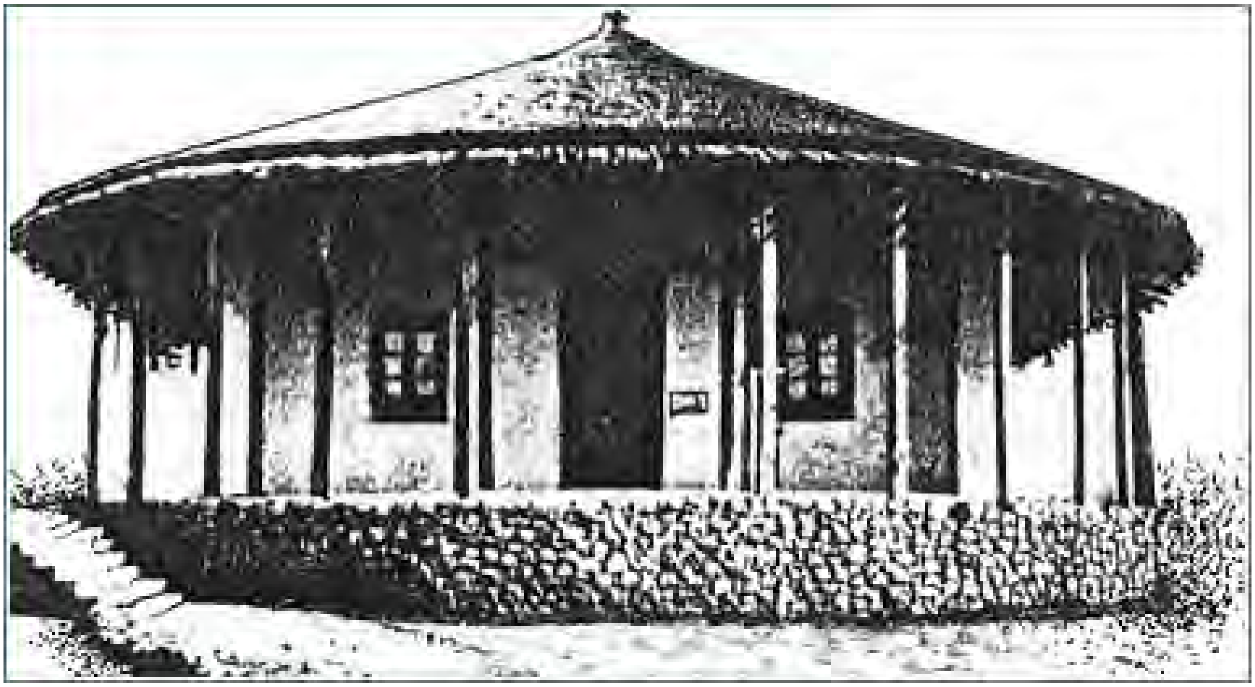
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
EXECUTIVE MBA PROGRAM

PERFORMANCE APPRAISAL SYSTEM & ITS EFFECTIVENESS IN BANK OF ABYSSINIA



By: Samuel Kebede

Advisor: Gemechu Waktola (PhD)

Performance Appraisal System and its Effectiveness
In BANK OF ABYSSINIA

A Project Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfilment of the Requirement for the Executive Master of Business Administration (EMBA)

By

Samuel Kebede

GSE/1115/05

Department of Management

College of Business and Economics

Addis Ababa University

May, 2014

Addis Ababa Ethiopia

ABSTRACT

The purpose of this study was to assess the effectiveness of the performance appraisal system implemented in Bank of Abyssinia. The study used descriptive method of statistics with cross sectional survey and used qualitative research approach. The research objectives were to see the compliance in implementing the system, assess employees' awareness about the importance and criteria being used, the effectiveness level of performance appraisal system, and the factors affecting successful implementation. Primary and secondary data were used. The analysis was done by the help of SPSS and presented using descriptive statistics, frequency tables, percentages and pie charts. The scope of the study was limited to five branches and head office within Addis Ababa. The findings of the research indicated that there is high compliance with regard to implementing the system in the bank. The measures used to judge the effectiveness indicated that higher ratings are given to behavioral factors such as customer relation, responsibility, etc. than professional competence and quality of work, which indicated the existence of weakness in implementation of the system to differentiate weak and strong performance and the system is not clearly linked to profitability. The effectiveness of the system to improve performance of the employees and the organization is found to be low. The use of appraisal results to make rewards produced leniency from the side of appraisers. On the basis of the findings, the researcher recommends that the administrative and developmental part of the appraisal format be separated clearly, refocus criteria to include task undertaken by employees to link the system with profit and goals of the bank, introduce multiple rating system, design scheme which reduce the use of appraisal result for salary adjustments, develop means to link profitability and performance appraisal, provide rater trainings, develop follow-up mechanisms by human resources departments and develop documentation systems to handle the process and not only the final results. The experience gained in the assessment could be used to make similar surveys in other human resources activities add value not only to itself but could be used in other companies of the same nature.

Key words: employee performance appraisal, effectiveness, direct reportees, ratee, appraiser, rater, compliance and training.

Table of Contents page

CHAPTER ONE

INTRODUCTION

1.1. Background of the study……..1

1.2. Statement of the Problem …………………………………….....................4

1.3. Research Questions……………………………………………….................5

1.4 Objectives of the study …………...6

1.4.1 General objective:...6

1.4. 2 Specific objective:...6

1.5 .Significance of the study...7

1.6 Scope study………..8

1.7 limitation of the study...8

CHAPTER TWO

LITRATURE REVIEW

2.1 The Foundation of Employee Performance Appraisal ………………...9

2.2 Purpose of Performance Appraisal.. 10

2.3 Selecting Criteria for Performance Appraisal.. 12

2.4Methods for Appraising Employee Performance.................................. 13

2.4.1 Category Rating Methods 14

2.4.2 Comparative Methods 16

2.4.3 Narrative Methods…... 17

2.4.4 Special Methods 19

2.4.5. Selection of Appraisal Methods 20

2.5. The System of Conducting Performance Appraisal............................ 21

2.5.1 The Process…... 21

2.5.2 Who Conducts Appraisals 22

2.5.3 Time of Appraisal 22

2.5.4 Appraisal Faults 23

2.5.5 Provision of Effective Performance Feedback 24

2.5.6 Why Performance Appraisals Fail 25

2.6. Issues Related to Performance Appraisal.. 26

2.6.1 Implementation of Employee PA... 26

2.6.2 Acceptability of Employee PA….. 28

2.6.3 Knowledge of Employee about the System..… …................... 29

2.7. Guidelines for Successful Implementation of Performance Appraisal System………………………………………………………………………….......30

2.8. Development of Performance Appraisal in Ethiopia...........................33

CHAPTER THREE

METHODOLOGY

3.1. Introduction 35

3.2. Research Instrument 35

3.3. Sampling Design ………………….. 35

3.4. Data Collection 36

3.5 Data Analysis and Presentation 37

CHAPTER FOUR

DATA PRESENTAION &ANALYSIS

4.1. Distinctiveness of the population...38

4.1.1 Work Experience in BOA..39

4.2. Compliance on implementation of PA system..................................... 39

4.2.1 Performing Employee Performance appraisal………………....... 40

4.2.2 Knowledge of PA Factors by Employees………………………40

4.2.3 Employee Comments on Appraisal Formats………..................... 41

4.2.4. Performance Appraisal Practice……………….……..……...... 42

4.3. Awareness of employees and managers towards PA system…......... 50

4.3.1. Acceptance of the system as a measure of employee PA........ 50

4.3.2 Training for raters and PA 52

4.3.3 Discussions by raters 53

4.3.4 PA factors and attention given by appraisers'.......................... 54

4.3.5 Supervisors acceptability of the appraisal system................... 56

4.4. Effectiveness level of performance appraisal system……………........ 57

4.4.1. Purpose of performance appraisal system................................ 57

4.4.2. Feedback to employees……………….....................................58

4.4.3. Salary increment and performance appraisal……………........60

4.4.4. Bank efficiency and profitability and PA………………………...60

4.4.5.Documenting notes by raters about direct reportees………..61

4.4.6.Follow-up on recommended improvement areas……………....61

4.5. Factors affecting successful Implementation of PA system................ 62

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion 65

5.2 Recommendation 69

REFERENCES: 72

ANNEX- 1 **Questioners**

ANNEX- 2 **Interview Questions**

ANNEX- 3 **Bank of Abyssinia Employees Performance Appraisal System Formats**

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

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

Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not only just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results (Armstrong, 2006:498). Performance appraisal is two rather simple words that often arouse a raft of strong reactions, emotions, and opinions when brought together in the organizational context of a formal appraisal procedure. Longenecker (1997) cited by Kumar (2005) emphasized that most organizations throughout the world regardless of whether they are large or small, public or private, service or manufacturing, use performance appraisal, with varying degrees of success, as a tool to achieve a variety of human resource management objectives.

Organizations use different tools and have a number of goals for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems. However, Kumar (2005) cited Wiese and Buckley (1998), the performance appraisal process allows an organization to measure and evaluate an individual employee's behaviour and accomplishments over a specific period of time. He also cited Coutts and Schneider (2004) that performance appraisal is a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization .Yong (1996) cited by Kumar(2005) defines performance appraisal as "an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of performance based on the job content, job requirement and personal behaviour in the position". For example, the performance appraisal system in the Malaysian Public Service Department is a continuous process of evaluating every employee's performance which begins in January and ends in December every year Kumar (2005).

The purpose of employee performance appraisal would be broadly divided into two categories. One is administrative and the other as developmental (Casio, 2003; Grote, 2002; Jackson and Schuler, 2003; and Mathis and Jackson, 1997). Other benefits would easily be categorized under these two basic classifications. Organizations tried to measure the performance of their employees using various tools ranging from simple to complex processes. Some methods were simply mental Judgments but written formal methods are now common in different organizations in many countries.

The same development prevails in Ethiopia in governmental and private organizations. Even though this was a practice in government agencies but in recent times the private sector stated to practice to prevail in organized performance appraisal systems for employees.

February 15, 1906 marked the beginning of banking in Ethiopia when the first Bank of Abyssinia was inaugurated by Emperor Menelik II. It was a private bank whose shares were sold in Addis Ababa, New York, Paris, London, and Vienna. One of the first projects financed by the bank was the Franco-Ethiopian Railway which reached Addis Ababa in 1917. In 1931, Emperor Haile Selassie introduced reforms into the banking system and the Bank of Abyssinia became the Bank of Ethiopia, a fully government-owned bank providing central and commercial banking services. With the Italian invasion in 1935 came the demise of one of the earliest initiatives in African banking.

On February 15, 1996 90 years to the day after the now-defunct but historical Bank of Abyssinia was officially established by Emperor Menelik, the new Bank of Abyssinia (BOA), which shares nothing with the former one but its name, was established. The new Bank of Abyssinia had, of course, a humble beginning, in that its shareholders numbered only 131, its workforce 32 and had only one branch. Furthermore, its subscribed capital was only Birr 25 million, and its authorized capital Birr 50 million, whereas its paid-up capital was just Birr 18 million. Currently the bank has a subscribed capital of Birr 630 million, an authorized capital of Birr 630 million, and a paid-up capital of Birr 742 million (including special and legal reserves).

In its effort to foster modern management practices in the country the bank introduced different unified policies and procedures. One of these policies and procedures is a provision for employee performance appraisal system as one of its core activity.

The performance appraisal system uses a “Graphical Rating Scale combined with Essay type” method.

There are three modules in the system.

- Supervisory category
- Clerical category
- Non clerical category

There are nine appraising factors for clerical (non-management) and six items for supervisory (management) groups. The factors in the non clerical category are six.

The results are summarized at the bottom of the form with the following points and grades:

Table 1.1 Points rating and grading

No.	Grade	Status
1	5	Outstanding performer
2	4	Exceeds requirements
3	3	Meets requirements
4	2	Fair
5	1	poor

The summary works for the first portion of the format; the second part which is an essay type is not considered in the grading.

1.2. Statement of the Problem

There is general consensus among performance appraisal researchers and practitioners that assessment of appraisal reactions is important (Keeping and Levy, 2000). For instance, it is frequently argued that in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions. If not, any appraisal system will be doomed to failure (Cardy and Dobbins, 1994; Murphy and Cleveland, 1995).

As summarized by Faseeh (2013) the performance appraisal process should undergo regular review and improvement. For example, the process of performance appraisal could be evaluated by conducting focus groups or surveys with employees to gauge their satisfaction with the appraisal process (and suggestions for improvements). It may also be useful to monitor the types of issues raised by supervisors and employees overtime.

If employees are not being adequately appraised, there will be a negative result with respect to their contribution to the organization. As suggested by Stanleigh (2006), it can contribute not only to poor performance on behalf of the individual, but the failure of a project as a whole. It must be difficult to ensure that an employee understands his/her value within the organization if the person who is reviewing their performance is not the person whom they actually work for on a day to day basis, especially, if the evaluation is at all negative. It would be difficult to accept criticism from someone who is not present while performing their daily functions. Edwards and Sproull (1988) argued that employees who receive a less than favorable evaluation may attribute it to the supervisor’s ‘‘poor judgment, lack of knowledge, or personal bias’’.

Long, Cendana, Setangg (2013), argued that, an effective performance appraisal system can make an organization to make the right decision towards further success and growth on the same note, an ineffective performance appraisal system can jeopardize the efforts of an organization by creating dissatisfaction and confusion which then leads to organization failure. Performance management ensures that the employees' performance is aligned with organizational business goals. Researchers confirm the requirements of an effective appraisal system by, emphasizing on

its ability to recognize an individual’s strengths and weaknesses and specify how his or her capabilities may be enhanced and weaknesses prevailed.
Effective performance appraisal depends upon well-defined standards of accomplishment that are measured in accordance with a systematic approach that eliminates or severely reduces subjectivity (Caruth, et al., 2009).

Therefore, the success of the system can be seen from two angles. One could be finding the right instrument and the other would be the application of the instrument in the right manner. All the known employee appraisal mechanisms had got an element of subjectivity in different degrees. It is how the system is implemented that makes a crucial difference between successful and unsuccessful systems. If an employee performance appraisal system is implemented and maintained improperly, it would become a burden rather than a helpful tool and can create serious problems for the organizations (Glendinning 2002; Hazard 2004 as referred in Biron, et al., 2011).

Proper implementation of an effective performance appraisal system depends upon well-defined standards and makes an organization to make the right decision towards further success and growth. Performance appraisal process should undergo regular review and improvement so as to make the employees experience positive towards the appraisal process. Misuse of performance appraisal system, poor system development, lack of evaluation and communicating the practical aspects of the results are some of the factors why the system does not produce the required results (London et al, 2004). It is clearly demonstrated by the documents (human resource manual) of the bank, that it has not assessed the effectiveness of performance appraisal system since its implementation more than ten years ago. Thus, the study attempted to examine the effectiveness of employee performance appraisal system implemented and alleviate the problems associated with Bank of Abyssinia.

1.3 Research questions

This study tried to look for answers to the following research questions in the process of designing effective employee appraisal system.

a) What is the nature (compliance) of performance appraisal system applied by Bank of Abyssinia to manage its employee performance?

b) What is the awareness of Bank of Abyssinia employees and managers toward performance appraisal system applied in the bank?

c) What is the effectiveness level of performance appraisal system in Bank of Abyssinia?

d) What are the factors affecting successful implementation of performance appraisal system in Bank of Abyssinia?

These will be the research questions to be addressed in the paper during the study.

1.4. Objectives of the Study

1.4.1 General objectives

The general objective of the study was to assess the effectiveness of the employee performance appraisal system implemented in the Bank of Abyssinia and develop operating recommendations to the top management.

1.4.2 Specific objectives

The specific objectives of the study were the following:

- Evaluate the compliance of the bank to the proper implementation of the performance appraisal process.
- Investigate the awareness of Bank of Abyssinia employees and managers towards performance appraisal system applied in the bank.
- Examine the effectiveness of the preparation and follow-up done in terms of timing and resources for employee performance appraisal.
- Investigate the effectiveness of handling employee performance appraisal process by supervisors.
- Examine whether the performance appraisal system is being implemented with appropriate care or not.

- Evaluate the acceptability and effectiveness of the employee performance appraisal system by raters as a tool in differentiating good performers from weak performers.
- Identify factors affecting successful implementation of performance appraisal system.

The assessment of the implementation of the system is chosen primarily because of the fact that the acceptance, relevance and understand ability of any performance appraisal system are very important.

