia)

Banking in Ethiopia immediately after the liberation of Addis Ababa on 06 April 1941 was for a short time carried out by British banking institution I.e. Barclay's Bank .The restored Ethiopian government was ,however ,determined to place banking on a sound national basis .On 26 August 1942, little more than a year after the Italian collapse ,a proclamation was issued establishing what was historically the Country's third national bank i.e., the State Bank of Ethiopia ,which received its charter by decree on November 1943 and established with a capital of one million Maria Theresa dollars ,provided by the Ministry Of Fiancé. And, the bank operated initially in the old premises of the Bank of Ethiopia, but moved to new rented premises in the commercial center of the capital, on 15 April 1943. (NBE-Wikipedia)

The State Bank of Ethiopia organized in the immediate post liberalization era, discharged for many years a highly important role with great success. It introduced a new national currency, administered the country's foreign monetary reserves and provided banking facilities for the expanding economy. Looking to the future, and the banking developments then in process, nevertheless, observed that the bank's very success had produced conditions which outmoded the old structure and called for more elaborate and modern form.(CBE Website)

The year 1963 was a historic point of departure in the History of Ethiopian banking. A new banking proclamation was issued on 23 July of that year which Abolished all previous regulations in the field of banking and monetary questions .This proclamation, which was intended to provide a sound basis for economic expansion ,was important in that it separated the function of central banking and commercial banking. The previous State Bank of

Ethiopia was splitted into two sisterly institutions: The National Bank of Ethiopia and The Commercial Bank of Ethiopia. (CBE Website)

The functions of the national bank, which issued the country's national currency, were initially to act as a bankers 'bank, and regulator of monetary and credit conditions. The commercial bank, which began with a paid up capital of twenty million Ethiopian dollars, was by contrast intended and provides a means of payment and to make loans and fulfil the normal duties and responsibilities of a commercial bank. (CBE Website)

Currently the Commercial Bank of Ethiopia has more than 1200 branches that stretched across the country using modern technology in the banking industry and having more than 28,000 employees .Furthermore, it has also strong correspondent relationship with more than 50 renowned foreign banks .(CBE Website).

It intends to become a world class commercial bank by the year 2025 G.C and its purpose, for which it is committed, is to best realize stakeholders' need through enhanced financial intermediation globally and supporting national development priorities by deploying highly motivated ,skilled and disciplined employees as well as state of the art technology. In this connection, it has eleven core values: to include: integrity, corporate citizen ship, customer satisfaction, employee's satisfaction etc. (CBE Website).

In nutshell, the basic trends, however, been one of almost continuous expansion, with developments of one era preparing the way for the achievements of the next .The work of the past outlined on this chapter, thus laid the ground-work for today's banking endeavour and those of tomorrow.

### **1.3 Statement of the Problems**

A case study which was undertaken in South Africa and also other recent related articles, journals on performance evaluation practices show a gap or suffers from so many problems (Nkwane 2012).In most case the performance evaluation results do not adequately reflect the ability of the job incumbent, lack completeness. This could be attributed to the subjective nature of the evaluation criteria, the irrelevancy of the evaluation criteria used to evaluate the performance of the workers, lack of skills and knowledge of the raters, subjectivity and lack of continuous documentation and in ability to provide feedback as to the results of the

performance evaluation. These problems are inherent in every organization where there is a formally designed performance evaluation

The very recent preliminary survey, which was undertaken by Muluaem Teshager (2011) by selecting some employees of CBE on the basis of their knowledge, skills about the subject matter and their work experiences, indicated that the above mentioned problems exist in the bank or there is a problem on the degree of effectiveness of the performance evaluation in commercial bank of Ethiopia. Since most of the respondents had given their negative perceptions or feedbacks that they have towards it. These are, for instance, attributed with the subjective nature of the evaluation criteria, the evaluation tool not inclusive or lack completeness, the irrelevancy of the criteria used to evaluate the performance of the workers, lack of skills, knowledge and common understanding by the raters and ratee, lack of continuous documentation and in ability to provide feedback as to the results of the performance evaluation in general.

Hence, due to the existence of the mentioned problems and also as there is no well-done related study made in the commercial bank of Ethiopia, the study is initiated to contribute a lot to reduce the gap or mentioned problems.

#### **1.4 Research Question**

In order to address the above mentioned problems, the study will try to answer the following research questions.

1. What are the major reasons for conducting performance evaluations at commercial bank of Ethiopia?
2. What are the real challenges or problems facing commercial bank of Ethiopia with regard to the performance evaluation practices?
3. To what extent do employees receive the feedback on the results of their performance in commercial bank of Ethiopia?
4. What are the perception of the employees i.e., both the management as well as the subordinates towards the performance evaluation criteria in commercial bank of Ethiopia?

## **1.5 Objectives of the Study**

### **1.5.1 General Objectives**

The general objective of the study is to assess the perception of employees towards the performance evaluation and the challenges or problems that hinder the degree of effectiveness of the performance evaluation in commercial bank of Ethiopia.

### **1.5.2 Specific Objectives**

Specifically the study has the following objectives

- To assess the reasons in conducting performance evaluation of employees in commercial bank of Ethiopia
- To identify the real challenges or problems in undertaking productive performance evaluation of employees in commercial bank of Ethiopia
- To assess that to what extent employees receive feedback as to their performance results in commercial bank of Ethiopia
- To assess the perception of the employees towards the performance evaluation criteria in commercial bank of Ethiopia.

## **1.6 Scope of the Study**

The finding of the research work will be applicable only to the permanent employees of commercial bank of Ethiopia. The primary data collection has been carried out on the basis of sampled permanent employees who were working in Addis Ababa area, since it was very difficult to include other regions' employees of the bank in the sample size as the branches network was highly dispersed or scattered.

Moreover, though the performance evaluation practices consist of a number of dimensions, the study has been limited to common or basics practice such as in terms of controlling purposes, coaching and development purposes which impact on employees' performance significantly.

Finally, for the study managers and permanent clerical workers were considered as participants.

### **1.7 Limitations of the Study**

To achieve the maximum results out from the study, it would have been better if it has been studied in a comparison way by taking into account different organizations in the banking industry and to take a sample from the total number of employees of commercial bank of Ethiopia. But the branches are located in a much dispersed manner, it would not be feasible to take a sample from the total number of employees working in the bank. So due to this fact, the sample was taken from permanent employees working in Addis Ababa area.

Moreover, even though it became difficult to undertake the study by taking the feedback of all employees working in the bank, it was conducted by having enough information from the respective participants and also secondary sources.

### **1.8 Significance of the Study**

The study contributes to wider employees of the bank in creating awareness about the practices of formal performance evaluation and to enable them understand the importance of productive performance evaluation and also will add to the existing knowledge in academics research in the area of the practices of formal and productive performance evaluation practices.

Specifically, the results of this study are significant in various respects.

1. Firstly, on the basis of the findings of the study, the study have some conclusions and identify the problems of performance evaluation and give signal to the Human Resource Management of the bank to take remedial action to minimize the subjectivity of evaluation in prospecting employees for salary increment and promotion.
2. It is a piece of contribution to the current knowledge in the practice of performance evaluation in an enterprise working in Ethiopia and invites for further research to bring behavioral change in the areas of performance evaluation both in the mind of the raters, ratees and those parties responsible in the design of the instruments of performance evaluation forms that are used to judge the performance of employees.

3. It gives the researcher the opportunity to gain deep knowledge in the practice of performance evaluation.

## **1.9 Organization of the Paper**

The study consist of five chapters; chapter one covers an introductory part which comprised of background of study, statement of the problems, research objectives, scope and limitation of the study. Chapter two covers the review of literature i.e., both theoretical as well as empirical literatures related to the study. Chapter three consist of methodology and research design. Chapter four comprise of data analysis and chapter five covers summery of findings, conclusions and recommendations.

## CHAPTER TWO

### 2. Review of Literature

#### 2.1 Introduction

The primary purpose of this chapter is to get the theoretical understanding of the problems of performance evaluation. More specifically, it focuses on four primary areas. First, basing on the definitions given by different scholars on the term performance evaluation, I have adopted the meaning of the term as it is related to the study. Second, the literature review examined studies which discuss the purpose of and the benefits that may be received from conducting performance evaluation. Third, review identified the problems of the performance evaluation process. Fourth, the review of the literature has tried to assess the factors influencing the outcomes of performance evaluation. Finally, the study tried to summarize the outcome of the review of the literature as it is related to the subject matter under study.

#### 2.2 Definitions of Performance Evaluation

A formal definition of performance evaluation is given by ASWathappa, A (2002): “It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee’s job related behaviours and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations, and society all benefit ”

From this definition one can see that the objective of performance evaluation is not only designed to check past performance(i.e. controlling) but also predicts the promotion potential of the candidate in the future (i.e. Development and coaching).

Furthermore, the system is structured to measure and evaluate employee’s job related behaviours and outcomes and this is an answer to the question “*what to measure*”. This largely determines what methods to use to measure these behaviours and outcomes. But one of the weaknesses of the above definition is that it does not tell us the frequency of performance evaluation which determines the frequency of the feedback given to the employees.

Furthermore, Ivancevich, (2004) defined performance evaluation as, “The activity used to determine the extent to which an employee performs work effectively. More specifically, a formal performance evaluation is a system setup by the organization to regularly and systematically evaluate employees’ performance”. In the definition, the author classified between formal and informal performance evaluation system. Thus, the informal system is unsystematic, unplanned, chaotic, random and unmethodical. On the other hand, the formal system is prescribed, official, and intentional in its design and has a specific purpose or goal.

Moreover, according to Michael Beer, cited in Lorch, J (1987) performance evaluation is defined as: “...a system of papers and procedures designed by the organization for use by its managers and an interpersonal process in which manager and subordinate communicate and attempt to influence each other.” According to the author, performance evaluation has two major components: The evaluation system and the evaluation process. The Performance evaluation system is the specified mechanism (e.g. objectives, participants, procedures, criteria, rating scales etc.) that is used to guide and regulate the process of performance evaluation. The evaluation process refers to the interpersonal process in which the supervisor and the subordinate communicate and attempt to influence each other through the feedback interview. It is concerned with how Performance evaluation is actually implemented and carried out in an organization.

Moreover, Performance evaluation is defined as: “...a periodic evaluation of the output of an individual measured against certain expectations” [Yong, 1996 as cited in Ahmad, R. and Ali, N.Azman, 2004] The definition implies that the performance evaluation process involves observing and evaluating staff members’ performance in the workplace in relation to pre-set standards. According to DeNisi et al. (1984) cited in Campbell and Lee (1988), performance evaluation consist of observation of behaviour by a rater, formation of some cognitive representation of this behaviour, storage of this representation in memory, retrieval of the stored information, at the time of evaluation, reconsideration and integration of the retrieved information with other items of information, and, finally the assignment of a formal evaluation to the employees. This definition shows the process of performance evaluation decision making which is complex and unattainable because of the limitation of human information processing capacity.

As it is shown in the literature, Folger, Konovsky, and Cropanzano; cited in M.S. Susan., (1995), performance evaluation system is fair if: 1) It provides adequate notice; 2) fair

hearing which requires a formal review of meeting in which an employee is informed of a tentative assessment of his/her performance and employees are permitted to challenge the assessment; and 3) Judgment based on evidence that requires the organization to apply performance standards consistently across employees.

Therefore, in this study, performance evaluation is a system designed to periodically and regularly measure the performance of employees against pre-set standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decisions and developmental purposes. In the citation of literature, such terms as appraisal, assessment, personnel rating, merit rating, and review are used interchangeably with evaluations. (Ivancevich, 2004).

### **2.3 Performance Assessment**

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviours have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment process provides better information to be used during the review phase (Smither & London 2009).

When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The benefit of self-appraisal is to reduce an employee's defensiveness during the assessment meeting and also it increase employee's satisfaction and trust in the performance management system. According to Dick as the time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the

year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Dick Grote, 2009). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future. Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year. In the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly.

1. ***Review the original list of competencies, goals, objectives, and key position responsibilities:*** - since performance assessment is made based on the goals, objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.
2. ***Prepare a preliminary assessment of the employee's performance over the entire year:*** - it helps to have a clear picture on the performance of the employee while accomplishing their planned objective as well as achieving organizational goal.
3. ***Review the individual's list of accomplishments and the self-appraisal:*** - assessing the accomplishment made by the employee and referring to self-appraisal will help supervisors to remind every accomplishments and failure so as to make an accurate evaluation accordingly.
4. ***Prepare final assessment of the employee's performance:*** - after reviewing the data gathered through self-appraisal, peer appraisal and self-evaluation made by supervisors, the final assessment should be prepared with fair judgment.
5. ***Write the official performance appraisal using the appraisal form.***
6. ***Review the appraisal with the manager and obtain concurrence:*** - the assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.

