



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MANAGEMENT DEPARTMENT

FACTORS INFLUENCING EFFECTIVENESS OF PERFORMANCE APPRAISAL

PRACTICE: THE CASE OF SELECTED COMMERCIAL BANKS IN ETHIOPIA :

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APPROVAL SHEET

This is to certify that this thesis is prepared by **Habtom Demelash** entitled “**Factors Influencing Effectiveness of Performance Appraisal Practice: A Case of Selected Commercial Banks in Ethiopia**”, which was submitted in partial fulfillment of the MSc Degree in Management specifications, complies with the institute's regulations and meets the agreed criteria in terms of originality and consistency.

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DECLARATION

I, the undersigned, declare that this thesis entitled “**Factors Influencing Effectiveness of Performance Appraisal Practice: A case of Selected Commercial Banks in Ethiopia**” is my original work and has not been presented or submitted partially or in full by any other person for a degree in any other university, and that all sources of materials used for the purpose of this thesis have been duly acknowledged.

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ABSTRACT

The aim of this study was to look into the factors that influence the efficacy of performance appraisal practice at selected Commercial Banks in Ethiopia. To undertake this general objective, six specific objectives were defined and evaluated using quantitative research technique. The required data for conducting the research was obtained through questioners. The study adopted stratified sampling with a population study of 1200 respondents and sample size of 360. Version 20 of the Statistical Package for Social Science (SPSS) was used to analyze the data. Descriptive statistics and regression analysis were used in this study. Employees, according to the study's descriptive findings, at the Banks have experienced dissatisfaction with participation in the process, objectivity of the evaluation criteria and training given to them to aware of the system. Through factor analysis nine factors (Participation, Alignment of Organizational and Individual Goals, Reward Rating Linkage, Rater's Commitments, Errors and Biases, understanding of purpose of performance appraisal system contribution of performance appraisal system to improve individual and the bank's performance, Objectivity of the evaluation Criteria, Knowledge on the performance appraisal system, and need for more training on appraisal process) were obtained. Moreover, the finding of multiple regression analysis indicated that all factors except understanding of purpose of performance appraisal system are significant in ensuring the effectiveness of performance appraisal system. Therefore, it is recommended that, the banks should take these factors into consideration in order to ensure the effectiveness of performance appraisal system.

Key words: Employee Performance Appraisal and Effectiveness of Performance Appraisal.

A CATALOGUE OF ACRONYMS

PA- PERFORMANCE APPRAISAL

PAS- PERFORMANCE APPRAISAL SYSTEM

HRM- HUMAN RESOURCES MANAGEMENT

MBO- MANAGEMENT BY OBJECTIVES

CHAPTER-ONE

INTRODUCTION

The researcher provided a general overview of performance appraisal/evaluation and further stated why performance appraisal practice/evaluations are necessary and its associated benefits. The statement of the problem, research objectives and questions, significance of the study, limitations of the research project, scope of the study and its organization were also distilled in this chapter.

1.1. BACKGROUND OF THE STUDY

Throughout the current business environment, there is rapid change due to globalization deregulated markets, and high competition. Businesses need to constantly evolve to cope up with these changes. In order to do this, organizations need to both improve and maintain strong levels of performance. Increasingly, an organization's success depends on the available resource owned by an organization. Among these resources the human resource is the major decisive factor for an organization success. Capable and committed employees are a major asset to an organization and are also can be a source of sustainable competitive advantage. Therefore, one of the most significant human resource management practices (HRM) is attracting, maintaining and developing or enhancing the workforce. Since one of the functions of Human Resource Management is the development of suitable performance management/appraisal system to administer and evaluate the manpower effectiveness in the organization in aligning with HR planning

Human Resource Management Practice is pivotal to maintain good employees and becomes important in the strategy of any organization be it governmental or non-governmental. Therefore, HRM adds value by helping the business leaders achieve things that will make the company successes. It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need' (Bacal, 1999).

One of the major functions of HRM is the development of suitable standards for performance appraisal process because it will help organizations improve their bottom line performance, uplift motivational efforts, and resolve most morale problems (R. Sims, 2002).

The systematic evaluation and ranking of individuals by their supervisors, normally at an annual review meeting, is known as performance appraisal. In contrast, Performance management is a continuous, much broader, more systematic, and more natural management method that clarifies

shared expectations, emphasizes managers' support role as coaches rather than judges, and focuses on the future.(Armstrong, 2009).

Performance assessment has developed into a more strategic approach to combining human resource practices and business strategies, and it can now be thought of as a catch-all word for a range of activities that companies use to evaluate staff, enhance their expertise, boost performance, and assign incentives. (Fletcher, 2001).

Performance appraisal is a critical management method that serves two purposes: one, to aid managerial decisions, and the other, to aid employee growth (Murphy and Cleveland, 1991). Performance appraisals assist managers in making rational and valid decisions about promotions, demotions, and retention, as well as assisting in the development of employee job capability by providing positive input and feedback. It helps management make fair and valid decisions on promotion, demotion, or retention as well as helps develop employee job capacity by providing constructive feedback and identifying training needs. Additionally, when it is properly used, performance management is believed to motivate employees to strive for performance improvement by linking appraisals to performance-contingent rewards. Many organizations use outputs of performance management as a basis for decision making, such as pay, bonuses, promotions, assignments and reduction in force. So, reducing or eliminating sources of bias have both financial and strategic benefits (D.Pulakos, 2009).

Performance Appraisal plays a key role to measure the employee's performance and help the organization to check the progress towards the desired goals and objectives. Now organizations are using performance appraisal as a strategic approach by coordinating the human resource functions and business policies. They are focuses on it as it is a broad term that covering a variety of tasks such as assessing staff, enhancing skills, retaining results, and allocating incentives (Fakharyan, Jalilvand, and Dini, 2012). Performance Appraisal helps to align individual goals and objectives with the organization goals. The system engages, motivates employees and thereby directs them toward achieving the strategic goals of the organization (Verhulp, 2006).

Regardless of its significance, an inadequate assessment method will cause a slew of issues. A bad system will demoralize workers and even contribute to the departure of talented employees. (Fisher, 2017). Performance Appraisals are thought to be inherently biased because personal judgments, subjective values, and individual perception are fundamental to the process (Oberg, 1972).

As a result, a significant amount of existing research has examined the factors that contribute to the overall effectiveness of performance appraisals (Keeping & Levy, 2000). With the number of performance appraisals conducted annually and the role they play within organizations, it seems logical that research aimed at improving the “validity of judgmental measurements of performance” (Landy & Farr, 1980) is warranted and necessary.

According to (Pettijohn, Parker, Pettijohn & Kent 2001), there are a great number of design features that potentially can influence the effectiveness of a performance management system, and many of these have been empirically studied to clarify their impact. According to Hunt (2001), an appraisal should incorporate a number of elements for it to be effective. A reliable appraisal system is needed because, at the end of the appraisal the best employee might be fired and the low performer might be retained. So, it is possible that ineffective performance appraisal can lead to organization poor performance (Kozica, A., & Brandl, J. 2015).

Some Commercial Banks in Ethiopia have introduced a performance management system which is labeled as an Integrated Performance Management System (IPMS). The system is believed to integrate the efforts/roles of every individuals and shaping their behaviors in alignment of the overall corporate strategy of the Banks. This system has been designed to serve as means of both cascading the strategic objectives of the Banks to the individual level and managing the performance of its employees. The system is believed to enable employees to be focused on what is expected of them as well as having an effective way of getting a complete look at an employee's job performance as each and every of the Bank's employee is evaluated from four different perspectives — financial, customer, internal process and organizational capacity. Contributions of employee will be evaluated in alignment of the attainment of the strategic objectives of the Banks under each perspective.

With regard to the above literature, this study focused on identifying factors that can affect the success of performance appraisal practice in the case of selected commercial Banks in Ethiopia.

1.2 THE PROBLEM'S STATEMENT

The effectiveness of performance assessment has previously been investigated in a variety of settings through different researchers. However, there is a lack of consistent and indistinguishable research result to identify factors that can affect the effectiveness of performance appraisal practice especially in the banking sector. (Tekest H/Giorgis, 2017, Sahlu Bintu, 2014, Shewarega Berhe, 2018, Sahile Gezu, 2016).

In order to creating newer “forms” of performance appraisals, researchers have historically concentrated on validity and reliability (Bretz et al., 2012). (Behavioral-based systems that better define specific essential job functions of employees or 360-degree feedback mechanism that allow for cross- validation via multiple raters). Despite these recent advancements in assessment design, critics continue to contend that the effectiveness of performance appraisal systems is inconsistent (DeNisi & Kluger, 2000).

McDowall and Fletcher (2004) argue that there are a number of factors such as design of the appraisal system, training, employee development, communication, evaluation of results and follow up and performance improvement that are likely to affect the performance appraisal system. Some suggest that only a small percentage of appraisals are actually effective and accomplish the goals for which they were intended (Schaap I et al., 2008). According to a survey done by researchers, less than 5% managers and employees are satisfied with the way in which performance appraisal conducted. One of them complained that ratings were not consistent among raters (Nel & Werner & Haasbroek & Poisat & Sono & Schultz, 2008).

Currently the banking industries’ in our country have employees who are engaged in different duties and responsibilities in order to achieve the objectives and the designed strategies.

As the study conducted in Wegagen Bank by Dessalegn Merugi (2015), he found Staff participation issues, improper execution, lack of time allocated to the exercise, and subjectivity are all issues that need to be addressed.

Besides that, the researcher found the majority of the forms' questions are more of a skewed in assessing the top performers and the criteria for rewarding them in ways which may create the impression that one can be victimized easily by a team leader. Performance evaluation is conducted quarterly which probably exposes the rater to fill the performance appraisal of the ratee on the very recent events. Target setting is the first component of performance appraisal. Within the PA, targets for some measures lack standards (for example the proportion of transaction, customer complaint, and number of error etc) have no uniform target applicable throughout the banks. On the other hand, this system is linked to remuneration decisions like pay raise (increment) and bonus with results of performance appraisal with a fixed number of employees to be entitled for such benefits, that is, a quota system. Because the measurements are biased, many complaints arise at the end of each budget year.

In addition, awareness creation sessions pertaining to performance appraisal practice have not conducted, confusions and mistakes are observable i.e. majority of employees were not aware

and lack knowledge on the performance appraisal practices in the banks. They were not involved in discussion with supervisors and not given enough time to prepare for the meeting as a result, there have not clear understand how the rating is being carried out.

Therefore, the goal of this research is to determine the causes of those factors, as well as to determine which factors have the greatest impact on successful performance appraisal practices, as well as to make recommendations for how to improve the evaluation/appraisal process.

1.3 QUESTIONS FOR STUDY

The following research questions have been addressed in the study:

- How does the "objectiveness" of performance assessment practice impact the effectiveness of performance appraisal?
- Does "employee engagement" have an impact on the efficacy of performance appraisal?
- Does the 'reward rating correlation' have an impact on the efficacy of performance appraisal?
- Does 'goal alignments' have an impact on the efficacy of performance appraisal?
- Does 'knowledge of the processes' affect the effectiveness of performance appraisal practice?

1.4 PURPOSE OF THE STUDY'S

The objectives are divided into general and specific objectives.

1.4.1 GENERAL OBJECTIVE

This study is conducted to find out major factors that have been contributed to the effectiveness of performance appraisal Practice of selected commercial banks in Ethiopia.

1.4.2 SPECIFIC OBJECTIVE

The following is the study's basic goal:

- To see how target alignment affected the efficacy of performance assessment practices.
- To evaluate the influence of process awareness on the efficacy of performance assessment activities.
- To evaluate the influence of the criteria's objectivity on the efficacy of performance assessment activities.
- To evaluate the effect of reward rating on the effectiveness of performance appraisal practice.
- To assess the effect of employees' participation on performance appraisal system.

1.5 THE STUDY'S VALUE

This study's expected outcomes involve the identification of person and organizational variables that can promote organizational members' acceptance of performance appraisals, which I believe leads to performance appraisal effectiveness and overall organizational performance improvement.

The results of this research will be crucial to other researchers. It will give them extensive knowledge and data on factors that will lead to successful implementation of performance appraisal. Furthermore, this research can be a starting point for other researchers to conduct research under this field of study in different industry.

The research would also help banks gain a deeper understanding the situation of employee perception on the performance appraisal practice. This will help us to learn more about how to enhance the condition of performance appraisal practice at the Banks.

The findings may also be beneficial to other private and government banks that have challenges with their performance appraisal practice. It will enable them to benchmark from the mentioned banks in order to improve their performance appraisal systems.

