



**ASSESSMENT OF EMPLOYEE'S PERFORMANCE
APRAISAL PRACTICE: THE CASE OF ABAY BANK S.C**

By: Solomon Mekonnen

Id No: GSE/0724/06

Advisor: - Worku Mekonnen(PhD)

**A Research Thesis Submitted to Addis Ababa University School of Commerce
for the Partial Fulfillment of the Requirement for Masters of Art Degree in
Human Resource Management.**

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
GRADUATE PROGRAM**

**June, 2016G.C
Addis Ababa, Ethiopia**

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

DEPARTMENT HUMAN RESOURCE MANAGEMENT

**ASSESSMENT OF EMPLOYEES PERFORMANCE APRAISAL
PRACTICE: THE CASE OF ABAY BANK S.C**

By:

Solomon Mekonnen Kinnasa (GSE/0724/06)

Approved by Board of Examiners:

**Dr. Worku Mekonnen
Advisor**

Signature

Date

Internal Examiner

Signature

Date

External Examiner

Signature

Date

Statement of Declaration

I, Solomon Mekonnen declare that the thesis entitled “**Assessment of Employees Performance Appraisal Practice: The Case of Abay Bank S.C**” is my original work. Moreover, this study has not been presented for any other program in this university or any other, and that all sources of material used have been acknowledged accordingly.

Solomon Mekonnen

Statement of certification

This is to certify that this study paper titled " **Assessment of performance appraisal practice in Abay Bank Share Company** ", undertaken by Solomon Mekonnen for the partial fulfillment of Master of Arts Degree in Human Resource Management from Addis Ababa University school of commerce is an original work and fit for partial fulfillment for Masters of Arts Degree in Human Resource Management.

Dr. Worku Mekonnen

Research advisor

Signature

Date

Table of Contents

Acknowledgment	i
Acronym and Abbreviation	ii
List of Table	ii
<i>Abstract</i>	i
CHAPTER 1: INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Background of the Company.....	3
1.3. Statement of the Problem	3
1.4. Research Questions.....	4
1.5. Objectives of the Study	5
1.5.1 General Objective	5
1.5.2 Specific Objectives	5
1.6. Definition of Terms	5
1.6.1. Conceptual Definition of Terms Human Resource Management (HRM)	5
1.7. Significance of the Study	6
1.8. Scope of the Study	6
1.9. Organization of the Paper	7
CHAPTER 2: REVIEW OF THE RELATED LITERATURE	8
2. 1. Meaning and Definition of PA	8
2.2. Uses of Performance Appraisal.....	9
2.3. Performance Appraisal System.....	12
2.3.1 Approaches of Performance Appraisal	13
2.3.2. Effectiveness of PA systems.....	13
2.3.3 Time to Conduct Performance Appraisal.....	14
2.3.4 Responsible Body to Conduct PA.....	15
2.3.5. Performance Appraisal Criteria.....	15
2.3.6. Factors that can Distort Appraisal.....	16
2.3.7. Factors Influencing the Effectiveness of PA.....	18
2.4. Performance appraisal methods.....	21
2.4.1. The comparative approach	21
2.4.2 The attribute approach	23

2.4.3 The behavioral approach	24
2.4.4 The Results Approach	26
2.4.5. The Quality Approach	28
2.5. Conceptual Frame Work	29
Chapter 3: Research Design and Methodology	30
3.1. Research Design	30
3.2. Target Population.....	30
3.3. Sampling Techniques	30
3.4. Method of Data Analysis.....	32
3.5. Reliability and Validity.....	32
3.6 Ethical Issues	32
4.1. Respondents’ Profile	33
4.1.1. Gender and age distribution of respondents.....	33
4.1.2. Employees’ level of Education	34
4.1.3. Employees’ year of service	35
4.2. Performance Appraisal Practice and Process in Abay Bank.....	35
4.3. Objectives of PA in Abay Bank	36
4.4. Criteria for Performance Appraisal	41
4.5. Potential Problems of PA in the Organizations under Study	45
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS.....	50
5.1. Conclusion	50
5.2. Recommendations	52
APPENDIX	54

Acknowledgment

First and foremost I would like to thank God for giving me the strength to go through this. The study was done with a support and efforts of lots of persons. I would like to express my gratitude and appreciation for the support and contribution of everyone who assisted me during this project. I like to offer my thanks to my Advisor, Worku Mekonnen (PhD), for his guidance and fast responses for my queries I express my deepest gratitude to my family and friends for their support in completing the study. I would also like to thank my colleagues, especially for their support on doing the final thesis. I would also express my gratitude to my friends and classmates for their encouragement and support over the past few years. Particularly, I express gratitude to my best friends Gezahegne, Tekeba, Helina, Mahder and Birehanu, for offering support while I work on this final thesis.

Acronym and Abbreviation

BARS-Behaviorally anchored rating scales

BOS-Behavioral observation scales

HR-Human resource

HRM-Human resource management

MBO-Management by objective

OBM-Organizational behavior modification

PA-Performance appraisal

PM-Performance management

ProMES-Productivity measurement and evaluation system

Abay Bank- Abay Bank S.c

List of Tables

Table 1- Cronbach's Alpha.....	30
Table 4.1 Sex of the respondent by Age group.....	31
Table 4.2 Employees' level of education with monthly salary.....	32
Table 4.3 Employees' year of service.....	33
Table 4.4: grade levels of performance appraisal in Abay Bank.....	34
Table 4.5 Objectives of PA in Abay Bank.....	35
Table 4.6 Criteria for Performance Appraisal.....	39
Table 4.7: Potential Problems of PA in the Organizations under Study.....	42

Abstract

This study tried to assess the practice of employees' performance appraisal in Abay Bank S.C. The researcher has used descriptive research method. The data collection tools were interview and questionnaire. Total of 191 employees have been taken as a sample and the response rate was 96.33%. The researcher has used proportionate stratified sampling method. 22, 151 and 18 questionnaires were distributed among non-clerical, clerical and management employees respectively. The study found out that Abay Bank uses PA to measure employees' job performance on January and July. The bank does not follow formal appraisal process and the performance standards of the bank addresses issues such as quantity, quality, timelines, cost effectiveness and strategic relevance but it fails to address stability or consistency or the extent to which individuals tend to maintain certain level of performance over time. Abay Bank also faces huge problems on its performance appraisal practice, most of them are rater's error like recency, halo/horns, situational influence etc and the remaining is the problem of the system. The HR department of the bank takes the ultimate responsibility for appraisal and supervisors take the lion share by filling appraisal forms for most of the employees. The appraisal result in Abay Bank used only for making promotion, bonus payment and annual increment decisions. Performance review discussion does not take place in the case company unless an employee comes up with grievances. Generally the outcome of the research confirmed that the performance appraisal practice of Abay Bank S.C. has problems and weaknesses that need to be improved. Since it needs improvement, possible recommendations are outlined at the end of this report.

CHAPTER 1: INTRODUCTION

1.1. Background of the Study

Performance management is one of the cornerstones of Human Resource practice in organizations. No matter where you work, how big or small your organization or how simple or complex the business model, effective performance management is a key requirement if you have any number of employees (Allan H. Church and Janine Waclawski, 2009). According to the definition the basic thing for human resource management, which helps the organization to be success on its objective, is performance management.

There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed, attracting potential employees, choosing employees, teaching employees how to perform their jobs and preparing them for the future, evaluating their performance, rewarding employees, and creating a positive work environment. An organization performs best when all of these practices are managed well. At companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community (Noe et al, 2011).

Performance management is an ongoing process that identifies measures, manages, and develops the performance of people in the organization. It is designed to improve worker performance over time. Performance appraisal is the part of the performance management process that identifies, measures, and evaluates the employee's performance, and then discusses that performance with the employee (Aguinis, 2009).

According to Armstrong (2009) performance appraisal defined as it is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society at a large will benefited.

Performance Appraisals is the assessment of individual's performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output,

initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health (David A. Decenzo, 1999).

Performance management is continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. The process starts from prerequisites, knowledge of the organization's mission and strategic goals and knowledge of the job in question (through job analysis) follows by performance planning, to define the goal for employees to have a thorough knowledge of the performance management system then after performance execution is there, make sure the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. After that performance assessment comes and here the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Before the final stage there is performance review and this stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion.

Finally renewal and re-contracting stage exist although this is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases. For example, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period (Aguinis, 2009). Note that the key components of this definition are that this is a continuous process and that there is an alignment with strategic goals. If a manager fills a form once a year because this is a requirement of the HR cops, then this is certainly not a continuous process. Also, evaluating employee performance (that is, performance appraisal) without clear considerations of the extent to which an individual is contributing to unit and organizational performance and about how performance will improve in the future is also not consistent with this definition of performance management.

As per Auguinis definition; Performance management systems can serve six important purposes: Strategic, Administrative, Communication, Developmental, Organizational maintenance and Documentation.

1.2. Background of the Company

Abay Bank S.C is a private financial institution established in 2009, with its head quarter based in Addis Ababa. It started its banking service in October 2010. Banking service is the flourishing industry of the country; Currently 18 banks have started their operation all over the country. Though for a country like Ethiopia 18 banks seems few but the trend and development of using the bank service is limited. These realities forge Abay bank to start its operation with better products and services.

The major services that provide by the bank are saving service, current service, loan service, promissory notes, foreign exchange services, local and international money transfer service, card payment services, and import- export service. There are also unique products and services that provide by the bank, i.e. evening service up to 9:00 PM, provide advice and financial support for entrepreneurs, provide professional advice to clients to be successful in their business and work in partnership with clients on viability of projects. In addition it has completed the necessary preparations and recently introduces ATM (Automated Teller Machines), mobile and agent banking and implements best practices and state- of- the art technology in the industry.

The bank is known by its aggressive branch expansion. As of September 30/2015, the bank expanded the number of its branches to 92, and the total number of staffs reached 1005. Further it plans by the end of 2015/16 financial year the branch expansion to increase to 120 so as to serve unbanked and under banked areas in all regional states.

1.3. Statement of the Problem

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance. It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success.

Failure to have a carefully crafted performance appraisal, can probably lead to failure in the business process itself.

Organizational performance is the synergetic sum total of the performance of all employees in the organization. This being the fact, employee performance has to be closely planned, coached and appraised to ensure that it is in line with the interest of organizations. However, it seems that performance appraisal is not given the proper attention by Abay bank and is exercised periodically more as a usual practice than as a tool of motivation on the basis of which various administrative and developmental decisions are taken.