7. ***Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period:*** - based on the past performance point out the areas which needs revision on the responsibilities, objectives, goals, competencies and development plans. This is highly appreciated when performance gap is identified.
8. ***Prepare for the performance review meeting:*** - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period.

Likewise supervisors, individuals have also the above stated responsibilities in the performance assessment phase of the process. Rating errors are faults or factors that influence supervisors to have a wrong judgment in evaluating employees' result and behaviour and making a wrong decision on the quality of someone's job performance. According to Armstrong the following errors are common while rating employee's performance.

**Attractiveness effect:** - the well-documented tendencies for people to assume that people who are physically attractive are also superior performers.

**Attribution bias:** - the tendency to attribute performance failings to factors under the control of the individual and performance successes to external causes.

**Central tendency:** - the inclination to rate people in the middle of the scale even when their performance clearly warrants a substantially higher or lower rating out of an erroneous belief that the law required companies to treat all employees the same, and a conscious desire to avoid confrontation.

**First impression error:** - the tendency of a manager to make an initial positive or negative judgment of an employee and allow that first impression to color or distort later information.

**Halo/horns effect:** - inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance.

**High potential error:** - confusing an individual's future potential with his current performance.

**Negative and positive skew:** - the opposite of central tendency. The rating of all individuals as higher as or lower than their performance actually warrants.

**Past performance error:** - permitting an individual's poor (or excellent) performance in a previous rating period to colour the manager's judgment about her performance in this rating period.

**Recency effect:** - the tendency for minor events that have happened recently to have more influence on the rating than major events of many months ago.

**Similar-to-me effect:** - the tendency of individuals to rate people who resemble themselves higher than they rate others.

**Stereotyping:** - the tendency to generalize across groups and ignore individual differences.

### **2.3.1 Performance Assessment stage**

The performance assessment stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither & London, 2009). Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should

be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role (Armstrong 2000). There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible. (Armstrong, 2000).

### **2.3.2 Objectives of Performance Assessment**

Among different objective of performance review the followings are some of them which can be mentioned as the most important one (Smither & London, 2009).

- It gives motivation to provide positive feedback, recognition, praise and opportunities for growth; to clarify expectations; to empower people by encouraging them to take control over their own performance and development.
- It encourages development by providing a basis for developing and broadening capabilities relevant both to the current role and any future role that the employee may have the potential to carry out. Note that development can be focused on the current role, enabling people to enlarge and enrich the range of their responsibilities and the skills they require, and to be rewarded accordingly. This aspect of role development is even more important in flatter organizations, where career ladders have shortened and where lateral progression is likely to be the best route forward.
- It gives a chance for communication to serve as a two-way channel for talking about roles, expectations (objectives and capability requirements), relationships, work, problems and aspirations.

Smither & London (2009) in their book –Performance Management’ indicates the following six recommendations for conducting an effective performance reviews.

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviors.
2. Solicit feedback from the employee about these behaviors. Listen for reactions and explanations.
3. Discuss the implications of changing, or not changing, the behaviors. Positive feedback is best, but an employee must be made aware of what will happen if any poor performance continues.
4. Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
5. Agree on an action plan. Encourage the employee to invest in improving his or her performance by asking questions such as “What ideas do you have for?” and “What suggestions do you have for?”
6. Set up a meeting to follow up and agree on the behaviors, actions, and attitudes to be evaluated.

While carrying out performance review supervisors have seven primary responsibilities (Dick Grote, 2002).

1. Review the agenda and time frame for meeting
2. Review and discuss the performance appraisal and the individual's achievements list
3. Listen and respond appropriately to the individual's perceptions and feedback
4. Discuss your assessment of the individual's performance against objectives over the entire cycle, especially strengths/achievements, weaknesses/deficiencies and development needs
5. Ensure full understanding of the core message
6. Conclude the performance review discussion by scheduling the performance-planning meeting to plan next year's performance
7. Handle all administrative requirements

Just as the manager has responsibilities, so too does the individual. There are six primary ones:

1. Discuss the achievements list that an employee wrote
2. Discuss the achieved one against the development plan

3. Compare the assessment of own performance with that of the appraiser.
4. Seek clarification for any assessments or examples that are unclear.
5. Consider how the appraiser's feedback will influence the performance plan for the upcoming appraisal period.
6. Listen and respond appropriately to the appraiser's perceptions and feedback.

## **2.4 Purposes of Performance Evaluation System**

It has long been recognized that performance appraisal plays an important role in organizations (Michael K. Mount, 1984). It serves a variety of purposes such as providing the basis for making selection decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used as a powerful tool for managerial control. (Linda S. Pettijohn, et al., 2001; John Edmonstone, 1996)

According to Michael Beer, (2003) performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers to decide who will be promoted. In addition, centrally maintained records are the means by which the corporation attempts to remove favouritism, subjectivity, and politics from personnel decisions.

Evaluation is also needed to improve the performance and potential of employees. There is no question that the role of a manager is changing rapidly in the world market place and this opts for systematic management development efforts at the organizational level (Clinton O. Longenecker, 1997).

So many other scholars argued that performance appraisal is to be effective device for: administering a formal organizational reward and punishment system, evaluating the legitimacy of selection test, providing feedback to employees and thereby serves as vehicles for personal and career development; establishing objectives for training programs and diagnosing organizational problems, it should be well designed and conscientiously implemented. [Wiese, and Buckley, 2004; Cascio, 2003; Clinton O. Longenecker, 2001; –The federal civil servants proclamation No.515/2007” of Ethiopia; just to mention some]

Moreover, Ivancevich, (2004) in the case for using formal evaluation mentioned that a well-designed formal evaluation potentially can serve development, motivation, Human Resource and employment planning, communication, legal compliance, and Human resource management research. However, such confirmative arguments with regard to performance appraisal are frequently based on conditional statement, such as; “If the performance appraisal system has been well-designed and conscientiously implemented . . .”; “If performance appraisal process is an honest, open one . . .”, “If used well, performance appraisal would be the most powerful instrument . . .” In the same way, if the Performance appraisal system is not so ethically right and practically effective as theoretically desired, then it will be destructive and consequences a defective Performance appraisal system.

According to Ivancevich (2004) performance appraisal is fundamentally flawed because of the following reasons: They nourish short term performance and deflect attention from long term planning, they leave ratees bitter, desolate, and feeling inferior and unfit for work because they are afraid to present a divergent point of view, they are detrimental to teamwork because they foster rivalry , and fear, they focus on the end product ,not leadership to help people, the measures used to evaluate performance are not meaningful, because supervisors and Subordinates are pressured to use numbers and count something and the measures discourage quality because people concentrate on meeting numbers; they won't take time to improve a design if their goals involve quantity and deadlines.

He also argued that performance appraisal nourishes fear, encourages short-term thinking, stifles team work, and is not better than lotteries. He condemns performance appraisal as a deadly disease, and advocates the elimination of performance appraisal.

In a more comprehensive way, Michael Beer (1987) described the two major goals of performance appraisal as follows: Organization and individual goals. He argued that both individual and organizational goals are not always compatible and results in conflict of interest in performance appraisals. As a result it brought up a mixed blessing to both the supervisor and the subordinates. From the perspectives of the organization, Performance appraisals serve two basic goals: Evaluation and coaching and development goals.

The evaluation goals are primarily designed to give feedback to subordinates so they know where they stand, to develop valid data for pay(salary and bonus) and promotion decisions and to provide a means of communicating these decisions, and to help the manager in making

discharge and retention decisions and to provide a means of warning subordinates about unsatisfactory performance.

On the other hand, the coaching and development goals are to be used to counsel and coach subordinates so that they will improve their performance and develop future potential, to develop commitment to the larger organizations through discussion of career opportunities and career planning, to motivate subordinates through recognition and support, to strengthen supervisor-subordinate relations, and to diagnose individual and organizational problems. The most important point to note at this junction is that these two goals of performance appraisal are in conflict. It leads supervisors to play the role of the judge and the helper at the same time.

On the other hand, like the organization, the individual has conflicting goals in performance evaluation. Individuals want feedback about themselves because it helps them to learn and this can be obtained through performance appraisal interview. In addition, employees also have the desire for self-development. There are obvious conflicts between individuals' desire for personal development and their wishes for rewards and feedback consistent with their self-image. Self-development requires openness to feedback and real receptivity to alternative approaches to the job. It also requires subordinates to drop their defence and consider accepting the manager's view of their performance taking an exploratory attitude about their performance and what might be done about it.

In general, Performance evaluation as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal.

And specifically, Performance evaluation system has many purposes but the major ones are discussed below (Smither & London 2009)

***Strategic:*** It links the organization's goals with individual goals, thereby reinforcing behaviours consistent with the attainment of organizational goals.

***Administrative:*** It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

**Communication:** It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

**Developmental:** It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.

**Organizational maintenance:** It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).

**Documentation:** It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation. And also for Dick Grote performance management system has so many purposes like, providing feedback to employees about their performance, determining who gets promoted, facilitating layoff or downsizing decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counselling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning or succession planning, determining individual training and development needs, determining organizational training and development needs, confirming that good hiring decisions are being made, providing legal defensibility for personnel decisions and improving overall organizational performance (Dick Grote, 2002).

From the above mentioned purposes, we can see that the evaluation and development goals of organizations force the managers to use performance appraisals in two quite contradictory ways. Similarly, individuals have conflicting objectives as they approach the performance appraisal. The most significant conflict, however, is between the individual and the organization. Despite the heated controversies with respect to performance appraisal in terms of both its goals and benefits, it is a reality in our world, whether a panacea or a deadly disease. In this study, because of its comprehensive nature the purposes/goals framed by

Michael Beer (1987) will be used as the basis to assess the purposes of performance appraisal as a practice in commercial bank of Ethiopia (CBE).

## **2.5 Problems in the Performance Evaluation Process**

Performance evaluation is one of the oldest management tools available, and the problems associated with it are equally well established (Michel Beer, 1987). The performance evaluation challenges in organizations have many dimensions in today's business environment. Some of them are described here under:

- **Lack of Alignment**

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

- **Lack of Measurements**

Poor measures are developed at various levels of the organization, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

- **Leadership and Management commitment**

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

- **Managing of the performance system**

Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it

consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals.

- **Managing poor performance**

The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data. (Dr Marko Saravanja)

## **2.6 Sources of Performance Evaluation Problems**

Different scholars have suggested the possible sources of performance evaluation problems. Accordingly, therefore, there are three major sources of problems in performance evaluation.

### **2.6.1 System Design and Operating Problems**

According to Michael Beer (1987), many of the problems in performance appraisal stem from the appraisal system itself—the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system. The performance system can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance. If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (Junlin Pan and Guoqing Li, 2008; Michel Beer, 2001; Ivancevich, 2004; Cynthia Lee, 1995).

As Henderson (1994) cited in Deborah F.B and Brain H. Kleiner (2007), performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employees and organizational characteristics and qualities.

In the study made by Clinton O. Longenecker (2007) on 120 seasoned managers drawn from five different large US organizations entitled “Why managerial performance appraisal are ineffective”, the majority (83%) of the respondents argued that managerial performance appraisal is destined to fail because of (among the many reasons cited) unclear performance criteria or ineffective rating instrument used. This mostly emanates from ambiguity on the job

descriptions, goals, traits and/or the behaviours that will be the basis for the evaluation of the process to fail right from the start. According to Deborah F.B and Brain H. Kleiner (2007) organizations need to have a systematic framework to ensure that performance appraisal is “fair” and “consistent”.

In their study of “designing effective performance appraisal system”, they conclude that designing an effective appraisal system requires a strong commitment from top management. The system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria. They further argued that the system should help to create a motivated and committed workforce. The system should have a framework to provide appropriate training for supervisors, raters, and employees, a system for frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

### **2.6.2 Raters’ Problems in Performance Evaluation**

Even if the system is well designed, problems can arise if the raters (usually supervisors) are not cooperative and well trained (Ivancevich, 2004). This is often because they have not been adequately trained or have not participated in the design of the program. Inadequate training of raters can lead to a series of problems in completing performance evaluations, including: problems with standards of evaluation, Halo effect, Leniency or harshness, central tendency error, “Recency of events” error, contrast effects, personal bias (stereotyping); “similar to me” (Ivancevich, J.M., 2008; Cascio, F.W., 2009; Aswathappa, K., 2009).

According to Mark Cook (1995), Performance appraisals suffer from four major problems. These are Biases, politicking, impressions management and undeserved reputation. Biases could be consciously or unconsciously because of age, ethnicity, gender, physical appearance, attitudes and fundamental values of the raters, and personal like or dislike.

There is a growing body of evidence supporting the view that supervisors are often motivated to use rating inflation as a strategy to manipulate subordinates' reactions to the performance appraisals they receive. For example, on the basis of interviews with 60 executive Longenecker, Sims and Gioia (2009) as cited in Y.Friedetal. (2011) have identified six major reasons why managers inflate ratings:

- (a) to maximize subordinates' merit raises;
- (b) to avoid hanging 'dirty laundry' in public;
- (c) to avoid creating a written record of poor performance;
- (d) to give a break to an employee who has shown recent improvement;
- (e) to avoid confrontation with a difficult employee; and
- (f) to promote a problem subordinate' up and out' of the department. Many of these reasons can be interpreted as supervisors' attempts to elicit positive reactions from subordinates, such as increasing their work motivation and performance, as well as increasing subordinates' trust in, and cooperation with, their supervisors.