1.6 THE STUDY'S LIMITATION

- Due to the problems of inadequate funds the researcher limited to undertake such a wide research. The researcher's sampling frame constrained at Head office and Branches located in Addis Ababa
- The trustworthiness of some respondents leads to inaccurate conclusion; some respondents responded to the questions based on their own personal values rather than evidence on the ground.
- The issue of unco-operative respondents also arose.

1.7 SCOPE OF THE STUDY

The study's scope is limited to examining the impact of a few key factors on the performance appraisal process. Furthermore, it is restricted to: a) Bank employees working in Addis Ababa branches in the job categories of Branch Management, Officers, and Clerks with a two-year or longer tenure with the banks. b) Non-clerical employees are not included in the study because, Non-clerical positions at the companies (Security officers, janitors, and controlling staffs) are completely outsourced, and performance appraisals for temporary employees are not used.

1.8 ORGANIZATION OF THE STUDY

The layout of this study is as follows: -

Chapter 1 provides an overview of the research topic by explaining the background of the study. It then would follow by the introduction of the study, problem statement arises in the research paper, research questions, general and specific objectives, significance of study towards outsider

Chapter 2 determines further explaining the relationship of each of the variable and results based on the previous studies. Later on, the researcher will include the introduction, review of previous researcher literature, and review of theoretical models, which created by previous researcher, previous theoretical framework, proposed theoretical conceptual framework,

Chapter 3 demonstrates how the researchers carry out the collection of data method and analysis method. In here, things that include would be the introduction, research design for this research, data collection method that include primary & secondary data, sampling design before carry out the test, research instrument, constructs measurement, data processing, data analysis for later chapter.

Chapter 4 discuss about the summary of statistical analysis which done in previous chapter, discussion on the major findings after carry out the test, the implication for other users and limitation of the study in this paper.

Chapter 5 discuss about the recommendation for future researcher and the conclusion.

CHAPTER - TWO

ANALYSIS OF SIMILAR WORKS

2.1 INTRODUCTION

This chapter contains the review of previous studies that have been carried out on performance appraisal processes. It defines some of the basic concepts used in PA, methods of PA, benefits of performance appraisal as well as the factors affecting performance appraisal systems.

2.2 HISTORY OF PERFORMANCE APPRAISAL

Although the practice of formal evaluation has existed for centuries, today's performance appraisal began with the research by industrial/organizational psychologists at Carnegie-Mellon University on the use of "man to man" forms to select salespersons (Scott, Clothier, & Spriegal, 1941). Similar forms were used by the Army during World War I to assess the performance of officers (Scott et al., 1941). After World War I, many of the psychologists employed by the military began working in industry; as a result, the popularity of performance appraisals increased dramatically. By the early 1950s, performance appraisal was an accepted and common practice in organizations. In fact, a 1962 survey found that performance appraisals were already conducted in 61% of organizations (Spriegal, 1962). Although during this time, performance appraisal was usually limited to employees at the bottom and middle of the organizational hierarchy (Whisler & Harper, 1962).

2.3 OVERVIEW OF THE APPRAISAL OF PERFORMANCE

Employees are told the employer's expectations for their results and are graded on how well they have fulfilled those expectations in a structured performance appraisal. HR decisions such as promotions, terminations, training, and merit pay raises are aided by performance management systems.

"The word "performance assessment" has been used interchangeably with "performance analysis," "performance evaluation," and other terms and phrases. PA has been used to describe 1) an instrument or form for evaluating an employee's job performance, 2) an interview in which an employee's job performance is evaluated and feedback is provided to the employee, and 3) a method for setting employee job expectations/ actual performance, 3) a system of setting employee job expectations/ employee actual job performance/assessing that performance/feedback to the employee on the performance assessment and how to improve it in the future/setting new goals and expectations for another period, or 4) performance management

with job performance appraisal a part of it (Dessler, 2010 as cited in Kondrasuk, 2011). According to Palaiologos et al. (2011), Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee.

According to Lloyd (2014), well-designed and well-executed performance assessment systems have a significant motivational influence on employees, meaning that successful appraisal systems have the ability to inspire employees to perform better. Citing examples of the benefits, Lloyd and other HR practitioners observe that through effective appraisals, top performers can tell that they are valued; effective communication is encouraged between managers and employees; employees are made aware of how their performance compare with organization's standards and areas where they need training; skills deficiencies are identified and addressed appropriately; employees' future career development are directed and uniform standards for evaluating employees are established. In addition, organizations are able to make decisions on promotions, compensations, dismissals or termination of appointments and link performance to rewards. Employees are encouraged to corporate and companies are enabled to focus on smooth operations and customer loyalty.

2. 4 PERFORMANCE APPRAISAL EFFECTIVENESS

The effectiveness of a system is known as an external standard "of how well the system is meeting the demands of the various groups and organizations concerned with its operations," which is roughly equivalent to a construct "for doing the right things" or having outcome validity (Hines et al. 2000).

By definition, effectiveness is a qualitative metric determined by the evaluator. Effectiveness, according to Möller and Törrönen (2003), "refers to the system's ability to innovate and deliver solutions that offer more value to the institution's stakeholders."

Moats (1999) points out that the most efficient performance evaluation systems are: (1) pragmatic, (2) relevant, and (3) uniform. Pragmatism, according to Bodil (1997), is necessary because it ensures that the structure is easily understood by workers and efficiently implemented by managers. Moats (1999) goes on to say that complicated or unrealistic assessment systems appear to cause uncertainty and frustration by managers. Moats (1999) further stresses that appraisal structures that are complex or impractical tend to result in confusion, frustration, and nonuse.

Moats (1999) go to say that systems that aren't directly related to the job can lead to a waste of time and resources. Many successful assessment systems, without a doubt, define and assess only the essential habits that lead to job performance. Systems that fail to recognize such patterns are often ineffective, unreliable, and lead to discrimination based on unrelated factors. a class="bracket"> (Bodil 1997).

Moats (1999), emphasizes the importance of consistency in the evaluation structure because it guarantees that all workers are assessed on the same scale. Non-uniform appraisals are less successful because the performance or failure parameters become subjective and meaningless. Furthermore, uniformity enables an organization to evaluate the evaluations of different workers in a standardized manner.

2.5 FACTORS AFFECTING EFFECTIVENESS OF PERFORMANCE APPRAISAL

2.5.1 The Link to Rewards

Research by Bannister & Balkin (1990) has reported that appraisals seem to have a higher degree of acceptance for the assessment process and are happier with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other. There is also a group who argues that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of Management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation.

2.5.2 Employee Participation

Jordan (1992) provided the importance over the participation of employees in appraisal process. He said that through proper and appropriate participation, employees, can get and avail opportunities to raise their demand.

Rasheed et al. (2011) asserted when performance expectations and requirements for assessment are established with the support of employees in a joint session between employee and supervisor, bias is reduced and confidence in supervisors grows. Reduced employee involvement raises appraisal-related tensions and appraiser-advisor disputes. Comprehensive and effective participation within the performance appraisal consists of joint rater-rate development of: 1) performance standards, 2) the rating form, 3) employee self-appraisal, and 4) rate participation in the interview (P.E, 1992, as cited

2.5.3 Objectivity of Criteria

Even when a performance assessment program is well designed, the use of subjective rather than objective indicators will dilute its effectiveness, according to Moats. Since objective metrics are quantifiable and verifiable, they are simple to integrate into an assessment. Subjective tests, on the other hand, are those that are not objective. In contrast, subjective measures are those that cannot be quantified and rely heavily on the opinion of a third party. Subjective tests have the ability to dilute the consistency of worker assessments because they are susceptible to bias and emotional distortion (Moats 1999).

2.5.4 Rater Bias

Managers make errors when assessing workers and their results, according to Rasch (2004). Employees view some of these prejudices as biased interpretations of their results.

Biases and different types of judgment errors can sabotage the performance assessment process. Shelley (1999) describes bias as an erroneous distortion of a calculation. McNamara (2000) identifies eight common forms of biases discussed below:

2.5.4.1 First Impression (primacy effect)

This bias, according to McNamara (2000) occurs when raters form an overall impression about the ratee on the basis of some particular characteristics of the ratee identified by them. The identified qualities and features may not provide adequate base for appraisal.

2.5.4.2 Halo Effect the Halo Effect is a phenomenon that occurs when a

This is the propensity for an evaluator to let an individual's success on one trait affect his or her performance on other traits. Although an individual can excel at one trait, they are generally regarded as good overall. When characteristics aren't well-defined and aren't well-known, the halo effect occurs. Tom, for example, is liked by the boss because he is so cooperative. As a consequence of the halo effect (Saiyadain, 1999:204-207).

2.5.4.3 Horn Effect

McNamara (2000) describes this bias as a situation in which an individual's performance is entirely judged on the basis of a perceived negative quality or feature. As a result, the overall rating is lower than it should be.

2.5.4.4 Excessive Stiffness or Lenience

Depending upon the raters own standards, values and physical and mental makeup at the time of appraisal, ratees may be rated very strictly or leniently (Moats 1999). According to Kurt (2004) some of the managers are likely to take the line of least resistance and rate people high, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe.

The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees. Moats Points out that, leniency and strictness bias results when the appraiser tends to view the performance of all of his employees as either good and favorable or bad and unfavorable. Although these distortions are often the result of vague performance standards, they may also be the consequence of the evaluator's attitudes.

2.5.4.5 Central Tendency

McNamara (2000) says this bias occurs where all workers are graded as average performers by appraisers. That is, it is a mindset in which people are rated neither high nor low, but rather in the middle. According to Moats (1999), the error of central tendency occurs when appraisers are hesitant to grade employees as effective or ineffective. They pacify their indecisiveness by rating all workers near the center of the performance scale, thus avoiding extremes that could cause conflict or require an explanation.

2.5.4.6 Personal Biases

Shelley (1999) says the way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - has a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking, social and family background and so on. Likewise, Moats (1999) judges that personal prejudice results from a rater's dislike for a group or class of people. When that dislike carries over into the appraisal of an individual, an inaccurate review of performance is the outcome.

2.5.4.7 Spillover Effect

McNamara in describing this bias says that the present performance is evaluated much on the basis of past performance. "The person who was a good performer in distant past is assured to be okay at present also" (McNamara, 2000).

2.5.4.8 Regency Effect

In the case of this bias, rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period. The regency effect is a corollary of the natural tendency for raters to judge an employee's performance based largely on his most recent actions rather than taking into account long-term patterns (McNamara, 2000).

2.5.5 Alignment of Strategic Plan with Performance Appraisal Systems

One of the most important objectives of performance management, according to Armstrong (2006), is to match individual and organizational goals. This ensures that all people do at work contribute to results that help the company accomplish its objectives.

Alignment can be attained by a cascading mechanism in which top-down goals flow down and at each level team or individual objectives are defined in the light of higher-level goals. Individuals and teams should be given the ability to develop their own priorities within the structure provided by the organization's specified overarching mission, strategy, and values, but it should also be a bottom-up process.

The strategic plan is a statement of overall aims and objectives and the business plan is the map of how to get there, how to achieve those aims and objectives and a performance management system links the organization and individual by developing a purposeful result oriented direction, which sets organizational objectives and individual objectives (Johnson et al, 2002).

Dessler (1998) pointed out that implementation of strategic plan requires several things among them strategic 'fit' between the strategy and the organizational functional activities (horizontal integration), leveraging the firms core competencies and the top management commitment are required to implement the plan are the basic factors. He says the quality of leadership will ultimately determine whether the strategy succeeds or fail.

A good and functional performance appraisal system should be able to exhibit integration between organizational, functional and individual evaluation systems. The views of Cooper, (2005) are that integration can be achieved in an organization through agreement on performance objectives and performance definitions at all functional levels in the organization. Moreover, performance management system should facilitate an individual in an organization to visualize how their individual objectives and evaluation measures lock into organizational perspective. Manville & Greatbanks, (2013) emphasizes that if the measurement systems in an organization are unable to meet conclusions and facilitate decision making it becomes a futile exercise and a

redundant process of no value. In the ideal state, performance management should be able to deliver an overall performance evaluation being based on individual or functional numbers contribution in the organization. This will also enable an organization in future decision making and planning. Well executed and setup performance measurement frameworks facilitate an organization to enjoy vertical and horizontal functional collaboration to achieve organizational excellence (Longo & Cristofoli, 2007).

Performance Appraisal System provides feedback to an organization about its functional and individual achievements. These qualitative or quantitative substitute measures further provide a roadmap for how future organizational objectives can be attained. Van Soelen, (2013) argues that past performances do not ensure better or similar future outcomes.

