



**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**

**ASSESSMENT OF EMPLOYEE PERFORMANCE APPRAISAL**

**PRACTICES:**

**SAVE THE CHILDREN ETHIOPIA (SC)**

**BY**

**FINOT GETACHEW**

**ID NO. GSE 0698/06**

**MAY 2016**

**ADDIS ABABA**

**ETHIOPIA**

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**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF  
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**ADVISOR: MENGISTU BOGALE (PHD)**

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ADDIS ABABA**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**  
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**SYSTEM**

**ASSESMENT OF EMPLOYEE PERFORMANCE APPRAISAL**  
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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Mengistu Bogale (PHD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

Signature

May , 2016

Date

## **ENDORSEMENT**

This thesis has been submitted to Addis Ababa University School of Commerce for examination with my approval as a university advisor.

**Mengistu Bogale (PHD)** \_\_\_\_\_ **May, 2016**

**Advisor**

**Signature**

**Date**

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## ***LIST OF ACRONYMS***

SC	Save the Children
PA	Performance Appraisal
INGo	International Non-Governmental organization
HRM	Human Resource Management
LM	Line Managers
PA	Performance Appraisal
SHRM	Strategic Human Resource Management
HR	Human Resource
SPSS	Statistical Package for Social Science
MBO	Management By Objective
CO	Country Office
SMT	Senior Management Team

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## ABSTRACT

*In today's competitive world of business, Human Resource is the main resource that gives companies take a competitive advantage. Therefore proper management of this resource is crucial for the success of an organization.*

*More than ever, in today's climate of heightened expectations, performance appraisal system is receiving greater attention of human resource managers and decision-makers world over. They are expected to meet the interests of both employees and employers. They play multifaceted roles in setting the direction for employers regarding the decisions they take about their employees. Many organizations have moved towards making performance appraisal more effective for their decision making and holding their employees more accountable for results. As a result, employee's performance and the way they are appraised, requires greater attention.*

*Having this in mind, the study has been conducted in Save the Children to assess the practices in the implementation of performance appraisal. The purpose of the study is to investigate the implementation process undertaken in the performance appraisal process. To undertake the study both primary and secondary data were used. A survey questionnaire with five points Likert scale is a main tool for gathering primary data. 267 participants from the Head Office participated in filling the questionnaires. Accordingly, the data gathered were analyzed using micro soft excel and SPSS software.*

*My finding revealed that primary purpose of performance appraisal is missing its direction of creating competitive working systems and giving balanced rewards for workers for their contributions to an organization. In the study, performance appraisal is seen to be implemented as fulfillment of criteria and not for the soul purpose PA. Employees seem to be unhappy with the current process being implemented.*

*Thus, in order to create competitive working conditions and systems of balanced benefits for employees, performance appraisal should be understood very well particularly by Heads of Human Resources and Supervisors; and, should be implemented in the desired way for the desired purposes.*

# CHAPTER ONE

## 1 Introduction

### 1.1. Back Ground of the Study

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

Performance appraisal is a system which is used to follow on the success of the organization biggest resources which are human resources and their contribution to the overall organization achievement (Armstrong, 2006).

The human resource function is increasingly important in shaping the new organization in which quality and commitment of people are crucial to survival (Towers, 1996) That means it is people who are the primary cause for both positive and negative outcome in an organization, the success of most organizations sooner or later is determined by the performance of human power. Once proper recruitment and selection procedures are undertaken, measuring the performance of the employees on a regular basis will follow as long as the organization operates and exists. At this time the concept of performance appraisal emerges.

The efforts of employees can determine the success and survival of an organization (Barney,1995) and appraisal is potentially one way in which those efforts can be aligned with the aims of an organization, employees can be motivated and their performance managed (Martin and KM Bartol, 1998) .

As described by (Fletcher, 2002) in modern day organizations Performance appraisal system is used for different purposes. It states “Performance appraisal systems serve three basic functions to: (1) provide adequate feedback to each employee on his or her job performance; (2) serve as a basis for modifying or changing behavior toward more effective working habits; and (3) provide data to managers on which to base promotion, transfer, and compensation decisions. The use of performance appraisal is central to any effort to effectively manage subordinates.

Even if every aspect of human resource needs to be addressed, performance appraisal is more crucial and difficult, so it needs to be assessed carefully in order to reduce related risk associated with implementation of performance appraisal method in an organization. If performance appraisal in an organization is loosely handled and lacks proper attention, it will have a severe outcome to the organization by raising employees' turnover, reducing production or services etc. This is because it is centrally linked to the motivation of employees. Therefore, great care should be taken when adopting the performance appraisal method in any particular organization. Research indicates that most organizations in the highly civilized nations like for instance the United States of America have been applying performance appraisal methods as a standard practice in their managerial roles even in the nineteen thirty's (Towers, 1996)

Performance appraisal place emphasis on the development of individual and is used for evaluation of technical, professional, management personnel and it can be used as a motivational instrument. Although there has been countless studies undertaken on performance appraisal both nationally and internationally, its application in nongovernmental organizations has rarely been undertaken. Therefore, this study aims to assess employees' performance appraisal system in Save the Children International Addis Abeba country office.

## **1.2. Statement of the Problem**

Human resources are the most crucial factor in the achievement of an organization's objectives and it must be well managed and be proportionally and competitively rewarded. As a recently unified organization in to one Save the Children International, the need for harmonization of different member cultures, and experiences as well as approaches in human resource management is crucial to make the transition successful. After self-observation and conducting preliminary interview it is seen that though the organization as a unified one organization has a performance management system, the degree to which the system has been understood by its staff and their attitude towards the practices has not been yet studied or assessed.

Most organizations talk enthusiastically about their systems but how does it work out in practice? Is the purpose of performance appraisal clearly identified? Do employees believe that there is a sound system which satisfies them if not what dissatisfies them? For instance, in order to positively influence employee behavior & future development it has been frequently argued that, employee must experience positive reactions in the practice of performance appraisal; if not any appraisal system will be doomed to failure (Field, 2005).

One of the current problems of Save the Children is lack of understanding about performance appraisal related problems. It should be conducted at all organizations in similar manner. Performance appraisal needs attention because it is the foundation for making promotion, transfer, career development and for education opportunity. However employees of Save the Children have different issue because they are not comfortable with the current evaluation process. They complain that the performance appraisal system has a gap; they also reveal that in some case the criteria set for performance appraisal are incomplete. So, the main complaints arise from employees in the usual system of the performance appraisal mechanism. This may lead the workers to be inefficient and ineffective. Therefore this research study is designed to investigate issues related with performance appraisal system in Save the Children Addis Ababa country office. Here under are some of the research questions related with the research problem expected to be addressed in the research.

### **1.3 Research Questions**

This study is designed to assess issue related to performance appraisal system in Save the Children Accordingly, the study focuses on answering the following basic questions:-

1. How is performance appraisal carried out in the organization?
2. What is the purpose of performance appraisal at SC?
3. How does performance appraisal of SC measures real performance of employees.
4. What are the lessons learned after review of performance appraisal?
5. What are the perception of employee on performance appraisal?
6. What are the potential Sources of employees' dissatisfaction regarding performance appraisal?

### **1.4. Objective of the study**

#### **1.4.1. General Objective**

The general objective of the study is to assess the current performance appraisal system and practices at Save The Children Ethiopia Country office.

#### **1.4.2. Specific objectives**

- To investigate how performance appraisal is practiced at the organization.
- To assess the objectives of performance appraisal at SC.
- To assess the criteria/instrument used to conduct performance appraisal capability of measuring the employees' true performance in SC.

- To investigate the lessons learned after conducting PA process at SC.
- To assess the perception of SC employees toward PA.
- To identify the potential dissatisfaction of employees regarding the performance appraisals at the organizations.

### **1.5. Significance of the study**

The finding of this study is believed to add valuable insights to the existing body of knowledge on the attitude of employees on the performance appraisal practice and its impact on their work outcome and based on the research findings, other researchers will get a fresh reference to proceed with similar studies. In addition, it helps the researcher to acquire knowledge and practical experience on the subject under study.