The researcher inspired to fill the gap which problem occurred and complaints presented by the bank's staff at different levels following to the bank failed to do performance appraisal in a way of improving and encouraging employees due to evaluators are not be aware of the factors that can cause problems with the process.

The banking industry in Ethiopia has been experiencing an intense competition in the past few years. In connection with this fact, in order to gain competitive advantage over competitors in the industry the organization must carefully handle this sensitive issue of employee performance appraisal. Different researches indicate that one of the most critical inputs for a business is its people (human resources) from which a firm can develop sustainable competitive advantage.

Based on observations made by the researcher in different web sites and more than two years of experience even if there are a lot of researches that have been done regarding performance appraisal practice, there was no research that was done to assess performance appraisal practice in Abay Bank Share Company. Therefore in this study the researcher assessed performance appraisal practice in detail in Abay Bank Share Company.

1.4. Research Questions

In order to answer the problem related to this research paper the researcher will raise some questions which related to the statement of problem and try to give appropriate answer.

1. What are the natures of employees' performance appraisal practices in Abay Bank S.C.?
2. What are the major problems in the practices of performance appraisal of employees?
3. What are the objectives of employees' performance appraisal in these organizations?
4. What are the criteria/instruments used to conduct performance appraisal?

1.5. Objectives of the Study

At the end of this study the researcher has planned to achieve the following general and specific objectives.

1.5.1 General Objective

The major objective of the study is to assess performance appraisal practice in Abay Bank Share Company.

1.5.2 Specific Objectives

Specific objectives of the study are the following:-

1. To assess the natures of employees' performance appraisal practices in Abay Bank S.C.
2. To examine the major problems in the practices of performance appraisal of employees.
3. To assess the objectives that Abay Bank S.C. use to evaluate an employees' performance.
4. To assess the criteria/instrument used to conduct performance appraisal capability of measuring the employees' true performance in Abay Bank S.C.

1.6. Definition of Terms

In this part the researcher has listed definition of terms from theoretical perspective and practical definition of terms given by the researcher.

1.6.1. Conceptual Definition of Terms Human Resource Management (HRM)

It is utilization of human resources to achieve Organizational objectives. Human resource management (HRM) is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees. (Mandy et al, 1999).

Performance Appraisal (PA) - is a method of evaluating the behavior of employees in the work spot, normally including both quantitative and qualitative aspects of job-performance (Rao, 2004). **Performance Management (PM)** - is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Smither W.James, 2009).

1.6.2 Operational Definition of Terms Managerial Employees

Employees of the bank that work on the position that starts from assistant branch manager, branch manager, department manager up to the president.

Clerical employees- are employees of the bank that work starting from grade V(five) like Customer relation officer I and II, secretaries and clerks up to positions below Accountant or assistant branch managers.

Non clerical employees- are employees of the bank that work on positions from grade I-IV (one up-to four) like janitors, messengers, securities, cash office boys/girls etc.

1.7. Significance of the Study

This paper tried to cover the performance appraisal of the organization. The findings of this study expected to provide a lot of advantage for different organs. The major benefits of this study are the following; it serves as a stepping stone for those who want to make further study on this topic. Help students in the field and practitioners as a reference material to get deep insight with regard to performance appraisal practice as well as theory. Inform the bank any gaps in its practice of performance appraisal and help to make the necessary adjustment. Helps employees of the bank to know about how they are evaluated and to identify purposes of the performance appraisal of the bank and. The study also serves as a criterion for the partial fulfillment of Master of Arts degree in the field of Human Resource Management.

1.8. Scope of the Study

The study is limited to the specific company (Abay Bank S.C) which only on employees who are working at Addis Ababa branches and Head office and branches whose experience is at least more than one year.

The scope of this paper will not include other elements of the organization's human resource management programs and will not cover other elements of the company's overall business practice.

1.9. Organization of the Paper

This research has been contained five chapters. The first chapter deals with background of the study, background of the company, statement of the problem, objectives of the study significance of the study, scope and limitation of the study and organization of the paper. The second chapter covers the review of literature in the area of study. The third chapter discuss about the methodology employed by the study. The fourth chapter included presents of finding and analysis of data collected. And finally chapter five contains recommendation and conclusion of the study.

CHAPTER 2: REVIEW OF THE RELATED LITERATURE

2. 1. Meaning and Definition of PA

Before defining performance appraisal one has to know what Performance management is, therefore according to Armstrong (2009), Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Performance management is concerned with: aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies. (Armstrong, 2009) Performance Appraisal is defined by different scholars of human resource management in different time. Therefore, some theories of those scholars have been discussed as follows.

According to Longenecker, (1997) 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. 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, at its core, the performance appraisal process allows an organization to measure and evaluate an individual employee's behavior and accomplishments over a specific period of time (Wiese and Buckley, 1998). Yong (1996) 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 behavior in the position". Therefore, HR development, begins with the orientation of new employees, HR training and development, and also includes the necessary information to accommodate technological changes. Encouraging development of all employees including supervisors and managers is

necessary to prepare organizations for future challenges. Career planning identifies paths and activities for individual employees as they develop within the organization. Assessing how well employees are doing their jobs is the focus of performance appraisal (Mathis and Jackson 1997). Furthermore, (Gomez-Mejia et.al.), stated that “performance appraisal as the process of identification, measurement, and management of human performance in organization.” Therefore, to make these effective organizations should develop a system that serve as a tool to performance appraisal process.

2.2. Uses of Performance Appraisal

The use of PA is elaborated by Mullins (1996) as a formalized and systematic appraisal scheme can also form the basis of a review of financial rewards and planned career progression. Performance appraisal is therefore, a crucial activity of the personnel function and the management of human resources. Also, the use of PA discussed by Henenman (1996,) as PA is used to identify the dimension of performance, and also to set standards of contributions for each performance dimensions step.

And also Mondy, Noe and Premeaux (1999) stated as: “virtually every American business firm is affected by global competition. For survival and success, it is imperative that these organizations remain competitive. Continued competence can only be maintained ceaseless development of human resources’. A potential mechanism for this growth is employee “PA”. Mathis and Jackson (1997) finally discussed about the role (use) of PA as follows. “PA has two roles in organizations. One role is to measure performance for rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might hinge on these ratings making them difficult at times. Another role is development of individual potential. Different institutions/ organizations use PA for different purposes as different scholars stated. The following are some Examples:

“Managers often believe that the most significant PA outcome involves the contributions employees make to the organizations goal attainment. Higher performing employee’s successfully meets their responsibilities and thereby make a contribution to the goals of the organization. Mullins (1996). 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 (Coutts and Schneider, 2004). According to Armstrong (2000), a PA function is a continuous and evolutionary process in which

performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams.

According to Gomez-Mejia et.al (2001), Organizations usually conduct appraisals for administrative and/or developmental purposes. Performance appraisals are used administratively whenever they are the basis for a decision about the employee's work conditions including promotions, termination and rewards. Development uses of appraisal which are geared toward improving employees' performance strengthening their job skills, including counseling employees on effective work behaviors and sending them for training. The major functions of PA are to give employees feedback on performance, to identify the employees' developmental needs to make promotion and reward decisions, to make demotion and termination decisions and to develop information about the organizations selection and placement decisions, as Nelson and et al. (1997) and Mondy, Noe and Premeaux (1999) discuss the PA purpose as performance appraisal data are potentially valuable for use in virtually every human resource functional areas such as:

- a) Human Resource Planning
- b) Recruitment and selection
- c) Training and development
- d) Career planning and development
- e) Compensation programs
- f) Internal employee relation
- g) Assessment of employee potential

The system involves several steps, which can be considered as continuous, however periodic. Performance appraisal objectives can be classified in a number of ways. One of the best known classifications was produced by McGregor (1987) who grouped the objectives as follows:-

Administration: Providing an orderly way of determining promotions, transfers and salary increases.

Informative: Supplying data to management on the performance of subordinates and to the individual on his or her performance.

Motivational: Creating a learning experience that motivates staff to develop themselves and improve their performance. Finally, Henenman et al (1996) classified the purpose of PA into three conditions:

Administration Decisions: those are for employee promotion, choosing employee, and making salary increments recommendations. And also these scholars presented this for administrative purpose which helps to place employees in positions where their abilities can be best use or helpful in assigning employees to appropriate future positions. Mathis and Jackson (1997) moreover state the administrative aspect of PA as follows: PA system is often the link between the reward employees hope to receive and their productivity. Decisions on promotion, termination layoff, and transfer assignments are some of the administrative use of PA that are very important to employees. When organizations terminate, promote or pay people differently, PAs are necessary as they are a crucial defense if employees sue over such decisions.

Employee feedback and development: is another purpose of PA is to employees know where they stand relative to performance objectives and organization expectations. As Mathis and Jackson (1997) also stated that PA can be primary source of information and feedback for employees, which is the key for their future development. When supervisors identify the weakness, potentials, and training needs of employees about their progress, discuss what skills they need to develop and workout development plans. Here the main purpose of developmental feedback lies to change or reinforce individual behavior rather than to compare individual as in the case of administrative users of PA.

Armstrong (2009) also stated employees' feedback and development as functions as a continuous and evolutionary process in which performance improves overtime. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual

performance but it can also be applied to teams. The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important.

Evaluation of policies and programs implemented: are another method of PA to influence work behavior. That means, one can observe the purpose of PA keeps determinant effect and needs to be well known and done for the effectiveness of the organization task and employee relative stand on his/her job. Mondy, Noe and Premeaux (1999) stated that the purpose of PA, "A system which is properly designed and communicated can help to achieve organizational objectives and also increases employee performance. Actually, PA data are potentially useful for use in every human resource function area such as in every human resource planning and development of employee potential.

2.3. Performance Appraisal System

Aguinis, (2005) indicated that performance management system usually include measures both behaviors (what an employee does) and results (the outcomes of an employee's behavior). In order to realize the purpose of performance appraisal, organizations should carefully design appraisal system and implement accordingly. According to Gomez-Mejia (2001), the first step in the performance appraisal process is identifying what is to be measured. This process seems fairly simple at first glance. In practice, however, it can be quite complicated.

Identification of performance dimensions is the important first step in the appraisal process. If a significant dimension is missed, employee morale is likely to suffer because employee who do well on that dimension is missed, employee will not be recognized or rewarded. If an irrelevant or trivial dimension is included, employees may perceive the whole appraisal process as meaningless. The Second step in performance appraisal process is measuring employees' performance. Measuring employee performance involves a number to reflect an employee's performance on the identified characteristics or dimensions. Technically numbers are not mandatory. Label such as "Excellent", "Good", "average" and "Poor might be used instead.