2.6 DEFINITION OF TERMS

Performance refers to both actions and outcomes. The performer's actions turn the work from abstraction to execution. Behaviors are consequences in and of themselves, the product of mental and physical effort applied to tasks, and they can be judged independently of performance (Armstrong, 2006).

The Oxford English dictionary classifies performance as the "fulfillment, execution, carrying out, and designing of all orders or undertakings" Performance is a matter not just to what people get, but how they attain it (Armstrong and Baron, 1998). From the explanation, and understandings above, it can be disputed that performance is not only about productivity, it is also related with acts and behaviors established to get given goals. Nevertheless, the term Performance can be referred to as the act of accomplishing or executing a specific task assigned to an individual or team. It is only possible to know and judge one's performance by evaluating the day-to-day activities of the person, or provide a specific mission to that person and when they reach that target that's what we call performance (Mlay 2008).

From (Deadrick & Gardner, 1997) points, employee Performance can be defined as a record of accomplishments for each job function over a given time period. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. On the other hand, (Darden & Babin, 1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the expected of a job, as well as how well such tasks were carried out.

Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas for improvement.

Performance Management: as defined by Armstrong (2009) is a process designed to improve organizational, team and individual performance and this is owned and driven by the line manager. While Aunis (2009) views Performance management is described as a continuous process of defining, evaluating, and improving individual and team performance while also aligning performance with the organization's strategic goals. It also evaluates the improvement being made towards the achievement of organizational strategic business objectives (Bridger, 2014). Performance Management will not provide the desired outcomes if an individual's performance and objectives are not aligned with the strategic objectives of the organizations. In addition, in cases where the individual or functional objectives are aligned and not rewarded properly, the end result is a disconnect syndrome, swaying an organization away from its objectives.

Performance Appraisal: refers to an opportunity to get a bird's eye view of job material (loads and volume) and focus on what was accomplished during the reporting period; and agreed-upon priorities for the next reporting period (URT, 2011).

According to Daley (1992) Performance appraisal system is an evaluation of individuals with respect to their work performance and their potential to develop. This entails that the working goals or expectation has to be a joint venture between the supervisor and the worker. Performance appraisal is an integrated process that occurs regularly and frequently between supervisor and workers. According to Rao (2005), the term "performance assessment" refers to a process of measuring employees' actions at work, which typically includes both quantitative and qualitative aspects of job performance.

Murphy and Cleveland (1991) observed Performance Appraisal as the operating system which functions side by side to each other; these are evaluating system and feedback system. The feedback system is for employees to know how (quality) they are performing and the evaluation system is for the organization to find out the performance gap. Therefore, Performance appraisal can be defined as the process of analyzing the duties and responsibilities of each employee and evaluating the value of the job in relation to others in the organization, according to established standards.

Performance Evaluation effectiveness: Performance evaluation is “a systematic process of measuring a person’s performance in the job, based on predetermined performance criteria” (Clake, 2011). A quantifiable indicator used to assess how well an organization or business is achieving its desired objectives. Many business managers routinely review various performance measure types to assess such things as results, production, demand and operating efficiency in order to get a more objective sense of how their business is operating and whether improvement is required (Liu, 2014)

2.7 TYPES OF PERFORMANCE APPRAISAL

2.7.1 360 Degree Feedback Appraisals

360 degree feedback appraisal is a powerful developmental method and is quite different compared to the appraisals between a boss and a delegate This approach should not take the place of one-on-one counseling. and can be used as a stand-alone developmental method. This method involves the appraisee seeking input from people whose opinions are deemed useful and important. The feedback is typically provided on a form showing job and skills criteria and scoring or value judgment system. The appraise should also assess himself or herself using the same feedback instrument or form (Gold, 2010).

2.7.2 Balanced Score Card

Balanced scorecard is increasingly being used as a strategic performance management tool in both public and private sectors. This adoption has encouraged evolution of the balanced scorecard methodology over the last two decades. Although, the available generations of this methodology are readily adoptable for private sector organizations, public sector organizations present diverse challenges for balanced scorecard. This is further complicated by the fact that scholarly works on strategic performance management have predominantly focused on private sector organizations (Foss, 2007)

The model for performance evaluation and control known as Balance Score Card came to collaborate with SI and continuous improvement of processes, enabling organizations to establish actions aligned to their strategy aiming to create value. BSC contributed to meet shareholder, employee and customer expectations, to the achievement of strategies and, still, to improvement in services, internal processes, learning and innovation. Such model can help to disseminate the strategic plans of an organization at all levels, aiming to guide people’s actions towards improvement of present and future performance (Julnes, 2008).

2.7.3 Management by Objectives

Management by Objectives, or MBO, is a management strategy that uses the S.M.A.R.T. goals method--setting objectives that are specific, measurable, achievable, realistic, and time-based. This article discusses the first steps toward implementing this management method in your department (Tobin, 2008)

As a practical implication, this study supports MBO at team level. It shows that, if group members are committed to their goals, both group productivity and job satisfaction of team members can be improved. Group effort and collective planning seem partially to mediate this effect on job satisfaction. These results show that MBO can be an effective tool for leading self-regulating teams (Sparrow, 2012).

2.7.4 Self-Appraisal

Employs should consider their strengths and weaknesses when conducting self-appraisal as found out by (Raatma, 2003). They should brainstorm a list of strengths and the tasks or skills they enjoy the most. They should then take an honest look at areas where you could improve. Improvement areas might include time management skills, speaking in front of groups, leading projects or even improving processes. Consider feedback you've received from others during the year and think about any areas where you've struggled or felt you could have done better.

The correlation between self-appraisal and appraisal of others had three outcomes (Robbins, 2007) the respondents displayed a "self-other bias such". Positive attributes were more descriptive of self than others. Negative attributes were rated less descriptive of self than others. For those with high self-esteem, they had a similar regard for others. They also evaluated themselves favorably than other people. Self-evaluations were more favorable than evaluations of friends. People with high self-esteem appraised their friends more positively than they appraised the average person. It was also found that the tendency for those with high self-esteem to favorably judge themselves and their friends showing a high need for social approval. The findings shed light on motivation to enhance self-worth and are integrated with current evidence that the use of self-enhancing strategies promotes psychological wellbeing

2.7.5 The Critical Incidents Method

It is a performance appraisal method in which a manager keeps a written record of positive and negative performance of employees throughout the performance period. There is no standard form used, so it is a method. Most formal reviews take place only once or twice a year.

According to Varma, (2008), it is important to let them know how they are doing on an ongoing basis. Piskurich, (2006), in his findings, many managers don't keep a record of critical incidents, which leads to problems of accurate measures during the formal review meeting. We use critical incidents to do a good assessment of the entire review period, and we coach when needed during the entire review period for developmental decisions. We need to continually conduct informal coaching and disciplining when needed as we make notes of critical incidents to use during the formal review. With clear standards and coaching, you can minimize disagreements over performance during the formal performance appraisal because there are no surprises, because employees know what is coming.

2.7.6 Peers

Peers in an organization are involved in the appraisal of their colleagues. Peer evaluation can be used when the supervisors are frequently absent or as an additional review to confirm the findings of the supervisors (Reynolds, 2009). Employees also interact with other members of the staff frequently. At times, peers may have a better and clear understanding of what their colleagues are doing since they interact on a daily basis. They are also more directly affected by the employees' actions either in a positive manner or negative manner. In addition peers can also evaluate the ability of their colleagues since they interact individually or in groups.

There are setbacks that come up in peer evaluations. At times fellow colleague may not be objective and they become biased (Vukotich, 2014). There is no clear research evidence concerning the validity of peer evaluations. Personality conflicts can also affect how peers evaluate each other (Abston, 2011).

2.8 METHODS OF PERFORMANCE ASSESSMENT FRAMEWORK

Most appraisal methods used throughout the world today are based, to some extent at least upon the following techniques: Graphic rating scales; behaviorally anchored rating scales (BARS), behavioral observation scales (BOS); mixed standard rating scales; and management by objectives (MBO). Most commentators agree that goal-based appraisal systems, in which an employee's work performance is measured against specific goals, are the most satisfactory (Obisi, 2011). Lastly, in the past few years, there has been growing interest in the practice community for what has been termed "non-traditional" appraisal systems (Coens and Jenkins, 2000). These systems are less structured than the more traditional systems, with less emphasis on rating or rankings, and more emphasis on developmental meetings between supervisors and

employees as needed. The study of Bladen (2001) indicated that these approaches have developed hybrid models, which still retain some aspects of the traditional systems.

According to Obisi (2011), the most commonly used performance appraisal methods include:

- I. **Essay Appraisal:** this involves the appraisee seeking input from people whose opinions are deemed useful and important.
- II. **Graphic Rating Scale:** The rater evaluates an individual on factors such as effort, dependability, cooperativeness, attitude, and quantity of work using a graphic rating scale.
- III. **Checklist Method:** The rater does not assess the employee's performance; instead, the rater checks yes or no answers to a series of questions about the employee's behavior, such as (a) does the individual perform his or her work, (b) demonstrates superior ability to express himself or herself.
- IV. **Ranking method:** When it becomes necessary to compare performance, this approach is used to two or more individuals.
- V. **Tell and Sell Method:** The rater informs the employee of his or her performance, obtains the employee's approval of the assessment, and has the employee agree to a plan of improvement. According to Maier, this approach is most likely to work with new, young employees and workers who are starting a new job. People in these positions are more likely to feel insecure, which can be caused by a variety of factors.
- VI. **Tell and Listen Method:** The Tell and Listen Method's general approach is for the rater to convey the assessment and then wait for the employee's reaction. In general, the valuation is divided into two parts. The employee's strong and weak points are discussed in the first part, and the employee is invited to disagree and express his or her feelings about the assessment in the second,
- VII. **Problem Solving Method:** According to Maiser (1976), the first two methods, Tell and Sell and Tell and Listen, place the rater in the role of a judge and put the person being assessed on the defensive. The problem approach, on the other hand, is to remove the reviewer from the role of a judge and place him or her in the role of a facilitator.

2.9 PERFORMANCE MANAGEMENT/APPRaisal THEORIES

With regards to performance management theories include are the goal setting theory by Latham and Locke (1979); expectancy theory by Vroom (1964); equity theory by Adam (1963); self-efficacy theory by Bandura (1982); two-factor motivation theory by Herzberg, et al., (1959); procedural justice theory by Paraschiv, R. (2012) and reinforcement theory by Hull (1951).

2.9.1 Theory of Equity

The premise of equity theory is that a worker perceives the relationship between outputs, or what they get from a job and organization, and inputs, or what they contribute to a job and organization. Pay, fringe benefits, and job satisfaction are some of the outcomes, status, advancement opportunities, job security, and prestige Inputs are contributions made by workers, such as the amount of time worked, the amount of effort expended, the number of units generated, education, work experience, and everything else they believe they bring to the organization. Equity theory is concerned with how those involved interpret outcomes and inputs.

According to equity theory, people compare their outcomes and inputs to those of others and use a ratio to judge the fairness of these relationships. They compare the ratios of their own outcomes/inputs to the ratios of others' outcomes/inputs in particular. Other workers in a job group, other employees in the organization. The “others” who serve as the basis of comparison may be other employees in a work group, other employees in the organization or individuals working in the same field.

2.9.2 Theory of Expectancy

The valence, instrumentality, and expectation (VIE) theory, suggested by Vroom in 1964, is also known as expectancy theory. Vroom recognized that an employee's performance is influenced by factors such as personality, skills, expertise, experiences, and talents at the individual level. Although people may have different goals, the theory suggests that they can be inspired if they think they can achieve them. There is a positive correlation between effort and performance, and that favorable performance will result in a desirable reward. The reward will eventually satisfy the need and the desire to satisfy the need is strong enough to make the effort worthwhile. The theory is based upon three aspects, valence, instrumentality and expectancy. ‘Valence’ refers to the emotional orientations people hold with respect to outcomes (rewards). It also means the depth of the needs of an employee for extrinsic reward (such as money, promotion, time-off,

benefits, etc) or intrinsic (such as work satisfaction) reward. Management must discover what employees' values are.

Employees, on the other hand, have varying expectations and levels of trust about what they are capable of doing, and management must figure out what resources, training, or oversight they need. Employees' perceptions of whether they will get what they want, even though it has been pledged by a manager is referred to as "instrumentality." Management is in charge. Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom suggested that an employee's beliefs about expectancy, instrumentality, and valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

2.9.3 procedural justice theory

The perception of fairness of the processes used to make decisions about the distribution of outcomes is central to procedural justice theory (George and Jones, 2000). How performance levels are assessed, how complaints or disputes are handled, and how results are distributed among workers are all procedural decisions. Workers' perceptions are important in procedural justice theory, just as they are in equity theory.