The benefit will be to employees as well as to management as unnecessary pressure will be identified in case there are ambiguities regarding the purpose and process. The experience gained in the assessment could be used to make similar surveys in other human resources activities.

1.5. Significance of the Study

In any organization employees are given different works according to their profession (skill and knowledge they possess). In order to measure the performance of the employees, job description should be prepared and given to each employee as soon as each is employed and positioned or placed. After appraising the performance of employees, helps to make different decisions such as salary increment, promotion, demotion, discharge, transfer and training.

Considering the level of management practices by Bank of Abyssinia the effectiveness of the system and improving it will add value not only to itself but could be used in other companies of the same nature.

It can also help the bank as a resource material to effectively manage the performance of employees and improve their productivity; select the appropriate strategies for enhancing employee performance, focusing on results and continuous improvement, and motivating their work force to higher levels of quality. According to Bennett and Minty (1999:58), strategic success lies in focusing attention at all levels on key business imperatives, which can be achieved through effective performance management.

In addition, it could serve as a reference for further research in the areas of employee performance evaluation both in the mind of the raters, ratee's and those parties responsible in the design of the instruments of performance evaluation factors that are used to judge the performance of employees.

1.6. Scope of the Study

The study is limited to the effectiveness of employee performance appraisal system implemented in Abyssinia bank located in Addis Ababa, due to accessibility. The concentration of the permanent employees in Addis Ababa is large compared to other branches in different locations.

1.7. Limitation of the Study

The study concentrated only on how effectively the employee performance appraisal system is implemented in the bank. As a result the impact of employee performance appraisal on the bank productivity and profitability is not covered. As the study is done on sample basis in Addis Ababa, some percentage of employees may not be addressed methodologically.

- The study was facing a problem of getting enough literature available especially in the context of this country. This may limit the depth of literature review conducted in the study and forced to depend on foreign literature.
- The study only focused in Addis Ababa due to time and finance.
- Limited research exposure of the researcher.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Foundation of Employee Performance Appraisal

It could be argued that the most important role of Human Resources Managers is to raise the performance of employees in the organization. To do this, employees' performance has to be managed and this is not an easy job. As long ago as 300 AD, the Chinese philosopher, Sin Yu, was complaining about the unfair treatment dealt by senior mandarins in the Civil Service under the then performance management scheme. As cited by Stredwick, (2005), Peters and Waterman, (1982), managers often took 6 months or more to get over their appraisal. Many practitioners are still very suspicious of working according to a scheme, which attempts to measure the un measurable, communicate performance to the inattentive and make extra payments to the ungrateful.

The subject of management as a discipline formally emerged from the classical pioneering works of scholars like Frederick Winslow Taylor, Henry L. Gantt, Frank and Lillian Gilbreth, Henry Fayol, etc (Grote, 2002). All scholarly works include the subject of employee performance appraisal as one of its core activities. The known theories of management include the scientific management, the behavioral sciences, the systems approach and the contingency approach.

The essence of all theories and practices in employee performance appraisal is to find a means of rewarding employees in some form so that more and sustained productivity could be obtained. That is why the early efforts of scholars like Frederick W. Taylor in the scientific management thought searched various options to make possible increased pay for workers through their higher productivity (Koontz & O'Donnell, 1988). In those days people were viewed to be rational, non-emotional beings. That is why the primary forms of reward were taken to be only a rise in pay regardless of other considerations.

In response to the pitfalls in the scientific management the human relations approach developed various performance appraisal mechanisms which consider employees as social beings. The work of scholars like Elton Mayo who carried out the Hawthorne Studies, Abraham Maslow who came with the Hierarchy of Needs Theory, Douglas McGregor who put forward Theory X and Theory Y are all results of the need to improve scientific management in this era (Grote, 2002; and Koontz & O'Donnell, 1988). In that period, organizations believed that employees have other needs to satisfy that are not necessarily economical. As a result organizations are required to set objectives and performance appraisal criteria which consider these aspects.

Before World War II, only a handful of companies and government agencies used a written employee performance appraisal system. After World War II, the emergence of the contingency approach to management brought another side of employee conception (Grote, 2002). Individuals were seen as complex beings, with needs that varied, developed, and changed. Employee performance appraisal became a critical part of any organization's management. This can be simply attributed to the fact that measurement of result is very important, since measured outcome can help to determine reward.

This confirms one of the causes and effects of relationships in psychology that states what gets rewarded gets done (Cascio, 2003). As a result the fundamental issue for managers is to pinpoint what kind of behavior they want to encourage in their subordinates, so that the required task will be performed.

The development in the thought of management and the various practices in the developed world both in the west and east still indicate the use of performance appraisal as an important tool for management. However, due to tremendous accountability of management, almost all organizations in developed and developing countries use some form of employee performance appraisal. The system ranges from formal to informal, from manual to computerized system and sometimes very technical (Perlmutter, et al., 2001).

With all the developments in technology and organizations, the objectives and purpose of employee performance appraisal grew in breadth and width. The simple methods commenced in the early days are phased out and more comprehensive techniques are prevalent currently.

2.2 Purpose of Performance Appraisal

According to Ivancevich (2004:257) and, Rao (2000:220), evaluation has many purposes; among them are:

a. Development. It can determine which employees need more training, and it can help evaluate the results of training programs. It helps the subordinate-supervisor counselling relationship, and it encourages supervisors to observe subordinates' behavior to help employees.
b. Motivation. It can encourage initiative, develop a sense of responsibility, and stimulate efforts to perform better. Robbins P. (2003) defined motivation as the process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.
c. Human resources and employment planning. It can serve as a valuable input to skills inventories and human resource planning.
d. Communications. It can serve as a basis for an ongoing discussion between superior and subordinate about a job-related matter. Through interaction and an efficient feedback process, the parties get to know each other better.
e. Legal Compliance. It can serve as a legally defensible reason for promotions, transfers, rewards, and discharges.
f. HRM research. It can be used to validate selection tools such as a testing program.

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

- Administrative. Providing an orderly way of determining promotions, transfers and salary increases (Wexley N. Kenneth and Andgary A.Yulk:336).
- Informative. Supplying data to management on the performance of subordinates and to the individual on his or her performance (George Jennifer M and Gareth R Jones: 254).
- Motivational. Creating a learning experience that motivates staff to develop themselves and improve their performance.

According to Stredwick (2005:290) there are two main purposes driving towards performance management. Firstly, the operational reasons (control, communication and effectiveness), which serve to lead and control. As organizations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives. The performance management system sets out to communicate the link between an organization's mission and strategic direction and the required employee performance. The process can also be used as a form of strict control over employees.

As can be observed, the list is long even additional points could be added. However, behind all these lies the notion those managers are interested to see if employees are performing as well as they can and also to assess the potential for growth (Kressler, 2003). Most of the times performance appraisal is related with compensation level since both the employees and the employer want to assess whether the employees are fairly rewarded for the contracted services (Grote, 2002). The evaluation has to be on concrete or verifiable factors but some of the factors will be difficult to measure directly. Strebler (1997) as cited by Nyaoga (2010) clearly indicated that employee performance appraisal has become a key feature of an organization's drive towards competitive advantage.

Generally the above purpose of performance appraisal can be divided into two. The points related with compensation, promotion, demotion, layoffs, etc., could be termed as administrative purpose and the others which are forward looking like required training, identifying areas for growth, development planning, career planning, etc., can be called developmental purpose (Mathis and Jackson, 1997). The different purposes set to be achieved by the system demand a thorough thought to see whether such seemingly contradictory objectives could be achieved at all or fairly done. For this purpose one type of criteria or dimension will not be enough.

2.3 Selecting Criteria for Performance Appraisal

Most of the time jobs usually include many duties and tasks which demand for multidimensional performance measurement tools. If performance appraisal criteria leave some aspects of the job duties, they will be deficient as a measure of performance (Cascio, 2003). On the other hand if some irrelevant criteria are added, the criteria will give wrong signals as if they are below standard or unworthily outstanding. In this sense the different methods being used are not without pitfalls but the degree of error could be reduced by establishing systematic procedures.
To add on, the use of both objective and subjective criteria are unavoidable which can be sources of many problems. There may be no difficulty to determine quantity of production in a certain period but the evaluation of an employee by a supervisor using adjectives such as "outstanding"

or “unsatisfactory” is unlikely to come out the same way by different appraisers (Mathis and Jackson, 1997).

From the outset establishing realistic, measurable, clearly understandable performance standards are essential for all parties. These standards should be set up in the front to reduce latter disagreements and bias. There are some common areas which require establishing such standards.

According to Mathis and Jackson (1997, p.343) the following are the major areas:

- Quantity of output
- Quality of output
- Timeliness of results
- Manner of performance
- Effectiveness of performance

As stated earlier, the kinds of criteria are both quantitative and qualitative. There will be less disagreement on the quantity standards but qualitative standards are prone to disagreement. The overall criteria need to be put in performance appraisal systems to be useful. The appraisal system could be strong or weak depending on its elements.

In order to improve the result, a performance-appraisal system should be job-related; reliable and valid; standardized; practical and workable; acceptable to everyone in the organization; reflective of a managerial style that is conducive to employee growth; and predicated on a managerial willingness to offer suggestions for improved performance (Arthur, 2008; Cascio, 2003; and Kressler, 2003). Sometimes it would be difficult to satisfy all these. In such times limiting on the verifiable facts will be important. Depending on all the circumstances, the criteria could be one of trait based, behavior based or results based (Cascio, 2003; and Mathis and Jackson, 1997).

2.4 Methods for Appraising Employee Performance

Performance can be appraised by a number of methods. The various methods are categorized into four major groups: category rating, comparative, narrative and special methods (Mathis L. Robert and John H. Jackson, 1997:352).

2.4.1. Category Rating Methods

The simplest methods for appraising performance are category rating methods, which require a manager to mark an employee's level of performance on a specific form. The graphic rating scale and checklist are common category rating methods while the other is forced choice method (Mathis L. Robert and John H. Jackson, 1997:352).

2.4.1.1. Graphic Rating Scale allows the rater to mark an employee's performance on a continuum. Because of its simplicity, this method is the one most frequently used. It is also the oldest method in which the rater checks the appropriate place on the scale for each duty listed. More detail can be added in the space for comments following each factor rated (Rao P.Subba and Rao V.S.P, 2000:224 and Robins Stephen P, and Mary Coulter, 2002:320).

There are some obvious drawbacks to the graphic rating scale .Separate traits or factors are grouped together, and the rater is given only one box to check. Another drawback is that the descriptive words sometimes used in such scales may have different meaning to different raters. Terms such as initiative and cooperation are subject to many interpretations, especially in conjunction with words such as outstanding, average and poor. This method in many forms used widely because they are easy to develop; but for the same reason, they encourage errors on the part of the raters, who may depend too heavily on them.

Table 2:1 The typical graphic rating scale

Items to be rated	Outstanding	Good	Satisfactory	Fair	Unsatisfactory
Quantity of work					
Volume of acceptable work					
Under normal conditions					

Source: Ivancevich (2004)

Comments: ____

2.4.1.2. Checklist is composed of a list of statements or words. Raters check statements most representative of the characteristics and performance of employees. The following are typical check list statements presented by Mathis and Jackson (1997:354); Rao P.Subba and Rao V.S.P, (2000:224)

Table 2:2 Check List

Statements	Yes	No
Can be expected to finish work on time		
Seldom agrees to work overtime		
Is cooperative and helpful		
Accepts criticism		
Strives for self-improvement		

The checklist can be modified so that varying weights are assigned to the statements or words. The results can then be quantified. Usually, the weights are not known by the rating supervisor and are tabulated by someone else, such as a member of HR unit. There are different difficulties with the checklist as with the graphic rating scale. The words or statements may have different meanings to different raters; raters cannot readily discern the rating results if a weighted checklist is used and raters don't assign the weights to the factors. These difficulties limit the use of the information when a rater discusses the checklist with the employee, creating a barrier to effective developmental counselling.

According to Ivancevich, the checklist is a set of objectives or descriptive statements .If the rater believes that the employee possesses a trait listed, the rater checks the item; if not, the rater leaves it blank. A rating score from the checklist equals the number of checks.

2.4.1.3. Forced Choice format is an attempt to improve rater objectivity by disguising the "best" of two responses as described by Robert L. Mathis and John H. Jackson(1997); Rao P.SUBBA and Rao V.S.P, (2000:229). Both items may be positive. For example,

Choose the statement that best describes this employee:

Listens objectively to criticism

Asks for input on difficult projects

One of the two is more important for the job in question, but raters cannot necessarily tell which it is. The intention is to reduce the opportunity for deliberate inflation of ratings. One of the choices would be scored one point and the other zero. Clearly, one problem with the forced choice format is developing statements so that the intent is not entirely obvious. Ivancevich has argued that the forced choice method was developed to avoid the problems faced in graphic rating scale which allowed supervisors to rate high. This creates difficulty in distinguishing poor and good performance, as sensitivity is one necessary characteristics of a good criterion.

2.4.2. Comparative Methods

These methods, unlike the other methods, require managers or supervisors to compare performance appraisals of employees having same job description (Robert L. Mathis and John H. Jackson, 1997).For example, an accountant's performance can be compared with that of other accountants. Comparative techniques of evaluation methods include ranking, paired comparison and forced distribution.

2.4.2.1. Ranking is listing of all employees from highest to lowest or ranked from best to worst in performance. Rankings require a supervisor to generate a list of subordinates in order of some overall criterion. This is very difficult to do if the supervisor is asked to rank the best and worst employees in a reliable way than it is to rank the average ones. In this approach, the evaluators pick the top employee first, and then the bottom employees next until all employees are ranked (Ivancevich, 2004). The drawback of this method is that the difference among individuals is not well defined. This drawback can be overcome to some extent by assigning points to indicate the size of the gaps. Ranking also means that someone must be last. It is possible that the last ranked individual in one group would be the top in a different group. Further, ranking becomes very unmanageable if the group to be ranked is very large (Robert L. Mathis and John H. Jackson, 200:354; Rao P.SUBBA and Rao V.S.P, 2000:227).

2.4.2.2. Paired Comparison method was designed to make the ranking process easier for the supervisor and perhaps more reliable, especially when there are many people to rank. The supervisor uses a series of cards which show the strength and weakness of each pair of employees simultaneously, selects one of the two, continues until all employees are paired and compared, and the final ranking is determined by counting how many times a given employee is chosen as the better performance of all of the comparisons made (Ivancevich, 2005:271; Rao P.Subba and Rao V.S.P, 2000:228). Robert L. Mathis and John H. Jackson (1997: 355) have defined paired comparison as a formal comparison of each employee with every other employee in the rating group one at a time. The number of comparisons can be calculated using the following formula:

$\frac{n(n-1)}{2}$, where n is the number of employee rated.

Both Ivancevich and Mathis and Jackson agreed that larger number of comparisons that must be made is the major drawback of this method.

2.4.3. Narrative Methods

Some managers and HR specialists are required to provide written appraisal information. Robert L. Mathis and John H. Jackson (1997:356) divided these methods into: critical incident, essay and field review methods. Documentation and description are the essences of these methods. These records describe an employee’s actions rather than indicating an actual rating.

2.4.3.1. Critical Incident

This method requires listing down good and bad performance actions of the employees. When a critical incident involving an employee occurs, the manager writes down. A listing of critical incidents is kept during the entire rating period for each employee. The critical incident method can be used with other methods to document the reasons why an employee was rated in a certain way. The critical incident method also has its unfavourable aspects. First, what constitutes a critical incident is not defined in the same way by all supervisors. Next, producing daily or weekly written remarks about each employee's performance can take considerable time. Further, employees may become overly concerned about what the supervisor writes and begin to fear the manager's black book (Mathis and Jackson, 1997:356; Robins Stephen P, and Mary Coulter, 2002:320; and Rao P.Subba and Rao V.S.P, 2000:234).

According to Ivancevich (2004), this technique requires raters to maintain a log of behavioral incidents that represent either effective or ineffective performance for each employee being rated. These incidents are critical incidents. Because these incidents might not be directly comparable for different ratees, lists of standardized incidents can be prepared by a HR specialist in consultation with operating managers. The rating task then becomes one of logging each time a subordinate engages in one of these behaviors. An example of a good critical incident for a salesclerk is the following: listened patiently to the customer's compliant, answered the woman's questions, and then took back the merchandise, giving the customer full credit for the returned product. He was polite, prompt, and interested in her problem. On the other hand, a bad critical incident might read as follows: stayed eight minutes over on his break during the busiest part of the day. He failed to answer three store manager's calls on the intercom and to report to cash register immediately.