The result of this study will also benefit Save the Children to identify some of the strengths on the current performance appraisal practice and build up on them while looking also on the gaps and carve approaches to improve them.

In addition, this study will serve as a reference material for further investigation for interested researchers.

### **1.6. Scope of the study**

Save the Children is one of the biggest international NGO's in Ethiopia with multiple field offices in the country. Due to time restriction coupled with financial constraint this research is limited to the Country Office based in Addis Ababa.

### **1.7. Limitation**

Although the research is believed to reach its aims, it has some restrictions; this research is conducted on a small size of population. Therefore, the result may not be applicable to all staff in the organization including field offices. Furthermore, since a written questionnaire was used to collect information from the respondents it might limit to express their comments to the fullest and limit the researcher from probing response.

### **1.8. Organization of the research report**

The study is organized in five chapters. The first chapter deals with the introduction part of the study; the second chapter focus on the details of related literature of the study; the third chapter concerned with details of the methodology of the study; the fourth chapter focuses on data presentation and analysis. Finally in chapter five major findings will be dealt with, conclusions will be drawn based on analysis and possible recommendations will be forwarded by the researcher based on the investigation.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITERATURE

#### 2.1. The Concept of Performance Appraisal

Appraisal plays an important role in human resource management and it must be implemented through knowing its concept and meaning in detail.

##### **Theoretical Grounding**

Different scholars define Performance Appraisal differently:-

Performance appraisal is a system of review and evaluation of an individual's (or team's) performance (Mondy et al. ,2002).

Likewise, (Aswathppa,2002) share the above concepts and he adds that performance appraisal was structured in order to measure and evaluate an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future to benefit employees, organizations and society.

According to (Fletcher, 2002) employee's performance appraisal technique is said to have been used for the first time during World War I, when Walter D.scott of the U.S. Army adopted the man-to-man rating system for evaluating military personnel. Now merit rating is largely restricted to the rating of hourly paid employees and is used for developing criteria for wage adjustments, promotions, transfer, etc.

#### 2.2. History of Performance Appraisal

Performance appraisal has a brief history starting from early 20th century where the need for performance appraisal was felt and some measures developed. This history shows that (Taylor ,1964) who is the revolutionary person in times and motion studies brought the real sense of performance appraisal and performance measurement. But in the modern human resource management it can be seen that the thread of performance measurement is linked with the Second World War. This tells the history that it is not more than sixty years ago. Yet the guru of human recourses says that the art and procedures of performance measurement and appraisal is very ancient art and people of old times had some tools to appraise their employees on the basis

of activities and job they performed. On these historical felt notes it can be said that performance appraisal management is the world's second oldest profession too.

If the management has a concept that performance and its appraisal is inevitable then it will be wrong that performance of an employee cannot be judged in advance. In the absence of a structured appraisal system then it ultimately affects the performance of employees, the productivity of the organization and moreover the reputation of the organization in the industry. It will de-motivate the employees, they will lose satisfaction from their jobs and loyalty to the organization will be most likely finished and labor turn over will increase. One serious offence can be seen in the absence of appraisal system that organization can go unlawful, harassing the employee and unfairly judge their performance. Consequently, it helps the management and employees to go lawful, fair and accurate with the performance over the period of time (Murphy and Cleveland, 1995).

### **2.3. Purpose of PA**

As per (Gilley A, Gilley J Quatro & Dixon ,2009) PA is defined as the evaluation of an individual's work performance in order to arrive at objective personnel decisions where employees and their supervisors interact to examine the performance of the former by the latter to identify strengths and weaknesses with the view to improving future performance.

According to (Gilley A, Gilley J, Quatro & Dixon,2009), the purpose of PA is to maximize employee performance. By assessing the strengths and weaknesses of its employees, an organization can create goals to develop the most effective, highly skilled, productive, and satisfied workforce (Gilley, Gilley, Quatro & Dixon, 2009)

(Millmore, Biggs & Morse, 2007) stated that PA is an important dimension of HRM and can play a pivotal role determining the life chances of employees. In their research (Millmore, Biggs & Morse, 2007) described the two main purpose as follows:

First, PA is used by the management as a source of information to make decisions about promotions, salaries, training needs and training support, and second it is used as feedback tool for employees, facilitating personal improvement and development.

Meanwhile, (Armstrong & Appelbaum ,2003) and (Gilley, Gilley, Quatro & Dixon, 2009) share the idea that conducting PA for managers and individuals employees as well as their departments and the organization as a whole has the below benefits or prospects of PA:

1. Two-way performance feedback:

2. Recognition for individuals performance:
3. Motivation tool when used effectively:
4. Identification of training needs:
5. Heightened sense of accountability, empowerment, teamwork and loyalty:
6. Goal-setting for next review period in context of organizational/departmental needs:
7. Opportunity to reinforce and document personnel decisions as well as documentation of ongoing performance issues for legal reasons;
8. Validation for rewards/pay increase;
9. Opportunity to demonstrate organizational fairness to all employees;
10. Opportunity to support individual needs;
11. Opportunity to reinforce continuing open communication/strengthen rapport;
12. Opportunity to spur independent thinking plus avenues of teamwork;
13. Opportunity to encourage employees to take responsibility for their work;
14. Opportunity to contribute to organizational effectiveness;
15. Opportunity to discover untapped potential... on both sides of the desk.

Meanwhile, (Armstrong M ,2009) tried to summarize the goals of PA as in the

- A. Communication: an effective PA allows a two-way communication between manager and employees. Management uses this process to clearly state what is expected from employees, how they have performed towards attaining the set goals, and what needs to be improved for better performance. Meanwhile employees take the opportunity to state the support they require from the organization in order for them to achieve the goals, what worked for them, what needs to be improved from the management side for future. According to (DeCenzo, Robbins & Verhulst , 2010), many organization today have recognized that involving employees in decisions that affect them, listening to employees, and implementing their suggestions where appropriate leads to their motivation.
- B. Decision Making: management uses the information gathered through annual PAs to make administrative decisions concerning the workforce such as pay raise, promotions, demotions, training and development and termination. Valid and reliable information concerning each individual employees enables management to make decisions which enhances the productivity of employees.
- C. Motivation: an effective PA provides motivation to employees towards improving the way they work for the developmental purpose which in turn leads to improve organizational productivity over all. A given manager needs to provide an employee with

the motivational opportunity: in other words tell the employee on how to fix the problem, provide tools and training leading to improvement.

#### 2.4. Qualities of Effective PA

On previously Stated purpose of PA all scholars mentioned effective PA provides motivation to employees. According to (Delpo ,2005), an effective PA system provides to a solid foundation for all aspects of the employer/employee relationship and in his book he tried to outline some of the basic qualities of an effective PA system:

1. A fair and communicative environment: most researches have shown that however majority of employees want to perform well the key is to provide them with the right environment in which to do so. Such environment includes things like support, communication, collaboration and fair treatment.
2. Respect for the employee: Employees who feel respected are more likely to buy into the appraisal system- to participate fully and sincerely in the goal setting and to strive hard to perform to the standards you set.
3. Future Orientation: the past can inform your ideas about the future, but it shouldn't be the sole focus of the appraisal process. This doesn't mean that looking at past performance has no place in the process; indeed, at each evaluation you should discuss whether and how the employee met the goals set at the previous evaluation. But you should look to the past with the goal of learning from it, so that the look backward is developmental and helpful to the employee, rather than punitive.
4. Employee Participation: Bringing employees into the loop, giving them power and responsibility for directing and assessing their own performance will increase their job satisfaction and engender their trust in the appraisal system. This satisfaction and trust leads employees to accept the company's appraisal process and make a commitment to their own development. Research has shown that when employees are involved in goal setting, the goals they set are higher and more demanding than goals that managers set alone.
5. Ongoing Feedback: Studies have shown that without feedback, a Performance Appraisal system alone will not improve employee performance. Positive feedback, often particularly neglected is important: Providing positive feedback whenever appropriate gives employees a sense of accomplishment and appreciation while highlighting standards for how they should continue to perform.
6. Documentation: Documentation spanning the entire appraisal period ensures that your review will be fair and accurate and gives you rock solid in case of a lawsuit. In

addition, good documentation provides continuity should the employee change departments or managers.