The perception of fairness of processes used to make decisions about the distribution of outcomes is the subject of procedural justice theory (George and Jones, 2000). How performance levels are assessed, how complaints or disputes are handled, and how results are distributed among workers are all procedural decisions that must be made. Workers' perceptions are important in both procedural justice and equity theory.

2.9.4 Goal-setting theory

Latham and Locke (1979) developed goal-setting theory, which highlights four mechanisms that link goals to performance outcomes:

- i) I focus attention on priorities;
 - ii) encourage effort;
 - iii) encourage people to use their knowledge and skills to improve their chances of success; and
 - iv) the more difficult the goal, the more people will use their entire skill set to achieve it.
- This theory underpins the importance of setting and agreeing on goals against which performance can be measured in performance management. Goal theory supports the agreement of objectives, feedback and the review aspects of performance management. Goal-setting theory asserts that people with specific and challenging goals perform better than those with vague goals, such as 'do your best', specific

easy goals or no goals at all. Thus, According to goal setting theory, there is a direct link between the definition of specific and measurable goals and performance: if managers know what they're aiming for, they'll put in more effort, which will boost performance (Locke and Latham, 2006). Challenging goals are usually set in terms of specific output levels that must be met (Locke and Latham, 1990). It could be argued that goal-setting theory is more closely linked to individual task performance than to organizational success (Verbeeten, 2008).

The effects of goal-setting, on the other hand, have been shown to be applicable to people as well as organizational units (Rodgers and Hunter, 1991; Maiga and Jacobs, 2005) and entire organizations (Rodgers and Hunter, 1991; Maiga and Jacobs, 2005). (Locke and Latham, 2002). According to review articles (Rodgers and Hunter, 1991; Locke and Latham, 2002), there is a link between consistent and measurable goals and performance. Mitchell and Daniels are a husband and wife team (2003) ; According to Locke and Latham (2002), there is a link between consistent and measurable goals and performance. According to Mitchell and Daniels (2003), over a thousand studies on the effects of goal-setting have been conducted. As a result, it's not surprising that Rynes (2007) listed goal-setting as one of the top five well-established findings in human resource management. Several studies have also looked into the impact of goal-setting on performance outcomes. Goal-setting improved performance, according to one meta-analysis, with an average effect size of 0.75 standard deviations (Guzzo, et al., 1985). The fact that a particular high goal affects choice, effort, and persistence is why goal-setting has a positive impact on performance.

The performance management system is based on the four major theories of equity, expectancy, procedural justice, and goal-setting. These four theories are all linked to individual employee motivation, which is linked to a perceived increase in employee performance appraisal satisfaction and, ultimately, efficiency.

2.10 EMPIRICAL REVIEW

Many Authors did research on the factors influencing the effectiveness of Performance Appraisal System. They identify different factors' which affect process of performance evaluation.

Hedge and Teachout (2000) investigated the predictors of employee and supervisor acceptability of performance evaluations. The study discovered that the evaluation process, particularly the aspect of trust, is crucial to the process's success. The researchers discovered

that confidence in other raters, the assessment process, and the researchers were all important predictors of success for both job incumbents and supervisors.

Similarly, Mani (2002) conducted research on employee attitudes toward evaluation. The study found that supervisory trust was crucial in assessing satisfaction with the evaluation system. The execution of performance appraisal and the assessment process implies that performance appraisal has underlying assumptions. Davis and Landa (1999) discovered in their research that, during the evaluation process, the absence of fair procedures increases distress because the results of performance management/Employees have little control over their performance reviews.

According to Beletskiy (2011), the efficiency of performance assessment is determined by the manner in which it is conducted as well as the frequency with which it is conducted. Employees' perceptions of the performance management process, for example, are influenced by the design characteristics used. This has an impact on performance visibility, legitimacy, and justice of management/As a result, the appraisal's efficacy in assessing performance standards, core competencies, and communicating those standards and competencies to employees is harmed.

A study was carried out to see what people thought was the most important factor in a "especially fair or unfair performance appraisal." An open-ended questionnaire was used in the research. Greenberg (2006) found that well-trained appraisers can make an accurate assessment of a subordinate's performance. This has a significant impact on people's perceptions of fairness. The effectiveness of performance management is influenced by appraiser training. It should specify how the judges will interpret any normative data provided to them. Because making mistakes is a deeply ingrained habit. According to Tziner and Kopelman (2002), rigorous training is required to prevent such errors. As a result, the training should be should provide trainees with broad opportunities to practice the specified skills, provide trainees with feedback on their practice evaluation performance, and that a comprehensive acquaintance with the appropriate behaviors to be observed.

At the Teachers' Service Commission, Kemunto (2013) conducted a study on Perceived Factors Affecting the Effectiveness of Performance Management. According to her research, there are seven major factors that influence TSC's performance management effectiveness. They are as follows: Lack of appraisal expertise, a lack of clarity on the parameters used, and a lack of communication to improve performance feedback to enhance, Lack of feedback, Personal

differences between appraisers and appraisee, Modern and complicated evaluation systems and Collective responsibility in organizational activities.

Employee attitudes toward performance management practices, according to Boswell and Boudreau (2000), assess the effectiveness of the evaluation process. The staff's perceptions of the fairness of the evaluation procedures are important factors in the performance process' effectiveness. In situations where performance practices are suspected of being partial and extraneous, subordinates become dissatisfied with the performance evaluation process. Given that subordinates' reaction to performance appraisal/evaluation practices plays a significant role in the acceptance and effectiveness of the performance appraisal/evaluation process, severe dissatisfaction and perceptions of unfairness and inequality in the ratings may lead to the failure evaluation/appraisal of achievement.

Muketha (2012) conducted a study at Kenya Methodist University to look at the factors that influence the performance assessment process. The study's results led to the suggestion that appraisers be given training in how to conduct performance appraisals. The appraiser's recommendations on their appraisees should not be changed by the Appraisal Panel Committee, according to the study unless there are glaring cases of oversight by the appraisers.

The connection between workers and performance appraisal raters' reward decisions is mediated by evaluators' liking of appraised subordinates as well as attributions about their behaviors. As a result, the effectiveness of a company's performance evaluation procedures is impacted. Johnson and colleagues (Johnson et al., 2002), Onyango (2013) investigated the factors that influence employee perceptions of performance appraisal process at National Housing Corporation, Kenya. Employees of Kenya's National Housing Corporation were the focus of the study. The data was collected using a structured questionnaire. The study discovered that a number of factors influenced employees' perceptions of the institution's performance management/appraisal process, including insufficiently precise feedback during the appraisal process, performance management/appraisal process, and performance management/appraisal process were only done periodically, there was favoritism and nepotism by raters who were not well trained, setting of unrealistic targets, poor reward system and failure to implement supervisors appraisal recommendations.

Gabris and Ihrke (2001) investigated the extent to which an assessment process can be frustrating. They looked at a company that had a quarterly performance assessment system in

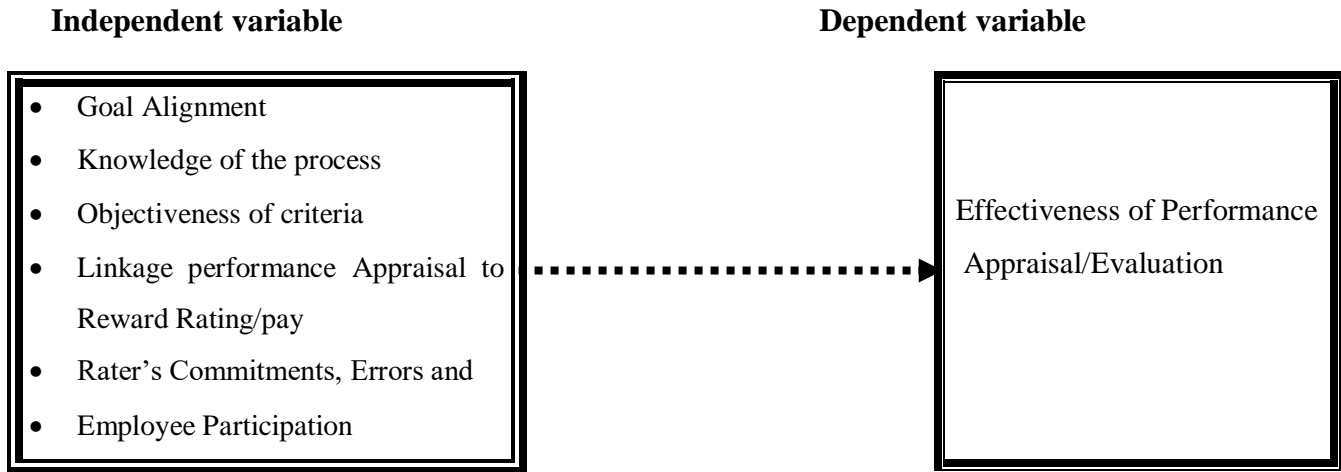
place. The assessment process, feedback, supervisory bias from appraisers, and the supervisory system are all factors that affect the process, according to the study. Kiruja (2008) looked into the factors that influenced the civil service's performance contracting method. Kiruja's study looked into whether performance assessment tools, employee participation in setting their own standards, and obtaining feedback were all beneficial performance appraisal of staff in the ministry of Education in Nairobi province.

Civil servants in the Ministry of Education in Nairobi province were the study's target population. One of the factors contributing to ineffective performance evaluation/assessment of civil servants within the ministry, according to the study, was the delay in obtaining evaluation/appraisal forms, which in turn delayed the entire appraisal process, as well as a lack of feedback. One of the factors that affluent people face is regular inter-ministerial, inter-departmental, or geographical transfers, according to the study affected the monitoring of performance over a given period of time.

Workers, for example, would be more motivated if they believe their performance will be correctly evaluated. Workers will be less motivated to perform at a high level if they believe their performance will not be correctly evaluated because their supervisor is unaware of their contributions to the organization or because the supervisor allows personal emotions to influence performance appraisals. Theorists of procedural justice try to explain why employees think processes are fair or unfair and the consequences of these perceptions.

2.11 RESEARCH MODEL (CONCEPTUAL FRAMEWORK) FOR FACTORS INFLUENCING PERFORMANCE APPRAISAL SYSTEM EFFECTIVENESS

The relationship between the dependent and independent variables is depicted in the diagram below.



Source: Adopted from Armstrong (2009)

Figure 1 show that the effectiveness of a performance appraisal system is dependent on employee participation in the process, linking performance appraisal to pay/reward, objectiveness of the appraisal criteria, and goal alignment of the appraisal criteria and organization and individuals on performance appraisal system.

CHAPTER- THREE

RESEARCH DESIGN AND METHODS

3.1. INTRODUCTION

This chapter discussed the methodology that use for the study and outlines the key features of the research design and present the selection of the research approach. The chapter contained justification for the technique that has been chosen for the research and looks at some of the alternative methods that have been used.

3.2. TARGET POPULATION

This study's target population is a permanent employee of Wegagen Bank S.C Abyssinia Bank S.C and CBE who works in Addis Ababa in various managerial and professional positions and has more than two years of experience. The reason for choosing these workers from the aforementioned banks as a target population is that they have been using integrated performance appraisal practices for a long time and have a lot of experience with performance assessment/evaluation practice.

3.3 SAMPLE DESIGN

A proportionate stratified sampling technique has been used to select each stratum from the population. This allows taking into account the various subgroups of the population (such as different divisions & departments) and aids in ensuring that the sample correctly reflects the population in terms of special features. The researcher has started by dividing the population into subsamples or strata. In this study cases the criteria of strata identification was work units. Then sample was selected from each stratum. Each business unit employees accessed from Head office and selected branches in Addis Ababa.

3.4 SAMPLE SIZE DETERMINATION

The population includes those employees who are working in Addis Ababa branches selected based on their good performance through key performance indicators of the banks and excludes employees who are working outside supervision, as well as clerical works. As of July 31, 2019, the total population size i.e. number of management team and Supervisors officer's with more than two years experience of Head Office and selected branches in Addis Ababa was 1200. According to Saunders et al (2003), a true representation of the entire population requires a minimum sample size of 30%, so 30% of 1200 equals 360.

Stratified sampling was chosen due to the heterogeneity of workers across job categories. Employees from each job category were chosen using a proportional allocation stratified sampling technique, as explained below.