In addition to the aforementioned reasons for inflation, supervisors may also deliberately inflate ratings to minimize potential challenges from subordinates to their own performance ratings. Indeed, subordinates' opposition to their performance ratings is probably quite common because individuals typically overestimate their own performance level (Campbell and Lee, 2008) and thus the opposition is sever and more likely when organizational rewards and punishments are contingent on performance appraisals.

Resistance to low performance ratings is associated with such subordinate reactions as lower work motivation, greater alienation from the work environment, increased conflict with the supervisor, and diminished belief in the leadership legitimacy and power of their supervisor (Y.Fried et al., 1999). Thus supervisors may inflate ratings to avoid creating an angry, demoralized, unmotivated, and unproductive work unit.

Generally, rating inflation is a political strategy employed by supervisors to further their self-interest. Because managers' own work effectiveness is dependent on that of their subordinates, managers will tend to deliberately inflate ratings in an attempt to ensure favourable reactions or avoid unfavourable reactions from their subordinates to their performance appraisals.

However, the strength of managers' motivation to inflate ratings is likely to vary according to a variety of personal and contextual variables. In the study of Y.Fried et al. (1999) based on results from a sample of 148 supervisors from a variety of organizations supported that raters' tendency to deliberately inflate performance appraisal ratings of subordinates is associated with rater negative affectivity(the tendency of the rater to experience such negative mood states over time and across situations have been described as being in Negative affectivity)

and the managers' ability to deliberately inflate ratings, if they desire to do so, may be contingent on certain aspects of the rating context. The two contextual variables are: (a) the degree to which supervisors systematically document the work behaviours of ratees during the appraisal period and (b) the visibility of performance ratings among subordinates.

The data collected from the supervisors in a variety of organizations indicated that the tendency to inflate ratings is associated with high rater Negative affectivity, low documentation of subordinates' work behaviours, and high appraisal visibility. From an organizational perspective, the study implied that the prevalence of deliberate inflation of performance ratings may hinder organization's effort to use performance ratings effectively for development, motivational or administrative purposes. For instance:

- (1) Supervisors who often inflate performance ratings may develop cynical attitudes towards their managerial position as well as low perceived integrity and work involvement;
- (2) Inconsistency among raters concerning their level of rating inflation may also adversely affect an organization's ability to effectively tie performance ratings to merit raises. This is because ratees may become skeptical about the legitimacy of the performance appraisal merit raise link. For example, employees from different departments with similar work experience and qualifications may be rated differently by their supervisors, in part because these supervisors differ on how much they tend to inflate performance ratings on the basis of such variables as documentation of work behaviors and appraisal visibility. This inconsistency in ratings may reduce subordinates' trust and confidence in the procedural and distributive fairness of the performance appraisals system (M.S.Susan, Taylor et al., 1995), resulting in lower work motivation and performance.

As Folger, Konovsky, and Cropanzano (1992) cited in Susan (1995) there are three characteristics of due process appraisal system in order to settle fairness and justice in the performance appraisal system. (1) adequate notice-in this context requires organizations to publicize, distribute and explain performance standards to employees to discuss how and why such standards must be met and to provide for regularly and timely feedback on performance. (2) Fair hearing which requires a formal review meeting in which an employee is informed of a tentative assessment of his or her performance and how it was derived by his

or her manager, who should have a familiarity with the employee performance based on sufficiently frequent observation of the individuals work.

Employees are permitted to challenge this assessment and provide their own commentary by conducting and presenting a self-appraisal. Finally, fair hearing requires that employees receive training in the appraisal process to ensure that they possess the knowledge needed to challenge assessments perceived to be unfair. (3) Judgment based on evidence requires the organization to apply performance standards consistently across employees.

The results of the study appear to suggest that organizations may help reduce the inflation phenomenon by promoting or enforcing documentation of employees' behaviours and activities. Organizations may also help control the rate of inflation across supervisors and departments by standardizing the degree of appraisal visibility throughout the organization.

On the other hand there is an evidence uncovering the reasons why managers deliberately give low performance ratings to the subordinates: (a) to shock someone back on to a higher performance track; (b) to teach a rebellious subordinate a lesson; (c) to send someone a message that she or he should consider leaving the organization; (d) and to build a well-documented record of poor performance to speed up terminations. (Longnecker et.al.; 1987 as cited in Mark Cook; 1995)

### **2.6.3 Ratees' Problems in Performance Evaluation**

The problems of performance evaluation can also be attributed to the ratees. For instance, their attempt to create unnecessary impression and work area ingratiation is one of the major problems with respect to ratees. According to Mark Cook (1995), organizations occasionally exist in which subordinates gain credit for pushing ahead with management plans that are absurdly wrong, in pursuit of aims which are completely pointless, stifling criticism either of purpose or of method with cries of "commitment" and "loyalty". An extreme case of this trend may be termed the World War I mentality. As Wayne and Ferris, (1990 cited in Cook 1995) there are three underlying types of ingratiating behaviour, or "upward influence styles":

- a) ***Job-focused ingratiation***: claiming credit for things you have done and not done, claiming credit for what the group has done, arriving at work early to look good, and working late to look good.
- b) ***Supervisor-focused ingratiation***: taking an interest in the supervisor's private life, praising the supervisor, doing favors for the supervisor, volunteering to help the supervisor, complimenting the supervisor on his/her appearance and dress, agreeing with the supervisor's ideas.
- c) ***Self-focused ingratiation***: presenting self to the supervisor as a polite and friendly person, working hard when results will be seen by the supervisor, letting the supervisor know that you are trying to do a good job.

Research suggests however that ingratiation does not always succeed in obtaining good Performance ratings. Unsubtle ingratiation may sometimes be too blatant to be credible, or palatable. Ingratiation and other impression management techniques also contaminate appraisal ratings, and make them less accurate reflectors of true worth to the organization.

Besides undermining performance appraisal, and selection research, this tends to be bad for morale, when staff see persons whose true performance is poor, but who are good at ingratiating themselves, get merit awards, or promotion, or other marks of favour. On the other hand, defensiveness and resistance to evaluation are also major problems among workers. To many employees, performance appraisal can be a highly threatening experience. This is because employees regard their performance much more positively than did by her / his supervisor.

Research showed that, employees may develop defensive mechanisms and resistance in performance ratings to defend against threats to their self-esteem (Michael Beer, 1987; Campbell and Lee, 1988). The defensiveness may take a variety of forms. Subordinates may try to blame their unsatisfactory performance on others or on uncontrollable events; they may question the appraisal system itself or minimize its importance; they may demean the source of the data; they may apologize and promise to do better in the hope of shortening their exposure to negative feedback; or they may agree too readily to the feedback while inwardly denying its validity or accuracy. The defensiveness that results may take the form of open hostility and denials or may be masked passively and surface compliance.

Therefore, based on the theoretical understanding gained from the literature, I have tried to assess the extent to which these and other related problems exist in relation to the performance evaluation practices of Commercial Bank of Ethiopia.

## **2.7 Factors Influencing the Effectiveness of Performance Evaluation**

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

### **2.7.1 The Appraisal System**

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

### **2.7.2 Supervisor-Subordinate Relations**

The quality of the appraisal process is dependent on the nature of the day-to-day boss subordinate relationship. In an effective relationship, the supervisor is providing feedback and coaching on an ongoing basis. Thus, the appraisal interview is merely a review of the issues that have already been discussed. On the other hand, if a relationship of mutual trust and supportiveness exist, subordinates are more apt to be open in discussing performance problems and less defensive in response to negative feedback.

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

performance, a concern for employees, and egalitarianism, it is more likely that these values will characterize.

### **2.7.3 The Appraisal Interview**

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

As Norman R.F.Maier (1958) cited in Michael Beer (1987), there are three types of appraisal interviews each with a distinct specific objectives. The differences are important in determining the skills required by the supervisor and the outcomes for employee motivations and supervisor-subordinate relationships. The three methods are termed as: tell-and-sell, tell-and-listen, and problem solving.

#### ***The tell and sell method***

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

#### ***The tell and listen interview***

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

#### ***The problem solving interview***

This interview approach takes the manager out of the role of judge and puts her/him in the role of helper. The objective is to help subordinates discover their own performance

deficiencies and lead them to take the initiative in developing a joint plan for improvement. The problem solving interview is best suited to coaching and development objectives of performance appraisal.

To summarize, based on the above literature the research has attempted to explore the different purposes of performance evaluation in theory and practice. Secondly, the research has focused on describing and analysing the problems of performance evaluation from the perspective of the system itself, the Raters, and the Ratees themselves. Thirdly, the research has tried to address different issues related to performance evaluation problems, especially the feedback and the appeal process.

## **2.8 Principles of Performance Evaluation System**

Performance management is primarily concerned with *performance improvement* in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with *employee development*. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance *and development* management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's *stakeholder's* owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with *communication* and *involvement*. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it *will* be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them (Armstrong 2009). Just like any other profession performance management have principles

which governs the entire system. The following are some of them identified by Armstrong 2000:

- It translates corporate goals into individual, team, department and divisional goals;
- It helps to clarify corporate goals;
- It is a continuous and evolutionary process, in which performance improves over time;
- It relies on consensus and co-operation rather than control or coercion;
- It creates a shared understanding of what is required to improve performance and how this will be achieved;
- It encourages self-management of individual performance;
- It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
- It requires continuous feedback; Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
- It measures and assesses all performance against jointly agreed goals;
- It should apply to all staff; and it is not primarily concerned with linking performance to financial reward;
- It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization;

## **2.9 BSC-based Performance Evaluation System**

The balanced scorecard as originally developed by Kaplan, RS and Norton, DP, (1996) is frequently used as the basis for measurement. They take the view that ‘what you measure is what you get’, and they emphasize that ‘no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures.’ Their original concept of the

scorecard required managers to answer four basic questions, which means looking at the business from four related perspectives:

1. How do customers see us? (Customer perspective.)
2. What must we excel at? (Internal perspective.)
3. Can we continue to improve and create value? (Innovation and learning perspective.)
4. How do we look at shareholders? (Financial perspective.)

Kaplan and Norton emphasize that the balanced scorecard approach ‘puts strategy and vision, not control at the center’. They suggest that, while it defines goals, it assumes that people will adopt whatever behaviours and take whatever actions are required to achieve those goals: ‘Senior managers may know what the end result should be, but they cannot tell employees exactly how to achieve that result, if only because the conditions in which employees operate are constantly changing.’

Kaplan and Norton suggest that building a scorecard enables a company to link its financial budgets with its strategic goals. They emphasize that the balanced scorecard can help to align employees’ individual performance with the overall strategy: ‘Scorecard users generally engage in three activities: communicating and educating, setting goals and linking rewards to performance measures.’ They comment that: ‘Many people think of measurement as a tool to control behaviour and to evaluate past performance. The measures on a Balanced Scorecard, however, should be used as the cornerstone of a management system that communicates strategy, aligns individuals and teams to the strategy, establishes long-term strategic targets, aligns initiatives, allocates long- and short-term resources and, finally, provides feedback and learning about the strategy.’

### **2.9.1 Why Balanced Scorecards Sometimes Fail**

Undoubtedly some organizations have been less than successful in using a balanced scorecard. The reasons why can be explained by the results of several surveys. The research by Ittner and Larcker (2003) show that:

- 78 per cent of companies that have implemented strategic performance measurement systems do not assess rigorously the links between strategies and performance measures;
- 71 per cent have not developed a formal causal model or value-driver map;
- 50 per cent do not use non-financial measures to drive financial performance;
- 79 per cent have not attempted to validate the linkages between their non-financial measures and future financial results; and
- 77 per cent of organizations with a balanced scorecard place little or no reliance on business models and 45 per cent found the need to quantify results to be a major implementation problem.

Ittner & Larcker (2013) in their research recommended that one approach that organizations may find helpful, is to formulate a ‘destination statement’, possibly even before considering the scorecard objectives, which sets out a clear idea of what the organization is trying to achieve. From the destination statement, a menu of strategic options and the supporting ‘strategy map’ illustrating the cause and effect relationships that underpin the strategy, can be derived. For many organizations, it is advisable to separate the strategy-mapping process from the development of a scorecard.

### **2.9.2 The Practicality of BSC to Performance Management System**

A wide range of research supports the effectiveness of the BSC in translating strategic objective in to relevant performance measures that drive performance towards those objectives. There is a broad consensus that the BSC is most effective when used to drive organizational change and in focusing and sustaining revitalization and continues improvement efforts. For example, big global company such as Apple Computer Company, Advanced Micro devices, Nat West bank and others have been using the BSC as performance management tool for long period of time and they have benefited from the use of the tool (Newing, 1994; Kaplan et al., 1996b).