2.4.3.2. Essay Evaluation

The essay or free-form appraisal method requires the manager to write a short essay describing each employee's performance during the rating period. The rater is usually given a few general headings under which to categorize comments. The intent is to follow the rater's more flexibility than other methods do. As a result, the essay method is often combined with other methods (Mathis and Jackson, 1997:356; Robins Stephen P, and Mary Coulter, 2002:320 , and Rao P.Subba and Rao V.S.P, 2000:224).

In this method, the rater may be asked to describe the strong and weak aspects of the employee's behavior. In some organizations, the essay technique is the only one used; in others, this method is combined with another form such as a graphic rating scale .In this case, the essay summarizes the scale, elaborates on some of the ratings, or discusses additional dimensions that are not on the scale. In both these approaches, the essay can be open-ended, but in most cases there are guidelines on the topics to be covered, the purpose of the essay, and so on. The essay method can be used by raters who are superiors, peers, or subordinates of the employee to be evaluated (Ivancevich, 2004:267).There are criticisms about the accuracy and relevance of essay evaluations. However, they do offer flexibility, and in an organization that emphasizes customer satisfaction, an evaluator can specifically address the ratee's achievements in this area. This flexibility to discuss what the organization is attempting to accomplish is one strength of essays. On the other hand, comparing essays written by the same or different raters is difficult. Skilled writers can paint a better picture of an employee than can unskilled writers.

2.4.3.3. Field Review

In the field review, the HR unit becomes an active partner in the rating process .A member of the unit interviews the manager about each employee's performance. The HR representative then compiles the notes from each interview into a rating for each employee. Then the rating is reviewed by the supervisor for needed changes. This method assumes that the representative of the HR unit knows enough about the job setting to help supervisors give more accurate and thorough appraisals. The major limitation of the field review is that the HR representative has a great deal of control over rating. Although this control may be desirable from one view point, the supervisors may see it as a challenge to their managerial authority. In addition, the field review can be time consuming, particularly if a supervisor has to rate a large number of employees (Mathis and Jackson, 1997:356).

2.4.4. Special Methods

2.4.4.1. Behavioural Rating

One attempt to overcome some of the difficulties of the methods just described is several different behavioural approaches. Behavioural approaches hold promise for some situations in overcoming some of the problems with other methods. Robert L. Mathis and John H. Jackson have divided this method into: behaviourally anchored rating scales, behavioural observation scales and behavioural expectation scales.

Behaviourally Anchored Rating Scales match descriptions of possible behaviours with what the employee most commonly exhibits.

Behavioural Observation Scales are used to count the number of times certain behaviours are exhibited.

Behavioural Expectation Scales order behaviours on a continuum to define outstanding, average, and unacceptable performance.

2.4.4.2. Management by Objectives (MBO)

MBO specifies the performance goals that an individual hopes to attain within an appropriate length of time. The objectives that each manager sets are derived from the overall goals and objectives of the organization, although MBO should not be a disguised method for a superior to dictate the objectives of individual managers or employees .Although not limited to appraisal of managers, MBO is most often used for this purpose. Other names for MBO include appraisal by results, targeting, coaching, work planning and review, performance objectives, and mutual goal setting (Robert L. Mathis and John H. Jackson, 1997: 357).

Implementing a guided self-appraisal system using MBO is a four-stage process (Mathis and Jackson, 1997 – p.358). These are:

- Job review and agreement
- Development of performance standards
- Guided objective setting
- Continuing performance discussions.

It can be deduced that in theory MBO promotes success in each employee because, as each employee succeeds, so do the manager, the department and the organization. However, this happens if all stakeholders have compatible goals (Cascio, 2003). Additionally, as no management tool is perfect, MBO is not appropriate for all employees or for all organizations (Mathis and Jackson, 1997).

2.4.5. Selection of Appraisal Methods

Methods which increase effectiveness of performance appraisals systems would be important. However, it is unlikely to get one clear cut solution to this problem. Simply an analysis of the situation could be important. The bottom line regarding the use of the various methods is that, what is important about the different appraisal techniques is not the difference in the results, but the relevance and acceptability of the system by employees and supervisors (Cascio, 2001; Mathis and Jackson, 1997; and Sandler, et al., 2004).

Performance appraisal has got an effect, sometimes even a considerable one, on the employee's, interests. It has bearing on income, future work, promotion and, of course, also self-esteem, security and status (Kressler, 2003; and Scholtes, 1998). Whether the results are clear-cut or not, there must be feedback on performance appraisals to employees. This will increase the acceptance level and reduce problems of communication and perception.

2.5. The System of Conducting Performance Appraisal

2.5.1 The Process

Organizations can take many different approaches to measuring performance; some are more objective but most involve some subjectivity (Jackson and Schuler, 2003). In today's organizations appraisal is one of the basic requirements for a successful human resource policy – provided that it works (Kressler, 2003). Whether or not it works, however, depends on the business culture, management style and the form and objectives of the chosen system.
In conducting the appraisal process, it is possible to think two processes with different emphasis: top-down appraisal and bottom-up appraisal.

2.5.1.1 Top-Down Evaluation

Basically all members of an organization are involved in appraisal. Everyone, with the exception of those 'at the very top' or 'at the very bottom', both conducts and is the subject of appraisal (Kressler, 2003). The appraisal process traditionally occurred in a hierarchical relationship, whereby a person reporting on a direct report conducts an evaluation, while also being subject to evaluation by someone on the immediately higher level.

Generally speaking "top-down" evaluating process is the fundamental form of employee appraisal. Organizations should try to augment the system rather than to replace it. The procedure is an important factor in success, both for economic efficiency and for the efficient use of human resources (Kressler, 2003). Therefore every effort must be done to implement it as successfully as possible and to prepare everyone concerned for accomplishing this vital task.

2.5.1.2 Bottom-Up Evaluation

Another form of evaluation process is the bottom-up appraisal process. It changes the performer–evaluator relationship and its purpose. Kressler (2003, p.49) states that:

“What is now judged is not in the first instance professional performance or the superior’s contribution to the achievements of the business, but above all the way in which he or she functions as leader of a department or a team. It concerns things like communication, motivation, commitment, credibility, and training, but also efficiency, objectives, supervision and feedback”.
The results obtained can be used for different purposes like evaluating the supervisor’s potential for growth as a manager.

2.5.2 Who Conducts Appraisals

Performance appraisal can be done by anyone familiar with the performance of individual employees. Wayne F. Cascio (2003), Susan E. Jackson and Randall S. Schuler (2003) and Felice D. Perlmutter and et al. (2001) all states that employee appraisal could be made by:

- Supervisors
- Direct report
- Team members
- Outside sources
- Self appraisal.

The purpose and target area in each appraisal is different; hence attention should be given in choosing one.

2.5.3 Time of Appraisal

The timing of appraisal is an important aspect in performance evaluation. Traditionally, formal appraisal is done once, or at least twice, a year (Cascio, 2003). There are different timings of appraisal in different organizations and three spots are mentionable. This includes focal-point, anniversary and natural time span.

2.5.3.1 Focal-Point Approach

Many organizations conduct formal review sessions at regular intervals, such as every quarter, every six months, or annually. This interval of appraisal has got the advantage of standardization although it creates workloads at particular time period and a system of work cycle will be created (Jackson and Schuler, 2003). The difficulty will be to recall data from memory, especially for all the subordinates at once in a period.

2.5.3.2 Anniversary Approach

The function of appraisal is distributed throughout the year based on the anniversary date of the employees' seniority dates. It has the advantage of reducing the load on supervisors and employees could get valuable feedback.

Some studies indicated that companies with year-round performance appraisal systems as opposed to once a year or no systems out performed on many financial and productivity measures (Cascio, 2003). The difficulty will be when the company uses a sort of curved distributions of appraisals (Jackson and Schuler, 2003).

2.5.3.3 Natural Time Span of the Job

Another approach of determining the time span of performance appraisal is to use the natural span of the job. This approach is particularly good for project type of works where a definite start and finish could be clearly determined. In such type of tasks if the appraisal is taken to soon it will suffer from lack of information and if it is done too late the valuable benefit of feedback for improvement is missed. It is recommended that for projects with longer life span interval or milestone appraisal is a good time (Mathis and Jackson, 1997). Many organizations practice annual evaluation of their employees. Such practice will give any fair view. Hence to make such practice an effective instrument of measurement it should be an ongoing activity, spanning the entire year (Caruth, et al., 2009).

Organizations should choose the timing of appraisal considering the job situation and the overall human resources management objective.

2.5.4 Appraisal Faults

In handling the rating of employees, if the criteria aren't clearly specified and there are no incentives associated with rating accuracy, a variety of errors occur during the rating process (Jackson and Schuler, 2003). Raters have their own sets of likes, dislikes, and expectations that may or may not be valid (Cascio, 2003). These bias produce rating errors the major ones described below.

- Problems of Varying Standards

The equal treatment perception is important for the acceptability of the system (Mathis and Jackson, 1997). The notion and actual usage of varying standards in appraising employees performing similar jobs creates resentment.

- Leniency Error

This is a situation where all employees are rated high. The driving force to make such type of decision on the part of rater could be different but its usefulness will be reduced (Jackson and Schuler, 2003).

- Strictness Error

The opposite of leniency error is strictness error in which all employees are rated low. The result could be lack of awareness about constraints (Jackson and Schuler, 2003). Most of the times supervisors who are rated low are likely to under rate their subordinates.

- Central Tendency

Some raters may rate most employees as an average performer despite individual differences. One reason for such tendency could be a forced distribution system (Mathis and Jackson, 1997). On the other hand, lack of adequate time for observation of performance when there are too many subordinates could be sighted as a cause.

- Contrast Error

The contrast error is the tendency to rate employees relative to each other than a set of standards of performance. When an average employee is compared with a weak employee the rater may appraise him/her as outstanding (Jackson and Schuler, 2003). When ratings are made it should be made on established standards rather than comparing each other.

2.5.5 Provision of Effective Performance Feedback

The effectiveness of the performance appraisal system partly depends on the capacity to provide feedback to employees as subject of the performance appraisal process. Many organizations make it a requirement that supervisors conduct performance evaluation interview with their subordinate formally about their performance (Arthur, 2008; Mathis and Jackson, 1997; and

Scholtes, 1998). Likewise employees would like to know how they stand in the eyes of their supervisors and the organization at large.

However, poorly handled feedback interview had got dangers if not properly handled. There are various suggestions to be followed in handling performance appraisal feedback interview. Wayne F. Cascio (2003, pp358-60) summarizes the important points as follows.

- Advance preparation
- Participation in the discussion
- Judge performance, not personality
- Be specific and be an active listener
- Avoid destructive criticism
- Set mutually agreeable goals

The link between performance appraisal and rewards such as merit pay and promotion is very important to create the necessary interest for accomplishing proper performance appraisal. Both the employees and supervisors will have a stake in the process. Supervisors will be able to convince employees that such rewards are done on objective grounds and employees will follow their performance feedback seriously as it will affect their career and benefits.

2.5.6 Why Performance Appraisals Fail

Many organizations believe that policies, rules, complex procedures and so on would result in more and better use of performance appraisal techniques. Some tried to modernize their systems to correct what is wrong in traditional systems. But the performance appraisal system has not fulfilled its promise. Robert Bacal (1998) and Jackson and Schuler (2003) enumerates the most common sources of the problems why performance appraisal fails as one or a combination of the following factors.

- Confusion of purpose
- Lack of executive commitment
- Desire for uniformity
- Process bureaucratization
- Lack of incentives/resources

Problems of proper standard setting

- Appraisal method problems
- Use of too generic items that lack behavioral referents
- The comparison method
- Lack of training support

Many of the factors indicate that most performance appraisal system fail importantly because of the way it is practiced (Bacal, 1998). Generally most effective performance appraisal systems place concern for the employee at their core. The reality is that the organization cannot control the employees' behavior—only they control how they perform their jobs; the key is to provide them with the right environment in which to do so (DelPo, 2007). Such an environment includes support, communication, collaboration, participation, continuous feedback and fair treatment—the very qualities created by effective performance appraisal systems. If, at its heart, a performance appraisal process is designed to improve employee performance, then a manager should emphasize what the employee can do going forward, not how the employee did in the past.

2.6. Issues that can be raised related to employee performance appraisal

2.6.1 Implementation of employee performance appraisal

Although it is generally accepted as a western practice, performance appraisal now features in the management repertoires of organizations in countries around the world, both developed and developing nations. Despite the apparent popularity of these systems, there is a dearth of information about their uses and implementation in non-western environments (Fletcher, 2001;). Fletcher, C. (2001). There are various questions concerning the implementation of performance appraisal systems. Some of these questions are: who designed the system; how often is appraisal conducted; who is the main source of appraisal; and which methods of appraisal are used (Taylor & O' Driscoll, 1994).

Performance appraisal is one of the most praised, criticized and debated management practices for decades (Lawler, 1994), yet, it has been identified as one of the least popular practices of human resource management. Human resource managers' themselves show little confidence in their performance systems (Beer, 1981) since they have to play the roles of both judge and jury (Beer, 1987). Beer, 1987 further noted that most managers are not trained to handle difficulties that arise from negative feedback. Grote (1996), in discussing the training of appraisers and appraises mentioned the importance of continuous training for personnel staff and human resource managers and especially for new managers (appraisers). Taylor and O'Driscoll (1994), in concluding their study identified three directions for training in performance appraisal: improving managers' skills, addressing appraises' performance problems and discussing development needs and career aspirations of employees. To ensure successful implementation it needs to be a complete understanding, acceptance, and support of the appraisal system and its purposes.

For the appraisals to be effective, the top management must be supportive in providing information, clear performance standards must be set, the appraisals must not be used for any other purpose apart from performance management, and the evaluations must be free from any rating biases (Goff & Longenecker, 1990). According to Armstrong (2001) notes that in performance appraisals, accuracy and fairness in measuring employee performance is very important.

According to Robert and John (2013), as one begins to see the appraisal process gets extremely complicated very quickly and remember, anytime a process in an organization is complicated, it costs a lot of money. So why do we even do performance appraisals? What value provided to the organization and to the individual makes the process of evaluating the performance of our workers so critical?

If performance appraisals are done in the correct manner, they can provide us with a series of valuable results. However, done incorrectly, the process of evaluating employee performance can actually lead to lower levels of job satisfaction and productivity. The three major reasons why organizations complete performance evaluations are communicating, decision making, and motivating.

The first major reason for performance appraisal is to provide an opportunity for formal communication between management and the employees concerning how the organization believes each employee is performing. All of us know intuitively that successful communication requires two-way interaction between people. “Organizations can prevent or remedy the majority of performance problems by ensuring that two-way conversation occurs between the manager and the employee, resulting in a complete understanding of what is required, when it is required and how the employee’s contribution measures up.”

The second major purpose of performance appraisals is to allow management to make decisions about employees within the organization. They need to make decisions based on information, the information acquired from the communication. Accurate information is necessary for management decision making and is an absolutely critical component to allow the manager to improve organizational productivity. It is important to use information from annual performance appraisals to make evaluative decisions concerning our workforce including pay raises, promotions, demotions, training and development, and termination.

The third major purpose for performance appraisal is to provide motivation to employees to improve the way they work individually for developmental purposes, which in turn will improve organizational productivity overall. What is motivation, and are performance appraisals normally motivational? Well, from a business perspective, motivation can be defined as the willingness to achieve organizational objectives.

The evaluative decisions should lead to development of employees. Returning to the machine operators having trouble keeping their equipment in working order, making the decision to train the employees leads to their development through improving their performance, as well as better utilizing the resources to improve organizational performance.

2.6.2 Acceptability of employee performance appraisal system

Performance management tools need to be valid and reliable, acceptable and feasible, and specific. Valid means that it measures the process that needed to be measured. Reliable means the measure works in a generally consistent way each time we use it. Acceptability and feasibility deal with the measure being a satisfactory measure with the people who use it and a reasonable measure capable of being successfully applied in a particular situation. Finally, specific means the measure defines the performance well enough that understand the current level of performance achieved and what, if anything, employees need to do to improve their performance to comply with standards Robert and John (2013).