## **2.5. Methods of performance appraisal**

While an overall rating approach where the rater does not distinguish among the criteria is surely faster than making assessment on separate criteria, the major drawback of overall performance is that it requires raters to simultaneously consider the above criteria for each job activity and less specific feedback to the appraisal the more effective the appraisal system regardless of the purpose for appraisal system regardless of the purpose for appraisal system. (Bernardin, 2004)

Numerous methods have been devised to measure the quantity, quality of employee's job performance. Each of the method could be effective for some purpose for some organization. Broadly, all the approaches to appraisal can classify in to two, these are past oriented and future oriented (Aswathappa, 2002). Past oriented performance evaluation focus the assessment of past performance usually the appraisal is made by immediate supervisor and checked by his or her own supervisor. These methods include different techniques advantages and disadvantages of which are discussed by different scholars - as follows.

### **2.5.1 Forced distribution method**

In its simplest form the method consists of providing a list of behavior related statements; the supervisor to indicate one least and one most descriptive statement for a particular subordinate (Aswathappa, 2002).

#### **- The major weakness**

The forced distribution method lies in the assumption that the employee performance level always conform to a normal distribution. In organization that have done a good job of selecting and retaining only the good performers, the use of forced distribution approach would be unreality, as well possibly destructive of employee morale. One of the merits of this approach is that is seeks to eliminate the error of leniency. (Aswathappa, 2002)

### **2.5.2 Forced choice method**

This is an attempt to improve rater objectivity by disguising the "best" of two responses as described by 'Both items may be positive'. For example,

Choose the statement that best describes this employee:

- Listens objectively to criticism
- Asks for input on difficult projects

One of the two is more important for the job in question, but raters cannot necessarily tell which one it is. The intention is to reduce the opportunity for deliberate inflation of ratings. One of the choices would be scored one point and the other zero. Clearly, one problem with the forced choice format is developing statements so that the intent is not entirely obvious. (Ivancevich,2004) has argued that the forced choice method was developed to avoid the problems faced in graphic rating scale which allowed supervisors to rate high. This creates difficulty in distinguishing poor and good performance, as sensitivity is one necessary characteristics of a good criterion. (Mathis and Jackson, 1997)

### **2.5.3 Critical incident Method**

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

According to (Ivancevich ,2004), this technique requires raters to maintain a log of behavioral incidents that represent either effective or ineffective performance for each employee being rated. These incidents are critical incidents. Because these incidents might not be directly comparable for different ratees, lists of standardized incidents can be prepared by a HR specialist in consultation with operating managers. The rating task then becomes one of logging each time a subordinate engages in one of these behaviors.

### **2.5.4 Assessment center**

Assessment center is a central location where managers may come together to have their participation in job related exercise evaluated by training observers. The principal idea is to evaluate managers over a period of time say one to three days; by observing (and later evaluating ) their behavior across a series of selecting exercises or wok sample. The characteristics assessed in a typical assessment center include assertiveness; persuasive ability; self-confidence; resistance to stress; and energy level. The disadvantage of this method is

assessment center staffs are often influenced by subjective element; such as personality of candidates. The rater tends to evaluate the quality of the individual social skills rather than the quality of the decision he/she make. (Aswathappa ,2002)

### **2.5.5 Psychological appraisal**

When psychologists are used for evaluation, they assess an individual's future positional and past performance. The appraisal normally consists of in depth interviews, psychological tests, and discussions with supervisor and review of other evaluation. The psychologist then writes an evaluation of the employee's intellectual, emotional, motivational and other related characteristics that suggest individual potential and may predict future performance (Ibid, 221)

### **2.5.6 Confidential report**

In this method the supervisor makes an evaluation of such characteristics of his subordinates as intelligence, loyalty, attendance, conduct, characteristics. This is the most traditional method and is conducted by immediate supervisors, who has maximum contact with the person assessed and who is the best person to evaluate him/her. This report should be kept closed, except for the remarks of the reporting officer on his/ her self-appraisal (Saiyadain, 2004, 206)

### **2.5.7 Rating scales**

It is the simplest and most popular technique for appraising employee performance. The typical rating scale system consists several numerical scales, each representing a job related performance criterion such as dependability, industriousness, attitude, initiative, leadership, decisiveness, emotional maturity etc. Each scale ranges from excellent to poor. This method of appraising performance is easy for construct understand and use. However, at the same time it has its own advantage and disadvantage. Advantage of adaptability, relatively easy use and low cost, disadvantage of this method are several the element of subjectivity is very high (Aswathappa, 2002)

### **2.5.8 Ranking method**

One of the simplest methods of performance appraisal is ranking method. The supervisor evaluates all the subordinates under him on an overall bail and thorn rank orders from exceptional to poor. Each ranking indicated the position of an employee in relation to other under the same supervisor. In case these employees have worked under several supervisors, each one of these is [supervisors can rank themselves according to their own assessment}. Finally, all the rank is grouped to see which one of the employees is rated best. The ranking technique in

appraisal is useful if it is meant for making administrative decision such as promotion. This can be used at the end of the year to see how well the employee has performed. And this method requires the following two steps. (Saiyadain, 2004)

1. A list of good and bad on the job behavior is prepared for each job. A few judges are asked to rate how good and how bad is good and bad behavior, respectively. Based on these ratings a checklist of good and bad behavior is prepared.
2. Train supervisors in taking notes on critical incident or outstanding example of success or failure of the subordinates in meeting the job requirement.

This method has its own advantages and disadvantages. The major advantage is specific behavior stated, that means the evaluation is based on the actual job behavior so giving job related feedback is easy. On the other hand limitations of this method are rater has to maintain a continuous record behavior and comparison become difficult (Nair, 2004)

### **2.5.9 Essay appraisal method**

This is the simplest. Here, an essay written in regard to employee's, strength, weakness, past performance, and suggestions for improvement. The method is qualitative and not quantitative. In this method it is difficult to compare with other (Ibid).

### **2.5.10 Checklist method**

Here a checklist of behavior descriptions is prearranged and each person is evaluated against such list. Rater merely record the list and a separated group can allocate weight ages for each list and finally arrive at total points or marks obtained. Advantage of this method is that checklist reduces subjectivity because recording is done by someone else other than the rater. Rater at the end put weight and adds marks and comparison behavior pattern is rated on various degrees either on continuum or point scale. Following are the steps of preparing behaviorally anchored rating scale (Nair, 2004)

1. Generating effective and ineffective job behavior from participant/actual workers from their own experience.
2. Retranslate the above into appropriate behavioral dimensions.
3. Behavioral incident are the numerically scaled to a level of performance.
4. Incidents that are retranslated which are widely agreed by raters having impact on performance effectiveness are retained to use as anchors on performance dimension.

5. Prepare from the above, behavioral descriptions for each job which include things like anticipation, plan execution, solution to problems, carrying out orders, emergency situation.

The main limitation is that elaborate effort is needed for preparing BARS.

### **2.5.11 Future oriented method**

This can be assessed by focusing employee potential or setting future performance goal. The commonly used future oriented techniques are MBO (management by objective) and, 360 degree, psychological appraisal assessment center.

### **2.5.12 Management by objective (MBO) or Result oriented**

Management by objective is a well-known process of managing that relies on goal setting to establish Objective for the organization as a whole, for each department, for each manager with in each department, and for each employee. MBO is not a measure of employee behavior; rather, it is a measure of each employee's contribution to the success of the organization. (Cascio, 2006). In this method, subordinate in consultation with the supervisor sets their short term objective followed by specific actions that he has to carry out the goal are jointly set and are action oriented. Since they are verifiable, appraisal becomes easy. At the end of specific time period, both the subordinate and the supervisor jointly review the activities, and depending on the performance of subordinate that goal are modified or redesigned for the next period of time (Saiyadain, 2004)

However the term MBO generally refers to a comprehensive, organization wide goal-setting and appraisal program consisting of six steps (Dessler, 2003)

1. Set the organization's goal: Establishing an organization wide plan for the next year and set company goals.
2. Set departmental goals: Next department heads take these company goals and, with their superiors, jointly set goal for their department.
3. Discuss departmental goals: Department heads discuss the department's goals with all subordinates, often at a department wide meeting. They ask employees to set their own preliminary individual goal; in other words, how can each employee contribute to the department goal.
4. Define expected results (set individual goals) Department heads and their subordinates set short-term individual performance targets.