Newing (1994) examined that the use of BSC to National West-minister bank (NatWest Bank) as it has helped the bank to improve the quality, service and speed and help change the corporate culture from its traditional command and control structure to culture based up on

empowerment and coaching. The bank deemed the effort successful in aligning performance measurement to the long term strategic goals, enhancing the ability to better manage the business and its resources, and in establishing a performance measurement system that was consistent and understood by employees at all levels. BSC helps to overcome the traditional bias in banking toward financial reporting by introducing a system that can take a long term view and takes account of factors such as learning and innovation which gives a richer picture than driving the business based on financial alone. The applicability of BSC to the public sector was also demonstrated by Sayfert et al. (1998) through a study examining the experience of North Carolina, the first city in USA to utilize the BSC in areas such as transportation, economic development, neighbourhood and government restructuring. The BSC proved a useful tool in helping the city to focus its efforts, improve motivation of employees, and enhance government accountability while also highlighting specific processes needing improvement to enable the city council to achieve its strategic objectives.

Yansheng Zhang and Longyi (2009) studied the Balance scorecard as a tool for measuring performance management system in commercial banks. The result of the study shows that BSC is not only indicator of appraisal system, but also a strategic management system. In essence the commercial banks are comprehensive, multi-function financial enterprises which operate in terms of profits and financial assets and financial services as a target. Commercial banks should not only focus on quantitative analysis about the financial profitability, liquidity and safety but also on effective qualitative analysis about bank risk control, internal management, customer service levels when it takes performance assessment. They further argued that Balanced Scorecard has great foresight for the future development of the bank, and takes the long-term development into account, which makes banks to have a high degree of adaptability and long-term strategy when they are in the face of rapidly changing business environment (Yansheng et al., 2009; Pp.206-207). Recently, the study conducted by Mohd (2014) *on the effect of PMS and organizational culture on the employees attitude in Malaysian government* supports the practicality of BSC as a performance management tool. The research indicates that the use of BSC as a strategic management system will enable the management's strategy and vision to be translated into realistic and achievable goals.

### **2.9.3 Performance Evaluation Using BSC in Ethiopian Context**

In Ethiopia, as part of its effort to improve the performance of the public service, the government has introduced different performance management tools mainly, BPR (2004) and BSC (2010) (FDRE-Ministry of Civil Service, 2013). Recently, most government organizations including publically owned banks have started to use BSC as performance measurement tool. For example, the Development bank of Ethiopia and the Commercial bank of Ethiopia have implemented the tool in 2013 and in 2014 respectively. The result of the study conducted by Asrat (2014) on *“Design and implementation of BSC in Development bank of Ethiopia”* indicates that the readiness for the BSC design and implementation made by the bank was commendable, in a sense that designing phase was done properly in terms of strategic plan preparation and in terms of corporate scorecard alignment with processes and strategy. But, the study revealed that the BSC implementation was at early stage in individual level, though it is at a decent stage at corporate and process level. Asrat (2014) further put that lack of adequate knowledge on the BSC, insufficient participation, lack of consistent monitoring and evaluation, gaps in measurement and targets in the cascading processes are the major problem facing the bank.

On the other hand, the study made by Seyoum (2010) regarding the assessment of PMS application in selected commercial banks in Ethiopia using the BSC revealed that Ethiopian commercial banks can implement the BSC so that they can focus on the core strategies in order to create and deliver superior values and returns to their stakeholders.

The study further recommended that these banks should implement BSC and multi-dimensional measures as the PMS and strategic implementation tools to improve their operational performance and profitability. Accordingly, the commercial bank of Ethiopia has also implemented the BSC as a PMS tool.

## **2.10 Empirical Review**

### **2.10.1 Global Perspective Empirical Review**

1. Wilson et al. (2000) recognizes that the individual is the most knowledgeable person about the work performance and should be the most important source of information about their achievements and areas for development. He suggested by increasing

responsibility for appraisal, greater commitment to the process and motivation could be fostered.

2. The E-reward survey (2005) highlights a number of conditions for success in performance appraisal, showing that simplification and the use of competencies are among the most common measures applied to improve existing systems. Further conditions for success stem from these, for example, a simplification of systems can be supported by establishing more regular review meetings but to ensure these meetings are valuable and provide a forum for quality discussion managers need to be capable of conducting useful appraisals and be committed to the process. It could be argued this capability and commitment should be driven by the senior leadership. The senior team should also ensure that performance management is aligned with the corporate strategy, so that individuals understand how what they do contributes to the overall goals of the organization. Performance management process by applying a critical lens to some of the main approaches set out thus far.

Following this, they consider the primary tool in performance management systems, namely performance appraisal. The discussion is more contemporary development including the use of 360-degree feedback and forced distribution, before concluding.

3. Muras et al. (2008) advice around the implementation of performance management is straightforward ‘keep it as simple as you can—only go for increased complexity and precision where the effort warrants’. They argue that complex performance management systems will often ‘confuse rather than enlighten managers and employees’ due to the blend of ‘complex processes, competing IT systems, and multiple dashboards’ which often don’t provide the information that is valuable and therefore makes the measures of performance irrelevant.
4. Neeraja Sharma and Aman Sharma (2009) examined the ‘Employers’ Perspectives Regarding Performance Appraisal and Reward Philosophy in Insurance Sector in Haryana’. This paper studies the employer’s perspectives regarding performance appraisal and reward philosophy and the effect of demographic variables on it. The sample is selected on the basis of convenient sampling method. This study is based on the hypothesis that demographic variables and employers’ opinions are independent of each other.

5. Bibhuti Bhusan Mahapatro (2010) also state that defining and understanding the performance management process as well as establishing the foundations of performance management are key steps in the foundations for successful performance management.
6. Sillup et al. (2010) discuss that traditionally appraisals are completed once a year and usually include a mid-year discussion, but they argue research has indicated that this is too infrequent because raters face problems with remembering what employees did over the previous months (Campbell et al., 1970, cited in Sillup et al., 2010). Juran (2004, cited in Sillup et al., 2010) found that organizations with monthly or quarterly performance appraisals \_outperformed competitors on every financial and productivity measure and got positive feedback from employees about the fairness of the PA system‘ (p.42).

### **2.10.2 African Perspective Empirical Review**

A study conducted by Andre De Waal (2007) on the applicability of PMS in developing countries case study Tanzania college of business education highlights that most developing countries concentrate more on introducing and copying tools and systems from the Western world which are not always the best suited to local circumstances and this leads to the question whether Western techniques like performance management are suitable for developing countries. The finding of the research revealed that the management team of the college was not satisfied by the PMS which the college adopted because there was lack of awareness and by the fact that the college management had not spend much time talking about performance management.

The research by Zvavahera (2013) entitled *–an evaluation of the effectiveness of PMS on service delivery in Zimbabwean civil service”* revealed that the performance management system was fraught with challenges due to its complexity and no-adherence to its tenets by the employer. It also indicates that performance related awards, one of the elements of PMS processes, had not been affected for long period of time since its implementation due to financial constraints and non-submission of employees’ final rating to the concerned body for payment purposes. He has also found that advancement and promotions are not tied to performance. In conclusion, Zvavahera wrote as follows: *–Most respondents indicated that performance appraisal was hurriedly done at the end of each year so as to fulfil the Civil Service Commissions performance requirements.” It was therefore, concluded that the*

*current PMS was not enhancing the provisions of quality service because employees did not see any merit in its application (Page 6).*

In addition, Macheng et al. (2014) have done research on implementation of PMS on schools in Botswana and their result indicates that there are four main factors which have to be done by organization in order for PMS to be implemented successfully. These are design and implementation, effective communication and feedback, motivation and a clear assessment strategy. Their research concludes that Effective communication and timely feedback are important success factors for a performance management system in an organization.

### **2.10.3 Ethiopian Perspective Empirical Review**

The study made by Tessema (2005) on the applicability of PMS using BSC as its tool reveals that more and more Ethiopian enterprises were expressing a strong interest in the BSC, their managers were starting to acknowledge importance of regular formal and informal performance review meetings, communication about results was being improved by applying modern means of communication like the internet , people were willing to train in the use of performance management, and government was fostering the improvement of performance. The study conducted by Melat (2014), at the Ethiopian Management Institute, on performance evaluation practice indicates that organizational goal were not fully aligned with individual and departmental goal, participation of employee's in planning stage of PMS is not across all staffs of the organization, lack of regular feedback, and lack of uniformity in gathering information on employee's performance are major problems in Performance evaluation system implementation.

Similarly, the result of the study conducted by Dereje (2015) regarding the implantations of PMS in Addis Ababa City Administration, with taking *Addis Ketema Sub city wereda 2*, indicates that the performance management processes of the study *wereda* needs serious consideration to reap some fruits out of it. In short, the study has found out that the whole processes of performance planning, provision of on-going coaching and technical supports to the implementing agencies and individuals, recognition and reward, and ensuring performance accountability both at individual employee and organizational levels were not on the right track to bring about meaningful performance improvement Dereje (2015) further added that the problem is associated with the need to shift to and institutionalization of effective modern performance management system and practice on the one hand, and inability to break away from traditional bureaucratic mentality and practices on the other.

## **CHAPTER THREE**

### **3. Methodology**

For the study both the qualitative as well as the quantitative/mixed approach/ have been used to have best understanding about the research problems and also achieve better outcome from the study. The qualitative one to describe the perception of employees on the practice of employee performance evaluation that is currently introduced in commercial bank of Ethiopia and the quantitative approach to explain about the degree of effectiveness of the performance evaluation in general.

The data for qualitative one have been collected through interview, open ended questions in the questionnaire and through reviewing secondary sources in terms of ideas and concepts about the study. And for quantitative one the data/measurement/Analysis have been collected using five points Likert scales in the questionnaire from the respective respondents.

#### **3.1 Research Design**

The descriptive research methods will be introduced to describe the perception of employees' and explain about the phenomenon under study. Moreover, both qualitative and quantitative designs have been used for studying the research topic. The five point Likert scales /strongly agree, agree, neutral, disagree and strongly disagree/ has been introduced in the questionnaire to obtain the levels of agreement and measure the responses of the respondents accordingly. Finally based on the data type acquired, tables, possible charts such as bar and pie charts have been used to present the data in such a way that they will give meanings for the study.

#### **3.2 Data Type and Data Source**

Both the primary as well as the secondary data type has been utilized for the study. The primary data/i.e., ordinal data type, comments or opinions/ have been acquired through distributing questionnaires to the respective respondents and making an interview to complement the information gap.

And the secondary data/ in terms of concepts and issues/ have been collected through reviewing recent articles, journal, books, and research findings of other scholars in the

related discipline and the bank document itself to get various concepts and issues for the study.

### **3.3 Data Collection Methods**

The primary data have been collected through distributing questionnaires ,in which both open and closed ended types of questions, to the respective 423 sampled participants out of 6,728 total population which comprises permanent employees who were working at Addis Ababa area i.e., who were working at city branches ,district offices ,and at head office .

Adopted five point Likert scales in the questionnaire has been included to obtain and measure the perception of the respondents on the practices of employee performance evaluation that was introduced in the commercial bank of Ethiopia.

And the other primary data have been collected through making an interview either physically and through phone ,whichever was convenient, with director of human resource development , deliberately selected few branch managers ,their subordinates and labour union representatives on the basis of their work experiences and the knowledge they have to the subject matter. In this connection, interview has been made immediately after the quantitative data have been collected and analysed to get additional information and also to substantiate the outcome of the study in general.

Concerning the secondary data collection, the data have been collected through reviewing the appraisal records of employees which were maintained and kept under corporate human resource department at the center and also through reviewing recent articles and journals, recently published books ,magazines internet and other related previous research work in other organizations to assess the performance of individual employees and to have various concepts respectively to achieve better outcome for the study.

### **3.4 Sampling Technique**

For the study both probability as well as non-probability sampling technique have been used to select the respective participants to be included in the sample size and undertake the study, since the total population is heterogeneous in terms of the nature and type of job they perform, their posts and work experience but within a group they have homogeneity, proportionate stratified sampling technique/ probability sampling technique/ have been

introduced to select the respective participants from each strata or group to be included in the sample size which is 423 and to distribute the questionnaires to those employees who have served the bank more than one year. That is I used purposive sampling in selecting the respondents.

And, to make an in-depth interview for having the desired information and make easy of the acquisition of the required data from those participants who have got rich experiences and know how about the subject matter, deliberate selection or purposive sampling technique /non probability sampling technique/ has been introduced considering their willingness and ease of access. I have conducted an in-depth interview with twenty (20) respondents of which ten (10) of them are well experienced branch managers.

### **3.5 Sampling Frame**

In the study four sampling frame sets have been used i.e., lists of permanent employees who are working in city branches in Addis Ababa area, permanent employees under four district offices in Addis Ababa area, permanent employees working at head office level and permanent employees of labour union representatives.