Work Unit/ Branch	Staffs in Number	Staffs %	Final sampling units from each job classification/stratum
Managers	316	26.33	95
Supervisors/Officers	884	73.67	265
Total	1200	100.00	360

3.5 TYPE OF DATA SOURCE

The distinction between primary and secondary data is one of the most basic distinctions between types of data or categories of data. The researcher used primary data to learn about employees' opinions on the effectiveness of the company's performance appraisal system. Questionnaires, interviews, and emails were used to collect primary data. The use of secondary data is expected to improve the thesis's validity and reliability. Annual reports issued by banks, procedures and manuals, magazines, books, and the internet were used as secondary sources in this study.

3.6 DATA GATHERING INSTRUMENT

The study was a survey in the form of a cross-sectional study in which information was gathered by structured questionnaire. The questionnaire contains both closed ended questions with a predetermined response scale and open ended questions that allow respondents to express their opinions freely and also from document review. Questionnaires were sent to 360 staff members of the banks and 260 respondents filled and answered the questionnaire to the satisfaction of the research.

3.7 DATA ANALYSIS TECHNIQUE

3.7.1. Descriptive Statistics

The descriptive statistical results were presented to give a condensed picture of the data, use tables, frequency distributions, and percentages. Summary statistics, which include the means and standard deviations values, were used to achieve this study.

3.7.2 Inferential Statistics

Factor analysis is used to identify the factors that mostly affect performance appraisal's effectiveness. This is a statistical method used to describe variability among observed correlated variables in terms of a potentially lower number of unobserved variables (factors). Factor analysis attempts to bring inter-correlated variables together under more general underlying variables. The factors taken were used as inputs in regression analysis for examining the relationship between those factors and effectiveness of performance appraisal practice.

3.8 RELIABILITY AND VALIDITY

3.8.1 Reliability

To give a condensed picture of the data, use tables, frequency distributions, and percentages. Summary statistics, which include the means and standard deviations values, were used to achieve this study. The reliability values of all seven scales exceeded the prescribed threshold of 0.7, indicating that they were all reliable (Mugenda and Mugenda, 2003). Hence, the instrument can be considered as a reliable instrument. Internal reliability for each independent variables and dependent variable of the study has been tested. The Cronbach's alpha value for all the independent variables and dependent variable that the data collected through questionnaires is reliable and can be used for further statistical analysis. Reliability was used to measure the extent to which the instrument can produce consistent scores when the same group of individuals is repeatedly measured under same conditions.

Table 1 Reliability Statistics

Items	Alpha	N of Items
Alignment of Organizational and Individual Goals	.838	8
Participation in the Performance Appraisal Process	.866	6
Knowledge of the Process	.723	7
Objectivity of the Evaluation Criteria	.732	4
Reward Rating Linkage	.862	4
Rater's Commitments, Errors and Biases	.832	6
Effectiveness of Performance Appraisal practice	.866	6

Source; own survey, 2020

3.8.2 Validity

It is the strength of our conclusions, inferences or propositions. It refers to the degree to which you are measuring what you should be measuring, or, to put it another way, the accuracy of your measurement (Adams et al, 2007). Professionals in the subject matter area tested and

inspected the instruments. Furthermore, before the instruments were distributed to the respondents, my adviser had reviewed and commented on them.

3.9. ANALYSIS OF DATA

Quantitative research expresses human experiences and opinions into numbers (Duffy and Chenail, 2008). Once the surveys was completed and returned, the researcher puts the entire data analyzed using Statistical package for social scientists version 20 (SPSS). SPSS is one of the most widely used computer software packages for analysis of quantitative data for social scientists (Bryman & Bell, 2007). The researcher would have used descriptive methods to arrive at the thesis' findings and results and inferential analysis to summarize the data.

3.10. CONSIDERATIONS OF ETHICS

According to ethical conduct, it is the researcher's responsibility to carefully evaluate the risk of harm to research participants, and to the extent possible, the risk of harm should be minimized (Bryman & Bell, 2007, p.128). When carrying out research it is important that participants are aware of why it is being carried out, and what will be done with the information they provide. If this is not made clear, the information given may not be entirely truthful or accurate. It is important to inform respondents that participants' identities will not be shared and that there is full confidentiality. It is also important that in quantitative research.

Every questionnaire that will dispatch in person will accompany by a cover letter that explained the purpose of the survey in detail. The respondents' names would not be required on the questionnaire in order to protect their identities and remain anonymous. As a result, the workers will be aware of what the researcher is doing, when and where the data is going, and why it is being collected.

CHAPTER - FOUR

ANALYSISANALYSIS AND PRESENTATION OF DATA

4.1 INTRODUCTION

The data analysis, findings, and presentations from the surveys completed by bank employees are presented in this chapter. The results were presented using graphs and charts by the researchers. The chapter first looks at the demographic statuses of employees surveyed their age, gender and length of service then goes on to examine and discuss the responses to the questions asked and the statements that were presented to the respondents in the questionnaire.

This chapter presents the analysis and presentation of the data collected. It presents first the demographic characteristics of the respondents and the research findings from the study.

4.2. Age of Respondents

Table 2 Age of Respondents

	Frequency	Percent	Percentage that is valid	Total Percentage
<=25	15	5.2	5.2	5.2
26-30	102	39.8	39.8	46.0
31-35	93	35.8	35.8	80.8
36-40	22	8.5	8.5	89.2
41-45	18	6.9	6.9	96.2
46-50	8	3.1	3.1	99.2
>50	2	.8	.8	100.0
Total	260	100.0	100.0	

Source: primary data, 2020

As can be seen from table 2, the majority (39.8%) of the respondent Employees between the ages of 26 and 30 make up the majority of the workforce. And the second-largest majorities (35.8%) of those polled employees are in the category of 31 to 35 years age. These two age groups constitute a total of 75% of the people who responded as many workers in the real world can attest the Banks are teenagers. As a result, the majority of the participants in this study are young workers under the age of 35.

4.3. Service Duration

Table 3 :- Service years of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3	115	43.6	43.6	43.6
4-6	51	20.2	20.2	64.85
7-9	39	15.6	15.6	79.46
10-12	34	14.5	14.5	90.92
>12 Yrs	21	8.1	8.1	100.00
Total	260	100.0	100.0	

Source: primary data, 2020

Regarding service year of respondents in the banks, as indicated in the above table 43.6% of the total respondents have served the bank between one and three years, 64.85% of them were between 4 and 6 years, 15.6% were 7 to 9 years and the rest 22.6% were stayed in the bank for more than ten years. This is because of that, the emerging branch expansion of the banks leads to high level of man power demand as well as due to stiff competition and flourishing/emerging of new banks; the existing banks are hiring employees aggressively for the past five years to attract new customers and to deliver prompt service for existing one. Since there is no employees participated in the study that are below two service years, all participants have a better understanding of the organizations' performance appraisal practice.

4.4 Work position of those who responded

Table 4: Work position of the respondents

	Job category	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	46	18.3	18.3	18.3
	Officer	214	81.7	81.7	100.0
	Total	260	100.0	100.0	

Source: primary data, 2020

Table 3 reveals that 81.7% of employees participated in this study are in a job position of officer which includes Junior Customer Service Officers, Senior Officers, Supervisors and Auditors while 18.3% are in managerial position including Directors, Division managers and Branch Managers.

4.5 Descriptive statistical Analysis and Summary of the questionnaire

4.5.1 Alignment of Organizational and Individual Goals

A clear agreement on the goals and strategy of an organization is the necessary step for effective performance management. The manager is expected to communicate management's expectations and goals to the employee and works collaboratively to develop individual goals in alignment with organization goals. Regarding link between organizational and individual goals with mean=3.89 and standard deviation=0.848, it can be said that the Banks employees perceive that organizational goals are developed and aligned with results of work units and each employee's performance.

4.5.2 Participation in the Performance Appraisal Process

For an appraisal practice to be effective, it should be participatory. Both managers/supervisors and individuals/subordinates to ensure understanding and dedication, they should be involved in the goal-setting process. Accordingly, respondents were asked about their participation in the appraisal practice. The mean =2.939 and standard deviation of 1.106 indicate that there is a gap in participating employees in designing the rating format and measurement scales as well as when measuring the actual performance.

4.5.3 Knowledge of the Process

The cumulative mean of the categorical performance assessment procedure is 2.95, with a standard deviation of 1.15, which is less than the average standard. This implies that employees and managers have few understanding on how the rating instrument is being applied and in measuring performance as there was no training given to both parties.

4.5.4 Objectivity of the 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 respect, participants' opinions on the degree to which they agree with the clarity and objectivity of the performance evaluation criteria used in the study are important. The respondents disagree with the performance plan of employees result focused, measurable, attainable, and time bounded. This was supported by a mean of 2.93 From this result, it is possible to infer that most of the standards against which employees' performance judged are subjective.

4.5.5 Reward Rating Linkage

The banks follow a performance based promotion, bonus and pay system which is characterized by usage of various performance-related parameters in the structure.

The response for this category indicates the mean = 3.26 and SD = 0.95 the higher the mean score, the more that respondent agreed with the respective question items and vice versa. Therefore; this result indicates that there is a positive feeling towards the existing performance based promotion, bonus and merit pay scheme practices, which implies that, the respondents have positive reaction or feeling with the bonus and merit pay incentive scheme practices of the banks.

4.5.6 Rater's commitment, Errors and Biases

Theoretical assessment under chapter two of this study indicated that raters commit errors which can influence effectiveness the process while evaluating employee performance. Accordingly, performance evaluation can be influenced by the following factors: personal bias, halo effects, leniency or harshness, central tendency error, evaluating based on previous habits, inadequacy of rater training, and a lack of involvement in the program's design. Documentation and transparency are also the major factors with respect to performance evaluation.

The results of the opinions of the respondents with respect to raters' bias, error and commitment indicate a mean value of 3.356 and standard deviation 0.959 which shows raters give attention to the performance evaluation and are free of bias and error as much as possible.

Table 5 : Summary of Mean and Standard Deviation

Variables	N	Mean	Standard Deviation
1. Alignment of Organizational and Individual Goals	260	3.89661	0.84841
2. Participation in the Performance Appraisal Process	260	2.93908	1.10615
3. Knowledge of the Process	260	2.95257	1.15436
4. Objectivity of the Evaluation Criteria	260	2.93848	0.98622
5. Reward Rating Linkage	260	3.26152	0.95124
6. Rater's Commitments, Errors and Biases	260	3.35642	0.959495
7. Effectiveness of Performance Appraisal practic	260	2.6497	0.62794

Source: primary data, 2020

4.6 Inferential Statistics

4.6.1 Factors Analysis

Factor analysis was performed on all the 35 items that represented factors affecting employees' perception of the performance appraisal practice.

4.6.1.1 Data Appropriateness:

The KMO and The Bartlett Test show that Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) is 0.851 which is above 0.6 and the Bartlett's Test of Sphericity is significant.

Table 6 :KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.851
	Approx. Chi-Square	4471.693
Bartlett's Test of	Df	595
Sphericity	Sig.	.000

Source: primary data, 2020

So the results of correlation matrix, KMO and Bartlett's Test specify the appropriateness of factor analysis.

4.4.1.2 Factor extraction: Eigen value criterion

As per the rules of Eigenvalue, factor with an eigenvalue of 1.0 or more is retained. The eigenvalues for each component are listed in total variance explained table below. From the table, and through application of Principal Component Analysis, 9 components were extracted. The initial Eigen values showed that the first factor explained 24.708% of the variance, the second factor 10.224 % of the variance, the third factor 7.09% of the variance, the fourth (6.219%), the fifth (4.696%), and the sixth (3.944%), the seventh 3.585%, the eighth 3.257% and the ninth 3.074%. Other factors had Eigen values of below one and were deemed insignificant for the analysis. A total of 66.8% per cent of the variance are explained by the factors.

Table 7 : Factor extraction: Eigenvalue

Component	Initial Eigenvalues			Squared Loading's Extraction Sums		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.648	25.708	24.708	8.648	24.708	24.708
2	2.578	9.224	34.932	3.578	10.224	34.932
3	2.482	7.090	42.022	2.482	7.090	42.022
4	2.177	6.219	48.241	2.177	6.219	48.241
5	1.644	4.696	52.937	1.644	4.696	52.937
6	1.380	3.944	56.881	1.380	3.944	56.881
7	1.255	3.585	60.465	1.255	3.585	60.465
8	1.140	3.257	63.723	1.140	3.257	63.723
9	1.076	3.074	66.797	1.076	3.074	66.797

Source: primary data, 2020

4.4.1.3. Factor rotation, naming of factor and obtaining factor score:

In order to determine the factor name represented by each factor, we use rotated component matrix that shows the loading of each of the variables on the six factors that are selected. Through Principal component Analysis, the factors were rotated through Varimax with Kaiser Normalization method. The table below shows the result of rotated matrix with details of the variable. Only values of factor loadings above 0.6 are presented in the rotated component matrix. To decide which variable represents which factor we looked at the factor loadings which tell us the importance of a given variable to a given factors.