2.3.1 Approaches of Performance Appraisal

Numerous techniques for measuring performance have been developed over the years. According to Gomez-Mejia, (2001), Techniques of measuring performance of employees involve wide array of appraisal formats from which to choose. Here we discuss the formats that are most common legally defensible. These formats can be classified in two ways: (1) the type of judgment that is required (relative or absolute), and (2) the focus of the measure (trait, behavior, or outcome). PA roots in the early 20th century and its existence consists of different approaches in its history. The three approaches that deal with PA are presented below. (Henenman et.al 1996).

The traditional trait rating scale approach: involves rating an individual's personal traits or characteristics. Commonly assessed traits are: initiation, decisiveness and dependability. Although the trait approach is widely used by managers and it is generally considered by experts to be the weakest. It contains different method during application.

Behaviorally anchored rating scale approach: is done on job –by-job basis. The steps in developing a behavioral anchored rating scale are both time consuming and rigorous. It contains different method, during application.

Management by objectives approach: focuses on the product of one's efforts. It is the most common format for the results approach. Also, it contains different methods during application. (Henenman et al. 1996)

2.3.2. Effectiveness of PA systems

To meet the vision, mission, objective, goals and targets of an organization or an institution, everyone should set clear and precise methods of PA system objectivity. If so, effective output of PA system leads an organization to prosper specially, in the environment where formal learning and other similar activities are held. As a result of, every employee's awareness leads to set and control how to implement effective PA system. Nelson and et.al (1997) discusses that an effective PA system has about five main characteristics.

- **Validity:** Comes from capturing multiple dimensions of person' job performance.
- **Reliability:** comes from capturing evaluation from multiple sources and at different times over the course of the evaluation period.
- **Responsiveness:** allows the person being evaluated some input in to the final outcome.

- **Flexibility:** it opens to modification based on new information such as federal requirements.
- **Equitableness:** results in fair evaluations against established performance criteria, regardless of individual differences.

Again clear and very important statements, about the effectiveness of PA system are expressed by Mathis and Jackson (1997) as follows. An understanding what an appraisal is supposed to do is very critical whichever of the method is used. It usually works if PA is used to develop employees as a source. When management uses appraisal as a punishment or when raters fail to understand its limitations is fails.

What and whichever the appraisal method is used, the main point is that managers and employees must understand the purposes of PA system. So, consistent with the strategic mission of the organization, useful as an administrative tool, legal as development tool, as documentation of employees' performance are points of chances to be obtained if and only if PA is practiced properly.

2.3.3 Time to Conduct Performance Appraisal

In any administration activity of an organization, PA also has its own time to be conducted. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period (Mullins 1996) with the majority of schemes, staff receives an annual appraisal and for many organizations this may be sufficient. Also more frequent appraisals may be appropriate for new members of staff, those recently promoted or appointed to a new position or for those whose past performance has not been up to the required standard. And also Mathis and Jackson (1997) broadly explained as follows: First an informal appraisal is conducted whenever the supervisor feels it is necessary. The day-to-day working relationships between a manager and an employee performance have to be judged. This judgment is communicated through conversation on the job or over coffee or by on-the-spot examination of a particular piece of work. Informal appraisal is especially appropriate when time is an issue. The longer feedback is delayed the less likely it is motivating behavior change. Frequent information feedback of employee can also avoid surprises (and therefore problems) later when the formal evaluation is communicated.

Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it should not take the place of formal appraisal. When a formalized or systematic appraisal is used, the interface between the HR unit and the appraising manager becomes more important. Therefore, systematic appraisals typically are conducted once or twice a year. Appraisals most often are conducted once a year, usually near the employee's anniversary date. For new employees, an appraisal for 90 days after employment, again at six months, and annually these after is common timing. This regular time interval is a feature of formal appraisals and distinguishes them from informal appraisals. Both employees and managers are aware that performance will be reviewed on a regular basis, and they can plan for performance discussions. In addition, informal appraisals should be conducted whenever a manager feels they are desirable.

2.3.4 Responsible Body to Conduct PA

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

- Supervisors who rate their employees
- Employee who rate their supervisors
- Team members who rate each other
- Outsider sources
- Employee self-appraisals
- Multi-score (360°) appraisal

2.3.5. Performance Appraisal Criteria

According to Armstrong (2009), the criteria for reviewing performance should be balanced between: achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance

(competencies); the degree to which behavior upholds the core values of the organization; day-to-day effectiveness. As Mathis and Jackson (1997) stressed, performance criteria are standards commonly used for testing or measuring performances. Criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based.

Trait based criterion: identifies a subjective Character trait such as “pleasant personality”, “initiative,” or “creativity and has little to do with the specific job. Such traits tend to be ambiguous, and courts have held that evaluation based on traits such as “adaptability” and general demeanor” are too vague to use as the basis for performance-based HR decisions.

Behavior-based criterion: focus on specific behaviors that lead to job success.

Results-based criterion: look at what the employee has done or accomplished. For some jobs where measurement is easy and appropriate, a result based approach works very well.

Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. But there are also problems with these criteria. Mathis and Jackson (1997) again said, jobs usually include many duties and tasks, and so measuring performance usually requires more than one dimension. If the performance criteria leave out some important job duties, they are deficient. If some irrelevant criteria are included in the criteria, the criteria are said to be contaminated. Managers use deficient or contaminated criteria for measuring performance much more than they should.

2.3.6. Factors that can Distort Appraisal

These errors can emanate from system designed and operating problems, raters problems, and ratees problem in performance appraisal.

2.3.6.1. Problems emanating from the Raters

Raters have their own rose-colored glasses with which they “objectively” view their subordinates. These biases produce rating errors, or deviations between the “true” rating an employee deserves and the actual rating assigned. Rating errors reduce the reliability, validity, and utility of performance appraisal systems. Biases in performance ratings manifest themselves in many forms.

According to Ivancevich, (1989), the use of ratings assumes that the rater is reasonably objective and accurate. However, in reality, raters' memories are quite imperfect, and raters subscribe to their own sets of likes, dislikes, and expectations about people, which may or may not be valid.

2.3.6.2. Problems Emanating from the System of PA

Problems can be emanate from the system of appraisal which involves the objective of the appraisal it wants to serve, administrations system, forms used and procedure used to make up the system.

According to Michael Beer (1987) many of the problems in performance appraisal stem from the appraisal system itself, the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system. (As cited by Zelalem Bayisa 2007)

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

According to Deborah F.B and Brain H. Kleiner (1997) organizations need to have a systematic framework to ensure that performance appraisal is "fair" and "consistent". In their study of "designing effective performance appraisal system", they conclude that that designing an effective appraisal system requires a strong commitment from top management. The system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria. They further argued that the system should help to create a motivated and committed workforce. (ibid)

The system should have a framework to provide appropriate training for supervisors, raters, and employees, a system for frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

2.3.6.3. Problems Emanating from the Ratees

The problems of performance evaluation can also be attributed to the ratees, and involves the instance of; their attempt to create unnecessary impression and work area ingratiation is one of the

major problems with respect to rates. According to Mark Cook (1995), while discussing impression management, organizations occasionally exist in which subordinates gain credit for pushing ahead with management plans that are absurdly wrong, in pursuit of aims which are completely pointless, stifling criticism either of purpose or of method with cries of “commitment” and “loyalty”. *Ingratiation* English has a rich vocabulary to describe workplace ingratiation including words listed in dictionaries as “not in polite use” which implies that the behavior is widely recognized, but not widely popular. Research suggests however that ingratiation does not always succeed in obtaining good performance ratings. Unsubtle ingratiation may sometimes be too blatant to be credible, or palatable.

Ingratiation and other impression management techniques also contaminate appraisal ratings, and make them less accurate reflectors of true worth to the organization. Besides undermining performance appraisal, and selection research, this tends to be bad for morale, when staff see persons whose true performance is poor, but who are good at ingratiating themselves, get merit awards, or promotion, or other marks of favor. (ibid)

2.3.7. Factors Influencing the Effectiveness of PA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4. Performance appraisal methods

We can manage performance by focusing on employee attributes, behaviors, or results. In addition, we can measure performance in a relative way, making overall comparisons among individuals' performance. Finally we can develop a performance measurement system that incorporates some variety of the preceding measures, as evidenced by the quality approach to measuring performance (Noe et al,2008).

2.4.1. The comparative approach

The comparative approach to performance measurement requires the rater to compare an individual's performance with that of others. This approach usually uses some overall assessment of an individual's performance or worth and seeks to develop some ranking on the individuals within a work group. At least three techniques fall under the comparative approach: ranking, forced distribution, and paired comparison (Noe et al 2008).

Ranking

Simple ranking requires managers to rank employees within their departments from highest performer to poorest performer (or best to worst). Alternation ranking, on the other hand, consists of a manager looking at a list of employees, deciding who the best employee is, and crossing that

person's name off the list. From the remaining names, the manager decides who the worst employee is and crosses that name off the list and so forth (Noe et al 2008).

Forced Distribution

The forced distribution method also uses a ranking format, but employees are ranked in groups. This technique requires the manager to put certain percentage of employees into predetermined categories. Such performance ranking takes several forms. Most commonly, employees are grouped into three, four, or five categories usually of unequal size indicating the best workers, the worst workers, and one or more categories in between. Forced distribution method forces managers to distinguish between employees, which avoids an entitlement mentality for pay, rewards, and developmental activities. Even if a manager's employees are all above average performers, the manager is forced to rate some employees as "Not Acceptable"(Noe et al 2008).

Paired comparison

The paired comparison method requires managers to compare every employee with every other employee in the work group, giving an employee a score of 1 every time he or she is considered the higher performer. Once all the pairs have been compared, the manager computes the number of times each employee received the favorable decision (that is, counts up the points), and this becomes the employee's performance score (Ibid).

Evaluating the comparative approach

The comparative approach to performance management is an effective tool in differentiating employee performance; it virtually eliminates problems of leniency, central tendency, and strictness. This is especially valuable if the results of the measures are to be used in making administrative decisions such as pay raises and promotions. In addition, such systems are relatively easy to develop and in most cases easy to use; thus, they are often accepted by users (Ibid). One problem with these techniques, however, is their common failure to be linked to the strategic goals of the organization. Although raters can evaluate the extent to which individuals' performance support the strategy, this link is seldom made explicit. In addition, because of the subjective nature of the ratings, their actual validity and reliability depend on the raters

themselves. Some firms use multiple evaluators to reduce the biases of any individual, but most do not. At best, we could conclude that their reliability and validity are modest (Ibid).