Acceptability mainly deals with the performance appraisal system being accepted because it is perceived as being distributional and procedural fair and being a valid measure for the position at hand. Thus, in recognition of the large amounts of time and money that need to be invested to develop and implement an appraisal system, an ineffective appraisal system would be a severe threat and loss of resources to an organization. On basis of these facts it seems important for each organization to regularly check if their performance appraisal is perceived as intended and if users still support system and process.

According to Elverfeldt (2005), Performance appraisal systems need to be effective in improving or sustaining employee performance, otherwise they are a tremendous waste of time and money spend on development and implementation. From literature analyses it became clear that the most significant factor in determining performance appraisal system effectiveness is the acceptance of its users.

2.6.3 Knowledge of employee about the system

In order to develop an effective Performance appraisal system, the individuals who are involved as raters should undergo training (Goff & Longenecker, 1990). They should be trained on the process of managing, motivating and evaluating employee performance. The system should not be seen as a simple "quick fix" solution. The raters should see it within its wider context of performance management (Boice & Kleiner, 1997).

The criteria that must be met in order to make the system be perceived by ratees to be fair include having a formal system of appraisal, ratees must have a very high degree of job knowledge, the ratees must have an opportunity to appeal against their performance ratings, the dimensions of performance must be relevant, and having action plans to deal with any weaknesses. The organizational climate must be cooperative rather than competitive (Murphy & Cleveland, 1995; Landy *et al,* 1978). It's not only the ratees' attitudes towards the PAS that is critical. Even the attitude of the raters is also critical to the system (Brown *et al*, 2010). The attitudes and approach the rater to the process has been shown to influence the quality of the appraisals. Some raters have indicated that they are reluctant to conduct the appraisals saying that they hated conducting appraisals, "second only to firing employees". Murphy, K. R. & Cleveland, J. N. (1995).

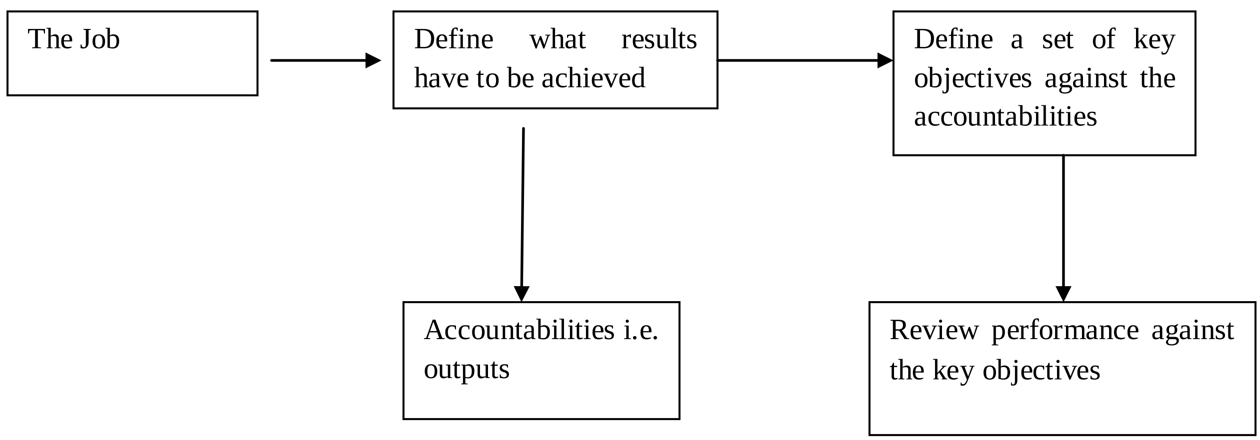
2.6.4 Bank Efficiency and Profitability and Performance Appraisal

Although most organizations have adopted methods for personnel appraisal, their effectiveness is still a matter of dispute. A major part of the controversy holds that some appraisals reflect personnel preferences instead of performance of individual being rated. Another principal short coming is that the evaluator looks at more at behaviour of the rate than his contribution to the organization Dr Shambhu (2008). According to Christos K (1989) with large size and large differences in salaries and wages, the efficient use of labour is a key determinant of relative profitability. The level of staff expenses appears to have a negative impact on banks‟ ROA in the study of Bourke (1989). However, Molyneux (1993) found a positive relationship between staff expenses and total profits. As he suggests high profits earned by firms in a regulated industry may be appropriated in the form of higher payroll expenditures raised constantly by performance appraisal.

According to Pallavee and Usha (2012) Performance appraisal system helps to promote better understanding of an employee’s role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions, identify development needs of an employee, establish common ground between the employee and the supervisor, increase communication, provide an employee with the opportunity for self-reflection and individual goal setting, help an employee internalize the culture, norms and values of the organization. This helps develop an identity with and commitment to the organization and prepares an employee for higher-level positions in the hierarchy and also assist in a variety of personnel decisions.

The typical traditional Performance Appraisal Process of the 1990s focused almost entirely on defining what is to be achieved. However, today competency based Performance Management Schemes are plentiful and becoming the model for the future. These mixed models assess and reward both results and demonstration of competencies; both what employees actually deliver and how they do it. Dr shambhu (2008). One dimensional model can link performance with profitability as shown in figure 2.1.

Figure 2.1 One dimensional model



This model can help banks and other organizations to measure each individual performance against his task so as to measure his/her contribution to the organization goals.

2.7. Guidelines for successful implementation of performance appraisal system

As sited by Rafikul and Shuib (2005) the guidelines are

2.7.1. Employee participation: In any case, if the employees perceive the appraisal system as biased, unfair and lacks rigour, then it is unlikely that they will accept the outcomes of the system. Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself all can be developed with the help of employees. Greater employee participation generates an atmosphere of cooperation and support, which facilitates the development of a coaching or counselling relationship, thereby reducing appraisal related tension and rater-ratee conflict (Jordan, 1992). Somerick (1993) suggested having a dialogue session between the manager and the employees. Concerning to the appraisal system, if any problem occurs, that can be discussed in the dialogue session immediately not months later when the employee's performance has been rated and documented in his/her personal file.

2.7.2. Developing performance standards: Standards to be developed that measure the essential job duties and responsibilities. Once again, employee participation facilitates developing reliable, valid, fair and useful performance standards.

2.7.3. Goal setting: Goal setting has been powerful motivational tool. Majority of goal setting research has been carried out in non-appraisal settings. Goal setting consists of performance goals that are specific, moderately challenging and accepted. Goal setting within performance appraisal has been associated with greater appraisal satisfaction and increased performance (Dobbins et al., 1990). Stevens (1990) states that: "…assign employees a series of goals to be accomplished in the course of a year. When annual reviews are held, rate the employees' progress in achieving these goals."

2.7.4. Sound performance appraisal interview: If the appraisal interview is conducted poorly, the efficacy of the appraisal system is lost. The interviewer must be aware about sensitivity to employee needs for privacy and confidentiality. It is of utmost importance to provide undivided attention during the interview and reserve adequate time for a full discussion of the issues (Roberts, 1994). "Last spring my supervisor was too busy to evaluate me, so I have no idea what kind of evaluation if any was turned in at all", comments a disgusted employee at East Carolina University (Mani, 2002, p.150). To encourage employees to participate in the evaluation, Krug (1998) suggested asking open-ended questions, i.e., the questions that cannot be answered with a simple yes, or no. Particularly, he suggested instead of asking a question like, "Do you enjoy your job?" ask, "How do you feel about working in this company?" The latter question requires a more thoughtful and informative answer.

2.7.5. Self evaluation: This is required to resolve employees' general complaint "Our appraisal process does not take any assessment of myself into account. I would at least like to share my thoughts on what I have accomplished and where I might improve". Self evaluation provides employees an opportunity to systematically assess their performance. Studies have indicated that self evaluation increases employees' perceived fairness on the appraisal process. Employees can evaluate themselves by completing their own appraisal form and presenting the draft for discussion with the evaluator. McCarthy (2000) comments that employees who have an opportunity to asses their own performance often come up with creative solutions that would not have surfaced in the one-sided managerial evaluation. Pam Perry, vice president of human resources for CB Richard Ellis says (cited in McCarthy, 2000, p. 25)

I have my staff write their own reviews; they do the rating and include their comments, then wesit down together and go over them. It eliminates the debate over who is right and who is wrong and allows us to focus on what's important. It's valuable for employees to express their thoughts about their performance in writing.

2.7.6. Management feedback: Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tell them to improve, they will think that the present level of performance is accepted in the organization and they may not put extra efforts to improve Camardella (2003, p. 105).

To have an effective performance appraisal system, there must be formal and informal performance feedback. Roberts (2003, p. 93) echoes Camardella by saying:

Feedback is essential in gaining the maximum benefits from goal setting. Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance.

In the feedback, what the employee is doing right should be emphasized. Focus also should be paid on employee's strength. Provide a short list of areas where the employee needs to improve, highlight the most important ones to be improved first.

2.7.7. Develop user-friendly procedure: Performance criteria and rating procedure should be simple enough and they should be well understood by the raters and ratees. Performance criteria should encompass the key aspects of employee's job. If any key aspect is ignored, then it sends the message that that is unimportant and can be ignored.

2.7.8. Design specific and relevant appraisals: Sometimes employees complain on appraisal system by saying "Our Company uses the same appraisal for all positions. I feel that the things I'm measured on don't have much to do with what I do from day to day" (McCarthy, 2000, p.

24). Appraisal system will be successful only when the items appraised address the requirements and essential functions on the job. The criteria used should be specific and directly related to the job.

2.7.9. Evaluator training: The research conducted by the American Management Association reveals that the main reason for employee and supervisor's frustration with the performance appraisal forces is that a large number of managers are poorly trained in how to give feedback to employees (cited in Krug, 1998). The person who conducts the appraisal exercise should receive extensive training in goal setting, setting performance standards, conducting interviews, providing feedback, avoiding rating biases, etc. He/she should know how to conduct appraisals accurately, consistently, fairly and objectively. In particular, top management must be aware about the competency level of the raters as mentioned by Martin and Bartol(1998, p. 226):

…a review may suggest that a rater who consistently gives all high ratings would be committing a leniency error. On the other hand, a rater who rated most employees low may have fallen prey to the stringency error, and one who entered most employees in the middle of the scale may be demonstrating the error of central tendency.

2.7.10. Revise performance appraisal process: No system is permanent and appraisal system is not an exception. Feedback on the appraisal process should be regularly solicited from both supervisors and employees. Longenecken and Fink (1999, p. 22) state:

It is important to systematically and regularly review system operations to make sure that process and practices are being followed and effective. Examples of measures that can be used to assess the health of your appraisal system include employee acceptance and trust of the appraisal system.

2.8. Development of Performance Appraisal in Ethiopia

2.8.1 Historical Development

The use of performance appraisal systems has got quite a long tradition in Ethiopia. The public service and business organizations are the major areas of application. The application of the system can be seen from three time periods.

2.8.1.1 The Imperial Period (Before 1975)

In this period the major employers were the public sector and some government owned companies like the Ethiopian Telecommunications Authority, Ethiopian Electric Power Corporation, Ethiopian Roads Authority, Commercial Bank of Ethiopia and the like. At the time private organizations were feeble sole proprietorship which were mostly run by family members of local and foreign origin. From the management practices point of view the use of standard performance appraisal were limited to the public services and some big organizations which were few in number. The private companies were small in size and not that much interested to such type of formal systems.

2.8.1.2 The Derg Period (1975 - 1990)

The 1975 Revolution transferred the way management was done and ownership of property including the business organizations to public property. Many small and medium companies which did not have any form of formal management structure were nationalized and put under different organized national bodies. This process necessitated organized management practices and the use of performance appraisal became common in most organizations.

In those times most of the performance evaluation system were closed one and mostly politically motivated than the true performance of the employees. It had been well known for things like annual meritorious awards for employees who had accomplished outstanding works.

2.8.1.3 The Period After 1990

The year 1990 was a pivotal turn for Ethiopian history in that the Derg regime was overthrown and replaced with a new form of government. With the new government the country changed its course of politics from socialist form of government into a free market form of economic policy.

This brought a major change in the development of many big private firms and a sizeable non-government sector into existence to feature the style of management in the country prevailing today.

The other major shift is the way public service activities are organized and how performance appraisal is done. Many laws and proclamations inculcated the new thinking and some modern developments in the field of management.

CHAPTER THREE: METHODOLOGY

3.1. Chapter Overview

This chapter mainly deals about the methodological frame work of the study that the research employed to gather relevant data, to analyze the collected data and to present output of the findings and to draw conclusions and recommendations as per the research findings of the study.

3.2. Research Approach

A research design is the logic that links the data to be collected (and conclusions to be drawn) to the initial questions of a study (or a strategy or plan of action that links methods to outcomes) (Creswell, 2003; Yin, 1989). This research is a descriptive study of the assessment of the effectiveness of employee performance appraisal system implementation in Bank of Abyssinia. As there are different methods of conducting such study, a cross sectional study was chosen as the primary type of study to be used and the research approach is qualitative.

3.3. Sampling Design

3.3.1. Total Population

The total population for the study was the entire permanent employees of Head office and "A" grade Abyssinia bank branches which are located in Addis Ababa. The total numbers of permanent employees in 5 branches including the head office were 650.

3.3.2. The Sampling Frame

Selection criteria was set for the sampling frame from which to select the sample for the study were the banks which are located in Addis Ababa and specifically head office and "A" grade branches, the main reason behind the choice of criteria set was large number of permanent employees are working there compared to other branches.

3.3.3. Sampling Size

The descriptive statistics requires lesser sample size as compared to other studies. The population was 650 permanent employees the desired sample size is 248, which is calculated by sample determining developed by Robert V.Krejcie and Daryl W Morgan (1970) (Annex 5). From the total population when classifying of 69 %(448) head office, 8% (52) Bole branch, 7.5 % (49) Felwuha branch, 8% (52) Negadrase branch and 7.5% (49) Raguel branch.

Therefore from the total population percentage across the branches and the sample size determined the study used 69% (171) of the sample to Head office; 8% (20) Bole branch, 7.5% (19) Felwuha branch, 8% (20) Negaderase branch and 7.5% (18) Raguel branch. Allocation of 69 %(171) of employees under the head office departments was using stratified sample.

Table 3.1. Sample Size Determination

No.	Branches	Sampling Frame (No. of Permanent Employees in head office and "A" grade branches	Sample Size
1	**Head office**	**448**	**171**
2	**Bole branch**	**52**	**20**
3	**Felwuha branch**	**49**	**19**
4	**Neagderas branch**	**52**	**20**
5	**Raguel branch**	**49**	**18**
Total		**650**	**248**

3.4. Source and Type of Data Collection

The data for this research was obtained from primary and secondary sources .The primary data was gathered through questionnaire and interview and its purpose was to obtain the opinion of employees and mangers related to employee performance appraisal and subjected to analysis. The interview was made with top management especially General Managers and Human Resources Managers.

The secondary data which constitute the sources of data was gathered from strategic plan of the organization, performance measurement policy and past performance record and other related documents.

3.5. Research Instrument

The research instruments were questionnaire and interview. The questions used for the assessment of the appraisal process were developed based on the guideline suggested by United States Office of Personnel Management (USOPM) (1997). In the guideline, there are various points forwarded, basically divided as compliance (to determine if the organization is in compliance with regulatory, system and program requirements) and effect (to determine the effect or results of the appraisal program that is the stated objectives of the appraisal program being met?), to assess the effectiveness of an employee performance appraisal programs. The factors raised relate with the problem statement areas to be addressed by the survey. That is the main reason for choosing the guideline and lack of availability usable instrument for the assessment.

The questionnaire was designed to collect field data from employees to be selected randomly from all the branches that satisfy the requirements. In the questionnaire, there are close-ended questions, Likert scale type questions and few open ended questions.

Secondary data was collected from employee’s data base, personnel files and published materials of the bank. The interview was an open ended interview question used to interview General Managers and Human Resources Managers.

3.6. Data Analysis and Presentation

Descriptive statistics was used as one method of data analysis and the statistical tool that was used for analysis was SPSS (Statistical Package for Social Science). The analyzed data will be presented as graph and tables wherever appropriate.

In analyzing questionnaire questions, which are close ended questions and Likert scale based was converted for data entry and analysis. Yes and No type of questions were converted to a code of 1 and 0. The Likert scale types of questions were converted from 1-5 codes. The strongly disagree (not at all) was converted to “1”, sometimes (least disagree) to “2”, on average (not accept or reject) to “3”, agree most of the time to “4” and strongly agree (always) to “5”. Additionally, non applicable questions to a respondent were converted to “6” and missing responses in the questionnaire were converted to “7” for compatibility with the SPSS system of analysis.