Table 8: Rotated Component Matrix

	Component								
	1	2	3	4	5	6	7	8	9
I participate during designing the rating format and measurement scales.	.849								
I involve in measuring the actual performance	.839								
I involve in Comparing with standards and discussing results	.797								
I am involved in the process of setting objectives and targets	.769								
Level of involvement in my performance evaluation is adequate	.690								

	Component								
	1	2	3	4	5	6	7	8	9
The outcome of a performance assessment is used as a benchmark decision making tool for the distribution of performance related pay and promotion.		.808							
Performance based bonus and merit pay schemes have a significant effect on my individual performance.		.808							
Performance based bonus and merit pay structure is fairly rewarding my effort		.786							
My evaluator is free of non-performance related factors like characteristic bias (race, gender and age) and personal relationship (liking or dislike) when assessing my performance.			.831						
My boss correctly assesses my performance to the point where I will be rewarded for doing what I need to do or penalized for not doing so.			.827						
My supervisor is capable of conducting employee performance reviews without being biased.			.794						
I understand how my role contributes to overall Bank goals and objectives				.860					
I am fully aware of the Bank's mission statement and strategic objectives				.826					
I know what the Bank's values are, i.e. what is regarded as important by the Bank				.819					
The performance appraisal process contributed to improve individual and the bank's performance at large.					.723				
I can appeal to a higher officer when I perceive my performance evaluation result is unfair and the grievance will be fairly examined					.620				
I feel that my manger/team leader is competent to evaluate my job.						.841			
I clearly understand the purpose of performance appraisal system.						.824			
The performance evaluation criteria is objective thus does not allow subjectivity							.762		

	Component								
	1	2	3	4	5	6	7	8	9
The performance plan of each employee is result focused, measurable, attainable, and time bounded.							.659		
I have been given a clear and useful orientation/ training on Performance Appraisal practices								.779	
Through training, raters' assessment skills are refreshed and updated on a regular basis.								.726	
Raters need more training in conducting performance appraisal									.834

Extraction Method: Analyze the Principal Components.

Rotation Method: Kaiser Normalization with Varimax

a. In ten iterations, the rotation converged.

Factor 1: (Participation in the Performance Appraisal Process): Participation in designing the rating format and measurement scales, involvement in measuring actual performance, involvement in comparing to standards and discussing results, involvement in the process of setting goals and targets, and adequacy of involvement in the performance assessment process is the primary loadings on Component 1. Participation in the performance assessment process is linked to all of these factors.

Factor 2: (Reward Rating Linkage): The main loadings on component 2 are relevance of performance appraisal output to decisions of pay and promotion, effects of performance based pay & bonus schemes on individual performance and, fairness of performance based pay & bonus scheme in rewarding individual, these variables are related to Reward Rating Linkage.

Factor 3: (Rater's Commitments, Errors and Biases): rater partiality from non-performance factors when evaluating performance, extent of rater accuracy when evaluating performance and rater ability to measure employees without any bias have main loadings on factor 3 and therefore the factor 3 represents rater error and bias.

Factor 4: (Link between Organizational and Individual Goals): The main loadings on component are knowledge of how individual role contributes to overall Banks goals and objectives, awareness of Banks' mission statement and strategic objectives, and knowhow on the Banks' values are. So this factor represents Link between Organizational and Individual Goals.

Factor 5: The main loadings on component 5 are contribution of performance appraisal process to improve individual and the banks' performance and freedom of employee to appeal to a higher

officer when result of evaluation is unfair. These represents link of individual and organizational performance and participation.

Factor 6: The main loadings on component are variables how competent are leader to evaluate employee performance and understanding of purpose of performance appraisal system. So this factor represents parts of the knowledge on performance appraisal process.

Factor 7: (Objectivity of the evaluation Criteria):- the main loadings on component 7 are performance evaluation criteria are objective and performance plan of employees is SMART. These both belong to category of the objectivity of performance evaluation criteria

Factor 8: (Knowledge on the performance appraisal process): clear and useful orientation/ training on Performance Appraisal practices and regular trainings to refresh appraisal skills are loaded on factor 8 which both are parts of Knowledge on the performance appraisal process.

Factor 9: the only variable loaded on this component 9 is the need for more training in conducting performance appraisal which is part of category of knowledge on the performance appraisal process.

After the identifying those variables loaded on the components, the factor score are obtained using regression method. The factor score of all the nine factors are used as an input for further analysis.

4.7. Classical Linear Regression model Assumptions and Diagnostics

Multiple linear regressions model is an extension from simple linear regression model. Simple linear regression model is to contain dependent variable (Y) and only one independent variable (X) however multiple linear regressions model contains one dependent variable (Y) and two or more independent variables (X) in an equation (Tranmer and Elliot, n.d.). Since this research project contain more than one independent variable, multiple linear regressions model is more suitable to find out the relationship between the performance appraisal practice and effective performance. In order to obtain an accurate estimation in this research, six variables are added into the estimated model. The equation of the model as below:

$$\hat{Y} = \beta_0 + \beta_1 \text{LOG}X_1 + \beta_2 \text{LOG}X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

\hat{y} refers to Effectiveness of performance appraisal practices of the selected banks, β_0 is the coefficient used to explain the rate it will influence performance appraisal practice, X_1 refers to alignment of the organization with individual goals while X_2 refers to participation in PA practice, X_3 refers to knowledge of the processes X_4 refers objective of the criteria, X_5 refers to

reward rating linkage, whereas X_6 refers to raters commitment. The followings are (CLRM) test assumptions.

4.7.1 Test Assumption of Multicollinearity

Multicollinearity is the assessment of “the extent to which a variable can be explained by the other variables in the analysis” (Hair, et al., 2010, p.93). It is a problem related to the correlation matrix in which three or more independent variables are highly correlated (i.e. 0.90 or above) to each other (Tabachnick and Fidell, 2007; Hair, et al., 2010). The presence of a higher level of multicollinearity limits the size of regression value and makes it difficult to understand the contribution of each individual independent variable (Field, 2009). The common method to detect multicollinearity is by calculating the variance inflation factors (VIF) and tolerance impact (Tabachnick and Fidell, 2007; Field, 2009; Pallant, 2010). The larger the VIF (i.e. above 10) and the lower the tolerance (i.e. below 0.1) indicate the presence of multicollinearity (Pallant, 2010).

The VIF and tolerance effect were computed using multiple regression procedure with co linearity diagnostic option, as shown in Table 9. The VIF values were less than 10, which revealed the absence of multicollinearity with independent variables, whilst the tolerance showed values of above 0.1 which indicated the absence of multicollinearity.

Table 9 : Multicollinearity Test

Model	Co linearity Statistics	
	Tolerance	VIF
(Constant)		
Alignment of Organizational and Individual Goals	.392	2.553
Participation in the Performance Appraisal Practice	.575	1.739
1 Knowledge of the Process	.315	3.171
Objectivity of the Evaluation Criteria	.320	3.129
Reward Rating Linkage	.541	1.849
Rater's Commitments, Errors and Biases	.247	4.046

4.7.2 Test Assumption of Autocorrelation

Autocorrelation problem happens when error term at the period of t has relationship with the error term at period before t (Gujarati and Porter, 2009). It usually occurred in a time series data

due to the importance of the sequence of the period. There are different types of methods to detect autocorrelation problem. In order to check for the existing of autocorrelation problem, the researcher have run the diagnostic checking by using Durbin-Watson Test through the Table 10 shows the Durbin-Watson Test results that there is no autocorrelation problem in the model.

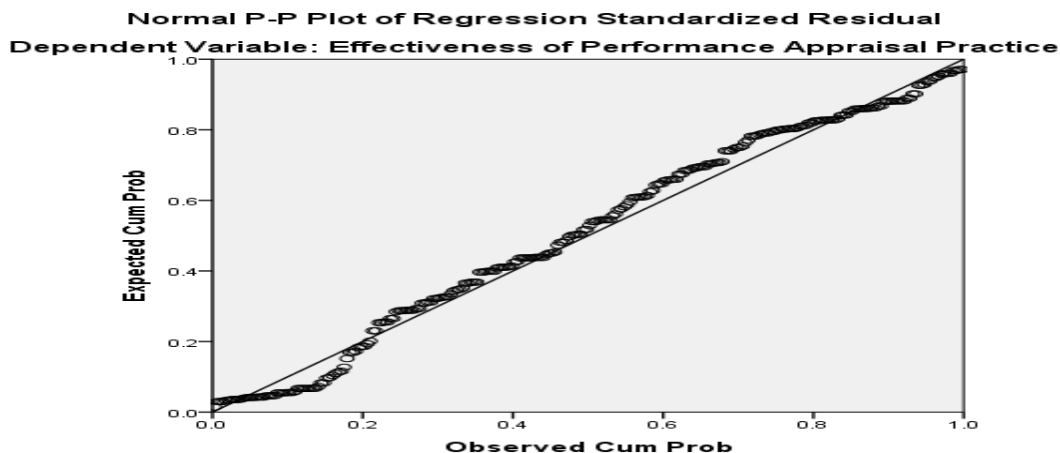
Table 10: Durbin-Watson value obtained from output

Model	R	R Square	Adjusted R Square	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
1	.201 ^a	.041	.018	.041	1.783	6	253	.103	1.591

4.7.3 Test Assumption of Homoscedasticity

Homoscedasticity means that the variance of errors is the same across all levels of the IV. When the variance of errors differs at different values of the IV, Heteroscedasticity is indicated. To check Homoscedasticity Ideally, residuals are randomly scattered around 0 (the horizontal line) providing a relatively even distribution. In this research the residuals are randomly distributed i.e. it has no clear pattern and this indicates Homoscedasticity is existed.

Table 11: Homoscedasticity obtained from output



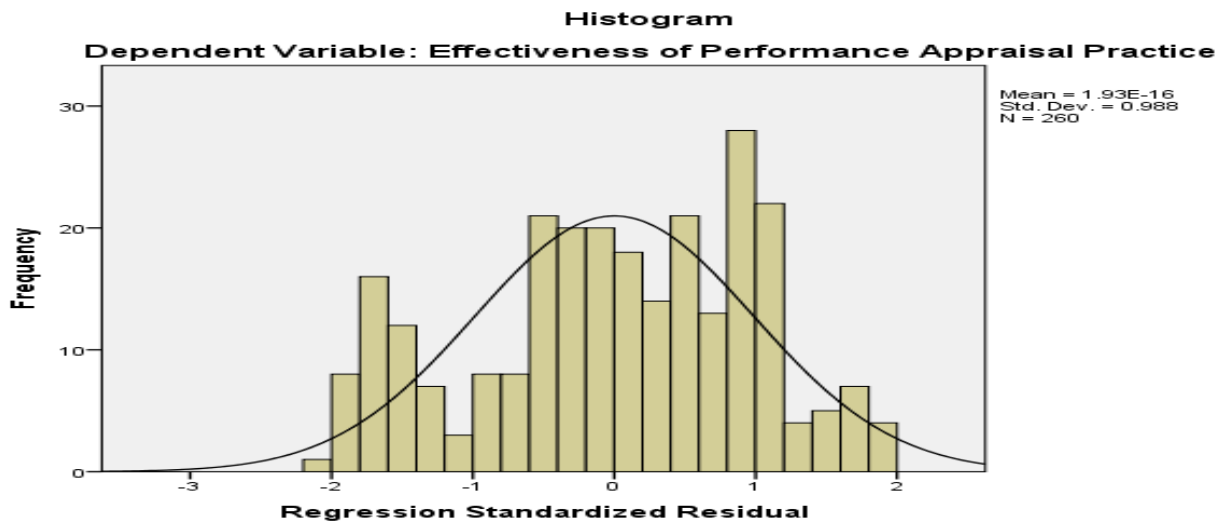
4.7.4 Test Assumption of Normality of the Error Term

The classical normal linear regression model (CLRM) assumes that the error term (μ) is normally distributed when there are uncorrelated and independently between two variables (Chen, 2003). In other word, the mean of residual from different model being zero since positive error term will offset the negative error term. The normality assumption of the large sample size model may not be very significant compared with small sample size model.