2.4.2 The attribute approach

The attribute approach to performance management focuses on the extent to which individuals have certain attributes (characteristics or traits) believed desirable for the company's success. The techniques that use this approach define a set of traits-such as initiative, leadership, and competitiveness- and evaluate individuals on them (Ibid).

Graphic rating scales

The most common form that the attribute approach to performance management takes is the graphic rating scale. List of traits is evaluated by a five-points (or some other number of points) rating scale. The manager considers one employee at a time, circling the number that signifies how much of that trait the individual has. Graphic rating scales can provide a number of different points (a discrete scale) or a continuum along which the rater simply places a check mark (a continuous scale). These appraisals consisted of supervisors' rating subordinates on a number of undefined dimensions such as volume of work, quantity of work, job knowledge, dependability, and cooperation (Noe et al, 2008).

Mixed-standard scales

Mixed-standard scales were developed to get around some of the problems with graphic rating scales. To create a mixed-standard scale, we define the relevant performance dimensions and then develop statements representing good, average, and poor performance along each dimension. These statements are then mixed with the statements from other dimensions on the actual rating instrument. Note that mixed-standard scales were originally developed as trait-oriented scales. However, this same technique has been applied to instruments using behavioral rather than trait-oriented statements as a means of reducing rating errors in performance appraisal (Noe et al, 2008).

Evaluating the attribute approach

Attribute-based performance methods are the most popular methods in organizations. They are quite easy to develop and are generalizable across a variety of jobs, strategies, and organizations.

In addition, if much attention is devoted to identifying those attributes relevant to job performance and carefully defining them on the rating instrument, they can be as reliable and valid as more elaborate measurement techniques (Noe et al, 2008). However, these techniques fall short on several of the criteria for effective performance management. There is usually little congruence between the techniques and the company's strategy. These methods are used because of the ease in developing them and because the same method (list of traits, comparisons) is generalizable across any organization and any strategy. In addition, these methods usually have very vague performance standards that are open to different interpretations by different raters. Because of this, different raters often provide extremely different ratings and rankings. The result is that both the validity and reliability of these methods are usually low (Noe et al, 2008).

2.4.3 The behavioral approach

The behavioral approach to performance management attempts to define the behaviors and employee must exhibit to be effective in the job. The various techniques define those behaviors and then require managers to assess the extent to which employees exhibit them (Noe 2008).

Critical Incidents

The critical incidents approach requires managers to keep a record of specific examples of effective and ineffective performance on the part of each employee. However, many managers resist having to keep a daily or weekly log of their employees' behavior. It is also often difficult to compare employees because each incident is specific to that individual (Noe et al, 2008).

Behaviorally anchored rating scales

A behaviorally anchored rating scale (BARS) builds on the critical incidents approach. It is designed to specifically define performance dimensions by developing behavioral anchors associated with different levels of performance (Noe et al, 2008). To develop a BARS, we first gather a large number of critical incidents that represent effective and ineffective performance on the job. These incidents are classified into performance dimensions, and the ones that experts agree clearly represent a particular level of performance are used as behavioral examples (or anchors) to guide the rater. The manager's task is to consider an employee's performance along each dimension and determine where on the dimension the employee's performance fits using the

behavioral anchors as guides. This rating becomes the employee's score of that dimension (Noe et al, 2008).

Behavioral observation scales

A behavioral observation scale (BOS) is a variation of BARS. Like a BARS, a BOS is developed from critical incidents. However, a BOS differs from BARS in two basic ways. First, rather than discarding a large number of the behaviors that exemplify effective or ineffective performance, a BOS uses many of them to more specifically define all the behaviors that are necessary for effective performance (or that would be considered ineffective performance). Instead of using, say, 4 behaviors to define 4 levels of performance on a particular dimension, a BOS may use 15 behaviors (Noe et al, 2008).. A second difference is that rather than assessing which behavior best reflects an individual's performance, a BOS requires managers to rotate the frequency with which the employee has exhibited each behavior during the rating period. These ratings are then averaged to compute an overall performance rating (Ibid). A direct comparison of BOS, BARS, and graphic rating scales found that both managers and employees prefer BOS for differentiating good from poor performers, maintaining objectivity, providing feedback, suggesting training needs, and being easy to use among managers and subordinates (Ibid).

Organizational behavior modification

Organizational behavior modification (OBM) entails managing the behavior of employees through a formal system of behavioral feedback and reinforcement. This system builds on the behaviorist view of motivation, which holds that individuals' future behavior is determined by past behaviors that have been positively reinforced. The techniques vary, but most have four components. First, they define a set of key behaviors necessary for job performance. Second, they use a measurement system to assess whether these behaviors are exhibited. Third the manager or consultant informs employees of those behaviors, perhaps even setting goals for how often the employees should exhibit those behaviors. Finally, feedback and reinforcement are provided to employees (Noe et al 2008).

Assessment centers

Although assessment centers are usually used for selection and promotion decisions, they have also been used as a way of measuring managerial performance. At an assessment center,

individuals usually perform a number of simulated tasks, such as leaderless group discussions, in-basket management, and role playing. Assessors observe the individuals' behavior and evaluate their skill or potential as managers (Noe et al 2008).

Evaluation of the behavioral approach

The behavioral approach can be very effective. It can link the company's strategy to the specific behavior necessary for implementing that strategy. It provides specific guidance and feedback for employees about the performance expected of them. Most of the techniques rely on in-depth job analysis, so the behaviors that are identified and measured are valid. Because those who will use the system develop the measures, the acceptability is also often high. Finally, with a substantial investment in training raters, the techniques are reasonably reliable (Noe et al, 2008). The major weaknesses have to do with the organizational context of the system. Although the behavioral approach can be closely tied to a company's strategy, the behaviors and measures must be constantly monitored and revised to ensure that they are still linked to the strategic focus. This approach also assumes that there is "one best way" to do the job and that the behaviors that constitute this best way can be identified. (Noe et al 2008).

2.4.4 The Results Approach

As per Noe et al (2008) the results approach focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to organizational effectiveness. The researcher examined two performance management systems that use results: management by objective and the productivity measurement and evaluation system.

Management by objectives

Management by objectives (MBO) is popular in both private and public organizations. The original concept came from the accounting firm of Booz, Allen, and Hamilton and was called a "manager's letter." The process consisted of having all the subordinate managers write a letter to their superiors, detailing what their performance goals were for the coming year and how they planned to achieve them(Noe et al 2008).

In an MBO system, the top management team first defines the company's strategic goals for the coming year. These goals are passed on to the next layer of management, and these managers define the goals they must achieve for the company to reach its goals. This goal-setting process cascades down the organization so that all managers set goals that help the company achieve its goals. These goals are used as the standards by which an individual's performance is evaluated (Noe et al 2008).

Productivity measurement and evaluation system (ProMES)

The main goal of ProMES is to motivate employees to higher levels of productivity. It is a means of measuring and feeding back productivity information to personnel. ProMES consists of four steps. First, people in an organization identify the products, or the set of activities or objectives, the organization expects to accomplish. The organization's productivity depends on how well it produces these products. At a repair shop, for example, a product might be something like "quality of repair." Second, the staff defines indicators of the products. Indicators are measures of how well the products are being generated by the organization. Quality of repair could be indicated by (1) return rate (2) percentage of quality-control inspections passed. Third, the staff establishes the contingencies between the amount of the indicators and the level of evaluation associated with that amount. Fourth, a feedback system is developed that provides employees and work groups with information about their specific level of performance in each of the indicators. An overall productivity score can be computed by summing the effectiveness scores across the various indicators. (Noe et al 2008).

Evaluation of the result approach

The results approach minimizes subjectivity, relying on objective, quantifiable indicators of performance. Thus, it is usually highly acceptable to both managers and employees. Another advantage is that it links an individual's results with the organization's strategies and goals. However, objective measurements can be both contaminated and deficient contaminated because they are affected by things that are not under the employee's control, such as economic recessions, and deficient because not all the important aspects of job performance are amenable to objective measurement. Another disadvantage is that individuals may focus only on aspects of their performance that are measured, neglecting those that are not.

2.4.5. The Quality Approach

Thus far we have examined the traditional approaches to measuring and evaluating employee performance. Two fundamental characteristics of the quality approach are a customer orientation and a prevention approach to errors. Improving customer satisfaction is the primary goal of the quality approach. Customers can be internal or external to the organization. A performance management system designed with a strong quality orientation can be expected to

- i. Emphasize an assessment of both person and system factors in the measurement system.
- ii. Emphasize that managers and employees work together to solve performance problems.
- iii. Involve both internal and external customers in setting standards and measuring performance.
- iv. Use multiple sources to evaluate person and system factors.

Statistical process control techniques are very important in the quality approach. These techniques provide employees with an objective tool to identify causes of problems and potential solutions. These techniques include process-flow analysis, cause-and-effect diagrams, Pareto charts, control charts, histogram, and scatter grams (Noe et al 2008).

Evaluation of the quality approach

The quality approach relies primarily on a combination of the attribute and results approaches to performance measurement. However, traditional performance appraisal systems focus more on individual employee performance, while the quality approach adopts a systems-oriented focus. Many companies may be unwilling to completely abandon their traditional performance management system because it serves as the basis for personnel selection validation, identification of training needs, or compensation decisions. Also, the quality approach advocates evaluation of personal traits (such as cooperation), which are difficult to relate to job performance unless the company has been structured into work teams (Noe et al 2008).

2.5. Conceptual Frame Work

This chapter tries to deal with review of literature on performance appraisal and organizations' under the study background. Attempts will be made to briefly begin with evolution and over view of Human Resource Management followed by the general concepts of performance appraisal such as purpose, methods, importance, time, schedule, and other related information's are presented in very precise manner.