5. Performance reviews: Department heads compare each employee's actual and targeted performance.
6. Provide feedback. Department head and employees discuss and evaluate the latter's progress.

It is not applicable to all jobs in all organization. There are three problems in using MBO (Dessler, 2003)

- a. Setting unclear, immeasurable objectives is the main one. An objective such as will do a better job of training is useless. On the other hand, will have four subordinates promoted during the year is a measurable objective.
  - b. Second, MBO is time consuming. Setting objectives, measuring progress, and giving feedback can take several hours per employee per year, over and above the time you already spend doing each person's appraisal.
  - c. Third, setting objectives with the subordinate sometime turns into a tug of war, with you pushing for higher quotes and the subordinate pushing for lower ones. Knowing the job and the person's ability is important. To motivate performance, the objective must be fair and attainable. The more you know about the job and the person's ability, the more confident you can be about the standards you set.
- 360 Degree feedbacks: This technique is understood as systematic collection of performance data on an individual or group, derived from a number of stakeholders; the stakeholders being the immediate supervisors, Team members, customers, peers, and self. In fact, anyone who has useful information on how an employee does the job may be one of the appraisers. (Aswathppa ,2002)

### **2.5.13 Psychological Appraisal.**

When psychologists are used for evaluation, they assess an individual's future potential and past performance. The appraisal normally consists of in depth interviews, psychological tests, and discussions with supervisor and review of other evaluation. The psychologist then writes an evaluation of the employee's intellectual, emotional, motivational and other related characteristics that suggest individual potential and may predict future performance (Aswathppa ,2002)

## **2.6. Performance appraisal process**

According (David A. Dcenzo & Stephen P. Robbins,2005), PA has become six stages which begins with establishments of performance standards:

1. Establishments of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction- and, more specifically, the job analysis and the job description.
2. Measurable Goals should be set mutually. These performance standards should also be clear and objective enough to be understood and measured. Too often, these standards are articulated in ambiguous phrases that tells us little, such as “ a full day's work” or “a good job”. What is “a full day work” or “a good job:”? The expectations a supervisor has in terms of work performance by her/his employees must be clear enough in his/her mind so that he/she will be able to, at some later date, communicate these expectations to his/her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards.

Once performance standards are established it is necessary to communicate these expectations; it should not be art of the employees' job to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and do not involve the employee. It is important to note that communication is a two-way street: mere transference of information from the supervisor to the employee regarding expectations is not communication.

3. The third step in the appraisal process is the measurement of performance. To determine what actual performance is, it is necessary to acquire information about it. We should be concerned with how we measure and what we measure.
4. Compare Actual Performance with Standards. The fourth step in the appraisal process is the comparison of actual performance with standards. The point of this step is to note deviations between standards and actual performance so that we can precede to the fifth step in the process- Four common sources of information are frequently used by managers regarding how to measure actual performance: **personal observation, statistical reports, oral reports, and written reports**. Each has its strengths and weaknesses; however, a combination of them increase both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure, since the selection of the wrong criteria can result in serious, dysfunctional consequences. What we measure determines to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in first steps of the appraisal process.

5. The discussion of the appraisal with the employee. Remember the employee has to be fully involved in the process.
6. The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types; one is immediate and deals predominantly with symptoms, and the other is basic and delves in to cause. Immediate corrective action is often described as “putting out fires,” whereas basic corrective action gets to the source of deviation and seems to adjust the differences permanently. Immediate action corrects something right now and gets things back on track. Basic corrective action asks how and why performance deviated. In some instances appraisers may rationalize that they do not have the time to take basic corrective action and therefore must be content to “perpetually put out fires.” Good supervisors recognize that taking a little time to analyze the problem today may save more time tomorrow when the problem may get bigger.

The above discussed appraisal steps can be shown as follows in the following diagram.



Source: (David A. Decenzo & Stephen P. Robbins ,2010)

Figure 1. Performance appraisal process

## 2.7. Requirements of effective appraisal system

To achieve these objective effectively or the appraisal system to go smoothly the main things that must be focus is the requirements of effective appraisal system some of the requirements that are legally and scientifically very important are relevance, performance standards, reliability and acceptability which are helping to evaluate the effectiveness of performance appraisal system.

(Cascio,2006) mention these requirements in detail as follows:-

**Relevance:** - implies that there are clear link between the performance standard for particular job and organizational objectives and between the critical job elements identified though a job analysis and the dimensions to be rated on an appraisal form. In other words performance appraisal system should measure an employee's performance and potential based on job description and provide information in job related areas.

Performance Standards; translate job requirements in to level of acceptable or unacceptable employee behavior.

**Reliability:** - in this context it refers to consistency of judgment. This means that is the rating of two qualified and competent appraisers using the same appraisal method agrees with each other.

Acceptability: - is the most important requirement of all. Practicality implies that appraisal instruments are ease for managers and employees to understand and use

### 2.7.1. The Elements of an Effective Performance Evaluation system

According to (Delpo, 2005), there are some specific qualities that all effective performance evaluation systems share, paying particular attention to those hat you as a manager can control.

A) **A Fair and Communicative Environment** : The most effective PA systems place concern for the employee a their core. The reality is that you cannot control your employees' behavior- only they control how they perform their jobs. Research has shown, however, that the majority of employees want to perform well; the key is to provide them with the right environment in which to do so. Such an environment includes support, communication, and collaboration and fair treatment- the very qualities created by effective PA systems. In addition, a fair and communicative environment builds employee morale.

B) **Respect for the employee:** Respecting employees respect is the foundation for any effective performance evaluation system. Employees who feel respected are more likely to buy in to appraisal system- to participate fully and sincerely in setting goals and to strive hard to perform to the standards you set. On the other hand, employees who don't

feel respected will show that same lack of respect for you and your effort to improve their performance.

C) **Focus on the future:** If, at its heart, a performance appraisal process is designed to improve employee performance, then a manager should emphasize what the employee can do going forward, not how employee did in the past. The past can inform your ideas about the future, but it shouldn't be the sole focus of the appraisal process. This means that you should spend the bulk of the appraisal meeting on identifying goals for the next year and talking about how the employee can achieve them. It also means that your feedback throughout the year should not punish or shame employees for bad performance, but help employees see when their performance is slipping and strategize with them on how to improve. This doesn't mean that looking at the past performance has no place in the process; indeed, at each evaluation you should discuss whether and how the employee met the goals set at the previous evaluation. But you should look to the past with the goal of learning from it, so that the look backward is developmental and helpful to the employee, rather than punitive.

D) **Employee Participation:** Another element common to successful performance evaluation systems is employee participation. Employees must play a key role, participating in everything from writing job description, to identifying their own goals and standards, to assessing how well they have performed.

You can increase employee's job satisfaction and engender their trust in the appraisal system by bringing them into the loop and giving them power and responsibility for directing and assessing their own performance. This satisfaction and trust leads employees to accept the company's appraisal process and make a commitment to their own development.

In addition, you need the information that your employees can bring to the table. Your employees are often in the best position to answer the questions posed during the appraisal process; at the very least, they can provide some crucial insights.

These questions include:

- How can they help the company achieve its goals?
- How much can be expected from someone in the given job?
- Are there any organizational impediments to their performance?
- Is there anything you can provide to help them perform better?
- How well have they achieved their own goals?

Research has shown that when employees are involved in goal setting, the goals they set are higher and more demanding than goals that managers set alone. Employees will push the envelope, often demanding more of themselves than you might demand of them.