The presentation was made to appear in the form of tables, frequency distributions, pie charts and graphs. Chi-square test can also be used to see the relationship of some of the factors in the questions. Chi-square (X^2) test was a nonparametric statistical analysis method often used in experimental work where the data consist of frequencies or `counts' to assess the probability of association or independence of facts (Zibran, 2007).

The open ended questions and the interview results were summarized in bulleted lists to indicate some of the areas found in the questionnaires and the interview to strengthen the findings in the appropriate headings.

3.7. Validity Analysis

The content validity of the instrument for the present study was ensured as performance appraisal system and items are identified from the literature and were reviewed by professionals and academicians. The questions were adopted from USOPM to strengthen the acceptability and validity of information gathered using those questions. The purpose adopting questions from USOPM was to assess the validity of measures.

3.8. Reliability Analysis

Bells (1993) cited in (Eriksson, 2002) states that reliability with regards to the consistency of the results is obtained from the instrument used in the research. The present study is reliable because it used valid strategies and techniques appropriate to the research objectives. It has been tried also to present a detailed evidence of the research plan (i.e. details of the research site, method of sample selection, instruments used) and its implementation in the methodology section to assure the study's reliability.

3.9. Ethical Issues

Before the research was conducted on the selected bank, the researcher informed the participants of the study about the objectives of the study, and was consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons. The ethical issues that were addressed are the following:

- The objectives of the study were clearly stated in the proposal and the participants were appropriately informed about those objectives.
- The plan of the study was reviewed by the research advisor.
- The interviewees took part in the study on voluntarily basis. They also had the right to withdraw from the study any time they wanted to. The study was conducted in such a way that it would not interfere with the business activities of the study sites.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Chapter Overview

The objective of this study is to identify Bank of Abyssinia's employee performance appraisal system effectiveness. As indicated in the methodology part the study conducted basically using questionnaires filled by randomly selected respondents and from the secondary data. Additionally, an interview was done with General Managers and the Human Resources Managers.

Table 4.1: Questionnaires distributed

No	Branches	Distributed questionnaires		
		Distributed	**Collected and verified**	**Percent**
1	**Head office**	**171**	**168**	**98.2**
2	**Bole branch**	**20**	**19**	**95**
3	**Felwuha branch**	**19**	**19**	**100**
4	**Neagderas branch**	**20**	**18**	**90**
5	**Raguel branch**	**18**	**17**	**89.5**
Total		**248**	**241**	**96.8**

As per the sampling design 248 questionnaires were distributed. After receiving the questionnaires a thorough verification process was done before going to further analysis to check for completeness and consistency of the questionnaires. From the total distributed questionnaires 96.8% questionnaire were found to be completed correctly and used for further analysis and 7 questionnaires were not returned.

The findings, analysis and interpretation of data are presented based on the research questions and the responses obtained from the sample respondents.

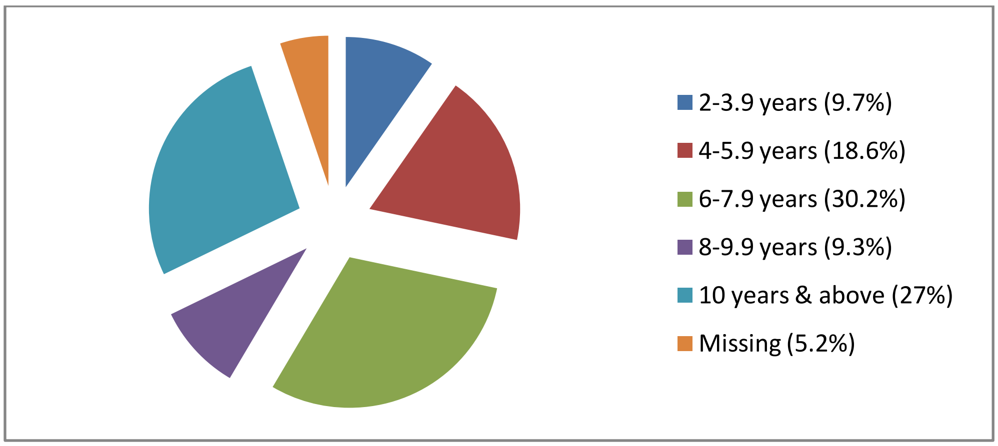
4.2. Distinctiveness of the population

The respondents' characteristics are presented based on questionnaire covering number of years in Bank of Abyssinia and kind of position held (management (supervisor), non-management (clerical) or both) which are important factor for analysis.

4.2.1 Work Experience in Bank of Abyssinia

It is believed that within two years, an employee will receive at least one performance appraisal report under normal conditions. The distribution of years of experience in the bank is presented in the following figure.

Figure 4.1 Work Experience in Bank of Abyssinia



Source: Data from questionnaire

The total number of respondents who properly indicated their service years in the bank on the questionnaires was 89.2% (215), whereas 10.7% (26) of them have not indicated their service years.

From those who had indicated the number of years, 30.2% (63) have service years ranging 6.0-7.9 years. The second immediate category is the group that served ten or more years and these are 27% (58). The third category is 18.6% (40), and these have served 4.0-5.9 years. The final two categories (8.0-9.9 years and 2.0-3.9 years) account for 9.3% (20) and 9.7% (21) respectively.

4.3. Compliance on implementation of performance appraisal system

It is true that, in order to see how effectively the employees' performance appraisal systems were implemented, the respondents should have the knowledge and occasion of passing through the appraisal process either as appraises or appraisers. There were different angles to assess the compliance of the banks to the proper implementation of employee performance appraisal process which are presented here below.

4.3.1 Performing Employee Performance Appraisal

The first category of questions in the questionnaire which was filled by respondents asks whether appraisal conducted for the employee during the last two years. The question basically assess the compliance of the bank on the policy which states that a non-management employee's performance appraisal should be made at least once every six months and a management employee's at least once every year. From the total respondents for the questionnaire two missed responding to the question, hence, the analysis was based on 239 responses. Out of these 97.1% (232) received performance appraisal in the last two years in whatever its form. The remaining 2.9% (7) indicated that they have not received.

Theoretically, the effectiveness of employee performance appraisal could be measured by a survey of people involved in the system to check if at all it is being done (Kirkpatrick, 1984).
A substantial majority of respondents agreed that it is being done routinely which is the starting point for further analysis. Additionally, from the interview with the Human Resources Managers and General Managers, the companies conduct the employee appraisal process in the periods planned only with some delay on the part of appraisers to provide the feedback.

4.3.2 Knowledge of Performance Appraisal Factors by Employees

Receiving the appraisal would be one aspect of compliance to the appraisal process. Additionally, it requires the knowledge of the appraisee to know the factors being used as an evaluation factor. The following table prevails that the responses of the respondents with regard to the above issue.

Table 4.2 Knowledge of Performance Appraisal Factors by Employees

Mean	N	Std. Deviation
4.1042	240	1.02356

Source: question No 5

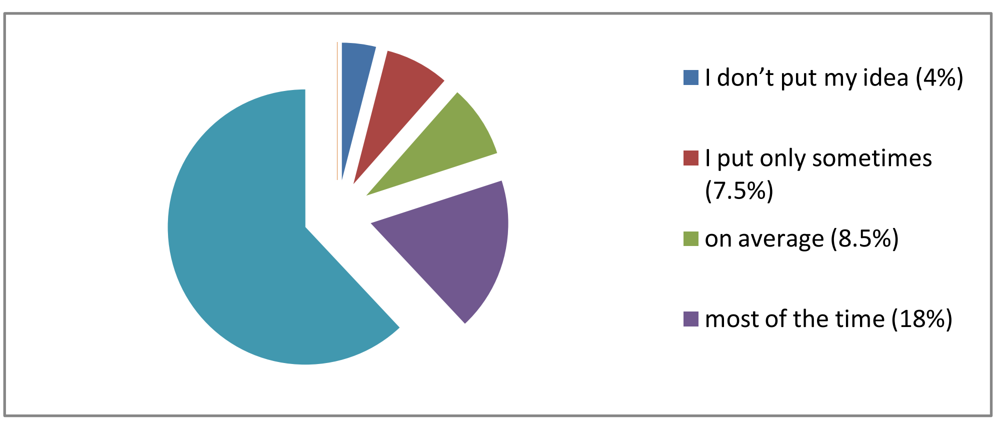
This descriptive statistics is made for question 5, the mean of the respondents is 4.1042 that they have responded to the appraisal factors in which their performance measurement, the knowledge of the factors by appraisees is an important part as they will accept the system as a measure of their performance when they know the factors by which their accomplishments are weighed.

4.3.3. Employee Comments on Appraisal Formats

The appraisee might agree or not with the results and comments given by the supervisor. There is a second chance to go one step up and be judged by the higher authority. The three parties should sign on the form for the completeness. As a formality, signing the form by the employee being evaluated does not indicate the total acceptance of the results. As the system in place is an open appraisal system, supervisors are strictly required to put forward comments on the formats and discuss with the employees being directly appraised by them.

Checking adherence to the process is one of the compliance to be addressed. A question was put forward in order to check whether there are proper indication of areas for improvement put by the supervisor and the appraisee's comment on the performance results. The response for the question is presented as follows:

Figure 4.2 Employee Comments on Appraisal Formats

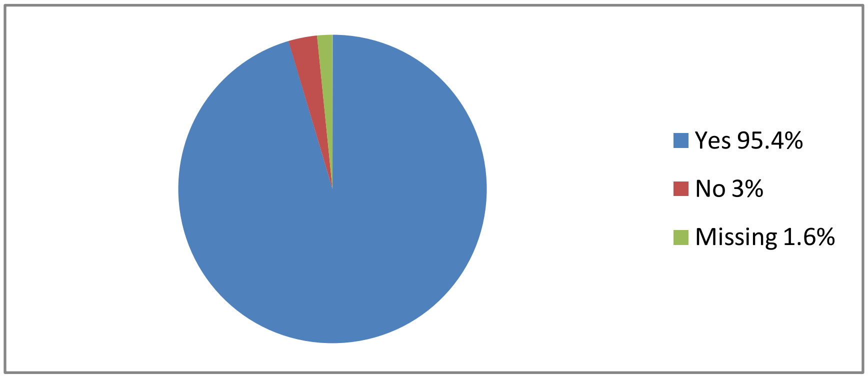


Source: question No 4

Only one employee had not put response from the 241 respondents verified for analysis for question 4. In the study it is indicated that 62% put their view on the format all the time. The next group who put the comments most of the time account for about 18%. On the other hand those who do put their comments on average and sometimes account for 8.5% and 7.5% respectively.

In order to verify the validity of the response, the study tried to look whether there are comments put by the employees and supervisors on the formats from secondary sources or copied forms from the personnel files.

Figure 4.3 Appraisal Forms Comment from Personnel File by employees'



Source: From secondary data and documents

The results of the study on the secondary sources (personnel files) indicated that 96% (239) employees put their comment on the performance appraisal format. The difference is on the level of detail put on the questionnaire. As the format had only one open space to put the comment, there is no structure to the kinds of comments.

Hence having high level of feedback shows that compliance of the bank in implementing the system which enables them to get the stated advantages. The Human Resources Managers stated that they follow comments made by both the raters and ratees for abnormalities and accusations which show conflict between the two parties. Other encouraging comments and proposed programs for skill upgrading are also taken as a note.

4.3.4 Performance Appraisal practice

As indicated in the human resource manual, there are three modules in the system which is for supervisor, clerical and non clerical employees. The concern of this study is the supervisory and clerical appraisal system. There are nine appraising factors for clerical (non-management) and six items for supervisory (management groups).

The point rating for each category of the performance appraisal criteria ranges from point "1" to "5" as indicated in table 1.1. The results are summarized at the bottom of the form. The summary works for the first portion of the format; the second part which is an essay type is not considered in the grading. The form has a second page with possible addition of sheets of paper if the space is not enough for the appraisee to comment on the performance result to express his/her feeling. It is also possible to add more sheets of papers for appraiser's comments regarding the performance. Most importantly, to provide spaces for suggestions leading to improvement and opportunities for development, all of the recommendations are important element of the appraisal process.

4.3.4.1 Performance Appraisal grades

A question was posed to respondents to inquire the highest and lowest grades they have obtained in the last two years in terms of grades, i.e., 5, 4, 3, 2, and 1. The result is presented in the following table.

Table 4.3 Respondents' Performance Appraisal Grade

Grades	**Frequency**	**Percent**
5	188	78.7%
4	23	9.6%
3	1	0.4%
No response	27	11.3%
Total	239	100.%

Source: question No 2

The number of respondents who indicated their highest result is 212 accounting for 88.7 % and the remaining 11.3% had not indicated their highest result. Further analysis with cross tabulation was made to see how much those who obtained the highest grades know the factors on the basis of which their performance was measured.

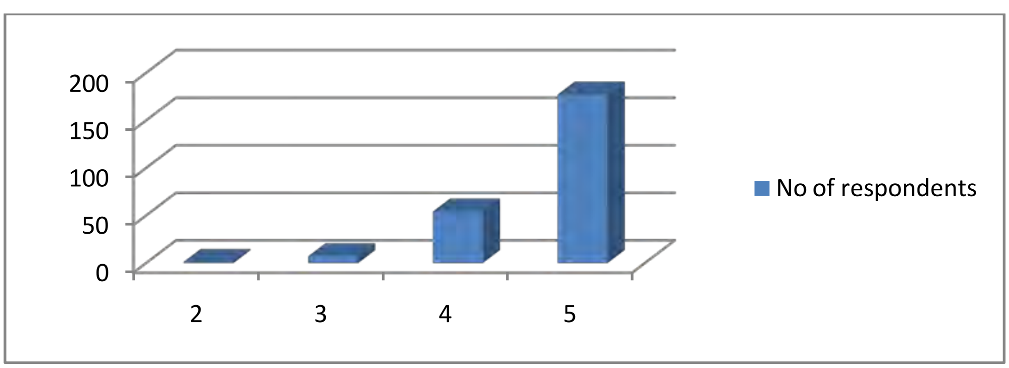
Table 4.4 Highest Grade and Knowledge of Appraisal Factors

Level of agreement	**Highest points obtained**			**Total**
	5	4	3	
Strong disagree all the time	2	2	0	4
Agree only some times	3	4	0	7
On average	22	8	1	31
Agree most of the time	72	3	0	75
Strongly agree all the time	91	7	0	98
Total	**190**	**24**	**1**	**215**

Source: question No 5 & 2

The above table indicates that those who strongly agree that they know the appraisal factors had their highest grade as "5" accounting for 92.9% (91).On the other hand, the report tried to compare these percentages with the performance results given in terms of grades found from secondary data documents.

Figure 4.4 Employee Performance Appraisal Grades



Source: secondary data documents

There were about 239 respondents who are verified to be part of the analysis from the personnel document. From the statistics, 74% (177) were evaluated as “5” grade. Those who got 4 on the two years average were 22.6% (54). Those who got 3 and 2 are 2% (8).

The study posed a question to respondents to enquire the acceptance of the results given to them during the last two years by their supervisors. The result is indicated in the following table.

Table 4.5 Acceptance of Results Given To Respondents

Level of acceptance	**Count**	**Percent**
Strongly disagree all the time	12	5%
Agree only some times	14	5.9%
On average	34	14.2%
Agree most of the time	112	46.%8
Strongly agree all the time	63	26.4%
No response	4	1.7%
Total	**239**	**100.%**

Source: question No 3

Out of the 239 respondents of the questions, only four failed to give their responses. On the question of accepting the result of their performance appraisal in the last two years by their supervisors, 46.8% (112) agree most of the time with the result and they are happy with the assessment.

Acceptance of the system as measure of performance results is an important factor in the effective implementation of any employee performance appraisal system. Those who strongly accept the results and those who accept the results most of the time account for 73.2% which is the highest percentage. As a result it clearly indicates that employees had positive attitude towards the system in place.

Various tests are required to verify the validity of the above analysis to arrive at the right conclusions. One way was to see how their results had been in the last two years which is the period under investigation.

In order to further identify the relationship of respondents' highest result in terms of grade obtained and their acceptance of the evaluation given to them in the last two years by their supervisors, a chi-square test was conducted and the findings are summarized in the following table.

Table 4.6 A Chi-square Test of the Respondents' Highest Result and Acceptance of Appraisal Result in the Last Two Years

	Valid	df	Asymp.sig. (2 sided)
Pearson chi-square	67.133	8	.000
Likelihood ratio	36.681	8	.000
N of valid cases	238		

Source: question No 2 & 3.