The conceptual fram work which developed based on Litrature review

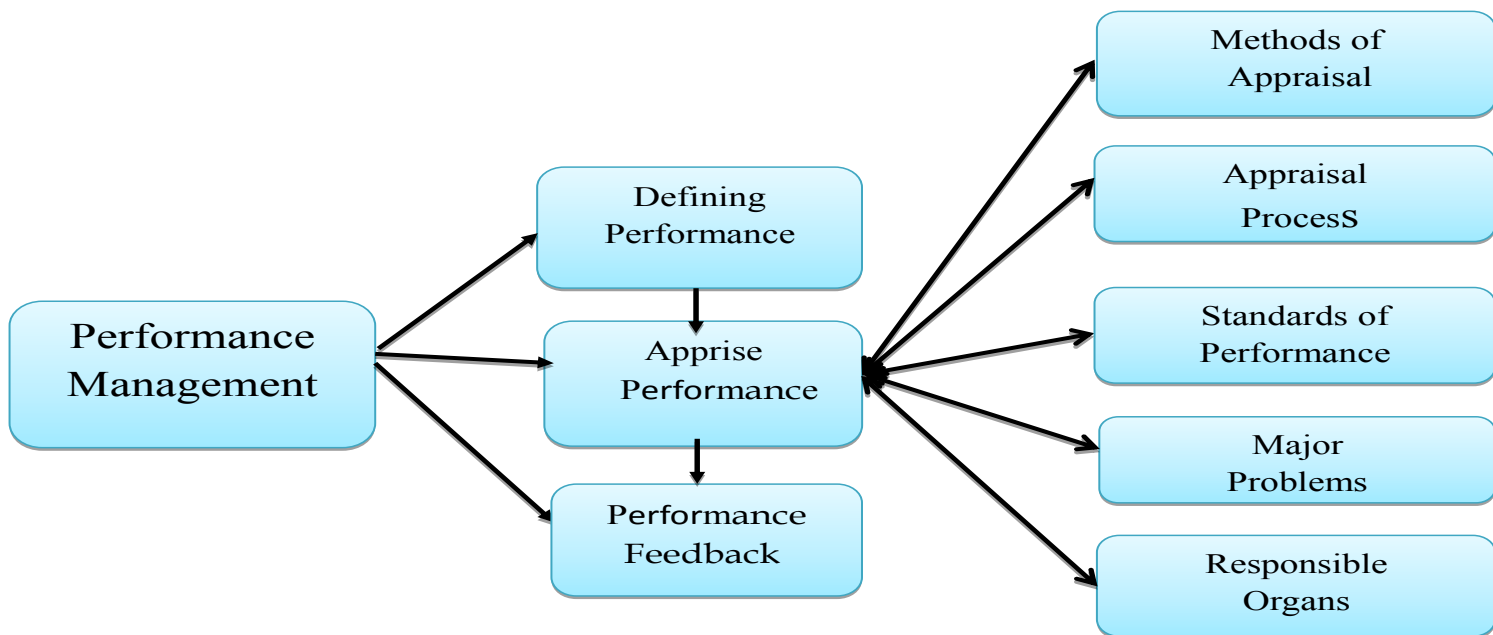


Figure 2.1 Conceptual framework of the study: based on literature review.

Chapter 3: Research Design and Methodology

In order to achieve the objective of this paper, using of appropriate methodology that helps to approach the research scientifically is the priority attention given by the researcher. Therefore this chapter includes research design, sample and sampling technique, instrument for data collection, procedure of data collection, method of data analysis, reliability and validity and ethical issue.

3.1. Research Design

According to Geoffrey et al, 2005 descriptive research is a research type which describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issues. Based on the above definition descriptive type of research design is best to achieve the aim of this research since the study is focus on assess of performance appraisal practice in Abay Bank S.C

Data was collected by using of questioner and interview. The questionnaire includes both close ended questions with predetermined scale for response and open ended questions providing respondents with freedom to express their perception.

3.2. Target Population

The target population of this research is permanent employees of Abay Bank S.C who works in various positions of managerial, clerical and non-clerical post at Addis Ababa and who have more than one year experience. The rationale of selecting these employees as a target population is because they have at least one time experience of performance appraisal in Abay bank S.C and the remoteness of accessing outlying branches employees.

3.3. Sampling Techniques

According to the bank's report following to the end of first quarter (2015/2016) the total permanent employees of Abay Bank S.C. are 1005 (i.e 127 managerial, 772 clerical and 106 non clerical) out of this employees 381 of them are working at Addis Ababa and have got more than one year experience. For this study the researcher use sample from the total population due to time, resource and proper organization of data. From the given scope, sample only take from head office employees and eight branches in Addis Ababa (Main, Merkato, Lideta, Kera, Bomb-Tera, Bole Michael, CMC and Goffa), the branches selected randomly.

As per Glenn (1992) there are several approaches to determining the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published

tables, and applying formulas to calculate a sample size. A third way to determine sample size is to rely on published tables, which provide the sample size for a given set of criteria. The first and second approaches for determining the sample size are not appropriate for this study. Since the population of the study are many in number it was difficult to use census, and also imitating the sample size of similar studies was not possible because it was difficult to gate this kind of research that is done in the Abay bank or other banks. Therefore the researcher has used table for determining sample size, because it is easy and developed by experienced scholars like Krejcie and Morgan (1970).

Since the study was delimited to Addis Ababa city the population size of employees working in Addis Ababa and that have experience of one year and above were 381. Therefore from the table Krejcie and Morgan (1970) the sample size for population size of 381 is 191. 191 were used as sample size for this study. The numbers of staffs who have more than one year experiences were listed as follows. Main branch have 28 staffs, Merkato branch have 19 staffs, Lideta branch have 11 staffs, Kera branch have 12 staffs, Bomb-Tera branch have 19 staffs, Bole Michael branch have 13 staffs, CMC branch have 12 staffs and Goffa branch have 9 staffs. The total numbers of samples from the branches are 123 employees and the remaining 68 was taken from different departments in head office by using proportionate stratified random sampling technique. The reason for making the number of samples from branches more than head office was based on the proportion of the number of staff found at branches'.

There are several approaches to determining the sample size include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size (Glenn 1992)

From the three aforementioned sampling possibilities the researcher use table for determining sample size, since the other two are not suitable for this research and taking of sample size from table is easy and developed by experienced scholars like Krejcie and Morgan (1970).

3.4. Method of Data Analysis

Descriptive statistics used to organize the data through closed ended questions with the help of SPSS version 16. analysis has been done according to the objective of the study. Summary of statistics has organized in the form of qualitative and quantitative measures by using frequencies and percentage. Regarding to the interpretation for the variables use on likert scale: measurement used on the basis of survey 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

3.5. Reliability and Validity

To ensure the reliability of the response (internal consistency of items measuring the level of homogeneity of measures in the instrument and reliability over and over groups of respondents), the study did the reliability test to 24 selected target group respondents by calculating cronbach's alpha with all variable using SPSS. As a result the cronbach's alpha of the questionnaire revealed 0.816. As per (Walsh, 1995) recommendation a minimum level of cronbach's alpha should be 70%. Hence the reliability of the response was able to be ensured.

Table 1

<i>Cronbach's Alpha</i>	<i>Number of items</i>
<i>.816</i>	<i>24</i>

3.6 Ethical Issues

It could not be ethical to access some confidential documents of the organization. Therefore, the organization's code of ethics was taken in to account without significantly compromising findings of the study. Also it may not be ethical to ask employees to answer questionnaires while they are at their work responsibility. Hence, enough time was given to respondents so that they can either take the questionnaire to their home or use their break time.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

This chapter deals with analysis, interpretation and discussion of the data collected through questionnaire and interview. Responses for measures on the questionnaire are summarized and presented by using tables.

These research questions were approached by using the questionnaire based on the Likert Scale, which studied the attitudes of the respondents and informants employees regarding human resource performance appraisal of Abay Bank S.C. In addition to these documents of the organizations, under the study, were used for the purpose of performance appraisals which have been used for the discussion and analysis.

Questionnaires were prepared and 191 questionnaires distributed to respondents. Of 191 questionnaires distributed, 184 were collected and used for data analysis purposes.

4.1. Respondents' Profile

In this part of the questionnaire the demographic information of the participant employees of Abay Bank is presented for analysis. The analysis tries to provide information related to sex, age, educational background and monthly salary and years of service of respondent employees.

4.1.1. Gender and age distribution of respondents

Table 4.1 Sex of the respondent by Age group

Employee sex	N	Employees Age				Total
		Under 25	25-40	41-50	Above 50	
Male	112	54	42	16	0	60.87%
Female	72	30	22	20	0	39.13%
Total %	184	84	64	36	0	100%

(Source; questionnaire)

As can be seen from table 4.1, majority of the respondents are male (60.87%) and (39.13%) are female. This shows that there is low number of females are working at Abay Bank, while the majority (45.65%) of employees are in the category of under 25 years age. And the second majorities

(34.78%) of employees are in the category of 25 to 40 years age. Other employees who are in the category of 41

to 50 years are (19.57%) and none of them are above 50 years of age. Generally, 80.43% of the respondents are below the age 40. As can be observed in reality many employees in Abay Bank are youngsters and this study has got the participation of majority young employees which are under the age of 40.

4.1.2. Employees' level of Education

Table 4.2 Employees' level of education with monthly salary

					Total Percentage
N	8	101	55	20	184
Employees level of education	MA	BA	DIPLOMA	TVET	
Monthly salary	10000-15000	5000-10000	2000-5000	1000-2000	-
%	4.35%	54.89%	29.89%	10.87%	100%

(Source; questionnaire)

It is possible to understand from the above table that the majority (54.89%) of work force are in the category of BA, additionally the table above shows the second Abay Bank's employees educational category are Diploma (29.89) and other employees of educational level of TVET and MA are (10.87%) and (4.35%) respectively. As shown in the above table majority (63.59%) of employees earn is in the category of 2001 birr to 5000 birr, while monthly salary of birr 5001 to birr10000 (16.30%) and between birr 10001 and 15000 birr (11.96%) are take second and third place respectively and only less than 2% employees are earned more than 15000 birr.

4.1.3. Employees' year of service

Table 4.3 Employees' year of service

	Service of year			Total
	<1	1-3	3-5	
N	67	69	48	184
%	36.41%	37.5%	26.09%	100%

From the above table the majority (37.5%) of employees are in the category of 1 to 3 years of service and the second majority (36.41%) of employees' service at Abay Bank less is less than 1 year and only 26.09% of employees serve the bank 3 to 5 years. It shows near to 75% of employees joined Abay Bank during the last three years.

4.2. Performance Appraisal Practice and Process in Abay Bank

According to the information from human resource department office of Abay Bank the objective of performance appraisal is described as follows.

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personnel decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.
- To enhance the overall control of administrative improvement.

Table 4.4: grade levels of performance appraisal in Abay Bank

Performance	grade
Less than 50	<<Poor>>
From 51 to 65	<<Satisfactory>>
From 66 to 75	<<Good>>
From 76 to 85	<<Very Good>>
Greater than 85	<<Outstanding>>

(Source Abay Bank standard for evaluation of Employees appraisal)

According to the information conducted from the human resource department officer the average rating method is used to compute the result of performance appraisal of employees.