Moreover, there are two ways to examine normality of the error term. The first way to examine normality of the error term is through informal way by using scatter plot or line chart. Another way

to detect normality of the error term is through the formal way, which is Jarque-Bera (JB) test. Chart/scatter plot is choose for this research project.

Table 12: Result of normality of error terms



4.7.5 Test Assumption of Error Term (Zero Mean)

This assumption emphasize that the mean of the disturbances value is zero. For all diagnostic tests, we cannot observe the disturbances and so perform the tests of the residuals. The mean of the residuals will always be zero provided that there is a constant term in the regression. In this research project table 13 shows the mean of the residuals is zero.

Table 13: Result of Error Term (Zero Mean)

	Mean	Std. Deviation	N
Predicted Value	2.6497	.12649	260
Residual	.00000	.61507	260
Std. Predicted Value	.000	1.000	260
Std. Residual	.000	.988	260

4.8. Regression Analysis

To analyze the conceptual framework eight independent variables were entered into the multiple regression equation. This section reports the results of multiple regressions conducted. (Zikmund et al. 2010) defined multiple regression analysis as “an analysis of association in which the effects of two or more variables on a single, interval scaled dependent variable are investigated simultaneously.” Step-by-step multiple regressions were used to investigate the relationship between the variables in this study, (participation in the performance appraisal process, reward rating linkage, organizational and individuals goal link, knowledge of performance management

system, objectivity of evaluation criteria, rater's error and bias with another constructs of the conceptual framework; effectiveness of performance appraisal practice).

4.8.1 The Relationship between the Six Variable Factors and Effectiveness of Performance Appraisal practice

Correlation analysis is primarily concerned with finding out whether a significant relationship exists between two variables (Field, 2005). It is a mathematical expression that expresses the strength and direction of a linear relationship between two variables. Pearson correlation (commonly called Pearson Correlation Coefficient) is used for the study to investigate a relationship between the six variable factors and effectiveness of performance appraisal practice. The value of Pearson product-moment correlation coefficient (r) normally varies between -1 to +1. If there is a positive correlation (as one variable), the sign shows it increase, other also increase) or negative correlation (as one variable increase, other decrease).

Table 14: Correlation between Effectiveness of Performance Appraisal and the six variable Factors

		Effectiveness of Performance Appraisal system	Alignment of Organizational and Individual Goals	Participation in the Performance Appraisal Process	Knowledge of the Process	Objectivity of the Evaluation Criteria	Reward Rating Linkage	Rater's Commitments, Errors and Biases
Effectiveness of Performance Appraisal system	Pearson Correlation	1	.41*	.31*	.76**	.10**	.11**	.14**
	Sig. (2-tailed)		.000	.000	.000	.000		.000
	N	260	260	260	260	260	260	260
Alignment of Organizational and Individual Goals	Pearson Correlation	.41**	1	.065**	.156**	.258**	.054**	.207**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.001
	N	260	260	260	260	260	260	260
Participation in the Performance Appraisal Process	Pearson Correlation	.031*	.065**	1	.092**	.168**	.188**	.037
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	260	260	260	260	260	260	260
Knowledge of the Process	Pearson Correlation	.76**	.156**	.092**	1	.146*	.033**	.045**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	260	260	260	260	260	260	260
Objectivity of the Evaluation Criteria	Pearson Correlation	.10**	.258**	.168**	.146*	1	.219**	.406**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	260	260	260	260	260	260	260
Reward Rating Linkage	Pearson Correlation	.11**	.054**	.188**	.033**	.219**	1	.069**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	260	260	260	260	260	260	260
Rater's Commitments, Errors and Biases	Pearson Correlation	.014*	.207**	.037**	.045**	.406*	.069**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	260	260	260	260	260	260	260

*. Correlation is significant at the 0.05 level (2-tailed).

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

For most of the relationships, the inter correlations among variables were found to be in the expected direction. Significant correlations were observed between Knowledge of the Process and Effectiveness Performance Appraisal Practice ($r = .76, p < .01$), Alignment of Organizational

and Individual Goals and Effectiveness of Performance Appraisal practice ($r = .41, p < .01$). Similarly, the correlation between Participation in the Performance Appraisal Practice and Effectiveness of Performance Appraisal practice was ($r = .31, p < .01$), followed by Objectivity of the Evaluation Criteria and Effectiveness of Performance Appraisal Practice ($r = .10, p < .01$), Reward Rating Linkage and Effectiveness Performance Appraisal Practice ($r = .11, p < .01$). Correlation analysis among the Six Variable factors shows that they are correlated significantly and positively with each other.

Table 15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.201 ^a	.48	.0472	.62232

a. Predictors: (Constant), Rater's Commitments, Errors and Biases, Reward Rating Linkage, Participation in the Performance Appraisal Practice, Alignment of Organizational and Individual Goals, Objectivity of the Evaluation Criteria, Knowledge of the Process

R² is the coefficient of determination of the two variables which shows the percentage of total variation of the dependent variable explained by the independent variable. The analysis shows, $R^2 = 0.41$ (48%), which is a moderate coefficient and implies that 48% variation in effectiveness of performance management system are explained by the independent variables. Factors not included in the model account for the remaining 52 percent of variance.

Table 16: Analysis of Variance (ANOVA)

Modeling	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	95.950	8	11.994	29.928	.000 ^b
Residual	100.589	251	.401		
Total	196.538	259			

a. Dependent Variable: Effectiveness of Performance Appraisal Practice
 b. Predictors: (Constant), Rater's Commitments, Errors and Biases, Reward Rating Linkage, Participation in the Performance Appraisal Practice, Alignment of Organizational and Individual Goals, Objectivity of the Evaluation Criteria, Knowledge of the Process

From the above ANOVA table, it can be seen that F ratio is 29.928 and the significance level is less than .05. This implies that there is a significant relationship between the six variable factors and Effectiveness of performance appraisal practice.

Table 17: Coefficients of Regression

Modeling	Coefficients that are not standardized		Coefficients that are standardized	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.540	.277		9.170	.000
Alignment of Organizational and Individual Goals	.288	.064	.220	4.501	.000
Participation in the Performance Appraisal Practice	.216	.047	.242	4.624	.000
Knowledge of the Process	.107	.040	.130	2.685	.029
Objectivity of the Evaluation Criteria	.145	.055	.133	2.655	.001
Reward Rating Linkage	.113	.056	.105	2.034	.043
Rater's Commitments, Errors and Biases	.149	.053	.140	2.826	.005

a. Dependent Variable: Effectiveness of Performance Appraisal Practice

The table above shows that effectiveness of appraisal practice is positively associated with Alignment of Organizational and Individual Goals $B=0.288$ with $p=0.000$, Participation in performance appraisal practice $B=0.216$ with $p=.000$, Knowledge of performance appraisal process $B=0.107$ with $p=.008$, Objectivity of the evaluation Criteria $B=0.145$ and $p=0.008$ Reward Rating Linkage $B=0.113$ with $p=0.043$, Rater's Commitments, Errors and Biases $B=0.149$ with $p=.005$,

The greater the Beta coefficient of an independent variable, the more evidence there is that the independent variable is a more important determinant in forecasting the dependent variable. The positive side increases in either of the variables would increase the efficiency of performance appraisal practice, according to beta coefficients. The analysis also shows that all of the study's independent variables are statistically significant, with p values of 0.000.

4.9. CHAPTER SUMMARY

The data was analyzed and presented in this chapter. The results were presented using tables and graphs. According to the findings all of the independent variables (knowledge of the process, objectivity of the assessment criteria, reward rating linkage, rater commitments, errors and biases, involvement, and Goal Alignment) showed a positive significant relationship with the effectiveness of performance appraisal in the Banks.

CHAPTER - FIVE

SUMMARY OF THE FINDING; CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

In light of relevant literature produced by academics and responses of research participants, this chapter focuses on the conclusions and recommendations as a summary of the main findings of the study questions. There were also suggestions for future research, as well as consideration of the study's limits.

In order to determine if the Banks' performance appraisal process is efficient, the researcher examines whether it incorporates elements of an effective appraisal system, such as goal alignment, participation, appraisal-related rewards, rater error, objectivity of the evaluation criteria, and knowledge of the process.

5.2 SUMMARY OF FINDINGS

5.2.1 Goal Alignment

Based on the sample participants' response, employees of the three banks know the strategic objective of the bank and they believe that the overall corporate plan is cascaded to units and individuals. Employees are also clear with their responsibilities. They perceive that the performance appraisal system helps to link employees' goals with organizational objectives and goals. Hence, it contributed to improve both individual and the banks' overall performance at large. This finding is consistent with Munzhedzi (2011) that, performance appraisal system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and performance appraisal has a great role on organizational productivity.

5.2.2 Participation

According to the findings, there are several aspects of employee participation in the performance appraisal process that influences effectiveness of the process at the banks as follows; employees' participation during designing the rating format and measurement scales, involvement in measuring the actual performance, involvement in the process of setting objectives and targets. Cawley, et al (1998) stated that staff participation in the appraisal procedure has a major consequence on employee satisfaction and their acceptance of the performance appraisal. Accordingly, including the employees in the process of setting goals is fundamental to the effectiveness of performance appraisal. Dobbins, et al (1990), It was discovered that assessment success has a strong positive correlation with the level of education and participation.

5.2.3 Reward rating linkage

As evidenced by the beta coefficient of 0.113 and P-value of 0.043, there is a positive and important relationship between reward system and performance appraisal efficiency. That is to say, linking the performance appraisal practice to rewards will positively increase effectiveness of performance appraisal at the selected banks. This position is consistent with findings of Lawler (2003), who stresses that performance appraisals tend to be more effective when companies tie them to reward and bonus decisions.

5.2.4 Rater's commitments, errors and biases

There is a positive and significant relationship between rater's error and bias the beta coefficient of 0.149 and P-value of 0.005 supports the efficiency of performance assessment. This demonstrates that employees at the banks perceive that raters are somewhat committed and free of errors and biases and this contributed to effectiveness of the performance appraisal practice. Lorna and James, (2014) found that the variable rater error and bias has a statistically significant and positive effect in improving performance appraisal system and it was discovered that a unit increase in the scores would result in a 0.471 increase in the score. Its effectiveness ($\beta=0.471$, $P<0.05$).

5.2.5 Objectivity of the evaluation Criteria

From the results of the analysis, employees at the Banks perceive that most of the standards against which employees' performance are judged are subjective with mean of 2.5865. Regarding The findings show a positive and important relationship between the objectivity of evaluation criteria and the efficiency of performance assessment, with a beta coefficient of 0.145 and a P-value of 0.001. This means that increasing the objectivity of criteria would improve the efficiency of performance assessment at the workplace. According to Moats (1999), even if a performance appraisal program is well-structured, the use of subjective measures will dilute its effectiveness.

5.2.6 Knowledge of the Performance Appraisal Practice

The descriptive analysis of this study shows that employees and managers have few understanding on how the rating instrument is being applied and in measuring performance showing the need for further training and awareness session with mean of 3.0110

A beta coefficient of 0.107 and a P-value of 0.29 support a positive and meaningful relationship between appraiser experience and performance appraisal efficiency. This implies that a greater understanding of the performance appraisal process among raters and employees will positively increase effectiveness of performance appraisal practice at the banks. Reinke (2003) proposes that a broad understanding of the system is necessary to build trust and thus improve the efficacy and acceptance of the performance appraisal process. Harris (1988) stressed the significance of training as well. Employees are less confused, dissatisfied, and aware of the intentions of performance appraisals if they are implemented in this manner.

5.3 CONCLUSION

Effective performance appraisal practice can benefit the organization by ensuring, performance feedback, employee training and retention, standard performance of individual employees as well as the whole organization.

The results of descriptive statistics reveal that the vast majority of respondents are dissatisfied with participation in the process, objectivity of the evaluation criteria and training given to them to aware of the practice. The study also identified important factors which influence the effectiveness of performance appraisal practice of the Banks. Although there was a significant and positive relationship between all the independent factors and performance appraisal practice, the strongest relationship was seen in participation and the weakest relationship was seen in knowledge of the system. Goal Alignment, rater bias and error, objectivity of evaluation criteria and reward rating linkage have significant positive relationship with the effectiveness of performance appraisal practice.

5.4 RECOMMENDATIONS

In order to ensure the effectiveness of the Performance Appraisal Practice, the banks should encourage participation during performance planning and measuring the actual performance and make objective criteria's which do not allow subjectivity. In addition, the banks should arrange appraisal training sessions in order to familiarize raters with the measure they will be working with, give understanding on the sequence of operations that they must perform, and enable them give effective feedback including goal-setting. These abilities must also be upgraded or refreshed on a regular basis.