The significance value (Asymp. Sig.) has the information required. The lower the significance value, the less likely it is that the two variables are independent (unrelated). In this case, the significance value is so low that it is displayed as .000, which means that the two variables are, indeed, related.

4.3.4.2 Employees' Performance Appraisal Result Change

One important factor in the appraisal process is to see whether the appraisal results are changing during the study period and in which direction. The study evaluated the points from the primary and secondary sources using the questionnaire filled by the respondents and the secondary data taken from the personnel files. The result is presented as follows.

Table 4.7 Employees' Performance Appraisal Result Change in Two Years' Period

Conditions	**Frequency**	**Percent**
Yes-Increasing	82	34.3%
Yes-Decreasing	11	4.6%
Yes-Both	18	7.5%
No change	119	49.8%
No response	9	3.8%
Total	**239**	**100%**

Source: question No 8

In the response for the question, 49.8% (119) indicated that there was no change in their results and 46.4% (111) indicated that there were changes in their result in any case. The trend observed from the personnel file indicates a more accurate information as it takes into account the points within the same grade. The results are presented in the following table.

Table 4.8 Appraisal Results Change of Employees on the Basis of Personnel Files

Direction	**Frequency**	**Percent**
Decreased	58	24.7%
No Change	97	41.2%
Increased	74	31.5%
Missing	6	2.6%
Total	**235**	**100%**

Source: secondary data documents

In the analysis of the data of employees performance appraisal based on personnel files, the results show that those who had shown no change account for 41.2%. Those who had change in their appraisal results accounts for 56.2%, this is a higher percentage than what respondents indicated in their questionnaire response as rank of 5, 4 and 3.

4.3.4.3. Experience (number of Years) Effect on Employees' Performance Results

One factor considered in the analysis was the relation between the appraisal results and number of years stayed in Bank of Abyssinia so that relation could be established to see how the appraisal results are affected. As the employees stay more, they have more exposure to the system, so the changes could be seen markedly if at all there is any.

Table 4.9 Change in Appraisal Results and Experience

Change in appraisals	No years In BOA	No years in Bank Of Abyssinia					Total
		2-3.9 years	**4-5.9 years**	**6-7.9 years**	**8-9.9 years**	**10 & above**	
Decrease	Frequency	9	11	10	11	18	**59**
	Percent	31%	17.4%	24.3%	33.3%	25.3%	**25%**
No change	Frequency	7	28	22	11	32	**100**
	Percent	24.1%	45.2%	53.7%	33.3%	45%	**42.4%**
Increase	Frequency	13	23	9	11	21	**77**
	Percent	44.9%	38.4%	22%	33.3%	29.7%	**32.6%**
Total	**Frequency**	**29**	**62**	**41**	**33**	**71**	**236**
	Percent	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: secondary data documents

As can be seen in the above table, the results of the analysis are mixed between change in performance appraisal results and number of years in the bank. In order to see the significance of the relations, a chi-square test is run with the following result

Table 4.10 Chi-square test between change in appraisal results and Experience.

	Value	df	Asymp.sig (2 sided)
Pearson chi-square	10.325	8	.201
Likelihood ratio	10.516	8	.189
Linear-by-linear association	2.049	8	.118
N of valid cases	235		

Source: secondary data documents

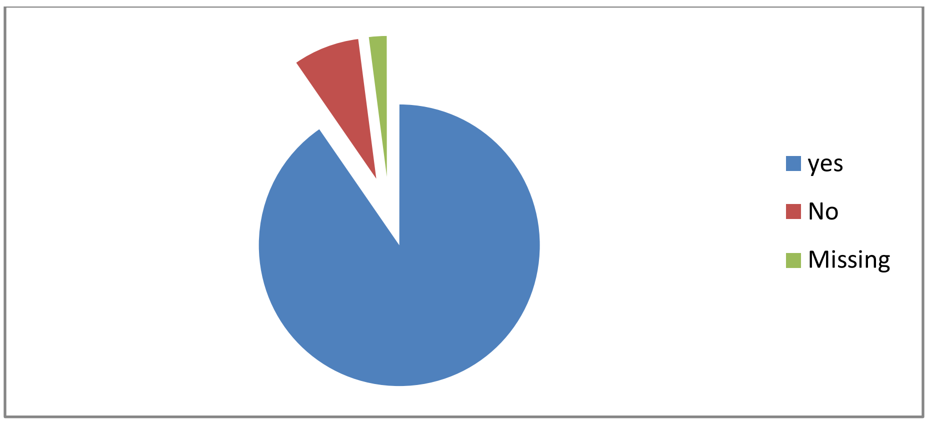
If one looks at the table of chi-square statistics above, it can easily be seen that there is no apparent relationship between the two variables as the result is 0.201 (typically, a significance value less than 0.05 is considered "significant" in Pearson chi-square). Hence the variations in appraisal results are other random factors than number of years working in the bank.

4.4 Awareness of employees and managers towards performance appraisal system

4.4.1 Acceptance of the Appraisal System as a Measure of Employee Performance Appraisal

Question 10 of questionnaire asks the importance of employee performance appraisal system to the respondents on evaluating the jobs being done. This is required to verify whether the difficulties felt are due to the way appraisal is conducted or the instrument itself. The result is indicated on the following figure.

Figure 4.5 Acceptance of Usefulness of Appraisal System by Respondents

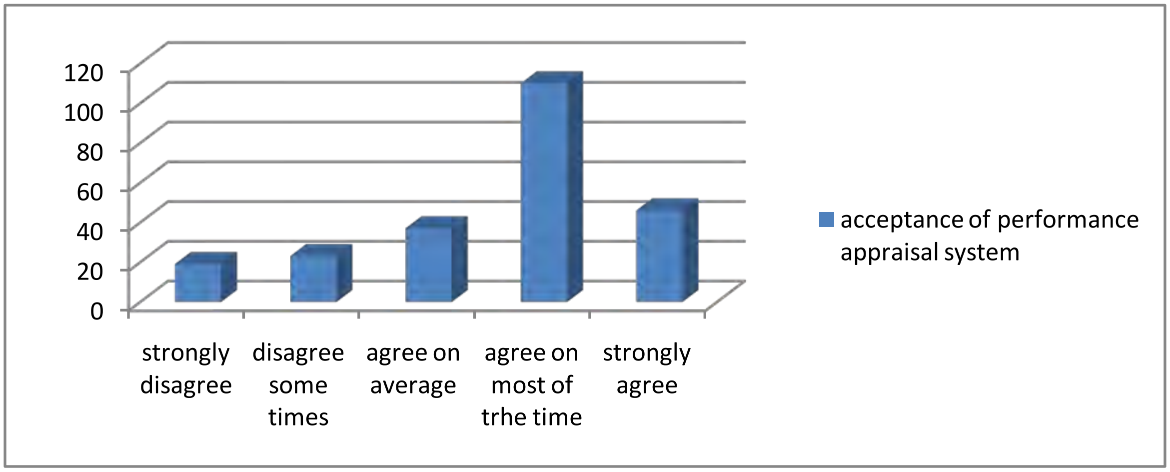


Source: question No 10

In total only 5 respondents had given no response to the question. Out of the total that responded to the question, 90.4% (212) agree to the importance of employee performance appraisal systems. The acceptance of the system indicates the knowledge of the respondents on what is expected from them. Employees would not accept a system if it is not known well and understood. The difference will be in terms of degree of acceptance as there will be different magnitude.

Hence, after ascertaining the importance of performance appraisal, the level of acceptance of any appraisal system is one of the elements in assessing the effective implementation. Respondents were asked about their satisfaction level on the existing system on a five level Likert Scale. The finding in the study is indicated in the following figure.

Figure 4.6 Acceptance of the Performance Appraisal System by Employees'



Source: question No 7

The respondents that expressed they agree most of the time accounting for 46.8 %(110) and strongly agree about 19.6% (46). The rest of the respondent accounted 33.6% who respond in different level (average, disagree and strongly disagree) as shown in the above graph. There are various reasons which are expressed by those respondents who doubt the performance appraisal system as a good measure of their performance. The major reasons indicated are the following:

- Appraisers had different perceptions for different employees and there was no body for resolution
- Appraising was based on last period's incidents (current period performance results were influenced by previous period registered result).
- Relationship with the boss
- Few managers influenced supervisors to give low grades although it is the responsibility of the immediate supervisors to fill the appraisal forms, show to the appraisees and discuss with the department manager.
- The supervisors gave us always low grades without creating opportunities for improvement for the comments they gave

- The appraisal factors are summarized points which are difficult to use to measure individuals specific talents and results,

- There are individual skills which are peculiar to a person but not indicated in the appraisal formats

- There is no discussion and listening on the part of the supervisors

- Both the appraisee and appraiser have low understanding about the factors in the system

These are some of the reasons summarized from an open question presented to respondents why they do not agree on the appraisal system as an effective measure of their results and achievements in the work place. Some of the complaints listed are based on factors some of which are already on the system but not effectively practiced. Choosing the appropriate method for the right task is agreed to improve the rate of success in implementing employee performance appraisal (Biron, et al., 2011). Additionally, some factors like training raters, coincidence of employee and organization goals, a method which excites the staff to better perform, ability to compare among employees, the cost of implementing the system with its ability to make error free judgments are some suggestions put in the area (Jafari, et al., 2009).

4.4.2. Training for raters and Performance Appraisal

The benefit of training is beyond doubt but the important thing will be what kind of training will be given. Borman (1979) found that there is a high degree of significance between rater training against halo and accuracy errors in performance appraisal. As clearly suggested by the respondents and the study findings in the literature, rater trainings should be made in all the times to make effective implementation of the employee appraisal system.

Question number 20 was posed to respondents to check how far they have gone through such training at least an orientation program on the performance appraisal system. It is found that about 65% had got some orientation about the performance appraisal system from the respondents who had management position to evaluate direct reportees. The remaining 35% had no such training or orientation.

The complaint that “the raters are not trained” had got ground to such effect as it is indicated here. Hence the training of raters is one aspect to be considered in dealing the effectiveness of employee performance appraisal.

4.4.3 Discussions by Raters

As the appraisal process is assumed to be a good opportunity to discuss between the direct reportees and the supervisor about the performance appraisal and job related matters, a question was posed to see whether the appraisers make discussion with their direct reportees at time of appraisals. The result of the respondents responses are summarized in the following table.

Table 4.11 Supervisors Practice of Appraisal Discussions with Direct Reportees

Level	**Frequency**	**Valid Percent**
Not at all	1	1.1%
Sometimes	3	3.3%
On average	16	17.8%
Most of the times	19	21.1%
Always	51	56.7%
Total	**90**	**100%**

Source: question No 17

The above table indicates that about 77.8% of the respondents conduct discussions with their direct reportees always and most of the times to solve problems and to create awareness as the same times.

The other question related with this feedback process was the question which enquires in what conditions do a supervisor conducts the discussion. The response to this question is presented in the following table.

Table 4.12 When the Feedback Discussion is Being Made

	Frequency	**Percent**
When the result is low	17	19.5%
When the result is high	9	10.2%
Both of the times	60	68.2%
I do not make any discussions	2	2.2%
Total	**88**	**100%**

Source: question No 19

The above table indicates that discussion is made on both times, i.e. when the result is high or low, accounting 68.2%.The discussion of employee performance appraisal is part of the feedback process to employees whose importance raised in the study and related literature. Conducting such discussion is part of the requirement in the system too. As it can be recalled, a sizeable number of employees responded that there is less discussion with their appraisers. Hence there is a likely possibility that the percentage indicated here as having made such discussion is on the higher side.

4.4.4 Supervisors Acceptability of the Appraisal System

Supervisors had the advantage of being evaluated by the system as well as evaluating their direct reportees with the same system. As a result the respondents in this category were requested whether they believe that the performance appraisal system truly appraises their direct reportees in a fairly manner to indicate their level of achievement. It is an important aspect that an appraisal system should differentiate between good performers from weak performers. The questions are part of the questionnaire and out of the total 239 respondents verified for analysis about 85 to 93 respondents had completed the supervisory part of the questionnaire. The response to the question is presented in the following table.

Table 4.13 Acceptability of the Appraisal System by Supervisors to Appraise their Direct Reportees

Mean	N	Std. Deviation
3.7826	92	.72364

Source: question No 16

This descriptive statistics is made for question 16.The mean result of the respondents is 3.7826 that they have responded to the acceptability of the appraisal system by supervisors, On the other hand efforts were made to correlate the response for this question with other question which requested the respondents to state how the appraisal system would measure their own performance results. A chi-square test was run on the relationship of the two responses. The results are presented below:

Table 4.14 Chi-square Test of the Relation of Acceptance of the Appraisal System for Supervisors as Raters and Ratees

	Value	df	Asymp.sig (2 sided)
Pearson chi-square	63.154a	15	.000
Likelihood ratio	40.503	15	.001
N of valid cases	92		

Source: question No 7 & 16

The significance value (Asymp. Sig.) displayed as .000. As a result the two variables are directly related. Hence it can be inferred that the system which serve to appraise direct reportees would be equally applicable to the supervisors themselves.

4.5 Effectiveness level of performance appraisal system

4.5.1 Bank Efficiency and Profitability and Performance Appraisal

The typical traditional Performance Appraisal Process of the 1990s focused almost entirely on defining what is to be achieved. However, today competency based Performance Management Schemes are plentiful and becoming the model for the future. These mixed models assess and reward both results and demonstration of competencies; both what employees actually deliver and how they do it Dr shambhu (2008).

As indicated in figure 2.1 banks can link their performance appraisal system with goal of the bank, if individuals are aware of their duties that is what is expected of them and evaluate the performance with what is expected to be achieved.

The General Managers and human resource managers were interviewed in this regard to verify whether there is a link between performance appraisal and efficiency and profitability that is the movement in performance appraisal results follow the increment or equal to the growth in the banks' efficiency and profitability. None of them agreed to such proposition and that each individual's performance appraisal is not measured based on the task and goal in front of him. As a result the possibility of having high cost without proportionate gain for the organization requires systematic control.

4.5.2. Performance Appraisal rating Criteria

In light with the above facts, the current appraisal system is checked to see which aspects namely developmental which is related to goal and objective of the bank or behavioural rating criteria are mostly given attention to in bank of Abyssinia. One aspect of the study was conducted by looking two years results of employees' performance appraisal from the personnel files using secondary data documents. The results are summarized in the following table for six variables which had got complete responses in terms of points.

Table 4.15 Employee Performance Appraisal Results sample

Years	Factors	Numbers		Mean	S.D.	Variance
		Valid	Missing			
2012/2013 G.C (2004/2005 E.C.)	Professional competence	238	2	4.54	.409	.159
	Efficiency	238	2	4.46	.463	.217
	Quality of work	238	2	4.14	.441	.204
	Customer/Employee relations	238	2	4.64	.368	.119
	Attendance	238	3	4.50	.478	.234
	Responsibility	237	4	4.59	.392	.142
2013/2014 G.C (2005/2006 E.C.)	Professional competence	239	3	4.53	.433	.184
	Efficiency	239	3	4.43	.441	.192
	Quality of work	239	3	4.20	.418	.168
	Customer/employee relations	239	3	4.69	.356	.108
	Attendance	239	3	4.54	.437	.188
	Responsibility	236	7	4.64	.356	.108

Source: From secondary data documents

In both years the highest mean found is customer/employee relation 4.64 in the first year and 4.69 in the second year. The second factor rated in both years was Responsibility with 4.59 and 4.64 for first and second years respectively.

In order to smooth the difference, the results of the two years are added and divided by two to arrive at an average rating. The average result for the two years is summarized in the following table.

Table 4.16 Statistics of Two Years Average Results

N	Valid	239
	Missing	0
Mean		4.4923
Std. Error of Mean		0.01314
Std. Deviation		0.23531
Variance		0.047

Sources: secondary data documents

The mean result of the two years was 4.49 with standard deviation of 0.23531 and standard error of the mean 0.01314. Under normal distribution theory 95.27% would lie within two standard deviations around the mean ranging between 4.30 and 5.00. Generally the distribution of performance appraisal ratings does not approximate normal distribution of a bell shaped curve. It is common to find 60% to 70% of the workforce of an organization to be rated in the top two performance levels (Mathis and Jackson, 1997). This shows how the performance appraisal results exhibited in the personnel files as documented in the banks personnel data.