### **3.6 Sample Size Determination**

To get the representative sample for the population under study, the following sample formula was adopted. This sample determining formula is developed by Jeff /2001/ in his book /how to determine a sample size/ to undertake academic and social science research. The reason for selecting and using this formula that the sample size was determined and acquired was somewhat bigger or larger than the results acquired using other recent formulas and also it was the most widely used formula both in academic and social science research. Therefore, based on the formula the sample size of the study was 423.

#### **Sample size determination formula**

$$n = \frac{P [1-P] (A^2/Z^2 + P [1-P]/N)}{R}$$

$$n = \frac{0.5[1-0.5] (0.05^2/1.96^2 + 0.5[1-0.5]/6728)}{0.86}$$

$$n = 0.25/0.000687/0.86$$

n=423

WHERE

n=sample size required

N=number of population

P=estimated variance in the population, as a decimal (i.e., 0.5 for 50-50, 0.3 for 70-30)

A=precision desired, expressed as decimal (i.e., 0.03, 0.05, 0.1 for 3%, 5%, 10 %)

Z=based on confidence level: 1.96 for 95% confidence, 1.6449 for 90% and 2.5758 for 99%

R=Estimated Response rate, as decimal (i.e., 0.86)

Therefore, there will be variability among employees in terms of years of experiences, the level of understanding and awareness about employees' perceptions on the practice of employee performance evaluation and its challenges; the estimated variance of 0.5 is used (which is supported by developers of this model). Based on the above information, sample size (n) for the study is calculated and it becomes 423. Based on these, 423 questionnaires have been distributed. In distributing the questionnaires among employees who are working at branches, districts and head office, the number of employees in each of them have been selected on the basis of non-probability sampling method. i.e.; either using deliberate and judgmental selection considering their years of experience and know how about the subject matter or willingness of the respondents and ease of access depending of the situation prevailed.

### **3.7 Data Analysis and Presentation**

The data that have been acquired through semi structured interviews and open ended questions in the questionnaires were comments and opinions/i.e., qualitative in nature /and have been analysed using content analysis contextually or qualitatively by summarizing on the basis of their similarities and finally the results of the analysis have been combined with the results of the quantitative one to substantiate the outcome of the study.

The quantitative data have been analysed using descriptive and inferential statistics i.e., mean value, mode of frequencies and percentage with the help of software known as

SPSS/statistical package for social scientist / version 16 / after the data are coded and entered in to the mentioned software .Then finally the results of which have been summarized and combined with the qualitative one by triangulating them to make the desired interpretation, conclusion and recommendations accordingly.

### 3.8 Reliability Test Result of the Instrument

**SCALE: ALL**

<b>Case Processing Summary</b>			
		N	%
<b>CASES</b>	<b>VALID</b>	35	100
	<b>EXCLUDED</b>	0	.0
	<b>TOTAL</b>	35	100

**List wise deletion based on all variables in the procedure.**

**EMPLOYEE MEASURE**

<b>RELIABILITY STATISTICS</b>		
Cronbach's Alpha	Cronbach's Alpha based on standardized items	No. of Items
.847	.995	35

The above test result showed that the instrument is reliable and enough to measure what we would like to measure for the desired outcome of the study.

### 3.9 Ethical Considerations

When questionnaires are distributed the researcher will inform respondents on the introduction part of the paper about the title and objective of the study. Besides to develop respondents confidence they will be informed that their responses will be kept confidentially and the information uses only for academic purpose.

To avoid misunderstanding and problems related with questionnaires in acquiring information from the employees the researcher will design the questionnaires in clearly and understandable manner.

## CHAPTER FOUR

### 4. Data Analysis and Presentation

#### 4.1 Introduction

On the first part of this chapter, demographic and summary of analysis of data have been presented and finally the findings have been presented.

#### 4.2 The Response Rate of the Respondents

The study has been conducted by having 423 sample sizes to which the questionnaires were distributed. And out of this, 391 questionnaires were filled and returned which indicated 92.43 % of the plan was successful in collecting the questionnaires. This has got a positive impact on the representativeness of the sample as well as dependability of the result. The detail is presented as follows: -

**Table 4.1:** The response rate of the respondents

<b>The Response Rate of the Respondents Category</b>	<b>Intended Sample Size</b>	<b>Responded</b>	<b>Percentage</b>
Permanent Employees of the bank	423	391	92.43

#### 4.3 Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire has requested a limited amount of information related to personal and professional demographic characteristics of respondents.

Accordingly, the following variables about the respondents were summarized and described in the subsequent table and diagram. These variables includes: number of years the worker worked with the organization, age, sex, and the highest educational level achieved.

**Table 4.2:** Summary of the number and percentage of respondent by age and sex

Age Of Respondents	Sex				Total
	Male		Female		
	Count	Percentage (%)	Count	Percentage (%)	
Under 25	37	9	27	8	64 (16%)
25-34	149	35	65	19	214 (55%)
35-44	55	13	23	7	78 (20%)
45-54	20	5	9	3	29 (8%)
55 and above	6	1	-		6 (1%)
<b>Total</b>	267	63	124	37	391(100%)

When we see the above Table 4.2, about 63% of the respondents were male and the remaining 37% of the respondents were female. Regarding the age of the participants, the largest group (55 %) was in the 25-34years age group. The second largest group (20%) indicated their age was in the 35-44 years age group. But (16%) indicated that they were less than 25 age groups. On the other hand, only 29 experienced individuals (8%) were in the age category of 45-54 and only 6 (1%) are in 55 and above years age group.

**Table 4.3:** Summary of the number and percentage of respondent by service years and sex

Service in years	Sex				Total
	Male		Female		
	Count	Percentage (%)	Count	Percentage (%)	
<b>0-4</b>	51	12	37	11	88(23%)
<b>5-9</b>	131	31	40	12	171(43%)
<b>10-19</b>	62	15	47	14	109(29%)
<b>20-30</b>	23	5			23 (5%)
<b>Above 30</b>	-		-		
<b>Total</b>	267	63	124	37	391(100%)

When we see the above table 4.3, about 267 or 63 % of the respondents were male and the remaining 124 or 37 % of the respondents were female. Regarding the service years of the participants, the largest group (43 %) was in the range of 5-9 years of service group. The second largest group (29%) has indicated their service years in the range of 10-19 but a few or (5 %) of individuals have indicated that they were in the 20-30 service years group. From this we can say that more than 43% of the respondents have long years of service in the bank and were well experienced. From the above analysis results , in general, we can say that the information acquired for the analysis are dependable or reliable since all of respondents have got services years of more than one year.

**Table 4.4:** Summary of the number and percentage of respondent by service years and educational background

Service In Years	Educational Back Ground					Total
	High school	Technical School Graduate	College Diploma	BA/BSC degree	Master Degree	
<b>0-4</b>	-	-	12(3%)	64(17%)	12(3%)	88(23%)
<b>5-9</b>	-	-	54(%)	75(19%)	24(6%)	171(43%)
<b>10-19</b>	-	-	72(%)	37(%)		109(29%)
<b>20-30</b>	-	-	23(5%)			23(5%)
<b>Above 30</b>	-	-	-			-
<b>Total</b>	-	-	161(41%)	194(50%)	36(9%)	391(100%)

As we can observe from the above table, the largest group of respondents (36%) have a work experience of 5 to 9 years on the current job, whereas 23% are in the range of 0 to 4 years. On the basis of their educational qualification, the majority or 50% of the respondents are first degree holders and 41% of the respondents are holders of college diploma. Only 36 or 9% of the respondents are identified to have the degree of masters and there are no PhD holders at all among the respondents.

#### **4.4 The Employees' Perception of the Purposes of Performance Evaluation in Commercial Bank of Ethiopia (CBE)**

Based on the responses gathered from the employees of the bank, the study tries to discuss the employees' perception of the purposes of performance evaluation in Commercial Bank of Ethiopia. The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly Agree; 2 = agree; 3 = Neither Agree Nor Disagree (Neutral); 4 = Disagree; and, 5 = strongly disagree. The information obtained from the questionnaires are summarized and discussed here under the table.

**Table 4.5:** The Employees' perception towards the controlling purposes of Performance Evaluation in CBE

Levels of Agreement	CONTROLLING PURPOSES		
	Give Feedback	Determining pay & promotion	Warn subordinates
<b>Strongly Agree</b>	127(32%)	112(28%)	107(27%)
<b>Agree</b>	153(39%)	168(43%)	174(45%)
<b>Neutral</b>	69(18%)	77(20%)	86(22%)
<b>Disagree</b>	42(11%)	34(9%)	24(6%)
<b>Strongly Disagree</b>	-		-
<b>Total</b>	391(100%)	391(100%)	391(100%)

As we can observe from table 4.5, the majority of respondents or about 32% & 39% of the respondents are strongly agree and agree respectively with the statement –information generated through performance evaluation in commercial bank of Ethiopia is used to give feedback to subordinates about their negative as well as positive performance so that they know where they are”. However, about 11% of the respondents disagree and 18% of the respondents became neutral with the statement.

On the other hand, less number of the respondents (9%) disagree with the statement –Information generated through performance evaluation in CBE strongly determines pay and Promotion decisions” while about 20% of them became neutral and 28% and 43% of the respondents strongly agree and agree with the statement respectively.

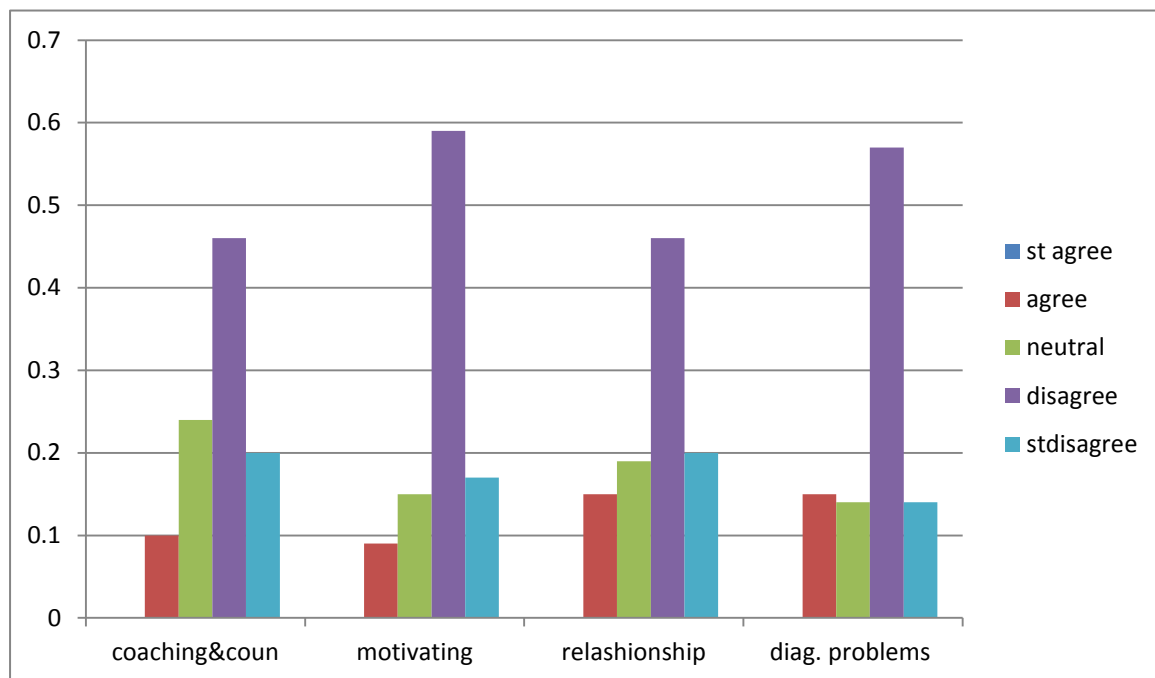
Moreover, 27% and 45% of the respondents are strongly agree and agree with the use of information generated through Performance evaluation as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions respectively”. About 6% of the respondents argued that they disagree with the statement whereas about 22% of them become neutral.

In general, from the above discussion we can imply that the performance evaluation system has been used as controlling purpose than for coaching and counselling of employees, which are very determinant factors, to enhance the performance of the employees in sustainable manner.

**Table 4.6:** summary of Employees’ perception towards the coaching purposes of Performance evaluation in CBE

<b>Levels of Agreement</b>	<b>Counsel And Coach Subordinates</b>	<b>Motivates Subordinates</b>	<b>Strengthen Relationship</b>	<b>Diagnose Problems Related With Performance</b>
<b>Strongly Agree</b>	-	-	-	-
<b>Agree</b>	39(10%)	35(9%)	59(15)	59(15)
<b>Neutral</b>	94(24%)	59(15%)	74(19%)	56(14%)
<b>Disagree</b>	180(46%)	231(59%)	180(46%)	223(57%)
<b>Strongly Disagree</b>	78(20%)	66(17%)	78(20%)	56(14%)
<b>Total</b>	391(100%)	391(100%)	391(100%)	391(100%)

**Figure 4.1:** Summary of Employees' perception towards the coaching purposes of Performance evaluation in CBE



The above table and chart have shown that about 46 % and 20 % of the respondents have responded against ( i.e., disagree & strongly disagree respectively) the counselling and coaching purpose of performance evaluation. Moreover , about 59 % and 17% of the respondents have argued against with the statement that the result of performance evaluation is used as an input for motivating workers and to provide them with recognition and support in terms of both financial as well as non-financial matters .