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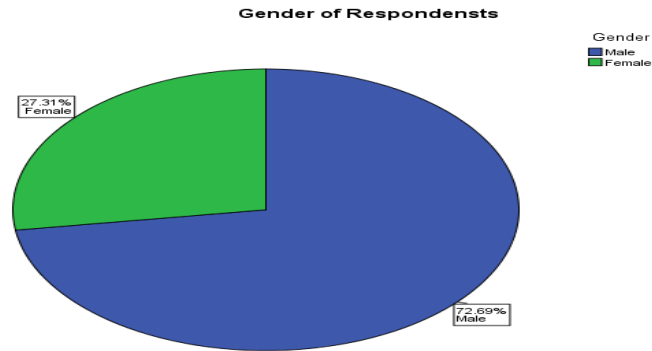
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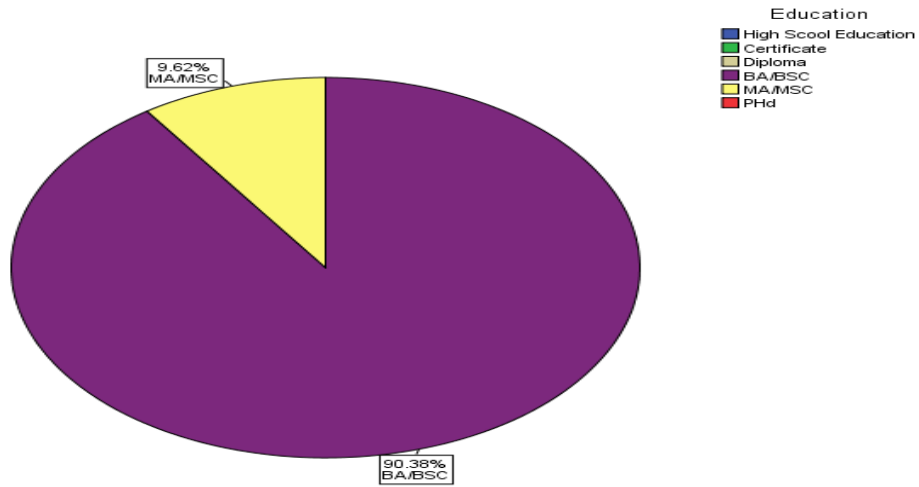
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Appendix A: Gender of Respondents



Source: primary data, 2020

Appendix B: Employees' level of Education



Source: primary data, 2020

APPENDIX C: Results of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
1. Alignment of Organizational and Individual Goals					
I am fully aware of the Bank's mission statement and strategic objectives	260	1	5	4.20	.714
I know what the Bank's values are, i.e. what is regarded as important by the Bank	260	1.00	5.00	4.1308	.78488
I understand how my role contributes to overall Bank goals and objectives.	260	1.0	5.0	4.269	.7639
The Performance appraisal process supports the Bank's Strategy	260	1.00	5.00	3.8500	.88127
I take greater understanding of the results expected of me	260	1.00	5.00	4.0154	.86978
The performance appraisal process contributed to improve individual and the bank's performance at large.	260	1.00	5.00	3.6846	.93441
Well thought goals are developed and associated with organizational results in terms of units and each employee's performance.	260	1.00	5.00	3.7231	.84758
There is a fair consistent basis for measuring performance and individual contribution to Bank's objectives	260	1.00	5.00	3.3000	.99147
2. Participation in the Performance Appraisal Process					
I'm participating on establishing goals and objectives for my future performance.	260	1.00	5.00	3.0692	1.19645
I participate during designing the rating format and measurement scales.	260	1.00	5.00	2.6769	1.16058
I involve in measuring the actual performance	260	1.00	5.00	2.8577	1.17196
I involve in Comparing with standards discussing results	260	1.00	5.00	2.9192	1.12415
Level of involvement in my performance evaluation is adequate	260	1.00	5.00	2.8577	1.09357
I can appeal to a higher officer when I perceive my performance evaluation result is unfair and the grievance will be fairly examined	260	1.00	5.00	3.2538	.89020
3. Knowledge of the Process					
I feel that my manger/team leader is competent to evaluate my job.	260	1.00	5.00	3.3731	1.05232
I clearly understand the purpose of performance appraisal system.	260	1.00	5.00	3.2808	1.09492
I have been given a clear and useful orientation/ training on Performance appraisal practices	260	1.00	5.00	2.5654	1.20149
The objective and process of Performance Management were described clearly to me.	260	1.00	5.00	2.9538	1.12440
Raters need more training in conducting performance appraisal	260	1.00	5.00	3.7154	.96850
The assessment instrument may be used as intended by raters	260	1.00	5.00	2.9692	1.21088

	N	Minimum	Maximum	Mean	Std. Deviation
Through training, raters' assessment skills are refreshed and updated on a regular basis.	260	1.00	5.00	2.5731	1.24214
4. Objectivity of the Evaluation Criteria					
The performance evaluation criteria is objective thus does not allow subjectivity	260	1.00	4.00	2.8154	.94059
The performance plan of each employee is result focused, measurable, attainable, and time bounded.	260	1.00	5.00	2.8346	1.00171
My performance is evaluated using a personalized performance evaluation form based on the features of my work.	260	1.00	5.00	3.2462	1.03649
Effective and ineffective performers can be distinguished by the performance evaluation form used to assess performance	260	1.00	5.00	2.8577	.96609
5. Reward Rating Linkage					
Pay, benefit, and promotion decisions are heavily influenced by information gathered through performance assessment	260	1.00	5.00	3.2115	.98122
Performance appraisal output is used as a decision making tool for the distribution of performance related pay and promotion.	260	1.00	5.00	3.2846	.94835
Performance based bonus and merit pay schemes have a significant effect on my individual performance.	260	1.00	5.00	3.4500	.91396
Performance based bonus and merit pay structure is fairly rewarding my effort	260	1.00	5.00	3.1000	.96142
6. Rater's Commitments, Errors and Biases					
Performance evaluation is considered important task by my rater.	260	1.00	5.00	3.4500	.89691
My supervisor is capable of conducting employee performance reviews without being biased.	260	1.00	5.00	3.3885	.96215
My evaluator is free of non-performance related factors like characteristic bias (race, gender and age) and personal relationship(liking or dislike when assessing my performance)	260	1.00	5.00	3.5269	.96024
My boss correctly assesses my performance to the point where I will be rewarded for doing what I need to do or penalized for not doing so	260	1.00	5.00	3.3885	.87823
To assess my performance, my rater normally keeps a file on what I did during the assessment period.	260	1.00	5.00	2.9269	1.14509
All the information obtained from Performance Appraisal is confidential.	260	1.00	5.00	3.4577	.91435
Valid N (listwise)	260				

Source : Own Survey

APPENDIX D: Questionnaire

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT
MSc PROGRAM

SURVEY QUESTIONNAIRE

Dear respondents,

First of all, I I'd like to thank you in advance for your willingness to devote your valuable time to this project to respond to this research questionnaire. The information will be used as primary data in my case study, which I am conducting as part of my studies at Addis Ababa University to complete my bachelor's degree MSc' in Management.

This research focuses on the assessment of *FACTORS INFLUENCING EFFECTIVENESS OF PERFORMANCE APPRAISAL: A CASE OF COMMERCIAL BANKES IN ETHIOPIA*". Your genuine reply to the research questions is very important and highly appreciated.

To ensure the confidentiality of your response **DO NOT WRITE YOUR NAME OR YOUR ID OR PHONE NUMBER.**

All provided information shall be kept strictly confidential and used for academic purpose only. Moreover any information shall not be used for other purpose without your consent. The information shall be used in aggregate and individual response will not be revealed.

The findings of this research shall be forwarded to the concerned office in **WEGAGEN BANK S.C** for appropriate use.

Once again, I would appreciate your responsiveness and taking the time to complete the questionnaire. For any further clarification and comment you can contact the researcher through tel. No. 09-12-45-25-67

Best regards

GENERAL GUIDELINE: Please put a tick “√” mark for your choices.

Section I. Respondent’s Profile

1. Gender Male [] Female []
2. Age : Below 25 25-30 31-35 36-40 41-45 46-50 Above 50
3. Educational Background
High school complete Certificate Diploma BA/BSC MA/MSC PHD
4. Years of experience at Wegagen bank S.C _____
5. Name of Work Unit/Branch _____
6. Current Job position in the Bank _____

Section II. Main research Questionnaire

➤ The following is the reaction scale for the questions:

5= Strongly Agree, 4= Agree, 3= Uncertain, 2= Disagree, 1= Strongly Disagree

1. Alignment of Organizational and Individual Goals

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.1 I am fully aware of the Bank’s mission statement and strategic objectives					
1.2 I know what the Bank’s values are, i.e. what is regarded as important by the Bank - e.g. Performance, teamwork, innovation, etc.					
1.3 I understand how my role contributes to overall Bank goals and objectives.					
1.4 The Performance appraisal process supports the Bank’s Strategy					
1.5 I take greater understanding of the results expected of me					
1.6 The performance appraisal process contributed to improve individual and the bank’s performance at large.					
1.7 Well thought goals are developed and associated with organizational results in terms of units and each employee’s performance.					
1.8 There is a fair consistent basis for measuring performance and individual contribution to Bank’s objectives					

2. Participation in the Performance Appraisal Process

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.1 I’m participating on establishing goals and objectives for my future performance					
2.2 I participate during designing the rating format and measurement scales.					
2.3 I involve in measuring the actual performance					
2.4 I involve in Comparing with standards discussing results					
2.5 Level of involvement in my performance evaluation is adequate					
2.6 I can appeal to a higher officer when I perceive my performance evaluation result is unfair and the grievance will be fairly examined					

3. Knowledge of the Process

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.1 I feel that my manger/team leader is competent to evaluate my job.					
3.2 I clearly understand the purpose of performance appraisal system.					
3.3 I have been given a clear and useful orientation/ training on Performance Appraisal practices					
3.4 The objective and process of Performance Appraisal were described clearly to me.					
3.5 Raters need more training in conducting performance appraisal					
3.6 The assessment instrument may be used as intended by raters					
3.7 Through training, raters’ assessment skills are refreshed and updated on a regular basis					

4. Objectivity of the Evaluation Criteria

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.1 The performance evaluation criteria is objective thus does not allow subjectivity					
4.2 The performance plan of each employee is result focused, measurable, attainable, and time bounded.					

4.3 My performance is evaluated using a personalized performance evaluation form based on the features of my work.					
4.4 Effective performers can be distinguished from inefficient performers using the performance evaluation form that is used to assess performance.					

5. Reward Rating Linkage

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.1 Pay, benefit, and promotion decisions are heavily influenced by information gathered through performance assessment					
5.2 The outcome of a performance assessment is used as a benchmark tool for the distribution of performance related pay and promotion.					
5.3 Performance based bonus and merit pay schemes have a significant effect on my individual performance.					
5.4 Performance based bonus and merit pay structure is fairly rewarding my effort					

6. Rater's Commitments, Errors and Biases

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6.1 Performance evaluation is considered important task by my rater.					
6.2 My supervisor is capable of conducting unbiased performance evaluations of employees.					
6.3 My evaluator is free of non-performance related factors like characteristic bias (race, gender and age) and personal relationship (liking or dislike when assessing my performance,)					
6.4 My boss correctly assesses my performance to the point where I will be rewarded for doing what I need to do or penalized for not doing so.					
6.5 My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance.					
6.6 All the information obtained from Performance Appraisal is confidential.					

7. Effectiveness of Performance Appraisal system

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employee performance					
7.1 Performance Appraisal assists in determination of short term training to fill the gaps of employees on performance					
7.2 Performance appraisal has provided opportunity to improve performance					
7.3 Appraisal outcomes have given you opportunity to eliminate weak areas in performance					
7.4 The leadership and interpersonal skills are developed due to the Performance Appraisal System.					
7.5 You have noticed no change in your performance through appraisal system					
Performance appraisal satisfaction					
7.6 You are satisfied with the outcomes of appraisal					
7.7 You are satisfied with the way by which your performance is appraised					
7.8 Do you think that the current appraisal system has limitation					
7.9 You are satisfied with the way by which your performance is appraised					
Appraisal Accuracy					
7.10 Leads in identifying factors that are difficult to effective performance					
7.11 The appraisal outcomes are accurate					
7.12 Minimum errors are identified in the appraisal system					

Sources: - A. K. Das Mohapatra (2015), Armstrong, M (2009), Bento, A, Bento, R (2006), Mathew R. V (2007), Muhammad Zohaib Abbas (2014)