Employee participation promotes teamwork. It gives the two a sense of working together rather than being on opposite sides of the fence. It also reduces the chances that you will miss out on important information or insights you could share with each other.

- E) **Ongoing Feedback:** Giving employees feedback-both positive and negative- as circumstances warrant is another important feature of an effective performance evaluation system. If you tell employees what you think of their performance only a year. You've wasted a lot of opportunities throughout the year to encourage good performance and to help employees who are struggling get back on track.

Feedback also helps employees adjust as circumstances change throughout the year. The importance of certain goals may shift; obstacles may appear; employees may lose motivation or focus. Your feedback will tell employees what is still important, what is no longer important, and what they can do to achieve their goals in the face of these changes.

Studies have shown that without feedback, a performance appraisal system alone will not improve employee performance. Positive feedback, often particularly neglected : Providing positive feedback whenever appropriate gives employees a sense of accomplishment and appreciation, while highlighting standards for how they should continue to perform.

- F) **Document, Document, Document:** Ongoing and accurate documentation is the crux of a good performance appraisal system. Documentation spanning the entire appraisal period ensures that your review will be fair and accurate and gives you rock-solid support in case of a lawsuit. Without good documentation of an employee's performance throughout the year, all you'll have are memories and gut feelings, neither of which are reliable or legally safe.

In addition, good documentation provides continuity should the employee change departments or managers. If the old manager properly documented the employee's performance, the new manager can take over more easily than if no record existed.

## 2.8. The Rationale for Rating

According to (Armstrong, 2006), there are four arguments for rating. These arguments

- 1) It recognizes the fact that we all form an overall view of the performance of the people who work for us and that it makes sense to express that view explicitly against a

framework of reference rather than hiding it. Managers can thus be held to account for the ratings they make and be required to justify them.

- 2) It is useful to sum up judgments about people- including who are the exceptional performance or under-performance and who are the reliable core performers so that action can be taken (developments or some form of reward)
- 3) It is impossible to have performance or contribution pay without ratings- there has to be a method that relates the size of an award to the level of individual achievements. However, this is not actually the case: many organization with contribution or performance pay do not include ratings as part of the performance management process.
- 4) It conveys a clear message to people on how they are doing and can motivate them to improve performance if they seek an answer to the question "What do I have to do to get higher rating next time?"

## **2.9. Designing an Appraisal System**

For conducting appraisal there must be a designed appraisal system. However, as Chadha said that there is no one right way to conduct an appraisal, such that it is appropriate for all circumstance. Each organization must examine its own unique human resource feature, task characteristics, work culture and internal climate and figure out the precise system that will be functional as well as acceptable in its own context (Chadha, 2003). On the other hand the process of designing an appraisal system should involve managers, employees, HR professionals, and both internal and external customer in making decision about measurement content, measurement process, defining the rater defining the rate and administrative characteristics (Bernardin, 2004)

Measurement content of appraisal system can be either person oriented (Focusing on the person who performed the behavior) or work-oriented (focusing on the record of outcome that the person achieved on the job). Effective performance appraisal focuses on the recorded of outcomes and in particular, out come directly linked to an organization's mission and objectives (Bernardin, 2004). Even if there is no one right way to conduct appraisal in all organization both employee, managers and customers must participate for the designing of appraisal system depending on characteristics of the organization and the work itself. So it helps to assess the performance appraisal system depending on the establish criteria.

## **2.10. Criteria for assessment of performance appraisal**

One of the steps in designing an appraisal program is to determine the evaluation criteria. The criteria designed must be job related. Those criteria used for evaluation are quality, quantity,

timeliness, cost effectiveness, need for supervision and interpersonal impact (Ibid). When it was discussed in detail:-

**Quality:** - The degree to which the process or result of carrying out an activity approaches perfection in terms of either conforming to some ideal way of performing the activity or fulfilling the activity's intended purpose

**Quantity:** The amount produced or service given expressed in, number of units, or number of completed activity cycle.

**Timeliness:** the degree to which an activity is completed or a result produced, at the earliest time desirable from the earliest time desirable from the stand point of both coordinating with the output of others and maximizing the time available for other activity.

**Cost-effectiveness:** The degree to which the use of organization resource is maximized in the sense of getting the highest gain or reduction in loss from each unit or instance of use of a resource.

**Need for supervision:** - the degree to which a performer can carry out a job function without either having to request supervisory assistance or requiring supervisory intervention to prevent an adverse outcome.

**Interpersonal impact:** the degree to which a performer promotes feeling of self-esteem good will, and cooperativeness among coworkers and subordinate.

## 2.11. Benefits of Performance Appraisal

Where performance appraisal allows the employees to get the monetary and non-monetary rewards from the management, here it also give the most significant benefit for employees that it gives the chance to get reasonable time for one to one discussion on the performance over the period of time. This discussion between employee and supervisor allows discussing the main issues that are hurdle in the performance and work concerns addressed. It can observe from all over the world organizations, the feedback of performance appraisal says that it creates a strong bond between subordinate and supervisor only if the appraisal is conducted properly and fairly. This process also gives the opportunity to employees to review their performances and discuss the issues and difficulties they are facing in the work and also it gives the path to gain the aims and objectives in the future time. This interaction of subordinates and supervisors give the opportunity to help the future goals. Therefore it enhances the productivity. So, this process gives the best time to employees to have chat with the supervisors without any hindrance and instruction (Orpen, 1997). The importance of this process should not be underestimated as this is the integral part of performance appraisal system. Moreover this process allows the supervisors

and employees to discuss the future targets and, training and rotation need orientation and development, if needed. In this discussion, the supervisors and the subordinates discuss the various problems about the present as well as the absent working skills, career development and what is to be done in the future (DYCK, 1997). Here, supervisor highlights the key skills of the subordinate and makes or arranges for the future career inspirations. This discussion can be useful to measure the productivity of the organization, for the recruitment and orientation process. For example, the feedback can identify how Appraisal data can also tell how well the recruiting strategies are working, what developmental employees are performing those who hired in the past two years and so.

Process are good enough and what the effectiveness of employees is. Performance appraisal process could be a data sheet highlighting the overall performance of all employees; telling has productivity improved, remains same or fall. Evaluation is the ongoing process and its run throughout the year but some clash can be noted in the evaluations and developmental process but in a nutshell it's a process of evaluating, analyzing and giving feedback of that process (Thomas & Dalton, 1970).

## 2.12. Problems in performance appraisal

Performance appraisals are subject to errors; these errors occur in the rater's observation; judgment and information processing and can seriously affect assessment results. The most common appraisal errors are Leniency Error, halo effect, central tendency, rater's error, recent incident effect, similarity error and reward effect and others. It is investigated by different scholars. Some of these error explained by (Nair ,2004) are as follows.

**Leniency error:** - this tendency of awarding higher marks than what is really due. This depends on variation of value system or standards between different raters.

**Similarity error:** This is the situation in which appraise possesses a certain similarity or identity with rater himself. It could be identity I ideology, personality, cast creed or languet etc.

**Rater error:** if the rater is only one, all the above errors will have little effect in ranking since errors are equally affected to all the employees even though individual marks vary from realistic analysis. The problems become acute when raters are money.

**Reward effect:** Some time rating can affect promotion or some such reward to which the employee is a candidate. The tendency of rater is towards some `` extra marks`` in such occasions

**Halo effect:** Some time employee create a certain impression on the rater because of some incidents or behavior. This could be either positive or negative.

**Central Tendency:** - According to (Ivancevich ,2004) this error occur when a rater avoids using high or low ratings and assigning average ratings; the rater's error to the philosophy that everyone is about average and rates subordinates around a 4 on a1-7 scale or a 3on a1 to 5 scales. This type of average rating is almost useless. It fails to discriminate between subordinates. Thus, it offers little information for making HRM decision regarding compensation promotion or what should be across rates.