Normally the banks' competitive advantage would be maintained when its employees have high professional competence in their work which is developmental aspect of performance evaluation. The findings indicate that the highest rated factors are customer/employee relations and responsibility that are considered to be side factors by many. This minimizes the effectiveness of the system as it brings less benefit to the bank with more impact in terms of costs whether running the system or awarding employees merit pays based on results.

4.5.3 Performance Appraisal Factors and attention given by Appraisers'

Appraisers are required to make due attention in making appraisals as they are making decisions which affect the motivation and productivity of the direct reportees which relate to profitability and efficiency of the bank. A question was put forward requesting whether "Efficiency and quality" or "customer relation and responsibility" was given serious attention during the appraisal process. The results are summarized in the following table.

Table 4.17 Raters Attention Areas in Making Appraisals

Appraisal factors	Count	Percent
Efficiency and quality	14	9.2%
customer relation and responsibility	7	7.9%
Both the factors	73	82.9%
Total	**88**	**100%**

Source: question No 25

The appraisers indicated that 82.9% of the respondents that they make serious attention on both categories that means for "Efficiency and quality" and "customer relation and responsibility" as an appraisal factor. The response is very important as it indicates whether the appraisal process and the appraisers are geared to productivity and profitability of the company or on behaviours which had no direct relation with such factors.

The result from this request could be seen with the results obtained by looking the personnel files on the points given to factors of employee performance. As indicated in table 4.15 factors such as customer relation and responsibility ranked above other factors which are related with productivity and profitability. Such signs are an indication of weakness in the implementation as the raters became easygoing and less objective.

The appraisers are also requested whether they give similar appraisal results to an employee on all the factors in the form. The results were summarized in the following table.

Table 4.18 The Manner Appraisal Factors are weighed by Supervisors

	Frequency	Percent
Strongly disagree	33	36.7%
Some times	6	6.7%
On average	17	18.9%
Agree most of the times	28	31.1%
Strongly agree	6	6.6%
Total	**90**	**100%**

Source: question No 24

The appraisers as respondents for the question indicated that they strongly disagree with 36.7% indicating that the direct reportees should be given different results for each factor of appraisal. Those who account for 31.1% indicated that the result could be equal most of the times. Those who agree on average are 18.9% and the least point is who strongly agree account for 6.6% from the respondents.

4.5.4 Purpose of Performance Appraisal System

The performance appraisal system as put in the goals of the Human Resources Policy Manual had got many purposes. The study tried to see which purpose stressed the most important by the respondents.

Table 4.19 Ranking of Purpose of Appraisal by Respondents

Observations		**Promotion**	**Recognition**	**Salary increment**	**Penalizing**	**Feedback**	**Administrative form**	**Total**
1st	Frequency	21	65	26	7	98	22	**239**
	Percent	8.9%	27.2%	10.9%	2.9%	41%	9.2%	**100%**
2nd	Frequency	36	81	30	7	67	12	**233**
	Percent	15.4%	34.7%	12.9%	3%	28.8%	5.2%	**100%**
3rd	Frequency	76	48	51	12	27	21	**235**
	Percent	32.3%	20.4%	21.7%	5.1%	11.5%	9%	**100%**
4th	Frequency	51	34	72	11	28	29	**225**
	Percent	22.7%	15.1%	32%	5%	12.4%	12.9%	**100%**
5th	Frequency	26	15	41	24	47	71	**224**
	Percent	11.6%	6.7%	18.3%	10.7%	20.98%	31.69%	**100%**
6th	Frequency	34	53	54	20	25	35	**221**
	Percent	15.38%	23.98%	24.43%	9.04%	11.31%	15.83%	**100%**
Total		**244**	**296**	**274**	**81**	**292**	**190**	

Source: question No 15

From the above table it can be summarized that the perceived purpose of the employee appraisal are in the following order:

1st Feedback to employees

2nd Recognition of good performance

3rd Promotion to higher positions

4th Salary increment

5th Administrative formalities

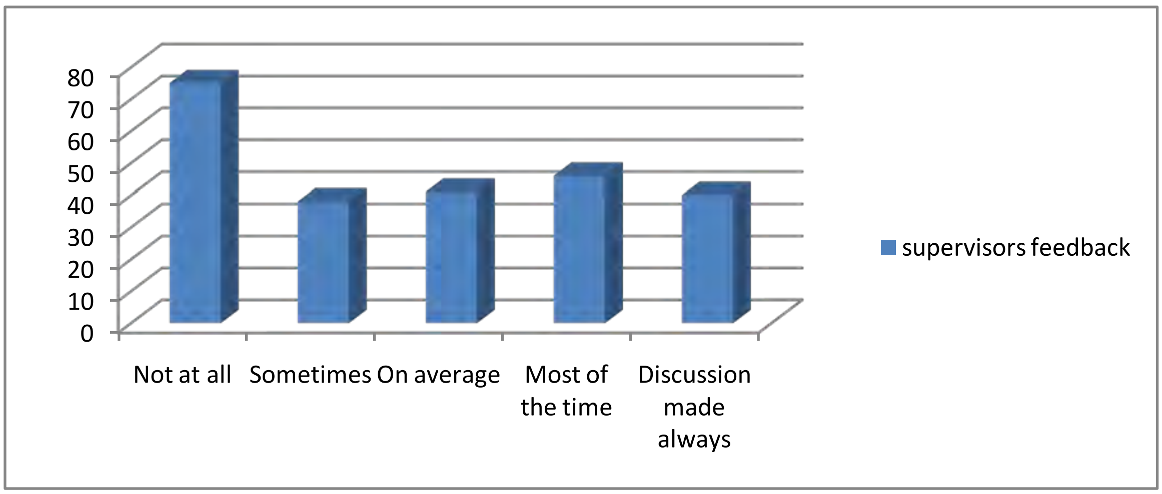
6th Penalizing employees

From the above table it can be understand that the employees' response is in line with the purpose of the appraisal system which is feedback and recognition.. The important aspect will be to give whether the practice recognizes the priority as per the findings. The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance (Dargham, 2008).

4.5.5 Feedback to Employees

The provision of feedback to employees was found to be one important purpose of the employee performance appraisal. The study inquired about the practice of providing feedback as a common discussion between the appraisee and the supervisor. The results were presented as follows:

Figure 4.7 Feedback to Employees by Supervisors



Source: question No 14

The study result indicated that 31.25% (75) of the respondents had not received any feedback discussion from their supervisors. Those who received feedback discussion account 15.83% (38) only sometimes. On the other hand those who got discussions all the times and most of the times are 16.67% and 19.17% respectively.

The feedback or discussion with the appraisees should be practiced in all the circumstances. Those who are doing well should be encouraged to keep it up and those who have not met the standards should be supported to improve their performance. The performance appraisal period would be a good time to make such discussions. The feedback mechanism is an important part of the appraisal system in the bank.

Majority of the appraisees and appraisers indicated that they put comments on the formats. But doing so will not be enough unless there is face to face discussion between the two parties that assures the effectiveness of the system. As the employee and supervisor are required to discuss about the performance appraisal results of the employee, the respondents were requested whether they discuss with their supervisor about the appraisal and in what condition do they make such discussions. The result of the question is presented in the following table.

Table 4:20 Appraisal Results Discussion with Employees

Occasions	Frequency	Percent	Cumulative
When the result is good	3	1.2%	**1.20%**
When the result is not good	72	30.%	**31.20%**
Both times	114	47.4%	**78.60%**
I do not do it at all	47	19.5%	**98.10%**
No response	5	1.9%	**100.00%**
Total	**241**	**100%**	

Source: question No 6

The above table indicates that 78.6% of the respondents make discussion with their supervisors (appraisers). Those who do not make any discussion are about 19.5%. Lastly who had not given response accounts 1.9%. Roughly about 21% do not make any kind of discussion in all times. This is not a good indication for the effectiveness of the system. So it is a sign of weakness on the part of the appraisers not to make discussion with their direct reportees. According to Perlmutter, et al. (2001), giving feedback to employees about their performance is essential to accomplish three managerial supervisory responsibilities:

- Maintaining good employer–employee relations,

- Developing and sustaining an effective Motivating, appraising, and rewarding working organization, and
- Correcting or overcoming employee shortcomings.

The smooth flow of the process indicates a good sign for the employer-employee relations the synchronizing of developmental and administrative purposes will require thorough planning of the implementation of the system and good controlling.

4.5.6 Salary Increment and Performance Appraisal

One of the purposes of the performance appraisal results was to make periodic salary adjustments based on merit. Respondents were requested to respond whether they recognize that it is used for such purpose.

Table 4:21 Salary Increment and Performance Appraisal

Mean	N	Std. Deviation
4.4937	239	.92976

Source: question 13

This descriptive statistics is made for question 13. The mean of the respondents who respond to the question is 4.4937 that their appraisal results are used to change their salaries and benefits.

The direct relationship between merit ratings and rewards is one way of increasing compliance for the implementation of effective employee appraisal system. However when everybody becomes aware that the points given determine the level of increase for payments the likely situation for leniency is very high. In circumstance where employee performance appraisal is used for administrative purposes it is commonly encountered that there will be high degree of leniency on the side of raters. On the other hand, when assessed separately for developmental purposes produce stricter appraisals.

As a result the direct link between the employee performance appraisal and salary adjustment indicated by some of the human resources managers as the source for higher ratings by raters.

4.5.7 Documenting Notes by raters about direct reportees

One of the strong mechanisms to give fair appraisal results to direct reportees is to have a thorough documentation about some good and weak results. This helps to remember the appraisal factors. It enables the appraisers to give constructive feedback and avoid unnecessary argument as well as influence by recent incidents which do not make up majority of the direct reportees performance throughout the evaluation period. The respondents were requested how far they practice such activity. The result is presented in the following table.

Table 4.22 Supervisors Practice of Holding Notes about Direct Reportees Performance

Mean	N	Std. Deviation
3.5056	89	1.07791

Source: question No 18

This descriptive statistics is made for question 18. The mean result of the respondents who respond to this question is 3.5056 that the supervisors hold notes about the performance of direct reportees as a reminder during the appraisal process. The practice of holding notes is a necessary for effective implementation of the appraisal process. The interview with the human resources managers indicated that there are no prepared materials which assist supervisors to hold notes.

The act of holding notes could be stressed if there are raters' trainings. It is indicated that detailed performance scripts that can be used to organize information, has been found to produce more accurate performance ratings (Mclntyre, et al., 1984). The type of notes that could be useful should be separately presented to be exceptions rather than routine things which could easily be voluminous to be of any use.

4.5.8 Follow-up on Recommended Improvements Areas

As appraising is an important aspect, helping direct reportees to make improvement is also a necessary step for the effectiveness of the appraisal system. Otherwise, appraisal will be a periodic task which will be easily forgotten by both parties until the next process starts all over again. In such circumstance finding the same weakness and the same comment would create uncomfortable situation between the two parties. Respondents were requested to see whether they make follow-up of comments made on the appraisal forms. The results are indicated in the following table.

Table 4.23: Follow-up of Appraisal Comments by Supervisors

Level of follow-up	**Frequency**	**Valid Percent**
Not at all	3	3.3%
Some times	7	7.7%
On average	11	12.1%
Most of the times	45	49.4%
All the times	25	27.5%
Total	**91**	**100%**

Source: question No 23

The result of the survey indicates that supervisors make the follow-up of comments for improvement areas accounts 76.9%. The follow-up of comments could be improved if the follow-up is done by both parties. One important aspect to facilitate such practice is to provide copy of the appraisal form to the appraisees. Holding notes by the rater and giving copies will be a good practice and recommended method in the system. The detail findings show various useful indications to judge how effectively the employees' performance appraisal system is implemented in the bank.

4.6 Factors affecting successful implementation of performance appraisal system

Previously as many literatures revealed; more attention has been directed to performance management tools and processes. However, experienced practitioners uniformly agree that having effective tools and processes is a necessary but certainly not sufficient condition for having an effective performance system.

This is because what really matters in any performance management system is how effectively it is used and how seriously managers and employees take it. This is why both the most challenging and the most important part of developing an effective performance management system is successful implementation.

There are several aspects to implementation, but at its core is providing a user-friendly, value-added system that both managers and employees can and will use effectively. The following table summarized the responses of the respondents how they prioritized factors of successful implementation of performance appraisal system in Bank of Abyssinia.

Table 4.24: Factors of successful implementation of performance appraisal

Factors	1	%	2	%	3	%	4	%	5	%	Total
1.Employee participation	4	4.5	5	5.6	3	3.4	55	61.8	22	24.7	89
2.Developing performance standards	2	2.2	6	6.7	11	12.4	35	39.3	35	39.3	89
3.Goal setting	7	7.9	13	14.6	15	16.9	37	41.6	17	19.1	89
4.Self evaluation	14	15.7	10	11.2	16	18.0	38	42.7	11	12.4	89
5.Management feedback	2	2.2	6	6.7	12	13.5	50	56.2	19	21.3	89
6.Develop simple procedure	4	4.5	4	4.5	8	9.0	45	50.6	28	31.4	89
7.Design specific and relevant appraisal	2	2.2	4	4.5	12	13.5	40	44.9	31	34.8	89
8.Evaluator training	5	3.9	7	7.9	11	12.4	31	34.8	35	39.3	89
9.Reviese performance appraisal process	2	2.2	3	3.4	5	5.6	66	74.2	13	14.6	89
10.Sound performance appraisal interview	6	6.7	6	6.7	15	16.9	43	48.3	19	21.3	89

Source: question No 26

From table 4.24 the factors listed below are prioritized by adding the responses of the respondents as strongly agree (5) and agree (4) (those respondents that have shown above neutral response), by adding these, the factors are listed in ascending order.

1st Revising performance appraisal process……88.8%

2nd Employee participation……………………..86.5%

3rd Develop simple procedure…………………..82.0%

Even though the respondents have prioritized the above success factors in the above way from their perspective, all factors have its own contribution towards successful implementation of performance appraisal process. It is necessary to have a standardized process of implementing performance appraisals because it ensures that each individual is judged fairly and keeps discrimination out of promotions and compensation decisions. It also avoids legal challenges that could result from termination or promotion. Moreover, having a standardized process ensures that job performance expectations are consistent throughout the banks' operation life.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The principal purpose of an appraisal system should be to improve the employee and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. The system should first of all contribute to the satisfaction of all the employees. Employee performance appraisal system is generally considered to be essential in organizations and it is used for several different purposes such as pay increases, improvement and training, transfers, compensations, counselling, promotion, employee recognition, termination, etc. These purposes represent legitimate reasons for using performance appraisal systems in organizations. A simple and effective appraisal system that emphasizes continuous professional development enhances a firm's overall performance. However, performance evaluation process should be ongoing throughout the year. Even if a formal evaluation is given only once a year, an employee should be made aware of his or her performance periodically throughout the year. Furthermore, it must be remembered that the evaluation is not solely based on the employee's performance in the two-to three-week period before the evaluation, but is based on the employee's work during the appraisal period, whether it is three, six, or 12 months. This tenet will require a continuous effort in counselling, coaching and honest, open communications between the employee and supervisors.

In this study a descriptive survey method was used with the assumption that it will help to gather a large variety of information related to the practice and process of employee performance appraisal. This method is understood to help collect different kinds of data about subject of study. In order to analyze the problem and forward recommendations as solutions to the problems identified in the study, some research questions were raised.

The following points can be concluded from the study about the effective implementation of the employees' appraisal system in Bank of Abyssinia based on the review of the related literature and data obtained from respondents and personnel file as secondary data. All conclusions and recommendations are presented as per the research objectives of this study.

- One of the points to be checked was to prove if at all the appraisal is being done in the bank using the system put in place. Indiscriminate implementation was one of the objectives of the program to be checked which is proved to be in place. The study confirmed that about 97.1% of the respondents received performance appraisal in the periods reviewed. The timing planned was based on the seniority date and was being followed by the bank. The completion of the appraisal for all employees in the study is supported by both the primary data collected from the respondents and the personnel files reviewed for the study. It can be concluded that the bank is compliant in this regard to the system in place.
- There is no clear link between performance appraisal and bank efficiency and profitability. Furthermore employee Performance appraisal has different purposes and from the six purposes, the primary purpose is found to be feedback to employees which indicates how an employee is understood by his/her rater. It gives the sense of accomplishment and fills the gap in expectations. Many systems lack such clear indication. This is a more psychological result than other practical purposes like merit ratings, promotion, training which are also indicated in the study. In the Employee performance appraisal practice in the bank more attention is given to the first part which gives grades and points. The second part which is likely to be used for developmental purposes was found to be irregularly used and given less attention.
- In the study, it is found that there is no direct indication between the performance of the bank and the performance appraisal results of the employees. This is in contrast to the purpose set by the bank which indicates that the goal of the employee performance appraisal system in Bank of Abyssinia is designed to improve employee and organizational performance. The effectiveness of the system should have such link in some way to benefit both the bank and the employees.
- Respondents who agreed about the usefulness of employee performance appraisal system is accounted 90.4% which is a significantly high percentage. On the other hand 66.4% of the respondents accepted the existing system to be the measurement of performance, i.e. 46.8% agreed most of the time while 19.6% strongly agreed on the existing system to make accurate measure of performance. It can be seen that the conception of the

necessity for a system is higher than what is actually being measured; there is a gap between what is expected and obtained from the system.