In the same way, the majority of the respondents (46%) disagree and 20% strongly disagree with the idea that information generated through performance evaluation strengthens the relationship between the supervisors and the subordinates. They further contend that rather than strengthening the relationship it leads to controversies and contradictions.

Concerning the last dimension, the majority of the participants do not agree with the statement that performance evaluation information is used to diagnose both organizational and individual problems related with performance.

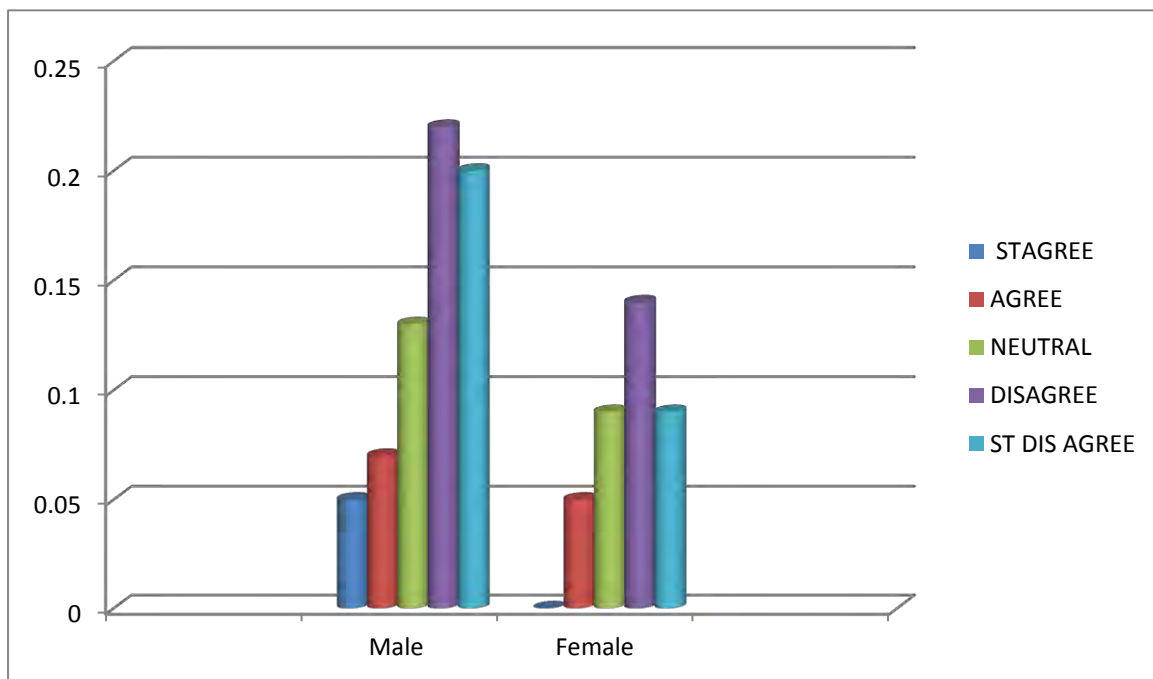
In general, the majority of the respondents argued that ~~the~~ information generated through performance evaluation is used to warn employees for their unsatisfactory performance, and also helps to show the position of the workers relative to their counterpart when compared

with the coaching and counselling and determine pay and salary increases purposes of evaluation.”

**Table 4.7:** The Attitude of Employees towards the Effectiveness of Performance Evaluation by Gender in Commercial Bank of Ethiopia (CBE)

Levels of Agreement	MALE	FEMALE	TOTAL
Strongly Agree	18(5%)	-	18(5%)
Agree	29(8%)	15(5%)	44(13%)
Neutral	50(12%)	31(9%)	81(21%)
Disagree	90(20%)	47(14%)	137(34%)
Strongly Disagree	80(18%)	31(9%)	111(27%)
Not Responded	-	-	-
Total	267(63%)	124(37%)	391(100%)

**Figure4.2:** The Attitude of Employees towards the Effectiveness of Performance Evaluation by Gender in Commercial Bank of Ethiopia (CBE)



As we can see from the above table and diagram, the majority of the respondents (22% and 14% of male and female respectively) disagree with the statement ‘In my opinion, the information generated through performance evaluation in CBE is serving its purpose’ whereas 7% and 5% of male and female respondents respectively agree with the effectiveness

of performance evaluation in the organization. On the contrary, 13% and 9% of the respondents became neutral with the statement. From this, it may be inferred that the majority of the respondents do not feel that the performance evaluation system in the bank is effectively fulfilling its objectives.

**Table 4.8:** Summary of respondents about the effectiveness of Performance evaluation system under the open ended questions

<b>Gender</b>	<b>Yes</b>	<b>No</b>	<b>TOTAL</b>
<b>Female</b>	40(12%)	84(25%)	124(37%)
<b>Male</b>	66(15%)	201(48%)	267(63%)
<b>Total</b>	106(27%)	285(73%)	391(100%)

When we see the above table 4.8, the majority or 73% of the respondents have given their negative perception about the effectiveness of the performance evaluation system of the organization.

**Table 4.9:** Summary of respondents about job clarity and objectivity under the open ended questions

<b>Levels Of Agreement</b>	<b>Yes</b>	<b>No</b>	<b>TOTAL</b>
<b>Female</b>	46(15%)	78(22%)	124(37%)
<b>Male</b>	79(18%)	188(45%)	267(63%)
<b>Total</b>	125(33%)	266(67%)	391(100%)

When we see the above table 4.9, the majority or 67% of the respondents have given their negative perception about the job clarity and objectivity of the performance evaluation system of the organization.

**Table 4.10:** Summary of respondents about whether supervisors show the results of employee's performance rating under open ended question

<b>Levels Of Agreement</b>	<b>Yes</b>	<b>No</b>	<b>TOTAL</b>
<b>Female</b>	62 (15%)	88 (22%)	150 (37%)
<b>Male</b>	112 (29%)	129 (34%)	241 (63%)
<b>Total</b>	174 (44%)	217 (56%)	391 (100%)

When we see the above table 4.10, the majority or 56% of the respondents have given their negative perception of showing the results of employee's performance rating by supervisors.

## **4.5 The Employees' Perception of the Problems and Practices of Performance Evaluation in Commercial Bank of Ethiopia**

Employee performance evaluation has multifarious problems which can be emanated from the stakeholders (employees, the organization and the raters) involved in the system. In order to assess the practical and real problems that exist in the organization under case study, questions in the questionnaire were designed and distributed to the employees of the bank working in different departments at head office and branches to gather information related to those problems. Hence, the results of the responses given by the participants are summarized and interpreted using tables and diagrams.

### **4.5.1 System Related Problems in Performance Evaluation**

In most cases, the performance appraisal system is considered as a source of problem whenever the forms and criteria used to evaluate the performance of workers are complex, cumbersome, and vague; the criteria are subjective; if it fails to differentiate between effective performers' and non-performers'; if the system uses comprehensive forms across all the jobs in the organization; if it lacks a system to provide feedback on the evaluation results; the lack of an appeal process if in case the evaluation result is found to be unfair and inaccurate; and if the system fails to help employees to improve their job performance in a sustainable manner .

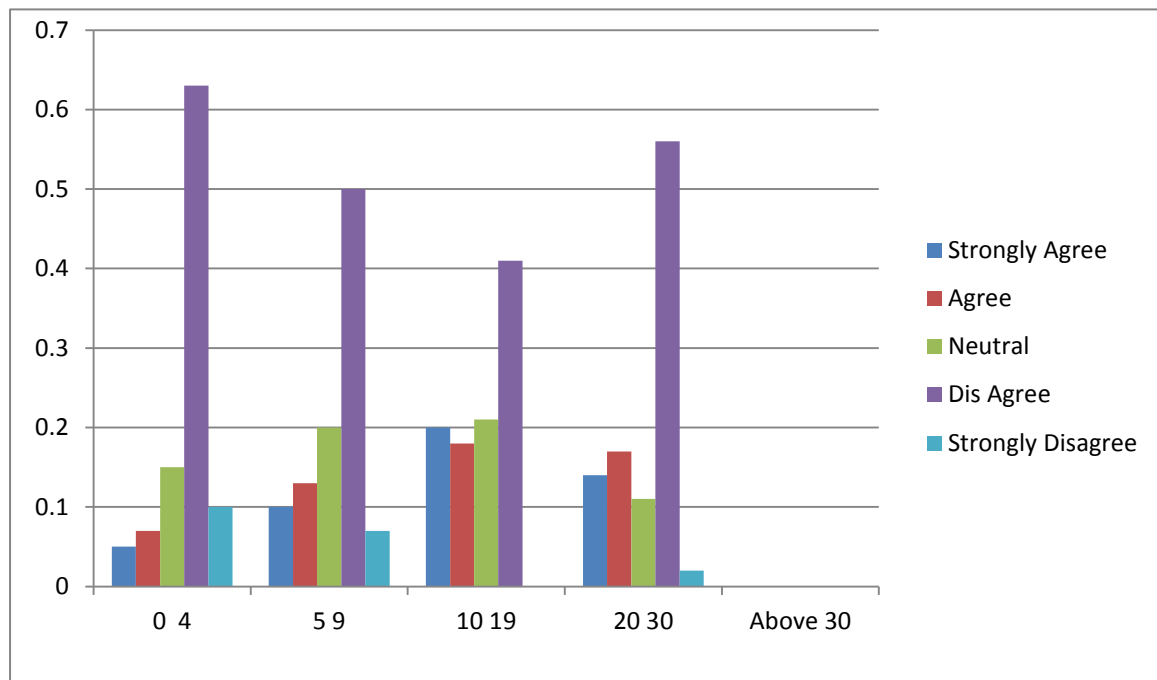
Apart from the theoretical suggestions identified in the literature, an attempt was made to identify whether there is a system related problems in the organization under study or not. In order to assess the existence of the aforementioned problems, the researcher has designed groups of related questions in the questionnaire and distributed to check out the existence of the system related problems.

#### **4.5.1.1 The Employees' Perception towards Goal Clarity and Objectivity of Performance Evaluation Criteria**

The first step in the performance evaluation process is the specification of the standards against which the performance of employees will be judged. As much as possible the

criteria/instruments used to evaluate the performance of employees should be clear and objectively determined. In this regard, the opinion of participants as to the degree/extent to which they agree with the clarity and objectivity of the performance evaluation criteria used in CBE in accordance of the work experience of respondent is portrayed in the Figure 4.3.

**Figure 4.3:** The employees’ perception towards Goal Clarity and Objectivity of Performance Evaluation Criteria



As we observe from the above diagram (Figure 4.3), the majority of the respondents disagree with the statement ‘the performance criteria/ instrument used to measure my performance are clearly defined and objective’. The figure further indicated that about 63%, 50%, 41 % and 56% of the respondents having work experience of between 0-4, 5-9, 10-19 and 20-30 respectively disagree with the statement.

On the contrary, 13%,18% and 17% of the respondents in the years of between 5-9,10-19 and 20-30 agree with the clarity and objectivity of the criterion used to evaluate the performance of the workers. Moreover, about 15%, 20% and 21% of the respondents between years of experience of 0-4, 5-9, and 10-19 respectively became neutral with the statement.

From this description, it is possible to conclude that the standards against which CBE employees’ performance under Addis Ababa area branches judged are vague, highly

unrelated with the job and highly subjective. If ambiguity surrounds the job description, goals, traits, and/or the behaviours that will be the basis for the evaluation, the process is doomed to fail from the start and as a result it creates confusion, role ambiguity and finally frustration among workers. Therefore, this is in line with the notion that performance evaluation is destined to fail because of lack of clearly established performance criteria and the absence of objective criteria by which employees' work are judged.

#### **4.6 The Employees' Perception of the Criterion of Evaluation**

The criteria used to measure the performance of the employees should be relevant. It should be able to measure work related behaviours instead of measuring personal traits and at the same time it should take into account the practical difficulties and environments with in which the job is executed. However, the review of the personnel policies and procedures manual with regard to the criteria and guidelines used to measure the performance of workers in the bank indicated that both job related and personal qualities are used as a standard. Furthermore, the analysis of the evaluation form used to measure the performance of workers comprises of qualitative and quantitative factors, which are not clearly defined and lack relevancy to the job, as a criterion to measure the performance of the employees. For instance; customer handling, zero errors or not to commit any errors, number of customer complains, and communication skills are some of criteria used in the bank.