**The influence of linking :** According to (Gomez-Mejia et al ,2003) linking can cause errors in performing appraisal when raters allows their like or dislike on an individual to influence their assessment of that person's performance linking plays important role in performance measurement because both linking and ratings are person focused. The two may be at odds, however. Linking is emotional and often unconscious, whereas formal ratings are or should be non-emotional and conscious

### **Empirical Grounding**

(Smith and Rupp, 2003) explored the effects of receiving a low performance rating and high merit increase or a high performance rating and a low merit increase and empirically investigate its impact on knowledge workers' motivational and general morale. Their research finding showed that long years of tenure and age leads to a positive attitude towards a low performance rating and high merit increase as well as increased motivation. To the contrary newer and young aged employees may not feel as much loyalty to the company. Women were found to be more positive than men when presented with high performance rating and low merit increase; implying that women are not primarily motivated by money rather "recognition" is an important factor.

(Palaiologos, Papazekos, & Panayotopoulou, 2011) aimed to explore the PA aspects that are connected with organizational justice, and more specifically three kinds of justice, nalely distributive, procedural and interactional justice. (Jawahar, 2007), cited by (Palaiologos, Papazekos, & Panayotopoulou, 2011), supported the success of appraisal system may well depend on ratees' perceptions of fairness and reactions to important aspects of the appraisal process.

From their study (Palaiologos, Papazekos, & Panayotopoulou, 2011) confirmed that the administrative purpose of PA is related to distributive justice and procedural justice.

Meanwhile, the development purpose of PA is related to interactional justice, indicating a positive connection between employees' personal development and good interpersonal relationship. At the same time, employees' perception of various criteria used for their PA were found to be positively related to the three kinds of organizational justice, with more significant relationship to procedural justice. It seemed that having clear-cut criteria of evaluation that are known and understood by employees, makes them feel that the PA process is fair. When we come to employee satisfaction with ratings, it was positively related to procedural justice a positive relationship between the procedural justice and satisfaction with feedback.

(Palaiologos, Papazekos, & Panayotopoulou, 2011) found a significant relationship between the distributive justice and satisfaction with feedback indicating the importance of feedback in explaining the PA outcomes as well as the consequence of individuals in organizations.

In addition, the significant relationship between interactional justice and satisfaction with ratings support the importance of the supervisors' role in the employees' satisfaction.

Apparently, the appraisers' role in the interactional justice is fundamental, as they seem to be the basis of the satisfaction the employees receive through the PA system.

(Brown, Hyatt & Benson, 2010) examined the role of low quality performance appraisals (PA) on three human resource management outcomes (job satisfaction, organizational commitment and intention to quit). And from their findings employees with low quality PA experience (relative to those with mixed and high quality PA experience) were more likely to be dissatisfied with their job, be less committed to the organization and more likely to be contemplating leaving the organization. It is depicted in this research that when employees have low quality PA experience the organization will likely incur a penalty in terms of lower job satisfaction and organizational commitment and higher intentions to quit.

(Kuvaas, 2011) conducted a research with the purpose of testing the relationship between PA reactions and employee outcomes in terms of effective organizational commitment and work performance. This study found positive PA reactions need to be accompanied by high levels of perceived regular feedback in order to be positively related to work performance. Accordingly even though perceived regular feedback is unrelated to work performance, it may represent a necessary condition for PA to result in increased work performance. While satisfaction with PA is associated with employee commitment, perceived helpfulness of PA was positively related to effective organizational commitment in the current study. This particular finding highlights the importance of positive PA reactions as the point of departure in positively influencing employee attitudes.

(Flynn, 2011) stated that the more we try and manage employee motivation directly, the

More it will elude us. Motivation is personal and internal. It is not manageable directly- we cannot “do” motivation to employees. As managers and employers we should work on the “environmental management, “put meaning back into work and leave employees to their own motivational devices.

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

This chapter presents the methodology that was used to carry out this study it includes the research design, population studies and sampling strategy, the data collection process, the instruments used for gathering data, and how data will be analyzed and presented

#### 3.1. Research Design

According to (Y.K Singh ,2006) , research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analyzing the evidences and reporting the findings. Therefore, to make this practical quantitative research methods was used to approach the study subjects. The quantitative method was used by considering percentage from the populations by using stratified simple random sampling method and questionnaires have been distributed to the respondents. After the required data were collected, it was processed, and analyzed by using frequency method Statistical Package for the Social Sciences, (SPSS) for data manipulation and descriptive writing for data analysis.

#### 3.2. Sample and Sampling Technique

The population for this study was taken from Save the Children Ethiopia Country office. Since the office has manageable number of employees, According to Save the Children Ethiopia Human Resource data, the total numbers of employees is 805 and have five strata i.e. Executive Managerial, Specialized Professional, Administrative & clerical and Manual & technical.

It is to be believed that employees who work in an organization for less than one year will not have a full picture to measure the performance evaluation process. Even literatures support that to fully understand and evaluate a given organization, employee's needs to have more than a year experience. They also added that to clearly adapt with the environment, a minimum of six month is a must. Hence, considering this and other related facts, the research didn't encompass staffs who served the organization less than a year and the total number of respondents was 267, only those who served the organization for more than a year.

#### 3.3. Sample Size Determination

The method chosen for this study is the stratified random sampling method. The reason is that all categories of employees fall under the selected moderating variables and each of these categories have the opportunity to be sampled. This method is believed to give more precise information

than other sampling methods for heterogeneous population. The population was divided into relevant strata, and a simple random sample chosen from each stratum combined into the overall sample in order to attain balanced representation in the sample. This can be considered as fair representation of the population. And these samples were selected from each stratum by using lottery sampling technique.

$$n = \frac{N}{1 + N * (e)^2}$$

N= total population      N=805  
n =size of the sample      n= 805/1+805(0.05)<sup>2</sup>      n= 267

The sample size for the study assumed 95% confidence level, and 5% margin of error. The sample size is calculated to be 267. As described in table 1, the total sample size was divided among the different Job categories based on their population proportion.

Job category	Actual Number in Position	Sample size %	Actual Sample size
Executive	62	7.7%	20.
Managerial	88	10.93%	29
Specialized Professional	234	29.06%	78
Administrative & clerical	274	34.03%	91
Manual & technical	147	18.26%	49

Table 1.1. Sample size Determination Range

The primary data was collected from the responses using structured questionnaire quantitatively measured on a five point Likert scale. Secondary data was collected through document review from existing information available in books, company magazines, organizational reports, brochures, journals, published and unpublished researches, internet and other materials.

In preparing the questionnaire, questions related to performance appraisal were self-designed with reference of different literatures and research papers.

### 3.4. Research Ethics

The researcher has obtained the consent of the organization for the study. Employees who have completed the questionnaire have been informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants have been informed about the purpose of the study and their privacy and dignity also maintained. Confidential information of the office has not disclosed and the collected data have used for the purposes of the study only. Regarding published and unpublished materials used in the literature review and throughout all part of the study, all citations from copy right holder has been made properly

### 3.5. Sources of Data and Type of data Collection

Basically there are two sources of data namely, primary and secondary source. In this research both primary and secondary sources of data was utilized through questionnaires, literature review and document analysis. As the secondary data, HR manual, performance appraisal implementation guidelines; websites, academic journals, business periodicals, business magazines, books and conferences along with the works of various scholars, and researchers in the topic of performance appraisal were reviewed to get information about how the performance appraisal policies and guidelines look like in the organization. The primary data was collected from the responses using structured questionnaire quantitatively measured on a five point Likert scale to collect the required data

**Questionnaire:** In making appropriate and valuable study, researcher applied self-administered questionnaire that was prepared based on tested sample research questions. The questionnaires were distributed personally to every staffs of the office that were selected to be included in the research. The first part of the questionnaire asked about the demographic information of the participants whereas the second part contains close ended questionnaire in a 5 point scale that was used to collect data from the sample respondents in the organization. The questionnaire has 5 rating scales ranging from 1- strongly disagree to 5- strongly agree. The reason for choosing questionnaire as a means to gather data is to keep the confidentiality of the respondent and so the answer could be as honest as possible. Data gathered through questionnaires are simple and clear to analyze and allow for tabulation of responses and quantitatively analyzes certain factors. Furthermore, it is time efficient for both the respondents and researcher. The questionnaire was structured in such a way that it includes all relevant parts of and information to clearly acquaint the respondents.