- Acceptance by the employees is a major factor for the acceptance and usefulness of the system. Knowledge and fairness of the factors being used is one factor which increases the acceptance of the system. It can be concluded that the mean result who knows the factors of evaluation in general is 4.1042, which their performance measurement is made. This is a sizeable number of respondents which indicates that there is adequate knowledge of the factors of measurement. It can be seen that the result does not show that there is much need on the total change to the system but rather improve the way it is managed by the raters.
- The second part of the Performance appraisal format used by the Bank is an essay type questions which is supposed to collect feedback from appraisers and appraiser by looking into the comments put forward to be used for developmental inputs. Putting comments by both parties was one factor considered for the test of compliance to the system which helps to assist discussion and future follow-up. A high percentage of respondents put comments on their performance appraisal formats. However, follow-up and action plan based on the comments is less used on both sides. As a result, repeated mention of the same type of comments is found to be occurring from period to period as mentioned by some respondents. The general discussion about performance results between the management and employees is less frequent which had created a sense of confusion for some of the respondents.
- The fact that performance appraisal will be improved when it is linked with rewards is mostly agreed. As many administrative measures, most importantly salary adjustments, are based on the performance appraisal results, there is strong compliance to complete the formalities. At the same time it is found that many of the results are higher grades which had reduced the usefulness of the results for other purposes. It is stressed by many parties that a number of supervisors show merciful behaviour in conducting performance appraisal for fear of affecting employee pay rises. This type of situations will be costly to the bank unnecessarily. There are conflicting situations as mentioned between the developmental and administrative uses of performance appraisal when weighed together. Maintaining a balance will be important for effective implementation of the system.

- Preparation on the side of the raters and appraisees is an important element in effective implementation of the employee appraisal system. This can be supported by raters training, feedback process to appraisees and the raters' documentation and following proper schedule in the program.
- To have fair evaluation and discussion with the appraisees', appraisers should maintain adequate notes about different situations. This is more important when there are large numbers of direct reportees which makes it difficult to remember everything that happened in the evaluation period. Otherwise the evaluation will be based on recent activities which may not be fair to the system as well as appraises. In the study, it is found that 42.7% of the supervisors indicated that they put notes about the performance of an employee. There are also situations which indicate that there is less discussion on performance appraisal between the appraisees and the appraisers. The occasion is agreed to give a good input to both parties and improve the overall performance for the bank. A more stringent system which requires such discussion and interaction would provide the benefits envisaged by the companies' vision in setting such system.
- 82.9% of the respondents gave equal serious attention to two groups of appraisal factors in the questioner namely, "efficiency and quality of service" and "customer relation and responsibility". The system gives equal weight for all the factors and reflecting such results would be expected, but when compared to the overall success of the bank factors related to efficiency and profitability will be more important for survival. Referring to the secondary sources from the personnel files shows that appraisees are given higher grades on customer relation and responsibility on the overall average rating. This is a good sign for leniency error on the part of the appraisers. Some of the comments on the system indicate that there is some favouritism on the side of appraisers. Factors such as customer relation and responsibility are the areas which bring such indication. If the criteria aren't clearly specified and there are no incentives associated with rating accuracy, a variety of errors could occur during the rating process. As high points are given to less objective points, the effectiveness of the tool to discriminate good performers from the weak ones will be very poor.
- Factors that affect successful implementation of performance appraisal are expected to assist in keeping a performance appraisal system responsive to organizations' needs. It is

also expected that the personnel decisions based upon the results of the appraisal exercise will be much better and informed which will lead to greater organizational goal achievement. Over time, weaknesses occur in every system. Therefore, to have a successful appraisal system, the performance appraisal system should be revised, employee must participate in the system development, simple appraisal system should avail and other factors should be shaped in accordance with the type of employee, the work done and the bank need. Further it should be closely monitored and feedback should be obtained on the continuous basis. The respondents on question posed regarding the factors of successful implementation of performance appraisal gave high point to revision of the system (88.8%) i.e 74.2% agree and 14.6% strongly agree, employee participation second (86.5%) and development of simple appraisal procedure third (82.0%).

5.2 Recommendation

The major objective of the study is to assess the effectiveness of the employee performance appraisal system implemented in Bank of Abyssinia and develop operating recommendations to the top management. Generally the acceptability of the system is found to be high and the recommendations are presented to improve the system for better usefulness.

- The signing of the raters' supervisor on the format serves only as witness to compliance with no marked involvement in the process and no separate commenting area to put evaluation. As a result, the system can be seen to include other raters methods. Still the major percentage could be given to the supervisor as the exposure and immediate observation is very high compared to other raters commonly stated in the system. Therefore a rating system which includes different sources of rating should be developed and included so that there will be different views regarding the subjected appraisees than to rely only on one supervisor's comments for such a big matter.
- The objectives of employee performance appraisal which can be described as administrative and developmental in general, they are conflicting in most cases. In order to make employee performance system effective a balance has to be made to accomplish striking result. To accommodate both objectives the format used by the bank must be

improved and the bank must strengthen the essay part of the format with more structured approach rather than simple open space for comments

- As the system of common goal setting and follow up will give measurable results for the bank and its employees, so performance appraisal must be refocused by starting from the type of job being done and what is to be expected, should lay a groundwork which links the bank's efficiency and profitability with performance appraisals of employees rather than dealing on the behavioural aspects.
- The factors used as a measurement of employee performance must be enhanced to include factors which are commonly agreed and understood by raters and rates. This is because the factors currently used even though they are known by most of the respondents in the study there is a clear uncertainty about the kind of measure of employee performance they produce.
- As employee performance appraisal is particularly used as a salary increment of the employee is decided by his/her supervisor without the inputs from other concerned parties in the bank. So this condition has affected the true ratings of employee performance. As a result the scheme should be designed to separate the salary increment part and the other ratings.
- For any general system to work effectively and efficiently the purpose and mechanism must be made aware in advance. In order to strengthen this, a continuous training must be a norm. The top management has a strong commitment for employees' performance appraisal and capitalizing on such occasion is very important. Unskilful raters (those who do not have proper training) are the reason for some of the improper results indicated in the study findings.
- The employee performance process must assist the management of the bank to handle poor performance and the process must be based on maintaining proper records of employee performance. There should be mechanisms developed which supports the appraisers to take notes and give feedback discussions. The appraisal areas should concentrate on the past achievements and future capabilities based on output, knowledge and skills, personal qualities and employees' contribution to the general organization's business success.

- Comments put by both appraisers and appraises should be properly and timely followed by human resource managers or concerned people of the department. The formats need to be formalized and systematic to be of use in summarizing some categorical factors. Hence, there should be proper documentation and mechanisms designed for each one. Training could be one with many intervention techniques when a thorough preparation and commitment are made.
- The current system requires improvement areas alone, but people would be interested to document some peculiar achievements as their performance appraisal results. In the guideline, even there should be a letter of appreciation, if there is outstanding performance. The restructuring of the system should take this point into account for the future.
- Those factors that affects the successful implementation of performance appraisal should get due attention from system developers and performance appraisal process implementers to have effective performance appraisal system in the bank.
- In summary, in order to implement the above recommendations and to ensure future improvements, continuous overall performance appraisal system reassessment should be part of the process.

The recommendation concentrated on having an effective performance appraisal system which enables employees to know what is expected from them, properly inform them how well they are doing, assist in areas in which they need help in improving their performance, and still share the fruit of their success so that both the organization and the employees mutually benefit.

References

Arthur, D., 2008. The first-time manager’s guide to: performance appraisals. [e-book] New York: America Management Association.

Armstrong, Michael, 2006.A Handbook of Human Resource Management Practice, 10th edition: London, Cambridge University Press.

Armstrong, M. (2001). Human resource management practice, (8th ed.) London: Kogan Page Publishers. Bertone, S., et al. (1998). Developing Effective Consultation Practices: Case Studies of Consultation at Work: Melbourne: South Pacific Publishing.

Bacal, R., 1998. A critical Look At Performance Management: Why Don’t it Work?. [e-book] Winnipeg: Bacal and Associate**.**

Biron, M., Farndale, E. & Paauwe, J., 2011. Performance management effectiveness. The international Journal of Human Resources Management. Vol. 22, No. 6. [on-line] available at www.tandfonline.com/doi/abs.

Boice, D., Kleiner, B. (1997). Designing effective performance appraisal systems: Work Study, 46 (6), 197-201.

Beer, M. (1981). Performance Appraisal: Dilemmas and Possibilities. Organisational Dynamics. Winter issue, 24-36.

Brown M, et al. (2010). Consequences of the performance appraisal experience: Personnel Review, 39 (3), 375-396.

Cardy, Robert L., and Gregory H. Dobbins, (1994), "Performance Appraisal: Alternative Perspectives", Cincinnati: South-Western.

Caruth, D. L., Caruth, G. D. and Pane, S. S., 2009. Staffing the Contemporary Organization: A guide to planning, recruiting and selecting for Human resources professionals. 3rd Ed. [e-book] Westport: Praeger Publisher**.**

Cascio,W. F., 2003. Managing human resources: productivity, quality of work life, profits. 6th Ed. New Delhi: Tata McGraw-Hill Publishing Company Limited.

Choi Sang Long, Tan Owee Kowang, Wan Khairuzzaman Wan Ismail and Siti Zaleha Abdul Rasid 2013. A Review on Performance Appraisal System: An Ineffective and Destructive Practice Middle-East Journal of Scientific Research 14 (7): 887-891, 2013.

Christos K. Staikouras, Geoffrey E. Wood, (1989) City University Business School, United Kingdom International Business & Economics Research Journal Volume 3, Number 6.

Dargham, N.A., 2008. Effective management of the performance appraisal process in Lebanon: An exploratory study.

DelPo, A., 2007. The Performance Appraisal Handbook: Legal and Practical Rules for Managers. 2nd Ed. [E-book] Berkeley: Nolo.

Edwards, M.R. and Sproull, J.R. (1988), ‘‘Performance appraisal for matrix management’’, Journal of the Society of Research Administrators, Vol. 20 No. 1, p. 153.

Fletcher, C. (2001). Performance appraisal and management: The developing research agenda. Journal of Occupational and Organisational Psychology. Vol. 74 (4) 473-488.

George Jennifer M and Gareth R Jones, 1999. Organizational Behavior, 2nd edition. New York, Addison-Wesley Publishing Company Inc.

Goff, S. J., & Longenecker, C.O. (1990 November/December). Why performance appraisals still fail. Journal of Compensation and Benefits, pp.36-41.

Grote, R. C., (1996). The completed guide to performance appraisal. Broadway, New York: AMCOM.

Grote, D., 2002. The Performance Appraisal Question and Answer Book: A survival Guide for Managers. [E-book] New York: American Management Association**.**

Ivancevich, John M, 2004. Human Resource Management, 9th edition. New Delhi,Tata McGraw-Hill Companies.

Jackson, S. E. and Schuler, R. S., 2003. Managing Human Resources: Through Strategic Partnership. 8th Ed. United Kingdom: Thomson, South-Western.

Jafari, M., Bourouni, A. & Amiri, R. H., 2009. A new framework for selection of the best performance appraisal method.

Koontz, H. & O'Donnell, C., **1988**. Principles of management: an analysis of managerial functions. 6th ed. New York: McGraw Hill.

Keeping, Lisa M. and Paul E. Levy. (2000). "Performance Appraisal Reactions: Measurement, Modeling, and Method Bias." Journal of Applied Psychology 85, October, 708–23.

Kirkpatrick, L. D., 1984. Two ways to evaluate your performance appraisal system. American Society for Training and Development Journal, August 1984.

Kressler, H. W., 2003. Motivate and Reward: Performance Appraisal and Incentive Systems for Business Success. Translated from German by Simon Pearce. [e-book] Houndmills: Palgrave Macmillan.

Kumar (2005). Performance Appraisal: The Importance of Rater Training; Journal of the Kuala Lumpur Royal Malaysia Police College, No. 4, 2005. Performance management: The next generation. Compensation and Benefits Review, 26(3) 16.

Lee, C., 1985. Increasing Performance Appraisal Effectiveness: Matching Task Types, Appraisal Process, and Rater Training. Academy of Management Review Vol. 10, No. 2. Page 322-331. Temple University.

London, M., Mone, E.M and Scott J.C., 2004. Performance management and assessment: methods for improved rater accuracy and employee goal setting. Human Resource Management, Winter 2004, Vol. 43, No. 4, Pp. 319–336.

Mathis, R. L. and Jackson, J. H., 1997. Human Resources Management. 8th Ed. Minneapolis: West Publishing Company.

Murphy, Kevin R. and Jeanette N. Cleveland, 1995. "Understanding Performance Appraisal: Social, Organizational and Goal-Based Perspectives", Thousand Oaks, CA: Sage.

Muhammad Faseeh khan, 2013. Role of Performance Appraisal System on Employees Motivation IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X.Volume 8, Issue 4 (Mar. - Apr. 2013), PP 66-83.

Nyaoga, R. B., 2010. The effectiveness of performance appraisal systems in private universities in Kenya an assessment of Kabarak University performance appraisal systems. African Journal of Business & Management (AJBUMA) Vol.-1 (2010).

Pallavee S., Usha K. Rai (2012) Performance appraisal practices in Indian bank Integral Review - A Journal of Management e-ISSN : 2278-6120, p-ISSN : 0974-8032,Volume 5, No. 2, Dec.-2012, pp 46-52.

Perlmutter, F. D., Darlyne, B. & Netting, F. E., 2001. Managing Human Resources in the Human Services: Supervisory Challenge. [E-book] New York: Oxford University Press.

Rafikul, Shuib, 2005. Employee performance evaluation Honolulu, Hawaii, July 8-10, 2005.

Rao, P.Subba and Rao V.S.P, 2000. Personnel/Human Resources Management: Text; Cases and Games. Delhi, Harashi Process and Printers.

Robbins P. Stephen, 2003. Organizational Behaviour Delhi, Baba Barkha Nath Printers.

Robins Stephen P, and Mary Coulter, 2002. Management, 7th edition. New Delhi, Prentice Hall of India Private Limited.

Robert N. Lussier John R. Hendon 2013. University of Arkansas at little rock, Human Resource Management Functions, Applications, Skill Development Sage publications.

Sandler, C. & Keefe, J., 2004. Performance Appraisal Phrase Book: The Best Words, Phrases, and Techniques for Performance Reviews. [E-book] Avon: Adams Media**.**

Scholtes, P. R., 1998. The Leader's Handbook: Making Things Happen, Getting Things Done. [E-book] New York: McGraw-Hill

Shambhu N. Chowdhury PhD 2008. Developing Performance Appraisal System for Performance Leadership in Banks Personnel Administration and HRD, Paschim Banga Gramin Bank, Howrah.

Stanleigh, S. (2006), Business Improvement Architects Shows Matrix Management is Failing with Current Employee Performance Evaluation, CCN Matthews Business wire, Toronto, p. 1.

Stredwick, John, 2005. An Introduction to Human Resource Management, 2nd edition. London, Elsevier Ltd.

Taylor, P. & O'Driscoll, M., (1994). Functions and Implementation of Performance Appraisal Systems in New Zealand Organizations. Asia Pacific Journal of Human Resources 32, 20-32.

United States Office of Personnel Management (USOPM), 1997. Evaluating Performance Appraisal Programs: An Overview. [On line]. Workforce Compensation and Performance Service.

Wexley N. Kenneth and Andgary A.Yulk, 1988. Organizational Behaviour and Personnel Psychology. Delhi, Surjeet Publications.

Zibran, M.F., 2007. Chi-Squared Test of Independence: Dissertation Paper Alberta: University of Calgary