4.3. Objectives of PA in Abay Bank

Feedbacks from performance evaluation need to motivate employees through recognition and support. According to Armstrong (2009), the emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important.

Regarding objectives of performance appraisal in Abay Bank, data collected, is presented for discussion and analysis in the table below.

Table 4.5 Objectives of PA in Abay Bank

Item		Level of Agreement					Total
		SD	D	NA/ND	A	SA	
Information generated through performance evaluation is used to give feedback to subordinates so that they know where they stand	N	29	32	28	55	40	184
	%	15.76%	17.39%	15.22%	29.89%	21.74%	100%

Assessment of Employee's performance Appraisal Practice: The Case of Abay Bank S.C

Information generated through performance evaluation in is used to motivate subordinates through recognition and support	N	30	34	30	53	37	184
	%	16.30%	18.48%	16.31%	28.80%	20.11%	100%
Information generated through performance evaluation in strongly determines pay and promotion decisions	N	27	37	34	50	36	184
	%	14.67%	20.11%	18.48%	27.17%	19.57%	100%
Information generated through performance evaluation in is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential.	N	24	27	31	64	38	184
	%	13.04%	14.68%	16.85%	34.78%	20.65%	100%
Information generated through performance evaluation in is used as a basis to warn	N	38	43	42	34	27	184
subordinates about unsatisfactory performance and helps supervisors make discharge or retention decision							
	%	20.65%	23.37%	22.83%	18.48%	14.67%	100%
Information generated through performance evaluation in is	N	43	48	34	34	25	184

Assessment of Employee's performance Appraisal Practice: The Case of Abay Bank S.C

designed to strengthen the relationship between supervisors and subordinates	%	23.37%	26.08%	18.48%	18.48%	13.59%	100%
The performance evaluation in my organization helped me improve my job performance.	N	42	47	35	37	23	184
	%	22.83%	25.54%	19.02%	20.11%	12.50%	100%
In my opinion, the performance evaluation system in is serving its purpose.	N	39	52	32	36	15	184
	%	21.20%	28.26%	17.39%	19.57%	13.58%	100%

(Source; questionnaire)

According to the above table the majority (51.63%) of the total respondent agree, while 33.15% disagree, and 15.22% are being indifferent. Regarding the usage of this information for employees' feedback the human resource department officers were interviewed as informants. And according to their information, the employees are given the right to see their performance rating and sign if they agree, and if they do not agree, they have the right not to sign the form.

As it is shown in Table 4.5 presented in percentile, the response of the informants, it is possible to conclude the use of performance appraisal for employees feedback purpose is at moderate level, and needs to maximize the feedback to the subordinate employees. The rationale for their knowledge is it helps how they were performing their job and shows them where they stand and motivates them to improve their performance which improves productivity/service quality of their respective organizations.

From the table above, it is possible to learn that of the total number of respondents, the majority (48.91%) agreed, while 34.78% disagreed and 16.31% are indifferent regarding the claim that the information generated through performance appraisal was used for motivating employees. This indicates the motivation level of employees at Abay Bank is good but still there are a number of

employees who are not small in number who didn't believe or not exactly know PA practiced at their Bank used as a means of motivating subordinate.

From the table above, it is possible to learn that of the total number of respondents, the majority (48.91%) agreed, while 34.78% disagreed and (16.31%) are indifferent regarding the claim that the information generated through performance appraisal was used for motivating employees. This indicates the motivation level of employees at Abay Bank is good but still there are a number of employees who are not small in number who didn't believe or not exactly know PA practiced at their Bank used as a means of motivating subordinate.

According to this information (34.78%) employees' performance appraisal is not attached to reward and promotion. Additionally, (18.48%) of employees are indifferent, and this might be from low understanding of employees about the performance appraisal and its purpose. From the total respondent majority (46.74%) employees agreed about the direct relationship of PA and pay and promotion determination. To decide at this level of agreement it is difficult to accept that information generated through performance appraisal is used to determine pay and promotion decision. For the purpose of triangulation the human resource department officers are interviewed.

According to their response, information generated through PA is used for promotion decision which accounts for 20% of the variables required for promotion.

Item four in the above table shows majority (55.43%) of employees agreed that the information generated through performance appraisal is used to counsel and coach subordinates. On the contrary, 27.72% employees are disagreed and 16.85% are indifferent. This is significant in relation to increasing/reducing performance of employees in their respective organizations.

In addition to these employees' responses discussed in the above descriptions, interviews were conducted with HRM officers. According to these officials, there is such practices in their respective organizations; after the process of employee appraisal is completed the practice of counseling and coaching is conducted.

It is possible to understand from the above table that the majority of employees (44.02%) are disagreed about the statement, while 31.15% employees agreed that information generated

through performance appraisal is used as a basis for the stated decision purpose. And a minority (22.83%) of employees neither agreed nor disagreed with the statement that the information generated through performance appraisal is used to warn subordinates about their unsatisfactory performance, and to help supervisors make decisions of retention or discharge.

The interview response from Abay Bank human resource officers about using the information generated through performance appraisal for warning subordinates about their unsatisfactory performance, and helping supervisors to make decisions of retention is not far from the employees' response mentioned above, meaning the organizations use it most of the time as a matter of formality, and only rarely for such purposes.

As per the table regarding to PA uses to strengthen relationship between superior and subordinates, the majority (49.45%) of respondents disagreed, while (32.07%) agreed and (18.48%) are indifferent. On the other hand, the officials of the departments of HRM said that the existing practice of the performance appraisal was not clearly defined as one strengthening the relationship between superiors and subordinates because only the element of appraisal is in it, with no developmental and motivational purposes; it was rather used for punishments.

According to the above descriptions, Abay Bank is at high risk in failing to bring about a strong relationship between subordinates and superiors, because if the relationship between the two is gets sour, the peace in the organization will be disturbed, emotions will run high on both sides, and arguments will follow. As a result of the conflict between these decisive work forces of the organizations, both would opt for legal measures, and production/service quality would decrease, eventually leading to organizational ineffectiveness and inefficiency. Therefore, Abay Bank need to do a lot to minimize the risk of the existing scenario of weak relationship between subordinates and supervisors emanating from the PA's weakness. And Abay Bank needs to sow and cultivate the seed of a good PA mechanism in such a way that it maximizes the strength of the relationship between subordinates and supervisors.

In terms of PA improving job performance the majority (48.37%) of respondents disagreed, while (32.61%) agreed about the performance appraisal in their organization helping them to improve

their jobs and 19.02% are indifferent about the performance evaluation in their organization helping them to improve their jobs. The responses of the human resource department officials of revealed that the practice of evaluating employees to improve their job was not adequate enough.

As per Abay Bank respondents related with PA system serve its purpose, the majority (49.46%) disagree, while 33.15% respondent agreed and the rest (17.39%) are indifferent. The majority of Abay Bank employees did not believe that the performance appraisal system served its purpose, the purposes of performance appraisal being counseling, coaching, developing and training for those employees with deficiency on their job, and promotion and reward to motivate those who were performing well. On the other hand, the response of the human resource management departments appears to be that performance appraisal is serving its purpose well. But the responses of the employees seem to give the lie to this claim.

Abay Bank should Developed well-articulated PA system and motivated employees to enhance productivity/service quality, so that organizational goals are achieved. Organizational goals are there to increase productivity and to ensure business growth. A performance appraisal that doesn't serve the purpose is nothing more than annual ritual, a process is limited to filling up the document with words and figures or marks, which anyway ends up in the personnel office.

4.4. Criteria for Performance Appraisal

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

Table 4.6 Criteria for Performance Appraisal

Item	Level of agreement						Total
		SD	D	NA/ND	A	SA	
I know the existence of	N	7	10	10	96	61	184

Assessment of Employee's performance Appraisal Practice: The Case of Abay Bank S.C

performance appraisal in the organization	%	3.81%	5.43%	5.43%	52.17%	33.16	100%
I know the purpose of performance appraisal	N	12	14	17	82	59	184
	%	6.52%	7.61%	9.24%	44.57%	32.06%	100%
The performance criteria/instruments used to measure my performance are clearly defined and objective	N	38	43	26	45	32	184
	%	20.65%	23.37%	14.14%	24.46%	17.39%	100%

39

In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective from ineffective performers.	N	41	39	28	40	36	184
	%	22.28%	21.20%	15.22%	21.74%	19.56%	100%
I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance.	N	54	74	22	20	14	184
	%	29.35%	40.22%	11.96%	10.86%	7.61%	100%
The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job.	N	37	63	26	34	24	184
	%	20.11%	34.24%	14.13%	18.48%	13.04%	100%

(Source; questionnaire)

From the above table, it is possible to understand that the majority (85.33%) know the existence of performance appraisal in Abay Bank. And only few respondents didn't know or disagreed about the existence of PA in their organization.

According to the interview conducted with the human resource departments, employees know about the existence of PA at Abay Bank and they confirmed about the subject matter usually through formal memo, personal contact or communication whenever they meet.

From the Above description we can understand that the majority (76.63%) of employees know the purpose of performance appraisal, while some employees (14.13%) didn't know and even very few employees (9.24%) are indifferent. In addition, the human resource department officials were asked about the knowledge of employees regarding performance appraisal in their respective organizations during the interview sessions, and their response was that they don't think the employees knew very well, as there was no training given to them, and they did not believe what they knew from informal communication among their friends was adequate as PA is a broad term.

The measurement taken quantitatively from employees of the organizations shows the existence of adequate knowledge among employees regardless of those few employees exist who don't know the purpose. And these employees who don't know the purpose may work in their respective institutions without knowing what is expected from them, and this lack of awareness create to work less than the optimum level. Organizations loose employees' optimum contribution, by underutilizing or may exploit them by over utilizing. Employees may be over utilized by organizations due to weak bargaining power in the labor market.

According to question related to instruments of measuring performance capability, the majority (44.02%) employees disagree, while (41.85%) abay Bank employees agreed and (14.14%) are neutral.

The response from interview conducted with the human resource department officials was not far from that description of the table above. And it is possible to argue that the criteria to appraise employees' performance are not capable of measuring the actual performance of the employees in Abay Bank.

The majority (43.48%) of employees disagree, while (41.30%) agree and (15.22%) indifferent. According to the informants from the human resource management department, the purpose of the evaluation was to distinguish effective from ineffective performers, but it is impaired with different problems arising from the environment of the evaluation system.