### 3.6. Methods of Data Analysis

In data analysis process used was frequency statistics to analyze information on all factors/variables including respondent personal information. Quantitative methods of data analysis was used for the study. The data gathered through questionnaire was coded, entered into computer, cleaned, analyzed and presented by using Statistical Package for the Social Sciences (SPSS).

The data that were collected from employees through questionnaire was analyzed by the help of SPSS software version 16.0. First, demographic information about the participants in this study was reported; it included the frequency distribution of all demographic variables in this study such as gender, age, position, year of experience, education, etc. Second, Cronbach's alphas were calculated for testing the reliability of the scales used in this study. Third, frequency statistics were calculated to get information about the sum and frequency for each of the variables of interest. Fourth, through the data the researcher tried to give answer for the research questions.

### 3.7. Validity and Reliability

**Validity:** is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement (Adams et al, 2007). To raise the validity of the research, questionnaires have been distributed and collected by the researcher herself in order to maintain its validity. Also The validity for PA questionnaire was tested using Cronbach Alpha.

**Reliability:** estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency (Adams et al, 2007). To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

- 1 Some important questions have re-asked in different place in a different order.
- 2 The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have complete the questionnaire through having an informal conversation where ever possible.
- 3 Sample test has made for a total of 15 representatives to check the reliability.

## CHAPTER FOUR

### 4. Data Presentation, Analysis and Interpretation

In this chapter of the research the data collected from different sources are presented, analyzed and interpreted. Accordingly, the chapter deals with the demographic nature of the respondents, analysis and interpretation of the data collected. The analysis of data is processed in line with the basic research questions and objectives of the study. The chapter has two parts, the first part present the characteristics of respondents, the second part present detailed analysis and discussion on data collected through questionnaire for employee (appraises). The details are presented in the upcoming sections:-

#### 4.1. Analysis and interpretation of data pertaining to the study

Description	Number					
	Executive position	Managerial Position	Specialized Position	Administrative and Clerical	Manual and Technical	Total
Distributed	20	29	78	91	49	267
Returned questionnaire	20	29	78	91	49	267
Total	20	29	78	91	49	267

Table 2: Questionnaire Return Rate

As presented under the methodology part of the study, questionnaires are prepared and then distributed to the different sample staff. Accordingly, 267 questionnaires have been distributed out of which 20 were for the Executive position, 29 for the Managerial position, 78 for the specialized professional, 91 for Administrative & Clerical and the remaining 49 for Manual and technical position.

## Table 2. : Questionnaires Return Rate

As illustrated in Table 2. shows that 267 employees were kind enough to fill and return the questionnaires on time. This can be considered as fair representation of the population Table 4.4 Educational status of respondents

### 4.2. Descriptive Statistics for General Information

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	164	61.4	61.4	61.4
Female	103	38.6	38.6	100.0
Total	267	100.0	100.0	

Table 3 descriptive Statistics for General Information.

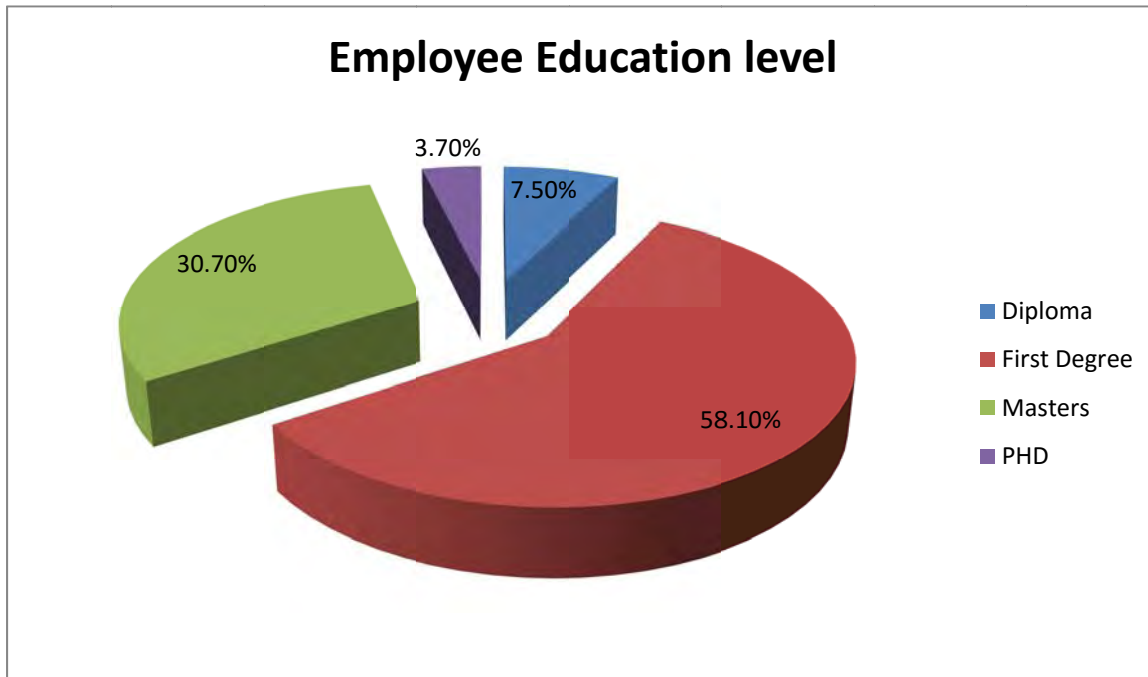
Age of employee				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 25	15	5.6	5.6	5.6
26-35	88	33.0	33.0	38.6
36-45	76.09	28.5	28.5	67.0
46-55	84	31.5	31.5	98.5
above 55	4	1.5	1.5	100.0
Total	267	100.0	100.0	

Table 4 descriptive Statistics for General Information.

As shown in table 4.2, of the total respondents 164(61.4%) were male and the remaining 103(38.6) were female. This indicates that the number of proportions between male and female employees in the organization is not proportional.

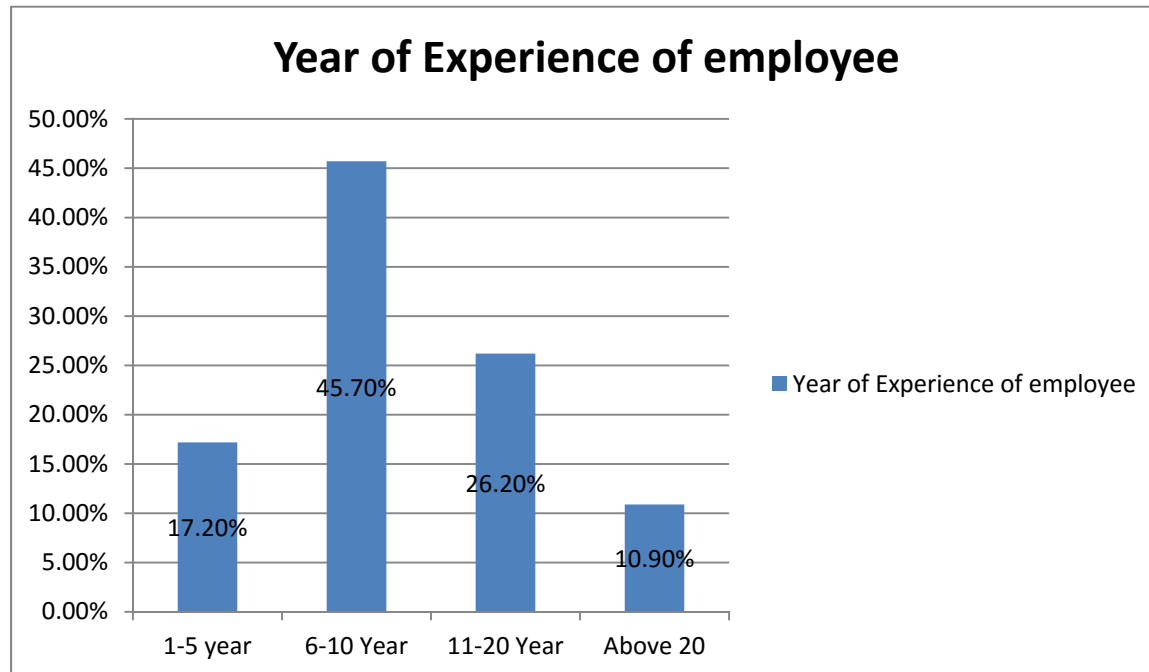
With regard to respondents' age category, the highest group of respondents' i.e 88 (33.0%) fall under age category of 26 – 35. This implies that most of the employees are youngsters. The next higher group 84(31.5%) fall under age category of 46 – 55. The remaining groups of respondents are below 25 and above 55 years which each of them accounts 4(1.5%) and 15(5.6%) respectively, of the total respondents.