In this respect, the opinion of employees towards the ability of the criteria to measure the true performance of the workers in the organization based on gender are identified and summarized in the table 4.11.as shown below.

**Table 4.11:** The attitude of employees towards the ability of the criteria used to measure their true performance by age and sex

Levels Of Agreement	Age										Total		Sex			
	<25		25-34		35-44		45-54		>55				Male		Female	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%		
<b>Strongly Agree</b>		-		-		-		-								
<b>Agree</b>	7	3%		-		-		-			7	3%	5	2%	2	2%
<b>Neutral</b>	10	4%	7	2%		-		-			17	6%	46	9%	28	7%
<b>Disagree</b>	132	34%	117	39%	51	13%	26	6.5%	9	2%	335	86.5%	195	47%	67	19%
<b>Strongly Disagree</b>	18	5%	8	3%	5	1%	1	0.5%			32	7.5%	21	5%	27	9%
<b>Total</b>	167	46%	132	44%	56	14%	27	7%	9	2%	391	100%	267	63%	124	37%

As it is possible to observe from the above table 4.11, in total 86.5% of the respondents whose age less than 25, ranges between 25-34, 35-44 ,45-54 and above 55 years disagree with the statement that says ‘the performance evaluation criteria used in the organization is capable of measuring my true performance’. The proportions of the respondents who agree with the statement are insignificant.

On the basis of gender, about 47% out of 63% of the male and 19% out of 37% of the female respondents disagree with the statement whereas 9% out of 63% of the male respondents and 7% out of 37% of the female respondents are neutral with the statement that the criterion used can truly measure their performance.

From this it is possible to state that female respondents have more positive attitude towards the ability of the criterion to measure their true performance than male respondents. It is further implied that, at least, the majority of the employees don’t perceive that their performance is measured; thus the performance record does not reflect their true performance.

As a result, if the criteria used are not truly measuring the actual performance of the employees, its appropriateness and legality of the use of the information generated through performance evaluation to make various human resource decisions will be questionable.

#### 4.6.1 Employees' Perception towards the Forms of Performance Evaluation

According to Michael Beer (1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation.

In this regard, the perception of employees towards the performance evaluation forms used by the Bank were gathered and presented in the subsequent table as shown below

**Table 4.12:** Employees' perception towards the forms of performance Evaluation

Levels Of Agreement	Encourage Participation In The Design Of The Form		Capable Of Differentiating Effective Performers From Non-Performers		The Form Is Customized	
Strongly Agree	-	-		-		
Agree	20	5%	78	20%	23	6%
Neutral	35	9%	59	15%	98	25%
Disagree	297	76%	211	54%	192	49%
Strongly Disagree	39	10%	43	11%	78	20%
Total	391	100%	391	100%	391	100%

The above table 4.12 indicates that the majority of the respondents (76%) disagree with the statement that I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance' and only few of the respondents agree with the statement. This implies that the design of the evaluation form and its content is left to the Human resource specialists of the bank and it does not encourage participation of the employees in the design of the form.

Moreover, about 54% of the respondents disagree with the statement that says the performance evaluation form currently used to evaluate the performance of workers is capable of differentiating effective performers from non- performers' and about 20 per cent

of the respondents agree with the statement. Therefore, if the form is not differentiating effective performers from non-performers, the performance evaluation process may be perceived as a ritual process among the employees of the organization and as a result employees may perceive that the result of the evaluation does not reflect their actual performance.

Furthermore, about 49% of the respondents disagree with the statement ‘The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job’. This implies that regardless of the nature and characteristics of the jobs, the evaluation forms used in the bank are homogeneous across managerial positions and it is also similar for all customer service officers. Such system of evaluation does not take into account the differences in the nature and characteristics of the job incumbent.

On the other hand, only about 6% of the respondents agree with the statement while about 25% became neutral to the statement. The analysis shows that employees perceive that there is a problem in the evaluation form used by the bank. They argued that the evaluation forms being used by the bank are not capable of differentiating good performers from bad performers. For instance, the forms used to measure the performance of all employees in the Managerial positions are the same and other forms are used for all jobs in the customer service officer’s category.

#### **4.7 The Employees’ Perception towards the Fairness of the Performance Evaluation System**

In order to assess the employees’ perception of the fairness of the performance appraisal system of commercial bank of Ethiopia (CBE), questionnaires were distributed and thus the results are summarized and presented in the following table (Table 4.13).

**Table 4.13:** Summary of the Employees’ perception towards the Fairness of the performance Evaluation

Levels Of Agreement	Existence of well-established appeal process whenever needed		The existence of the room for challenging unfair rating		The fairness and impartiality of the evaluation system	
	Count	%	Count	%	Count	%
Strongly Agree	-	-	-	-		
Agree	94	24%	133	34%	98	25%
Neutral	67	17%	47	12%	90	23%
Disagree	230	59%	211	54%	203	52%
Strongly Disagree		-		-		-
Total	391	100%	391	100%	391	100%

Analysis of the opinion of the respondents revealed out that the majority of the respondents (59%) disagree with the statement that “I have ways to appeal a performance rating that I think is biased or inaccurate” while about 24% of the respondents agree with the existence of the grievance handling process but they do not believe in its transparency or evidence based and about 17% of the respondents became neutral.

On the other hand, most of the respondents (54%) still disagree with the statement “I can challenge a performance rating if I think it is unfair” while about 34% of them agree with the possibility of challenging the rating if they think that the results of the appraisal are unfair and inaccurate whereas about 12% of the respondents became neutral to the argument.

With respect to the impartiality and fairness of the performance appraisal system, about 52% of the respondents disagree with the fairness and impartiality of the appraisal system; while 25% of the respondents agree with the fairness and impartiality and almost 23% of the participants became neutral with the statement. This shows that the appraisal system of the bank is unfair and subjective or lacks objectivity in general.

Analysis of interview question with regard to the fairness and effectiveness of the performance evaluation system in the organization revealed out that it is not fair and effective enough.

**Table 4.14:** Summary of the Employees’ perception towards the importance of Performance evaluation

Levels Of Agreement	In my opinion, the performance evaluation process is wastage of time		The performance Evaluation process did not improved my job performance	
	Count	%	Count	%
Strongly Agree	-	-	-	-
Agree	270	69%	262	67%
Neutral	27	7%	47	12%
Disagree	94	24%	82	21%
Strongly Disagree		-		-
Total	391	100%	391	100%

The above table 4.14 shows that the majority of respondents (69%) consider performance evaluation process as wastage of time and almost the same proportion of the respondents claim that the performance evaluation system of the bank did not help them to improve their performance.

#### **4.7.1 Employees’ Perception of Raters’ Problems in Performance Evaluation**

Theoretical assessment under chapter two of this study has indicated that raters are the major sources of problems in employee performance evaluation. Accordingly, performance evaluation suffers from the following major problems: personal bias, inflation due to political considerations, halo effects, leniency or harshness, central tendency error, evaluating based on recent behaviours, inadequacy of training for raters and the lack of participation in the design of the program. Documentation and transparency are also the major problems with respect to performance evaluation.

#### 4.7.2 The Employees' Perception of the Documentation and Transparency of Performance Evaluation

The degree to which the supervisors systematically document the work behaviours of ratees during appraisal period and the visibility of the performance ratings among subordinates highly affects the tendency of the raters to inflate ratings. In this regard, an attempt was made to know the extent to which employees perceive that the raters document the work behaviour of their employees during the period of evaluation and the extent to which they communicate the result of the appraisal to their employees on the regular basis. The results of the analysis are summarized in the following table (Table 4.15).

**Table 4.15:** Summary of the Employees' perception of the Documentation and Transparency of Rating by raters

Levels Of Agreement	Raters cite specific examples during rating		Raters keep file of performance during the evaluation period properly		Raters give continuous feedback during performance period	
	Count	%	count	%	Count	%
Strongly Agree	-	-	-			
Agree	94	24%	39	10%	78	20%
Neutral	43	11%	86	22%	43	11%
Disagree	254	65%	266	68%	270	69%
Strongly dis agree	-			-		
Total	391	100%	391	100%	391	100%

As it is revealed out the table 4.15 above, the majority of the respondents (about 65%) disagree with the statement My rater provides me specific examples of things which I did during the appraisal period if ever I question my performance ratings. Moreover, about 68% of the participants indicated that their supervisors usually do not keep a file of their performance properly during the evaluation period. They used to evaluate their performance based on the current or very recent work related behaviours. Hence, this kind of evaluation leads the problems of recent behaviour bias.

The analysis of the questionnaires and the interview has showed that lack of transparency and continuous feedback to show the progress of the employees towards their performance are the major problems facing the bank. In the open ended questions, the respondents argued that the performance evaluations are not visible and they are secret to most employees. In the open ended questions, many of the respondents commented that the performance evaluation in the Bank is conducted without their knowledge and this is very contrary to what is stated in the literature.

Theoretically, it has been identified that both the raters and ratees should seat together and discuss about the performance of the employees so that they can arrive at a common understanding. Others said that they are not exactly sure when the evaluation is taking place and they did not receive any form of formal and written feedback from their supervisors with respect to the progress of their performance during the evaluation period or before the appraisal date as a tentative performance review.

Moreover, analysis of the open ended questions further revealed out that as a result of the failure of the supervisors to show the result of the ratings, employees were not in the position to know and improve their weaknesses and/or capitalizes on their strength. In addition , the majority (69% )of the employees who were asked using the Likert scale disagree with the statement ‘\_My rater frequently lets me know how I am doing‘ whereas about 20 % of them agree with the statement and about 11% of the respondents became neutral.

### **4.7.3 The Employees’ Perception towards the Qualification of the Raters’**

The qualification of the rater is determined by the ability of the rater to observe the work of his/her subordinates and the adequacy of the training gained in how to conduct the performance evaluation of the subordinates. On the other hand, the fairness of the performance evaluation by raters is a function of the ability of the raters to evaluate his/her subordinates based on the criteria set by the bank in its human resources policy manual with regard to performance evaluation. In this respect, the following table shows the employees’ perception of the fairness and qualification of the raters during performance evaluation.

**Table 4.16:** Employees' Perception towards the qualification of the rater

Levels of Agreement	I am evaluated based on my work		My rater gave me a fair assessment		My rater is not a qualified person to evaluate my work performance	
	Count	%	Count	%	Count	%
Strongly Agree	-	-	-	-		
Agree	89	23%	70	18%	242	62%
Neutral	36	9%	82	21%	43	11%
Disagree	266	68%	239	61%	106	27%
Strongly dis agree	-					
Total	391	100%	391	100%	391	100%

As it is possible to observe in the above table 4.16, about 68% of the participants disagree with the idea that 'my rater evaluates my performance based on my accomplishment and achievement' whereas about 23% of the respondents agree with the statement and about 9 % of the respondents argued that they neither agree nor disagree.

A further analysis showed that about 61% of the respondents disagree with the statement 'in my recent evaluation, my rater gave me a fair assessment compared to my co-workers' whereas about 18% of the respondents agree with the idea and the rest of the participants become neutral with the statement.

With respect to the qualification of the rater, about 62% of the respondents agree with the idea that the raters have no sufficient skill and ability to evaluate their subordinate performance. As noted by respondents in the open ended questions, most of their raters do not clearly understand the Criteria against which employees are evaluated. Performance evaluation is a tough job in such a way that it requires careful observation of the work of the subordinates and clear documentation.

Most of them agreed that the raters do not have adequate training and skill to seriously undertake the issue. Others contend that even if raters are qualified to evaluate the performance of their subordinates, they are not motivated and hence negligent to perform the

job. As a result of these reasons, most respondents do not believe in the qualification of their raters.

#### **4.7.4 Employees’ Perception of the Rates’ Problems in performance Evaluation**

In some instances, rateses’ may be a source of problem in performance evaluation. They may attempt to influence the performance rating done by their supervisors by creating unnecessary impressions that may influence the rater to inflate the evaluation. Moreover, rateses may resist the performance evaluation result that is in conflict with their preoccupation and develop a kind of defensive mechanism that may affect the ability of the rating to achieve its purpose.

#### **4.7.5 Employees’ Perception of the Defensiveness and Resistance towards low Performance rating**

Employees may develop defensive mechanisms and resistance to defend against threats to self-esteem. In this respect, analysis of the responses of the participants is summarized as shown in the table below.

**Table 4.17:** Summary of the responses of the participants with respect to low Performance ratings by sex

Sex	I often resist accepting low performance Ratings						Total	
	Agree		Neutral		disagree			
	count	%	count	%	count	%	count	%
Male	24	9%	29	11%	214	80%	267	100%
Female	12	10%	19	15%	93	75%	124	100%

Table above revealed out that the majority of male respondents (80%) disagrees with the statement I often resist accepting low performance ratings from my supervisor‘ and about 75% of the female respondents disagree with statement. From those respondents who agree with the statement, majority of them were male. There is no as such significant difference between the respondents with respect to the statement.