As it can be shown in the above table, employees were asked to answer if they participated in designing of the PA responses were (69.57%) disagreed, (18.47%) while agreed and 11.96 neutral. This response clearly implies that Abay Bank didn't give a chance to its employees to participate in designing of the PA. The human recourse department also confirmed that there is no such opportunity in the Bank.

The absence of such practice shows a low bargaining power of employees or none at all. This may be from high number of work force in the labor market which created high bargaining power to the employer and none to the employee. However, the managers and organizations need to develop the policy that make employees to participate in the design of the aforementioned forms, as the input of employees may contribute not only for themselves, but also to the organization in a way both can optimize the benefit they sought.

According to the respondent of Abay Bank employees which recorded and presented in the above table, the majority (54.35%) disagrees, while only (31.52%) agreed and (14.13%) neutral. It shows the majority of the respondents of Abay Bank believe that the form used for evaluation is not customized based on the characteristics of their job. In addition to that the interview conducted with human resource management officials, they were expressed that there is no a policy for customizing job basing on the characteristics of jobs in their organizations. As a result no practice of customizing employees' appraisal to the characteristics of their jobs, as there is only one form standardized to all jobs.

As all subordinate employees' response in the above table, and human resource officials, it is possible to conclude that there is no practice of customizing employees' performance appraisal forms to the characteristics of employees' jobs, even if some respondents believe in its existence.

4.5. Potential Problems of PA in the Organizations under Study

According to Mathis and Jackson (1997), rater bias occurs when a rater's values or prejudices distort the rating. Rater bias may be unconscious or quite intentional. If a manager has a strong dislike of certain ethnic groups, this bias is likely to result in distorted appraisal information for some people. Age, religion, seniority, sex, appearance, or other arbitrary classifications may be reflected in appraisals if the appraisal process is not properly designed. Examination of rating by higher level managers may help correct this problem.

Table 4.7: Potential Problems of PA in the Organizations under Study

Item	Level of agreement						Total
		SD	D	NA/ND	A	SA	
The evaluator is influenced by personal liking and disliking when evaluating my performance.	N	34	48	39	36	27	184
	%	18.48%	26.09%	21.19%	19.57%	14.67%	100%
My supervisor accurately evaluates my performance to the extent that I will be rewarded for doing what I must or penalized for failing to do so.	N	44	58	36	28	18	184
	%	23.91%	31.52%	19.57%	15.22%	9.78%	100%

In order to avoid resentment and rivalry among colleagues, my supervisor gives equivalent ratings.	N	41	54	38	35	16	184
	%	22.28%	29.35%	20.65%	19.02%	8.7%	100%
Evaluation of my performance is based on my accomplishment and achievement.	N	43	51	27	39	24	184
	%	23.37%	27.72%	14.67%	21.20%	13.04%	100%

Assessment of Employee's performance Appraisal Practice: The Case of Abay Bank S.C

My supervisor generally supports his evaluation with specific incidents of good and poor performances.	N	40	57	24	43	20	184
	%	21.74%	30.98%	13.04%	23.37%	10.87%	100%
My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance.	N	53	61	38	20	12	184
	%	28.81%	33.15%	20.65%	10.87%	6.52%	100%
Unqualified person rates my work	N	42	54	48	16	24	184
	%	22.82%	29.35%	26.09%	8.70%	13.04%	100%
I usually try to create a positive impression in the mind of my rater	N	36	51	29	41	27	184
	%	19.56%	27.72%	15.77%	22.28%	14.67%	100%
I used to work hard only making sure that my supervisor watched what I am doing.	N	44	52	27	30	31	184
	%	23.91%	28.26%	14.67%	16.31%	16.85%	100%
In my opinion, the performance evaluation system is fair and objective.	N	44	54	46	24	16	184
	%	23.91%	29.35%	25%	13.04%	8.70%	100%

(Source; questionnaire)

Majority (44.57%) of employees disagree, while (34.24%) agreed, and (21.19%) neutral about their rater rating their performance basing on personal liking and disliking. According to the information acquired from human resource department heads through interview conducted, the degree of liking and disliking while appraising employees performance may vary from department to department or from supervisor to supervisor, however this type of biases can exist in the organization regardless of the degree of its existence low or high.

According to the table for percentile, interview response of informants, it is possible to say that there is an agreement at moderate level of the existence of rater rating bias based on his personal liking and disliking.

As per the above table majority of respondents (55.43%) disagreed, (25%) were agreed and (19.57%) being neutral. This data infer that most of time performance appraisal lack accuracy to reward or penalize employees properly. Additionally, according to the interview conducted with human resource management officials, the practice of such behavior is very low.

From the above description it is possible to understand majority (51.63%) of employees disagree, while (27.72%) agree and (20.65%) indifferent. According to the interview conducted with informants Abay Bank human resource departments' officials the practice of such behavior possibility could be high as its relevance is low regard in the recent years. Therefore, such practices are at low moderate level agreement that there is no bias of equal performance rating in order to avoid resentment and rivalry in their respective organizations. These show existence of such behavior in Abay Bank.

As per the data presented on the above table most of the respondents (51.09%) believe that performance evaluation of the bank is not focused on specific thing accomplished while, (34.24%) agree and (14.67%) indifferent. Therefore as per the data generated from Abay Bank employees one can infer that the performance evaluation practice of Abay Bank does not provide specific thing accomplished.

As it can be shown in the above table, employees were asked to answer if they agree that raters supporting PA with specific incidents of good and bad performance and according to their response (52.72%) of respondents disagree while, (34.24%) agree and the remaining are indifferent. An appraisal that shows the same rating on all characteristics may be evidence of the halo effect. Clearly specifying the categories to be rated, rating all employees on one characteristic at a time, and training raters to recognize the problem are some means of reducing the halo effect. According to the informants of human resource management officials, rating of employees by supporting bad incident and good may exist but as evaluation is mostly performed

at operational level by supervisors such practice is not officially known. Therefore, we can say that most of Abay Bank's supervisors are not use specific incident of good or bad performance while they are rated employees.

From the above description of Keeping a File on what Employees done during the Appraisal Period, it is possible to learn those majorities (61.96%) of employees disagrees while (20.65%) indifferent, and (17.39%) agree respectively. According to the interview conducted with human resource management representatives, and learned from them there is no such practice of keeping file on what employees have done for evaluation purpose as a result of a policy but there are some supervisors who have such cultures of keeping file. Therefore, supervisors were not keeping file for what employee have done during the appraisal period, as the lack of policy and initiation.

From the above table regarding to whether unqualified person rates employees or not, the majority (52.17%) of employees disagrees while (26.09%) indifferent and (21.74%) were agree. According to the interview conducted with human resource management representatives, employees were being evaluated by supervisors who have no training of the performance appraisal, but have the knowledge and capacity of the task they undertook. Obviously rating employees without knowledge is dangerous, is no better than having appraisal. The performance rating harms the organizations performance and employee's morale and can cause the suit case. Therefore, the cases of those few should be addressed very well and raters with employees think have adequate knowledge should be assigned to take the part of the rating.

As per the above table of item 8 it is possible to learn the majority (47.28%) of employees disagrees, while (36.95%) agree, and (15.77%) were indifferent. According to human resource department representatives response for the interview conducted, such behavior obviously expected to exist in such large and wide organizations, but no information of the degree of such practices of employees' behavior. This discussion reveals the existence of employees with the behavior of creating positive impressions in the minds of their subordinates. This behavior of employees is dangerous to both organizations and employees. Employees with such behavior reap the benefit they didn't sow, while those employees result oriented don't.

As indicated in the above table the majority employees (52.17%) disagree, while (33.16) agree and (14.67%) neutral about their doing work while they were sure watched by supervisor. According to human resource department officials response employees pretending while watched as if they are hard worker and wise supervisors know them by the output they produce, but their chances of deceiving for long is low.

Related to Fairness and objectiveness of Performance appraisal system the Majority (53.26%) of employees disagree, while (25%) indifferent and (21.74%) agree. According to the informants of human resource management department performance appraisal is somewhat seem better since it attached to promotional, salary increment annually, and training and development selections. As the result of these benefits employees and the organization sees the appraisal more than bi-annually or annual ritual, that ends within the personnel department.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

In the previous chapter, analysis and interpretation of the study was made based on the data obtained through questionnaire distributed to and an interview conducted with employees of Abay Bank. Based on the analysis and interpretation, conclusion and recommendations of the study were made as follows.

5.1. Conclusion

According to the analysis conducted in chapter four, performance appraisal is implemented in Abay Bank but it is difficult to say that information generated through performance appraisal is used to diagnose the problem of both employees and organizations in the organizations under study.

The criteria/instrument to measure the performance of employees is not clearly defined and is not objective oriented. Beside to that the performance appraisal is not on the base of employees' accomplishments and achievements.

Abay Bank is not providing opportunities to their employees to participate in the design of form used to evaluate their employees' performance. The form used for evaluation of majority of employees' performance appraisal is not customized on the basis of their job characteristics.

Raters rating subordinates on the basis of personal liking and disliking exists in Abay Bank. The practice of supervisors accurately evaluating their subordinate to the extent of they are being rewarded for doing so and penalized for failing not doing so adequately enough in Abay Bank.

To some extent the raters in Abay Bank keep files on what employees done during the appraisal period. The recency effect errors exist in Abay Bank, which the rater commits the bias of giving greater weight to recent occurrences when appraising an individual's performance. Though its level of existence is low, employees creating positive impression in the minds of Abay Bank supervisors is clear, which the subordinates sought what is not their achievement in return from their supervisors. This practice creates distrust and weakens competitiveness among employees and spoils organizations' culture.

Employees of the bank have access to results, allowed to appeal unfair appraisal results and there is standardization in using appraisal forms. Apart from this Performance review discussions

conducted only when an employee come up with grievance. Supervisors do not provide continuous feedback for employees and there is absence of open communication. In addition conducting appraisal twice in a year is not sufficient to effectively measure employees' performance.