#### **4.8 The Attitude of Employees towards the Importance of Conducting Performance Evaluation**

The respondents were asked to respond either as yes or No to the question “Do you think it is essential to conduct performance evaluation in your organization?” and the majority of the respondents (about 84.6%) answered ‘yes’. Analysis of the responses showed that performance evaluations are conducted for a number of reasons including:

- a) To measure of employees’ performance against tasks assigned to them; to enable employees to know their strengths and weaknesses with the view to motivate them to do better or warn them on the consequence of their weaknesses.
- b) To follow up the subordinates as well as to prize workers who works hard as long as it is conducted in a right judgment.
- c) To deter or minimize employees’ carelessness and negligence and to reward and punish them accordingly
- d) To correct employee’s behavior or to take corrective action whenever employees are in the wrong way or truck and if their performance is extremely below the expected
- e) Performance evaluation is essential to the organization as the employee performed well should be rewarded whereas the employee with poor performance should be known and to be informed to improve his/her performance.
- f) To identify training needs, staff development and to properly and fairly undertake staff promotion.

However, the above-mentioned points are simply the opinion of employees towards the purposes of performance evaluation. Hence, as a practice, the information generated through Performance evaluation in Commercial Bank of Ethiopia is rarely utilized to serve these purposes. Hence, the bank is required to work hard to improve a system whereby the result will be accessed and utilized.

## CHAPTER FIVE

### 5. Summary of Findings, Conclusions and Recommendations

The study has tried to assess the perception of employees towards the performance evaluation system (BSC) that was introduced in commercial bank of Ethiopia .hence , Based on the results of the study obtained through the questionnaires that were distributed to 391 employees of Bank and the interview conducted with the director of human resource management and some raters, the following findings that are pointed out of the analysis are concluded and possible recommendations are given accordingly.

#### 5.1 Summary of Findings

##### Major Findings

- The majority or more than 70% of the respondents argued that the performance evaluation objective of the Bank is more of controlling than coaching. Therefore, the majority of the respondents agree with the idea that information generated through performance evaluation are primarily used for the reason in providing feedback to employees so that they know their position relative to their fellow workers and can improve their future performances .
- The majority or more than 65% of the analysis results of the questionnaires and the interview has showed that lack of transparency and continuous feedback to show the progress of the employees towards the desired performance are the major problems facing the bank.
- The majority or more than 65% of respondents have witnessed the existence of very weak documentation about the performance of employees by the raters led to the very poor or absence of continuous periodical feedback throughout the evaluation period.
- The majorities or more than 60% of respondents have witnessed that the standards or criteria against which employees' performance evaluated are vague /unclear/, highly unrelated with the job and highly subjective or lacks objectivity.
- In the study, the demographic characteristics of the respondents revealed out that gender wise about 63% are male and the remaining 37% are female and the majority of the respondents were in the age category of between 25-34 years being followed by

the age category of between 35-44 years age group. Moreover, the result of the study indicated that with regard to the work experience of the respondents, the majority is between 5 to 9 years being followed by 10 to 19 years. Education wise, the majority of the respondents were first degree and diploma holders and only nine percent (9%) of the respondents were identified to have Master's Degree.

- The majority of the respondents have witnessed that the performance evaluation system in the bank is not effective in general in fulfilling its objectives.
- The majority of respondents under both open as well as closed ended questions in the questionnaire have witnessed that the bank used in the individual score cards criteria that cannot be measured easily and objectively, were not job / work / related behaviors and which could adversely affect the motivation of employees and also could be difficult to align the day to day business activities of each individual employees with the overall strategy or goals of the organization.
- Analysis of the opened ended and interview questions has showed that there is lack of transparency and continuous feedback to show the progress of employees towards the desired performance and also the existence of transparency problem due to lack of proper documentation about the performance of employees by the raters and also lack of communicating or giving continuous periodical feedback instead of at the end of the appraisal period are the major problems facing the bank.
- The forms used to record the performance of the employees are cumbersome, unclear, not highly customized and designed without the participation or involvement of employees.
- The raters do not have adequate training and skill to seriously undertake the issue and they are not also motivated or negligent to perform the job. As a result of these reasons, most respondents do not believe in the qualification of their raters.
- The majority of respondents have witnessed that the criteria used in the individual scorecards are not truly measuring their performance so that its appropriateness and legality of the use of its information generated to make various Human Resource decisions will be questionable.

## **5.2 Conclusion**

- The majority of respondents (69%) consider performance evaluation process as wastage of time and the respondents claim that the performance evaluation system of the bank did not help them to improve their performance and is not effective in general in fulfilling its objectives.

## **5.3 Recommendations**

On the basis of the findings and conclusions reached, the following recommendations are forwarded in order to improve the performance Evaluation practices of commercial bank of Ethiopia.

- In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis.
- The evaluation result needs to be discussed among the raters and ratees clearly and also design ways to communicate the results of the employees as well as the criteria against which they are going to be evaluated. In addition, both the rater and the ratees should seat together and fill the form and finally the employees should be given the results of the performance and again they should discuss on the results and agree up on it. Otherwise, the evaluation will be meaningless.
- The bank should encourage the participation of its employees in the design of the form that is used to evaluate the performance of the workers and it should take into account the differences among jobs in terms of their requirements and characteristics. Therefore, in order for the appraisal system to be effective, at least the forms that measures jobs having similar characteristics need to be customized and tailor made.
- In order to minimize the problems of subjectivity, raters need to evaluate their subordinates based on the actual volume of work and responsibility discharged over the period of evaluation rather than focusing only on subjective measurement so that the productivity of employees will be enhanced.
- The bank should also establish an independent committee who is in charge of undertaking the performance evaluation of the organization.

- The performance evaluation system of the bank should be designed in such a way that it is future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature.
- The supervisors should provide continuous feedback on the progress of employees towards the achievement of the goals of the organization. This will help create a kind of trust between the supervisors and the subordinates.
- In order to bring goal clarity and objectivity, the organization should strive to develop a system whereby the performance evaluation criteria are jointly determined by both the rater and the ratee. In addition, effective two-way communication must be part of the performance planning process prior to any evaluation to set the standard by which employees \_performance will be judged .
- The bank should use criteria which are measurable, objective, and job related. This is because of the fact that using the universal performance measurement standards adversely affect the motivation and moral of the high performances and it may also frustrate them since their contribution is not well recognized and rewarded. In order to overcome these problems it is better to use the outcome oriented performance appraisal rather than behavior based appraisal system.
- In order to solve the system problems in performance evaluation ,it is important to systematically and regularly review system operations to make sure that process and practices are being followed and effective. The bank should make sure the employee acceptance of the system and trust of the appraisal system.
- The organization should work hard to design a system whereby employees can have their feedback about their performance at reasonable time and make it transparent with strong evidence so that the employees will be able to know or identify their weaknesses as well as strengths to take corrective action accordingly. Apart from these, transparency of the evaluation result is usually accompanied by appropriate documentation of the performance of employees using appropriate forms which demands supervisors much time but provides them objectivity and minimizes the problem of recent behavior bias.

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# APPENDIX I

## ADDIS ABABA UNIVERSITY

### DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION

#### **Questionnaire to Be Filled By Supervisory/Managerial/ and Non Managerial Permanent Employees**

This questionnaire is designed to collect primary data used for thesis entitled “**Assessment of Employees’ Perceptions on the Practices of Employee Performance Evaluation and its Challenges: The Case of Commercial Bank of Ethiopia (CBE)**”. The research is conducted as a partial fulfilment of the requirement for the masters of EMBA.

The research to be evaluated in terms of its contribution to our understanding about the assessment of the perception of employees as to the challenges /problems / on performance evaluation system that is introduced in commercial bank of Ethiopia which will be measured using five point Likert scales .

The study will have a great contribution if you complete all the items covered in the questionnaire having your genuine, honest, and prompt response since it is a valuable input for the quality and successful completion of the study. In this connection, I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in a strict confidentiality.

Therefore, I kindly request your cooperation in answering the questions as clearly as possible.

#### **General Instructions**

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

**Thank you, for your cooperation and timely response in advance!**

## Part I: Participant Back Ground Information

1. Number of years you have worked for this organization (in years)

0 - 4     5 -9     10-19     20-30     Above 30

2. Age (in years):

Under 25     25-34     35-44     45-54     55 and Above

3. Sex:

Male                   Female

4. Educational Qualification:

High school graduate                   Technical school graduate

College Diploma                   BA/BSc Degree

Master\_s Degree                   Other (please state \_\_\_\_\_)

5. Have you been working in the bank for one year and more?

Yes                   No

**PART II: Questions related with the perception of employees towards the performance evaluate system**

Listed below are statements about the perception of employees towards the performance evaluation system in your Organization.

Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the study under phenomenon.

5. Strongly agree 4. Agree 3. Neutral 2. Disagree 1. Strongly disagree

No.	Questions	Levels Of Agreement				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	<b>In terms of Purpose</b>					
1.1	Information generated thorough Performance evaluation in CBE is used to give feedback to subordinates so that you know where you stand					
1.2	Information generated through Performance evaluation in CBE strongly determines pay and promotion decisions					
1.3	Information generated through Performance evaluation in CBE is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions					
1.4	Information generated through Performance evaluation in CBE is used to counsel and coach subordinates so that they will improve their performance and develop future					

	potential					
1.5	Information generated through Performance evaluation in CBE is used to motivate subordinates through recognition and support					
1.6	Information generated through performance evaluation in CBE is designed to strengthen the relationship between superiors and subordinates					
1.7	Information generated through performance evaluation in CBE is designed to diagnose problems related with performance.					
1.8	In my opinion, the performance evaluation system in CBE is effective enough in serving its purpose.					
2.	<b>In terms of goal clarity and objectivity</b>					
2.1	The performance evaluation criteria that are included in the system are clearly defined and objective					
2.2	The performance evaluation system helps me to clearly understand what is /are expected of me					
2.2	The performance evaluation system is enough to disclose one's own performance for better improvement					
2.3	The performance evaluation criteria are related with my job					
3	<b>In terms of the ability of the criteria in measuring the true performance</b>					
3.1	the performance evaluation criteria is enough to measure my true					

	performance clearly					
4	<b>Challenges in terms of forms used in evaluation system</b>					
4.1	The performance evaluation system encourages me to participate in the design of the forms.					
4.2	The performance evaluation system is capable of differentiating effective performers from non-effective performers					
4.3	The forms used in the performance evaluation system are customized enough to document and appraise.					
5	<b>Fairness of performance evaluation system</b>					
5.1	There is well established appeal process whenever needed.					
5.2	There is a room for challenging unfair ratings					
5.3	The performance evaluation system is fair and impartial					
5.4	The performance evaluation system helps rater to coach as well as to control their employees performance					
6	<b>In terms of importance of the performance evaluation system</b>					
6.1	The performance evaluation system is wastage of time					
6.2	The performance evaluation system did not improved my job performance					
7	<b>In terms of documentation and transparency</b>					
7.1	The raters cite specific example					

	during rating					
7.2	The raters keep files of the performers' performance during the evaluation period properly					
7.3	The raters give continuous feedback during the performance period.					
8	<b>In terms of the qualification of the raters</b>					
8.1	I am evaluated based on my work performance					
8.2	My rater gave me a fair assessment					
8.3	My rater is not a qualified person to evaluate my work performance					
9	<b>In terms of participants defensiveness and resistance in accepting their rating results</b>					
9.1	I often resist accepting low performance ratings					
10.	<b>In terms of the importance of conducting performance evaluation</b>					
10.1	It is essential to conduct performance evaluation in my organization					

## APPENDIX II

### Open Ended Questions

1. In your opinion, do you think that the performance evaluation system is effective enough to meet its own purposes?

Yes

No

2. In your opinion, do you think that the performance evaluation system has job clarity and objectivity?

Yes

No

3. Do you think that your supervisor shows you about the results of your performance rating?

Yes

No

4. Do you think that it is essential to conduct performance evaluation in your organization?

Yes

No

5. Do you have any comments about the subject matter of the study? \_\_\_\_\_

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## **APPENDIX III**

### **List of Interview Questions**

1. Can you explain me about the fairness and effectiveness of the performance evaluation system in your organization?
2. How do you communicate the performance appraisal results of the employees in your Organization?
3. Do you think that the performance evaluation system of your organization is serving its purpose?
4. What are the major problems that your organization is facing with respect to performance evaluation?

## **DECLARATION**

I, Alemayehu Assefa declare that this work entitled –Assessment of Employees’ perceptions on the practices of employee performance evaluation and its challenges: The case of Commercial Bank of Ethiopia (CBE)” is outcome of my own effort and study and that all source of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted earlier for any degree in this University or any other University. It is offered for the partial fulfilment of the degree of MA in Executive Business Administration (EMBA).

By: Alemayehu Assefa Andarge

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

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

Advisor: Ato Teshome Bekele

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

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