5.2. Recommendations

On the basis of analysis and its findings, the following recommendations have been given:

- Abay Bank should base the evaluation of their employees' performance on their accomplishment and achievements like, and even better than other private Banks in Ethiopia.
- Abay Bank should maximize giving feedbacks to the subordinate employees, as it benefits both the organizations and the employees. Employees who knew where they stand strive to improve their performance. As a result, if their performance is improved, organization's efficiency will be improved.
- Since motivation enhances employees' moral for creativity and competition, creative mind innovates new product or services that shall improve productivity/service quality which as a result brings about maximizing efficiency and effectiveness. This eventually brings about the attainment of organizational goals. Therefore, the organizations under study should work hard to use the information generated through performance appraisal for motivation of employees.
- Abay Bank need to maximize the use of PA in their respective managerial systems, in order to correct the behavior of employees with low performance and make them more efficient and effective. Abay Bank need to use the performance appraisal to strengthen the relationship between the superior and subordinate by implementing motivational scheme, creating transparency, avoiding bias, and improving employees attitude by giving training and development to the employees in order to help to avoid employees' self-perceptions wrongly.
- Abay Bank need to use the performance appraisal to help the employees to improve their job. For such purposes, they should develop policy which enhances the improvement of employees' job. Hence, Abay Bank need to do a lot to minimize the risk of the existing scenario of weak relationship, between subordinate and supervisors which emanated from the problem of PA. Creating transparency within the system of PA, attaching the PA with motivations, and providing training to both rater and ratee can create an inviting atmosphere of working system. In order to sow and cultivate the fruit of PA in a way it maximizes (strengthens) the relationship of both subordinates and supervisors, continuous

and transparent evaluations of levels of employees' performance is an essential measure that needs to be taken.

- The form used for PA of employees should measure the employees' achievement and accomplishments and to this effect, employees should participate in preparation of performance appraisal, these can create transparency, reduces form used cumbersomeness, promote trusts among
- The subordinate and supervisor. To avoid or minimize such rater bias, the raters should The criteria/form in At Abay Bank are standardized and prepared to measure all employees with similar variables, need to be customized in accordance with the employees' jobs, and this also need to be supported by internal policy of the organizations, in order to help human resource management.
- Biases of different types, such as personal liking and disliking, avoiding giving performance rating may have negative consequences to employees, and can be managed by developing policy that can guide and control the existence of such practice in Abay Bank.
- Abay Bank should use PA for the improvement of their employees' performance by developing policy that guides and create opportunities, for coaching, training and development programs, which can improve the performance of employees in their respective institutions.

APPENDIX

ADDIS ABABA UNIVERSITY

College of Business and Economics

School of Commerce Human resource department Graduate studies Program

Questionnaire

Dear respondent,

I am an MA student at Addis Ababa University College of Business and Economics School of Commerce and I am collecting data for my thesis. The Purpose of this questionnaire is to collect primary data for conducting a study on the topic, " **Assessment of performance appraisal practice in Abay Bank Share company.**" As partial fulfillment to the completion of Master of Arts degree in Human resource Management program at Addis Ababa

. In this regard I kindly request you to provide me reliable information that is the best of your knowledge so that the findings from the study would meet the intended purpose. I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks in advance for being a volunteer to devote your valuable time in filling this questionnaire.

Directions

- No need to write your name
- Answer by making a or 'X' mark

Part I – Demographic profile of the respondents

1. Sex: Male Female
2. Age: Below 25 25-35 36-45 46-55 Above 55
3. Educational background: Elementary complete High school complete Diploma
First degree Master degree and above
4. Years of experience (in present organization) _____

Part II-Questions on performance appraisal

Please read each statement in this part carefully and show the extend of your agreement on the statements by putting "✓" or "X" mark in the boxes using the following rating scales (likert scales): Strongly agree (SA)=5, Agree(A)=4, Neutral(N)=3, Disagree(D)2, and Strongly disagree (SA)=1.

Questions related with performance appraisal method

	Item	Level Agreement						Total
			SD	D	NA/ND	A	SA	
		Number of Respondents (N)	%					
1	I know the existence of performance appraisal in the organization							
2	I know the purpose of performance appraisal							
3	Information generated through performance evaluation is used to give feedback to subordinates so that they know where they stand							
4	Information generated through performance evaluation in strongly determines pay and promotion decisions							
5	Information generated through performance evaluation in is used as a basis to							

	warn subordinates about unsatisfactory performance and helps supervisors make discharge or retention decision								
6	Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential.								
7	Information generated through performance evaluation is used to motivate subordinates through recognition and support.								
8	Information generated through performance evaluation is designed to strengthen the relationship between supervisors and subordinates								
9	Information generated through								

	performance evaluation in is used to diagnose both organizational and individual problems based on performance Results.								
10	In my opinion, the performance evaluation system in is serving its purpose.								
11	The performance criteria/instruments used to measure my performance are clearly defined and objective								
12	I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance.								
13	In my opinion, the performance Evaluation form used to evaluate my performance is capable of distinguishing effective from ineffective performers.								
14	The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job.								

15	I have ways to appeal to a performance rating that I think is biased and inaccurate								
16	I can challenge a performance rating if I think is biased or inaccurate.								
17	The performance evaluation in my organization helped me improve my job performance.								
18	In my opinion, the performance evaluation system is fair and objective.								
19	The evaluator is influenced by personal liking and disliking when evaluating my performance.								
20	My supervisor avoids giving performance ratings which may have negative consequences to his/her								

	subordinates.								
21	My supervisor accurately evaluates my performance to the extent that I will be rewarded for doing what I must or penalized for failing to do so								
22	In order to avoid resentment and rivalry among colleagues, my supervisor gives equivalent ratings.								
23	If I have question or reservations about my performance evaluation, my evaluator provides me with specific examples of things which I have accomplished during the [evaluation] period.								
24	My supervisor generally supports his evaluation with specific incidents of good and poor performances								

25	My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance,								
26	Evaluation of my performance is based on my accomplishment and achievement.								
27	Unqualified person rates my work								
28	My rater frequently lets me know how I am doing.								
29	I always compare my performance rating with my colleagues								
30	I usually try to create a positive impression in the mind of my rater								
31	I used to work hard only making sure that my supervisor watched what I am doing.								

Sample size determination table

Table for determining sample size from a given population					
N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	2500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note: N- is population size

S-is sample size

Source: ROBERT V. KREJACIE and DARYLE W.MORGAN (1970)
Determining sample size for research activities.

References

- Angelo, S. D., & Ricky, W. G. (2008). *Human Resource Management* (3rd ed.). Houghton Mifflin Company.
- Armstrong, M. (1988). *A handbook of personnel management practice*. 3rd Ed. London: Kogan Page Ltd.
- Armstrong, M. (1994). *A handbook of personnel management practice*. 5th Ed. London: Kogan Page Ltd.
- Armstrong, M. (2000). *A handbook of personnel management practice*. 7th Ed. London: Kogan Page Ltd.
- Armstrong, M. (2009). *A handbook of personnel management practice*. 11th Ed. London: Kogan Page Ltd.
- Bacal, R. (1999). *Performance management*. New York: McGraw-Hill.
- C. Dawson. (2002). *Practical Research Methods: A user friendly guide to mastering research techniques and projects*. Cromwell Press, Trowbridge, Wiltshire.
- Campbell, D. J. and Lee, C. (1988). *'Self appraisal in performance evaluation: 3rd edition*, Tata McGraw-Hill Publishing Company Limited, New Delhi.
- Clinton O. Longenecker, and Fink, L.S. (1997). *Creative Effective Performance Appraisals*, Industrial Management.
- Clinton O. Longenecker (1997). *Why managerial performance appraisals are ineffective: Causes and Lessons*. Career Development international, Vol.2.
- Danielle S. Wiese, M. Ronald Buckley, (1998). *The evolution of the performance appraisal process*, Journal of Management History (Archive), Vol. 4 Iss: 3.
- Deborah F. Boice and Brian H. Kleiner (1997). *Designing effective performance appraisal system*. Work study, vol.46, No.6.
- DeCenzo, D.A. & Robbins, S.P. (1996). *Human resource management: concepts & practices*. 4th Ed. New York: John Wiley & Sons Inc.
- Dessalegn Asfaw (2012). *Performance appraisal practice and problems in met als and engineering corporation: in the case of hibret manufacturing and machine*

building industry. Addis ababa university school of commerce.

Flippo, Edwin B (1983). *Personnel Management*, 6th ed. New York: McGraw Hill Book Co.

Gomez Mejia, Luis R. Balkin, David B, and Cardy, Robert L. (2001). *Managing Human Resource*, Pearson Edition.

Heneman Herbert G. Personnel (1996). *Personnel Human Resources Management*. 4th ed., New Delhi: Universal Book Stall.

Ivancevich, John M. and Cluech William F. (1989). *Found of Personnel Human Resource Management* 4th, ed. Richard D. Irwin, Inc.

Ivancevich, John M. and Cluench William F. (1997). *Management Quality and Competitiveness*, Boston: Irwing.

Laurie J. Mullins. (1996). *Management and Organizational Behavior*, 8th ed. Great Britain, Prentice Hall.

M.S. Susan Taylor. (1995). *Due process in Performance appraisal: A Quasi –Experiment in Procedural justice*, Administrative science quarterly, Vol.40, and No.3. (Sept., 1995).

Mark Cook (1995). *Performance appraisal and true performance*. Journal of managerial Philosophy, Vol.10, No.7

Mathis, Robert L. Jackson John H. (1997). *Human Resource Management* 8th ed. New York: West Publishing Company.

Michael Beer (1987). "Performance appraisal", In Lorch, J.(Ed).*Hand book of organizational Behavior*, Prentice Hall, Englewood, Cliffs, NJ pp.286-299.

Mondy, Neo, Premeax. (1999). *Human Resource Management*. 4th ed. Allyn and Bacon, Boston.

Robert, V. K., & Daryle, W. M. (1970). *Determining sample size for research activities*. 607-610.

Steven L. McShane and Mary Ann Von Glinow (2000). *Organizational Behavior*, Irwin McGraw Hill. Boston

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

Weise, D.S. and Buckley, M.R. (1998). *The evaluation of the performance appraisal process*. Journal of Management History, Vol.4, No.3, PP.233-249.

Weiss, T. and Hartl, F. (1997). *Performance Management*. St.Lucie Press, Boca Raton Florida.

Y.K. Singh. (2006). *New Age Fundamental of Research Methodology and Statistics*. New International Publishers.

Yong. F. (1996). *Inflation of subordinates' performance ratings: Main and interactive effects of Rater Negative Affectivity, Documentation of Work Behavior, and Appraisal visibility*. Journal of organizational Behavior, Vol.20, No.4. (Jul.,1999), pp.431-444.

Zikmund .W. (2003). *Business Research Methods*.7th ed, South-Western CENGAGE Learning.

Web Sites

Www. Abay Bank. Com.et

Www. Wikipedia.com