Fig 1: employee education Level



In relation to employee level of qualification the above chart clearly indicates that majority of the work forces (58.10%) acquired their first degree. Masters holders constitute of 30.70%, Diploma Holders constitutes of 7.50% and the rest 3.70% do not have higher level education. This implies that employees of Save The Children of Ethiopia are fairly educated and From this it is possible to infer that the workforce compositions of the respondent are well qualified to explain about the practices and problems of performance appraisal.

Fig 2: Year of experience of employees



Out of 267 respondents, 17.20% had worked for a period of 1 year -5 years. 45.7.4% for a period of between 6 and 10 years, 26.20% had been employed for 11-20 years while the rest 10.9% had been in service for more than 20 years. It may be concluded that majority of the employees had been with SC office in the range of 6-10 years which implies that senior staffs are sensitive to job security and senior staff turnover is not a significant factor for SC.

### 4.3. Data Analysis

The collected data is analyzed to answer the basic questions of the study by categorize it in to the following groups.

1. How is performance appraisal carried out in the organization?
2. What is the purpose of performance appraisal at SC?
3. How does performance appraisal of SC measures real performance of employees.
4. What are the lessons learned after review of performance appraisal?
5. What is the perception of employee on performance appraisal?
6. What are the potential Sources of employees' dissatisfaction regarding performance appraisal?

### 4.3.1. How is performance appraisal carried out in the organization?

Appraisal plays an important role in human resource management and it must be implemented through knowing its concept and meaning in detail. According to (Goyal ,2002), performance appraisal is the evaluation of the ability of individual employee against predetermined standards usually set in the job description. This means that employee know the criteria sated for the course of the appraisal, there is no secret, everything must be carried out by the appraiser and the appraise jointly and the evaluation depends on the employee ability. Also they give attention for plus point and find out ways and means of overcoming drawback, if any. Regarding how performance appraisal is carried out in the organization data collected is presented for discussion and analysis in the table below:-

#### 4.3.1.1 Job duties and Responsibilities

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	7	2.6	2.6	2.6
Neutral	58	21.7	21.7	24.3
Agree	138	51.7	51.7	76.0
Strongly agree	64	24.0	24.0	100.0
Total	267	100.0	100.0	

Table 5 My job duties and responsibilities are clearly defined to my understanding

As Table 5 demonstrates result of the level of agreement of statement “My job duties and responsibilities are clearly defined to my understanding”. The result signifies that 51.7% of respondent replayed for the statement as “Agree”. 24.0% and 21.7% of respondents were inclined towards “Strongly Agree” and “Neutral” respectively. The remaining 2.6% of respondents showed their level of disagreement to the statement. This implies the respondents are in favor of agreement for this statement.

#### 4.3.1.2. Performance management system links the organizational goal with my personal goal.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	7	2.6	2.6	2.6
Disagree	20	7.5	7.5	10.1
Neutral	35	13.1	13.1	23.2
Valid Agree	139	52.1	52.1	75.3
Strongly agree	65	24.3	24.3	99.6
Total	267	100.0	100.0	

Table 5: Performance management system links the organizational goal with my personal goal.

The respondents level of agreement regarding statement “Performance management system links the organizational goal with my personal goal” range from “Strongly Agree” to “Disagree”. However majority of respondents tend toward agreeing, i.e. 13.10% showed neutral and 52.9% ,24.3% of respondents in favor of agreement on the stated statement, 7.5% and 2.6% of respondents replied strongly disagree and disagree in their order. This implies the respondents are positive that their goals are aligned together with their personal goals.

#### 4.3.1.3. The criteria used to measure performance is related to your job or job description

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	7	2.6	2.6	2.6
Disagree	126	47.2	47.2	49.8
Neutral	18	6.7	6.7	56.6
Valid Agree	87	32.6	32.6	89.1
Strongly agree	29	10.9	10.9	100.0
Total	267	100.0	100.0	

Table 6:- The criteria used to measure performance is related to your job or job description

As the above table shows only 43.5% respondents agree the relatedness of the criteria with their job description. On the other hand the majority of the employees that is 49.8% said that the weight given for each criterion is not compatible to their contribution or job assignment that means it lacks relevance others that is 6.7% are neutral. Here we can conclude that the organization failed to design and implement performance evaluation criteria in accordance with what the job required, and their job

assignment. Performance appraisal system should have clear link between the performance standard for a particular job, organizational goal, also there must be clear link between the criteria, and job element which have been identified though job analysis. Thus the organization system has deviation from this principle, the following points indicate these deviation.

- ✓ The performance standards are not prepared to different jobs.
- ✓ According to line managers the format used for evaluation of different job assignment are identical.
- ✓ There is a gap between the use of established criteria's and actual evaluation process. So the performance appraisal system should clear link between the performance standard for a particular job, organizational goal, also there must be clear link between the criteria, and job element which have been identified though job analysis

#### 4.3.1.3.The appraisal process is fair and transparent

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	29	10.9	10.9	10.9
Disagree	120	44.9	44.9	55.8
Neutral	29	10.9	10.9	66.7
Agree	59	22.1	22.1	88.8
Strongly agree	30	11.2	11.2	100.0
Total	267	100.0	100.0	

Table 7:- The appraisal is fair and transparent

Performance appraisal should be fair. Fairness is emphasized more specifically; trust will be developed if management acts fairly, equitably and consistently, if a policy of transparency is implemented, etc... Regarding to the employees perception of fair performance appraisal system in their respective organizations, the response from data collected As it is depicted in table 6, the majority of respondents which is 55.8% pointed out that they disagree, Whereas 22.1% and 11.2% of employees agree and strongly agree respectively with that the performance appraisal process is transparent and fair. But only 10.9% of employees are neutral to the statement. This indicates that most of employees of the organization believe that the performance appraisal process of the organization is not fair and transparent. According to the informants from HR Policy , The PA is attached to promotion, 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 HR department.

#### 4.3.1.4 My rater frequently lets me know how I am doing

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	119	44.6	44.6	44.6
Neutral	43	16.1	16.1	60.7
Valid Agree	94	35.2	35.2	95.9
Strongly agree	11	4.1	4.1	100.0
Total	267	100.0	100.0	

Table 8:- My rater frequently lets me know how I am doing

The above table indicates that only 94 (35.2%) and 11(4.1%) of the respondent agree and strongly agree respectively, with the statement but 43(16.1%) respondents are indifferent and the remaining 119 (44.6%) of respondents totally disagree. it implies that most of the employees have not been given any direction regarding how to do their job and there is no 1-2-1 consultation with supervisor. It shows that the feedback process is very low at SC.

#### Managing Performance Rating

The performance Management is a documented “picture” of the employee as a performer, and also includes the rating described below. While the narrative and oral feedback are the most important component for the individual employee, the rating is used for capturing some measure of performance and standards which are used in decision making concerning training, salary increase, promotion, demotion, transfer, termination of service and other human resource actions (see Appendix 01 for performance Management forms).

#### 4.4. What is the purpose of performance appraisal at Save the Children?

It is only when employees understand clearly what the performance appraisal system is trying to achieve in an organization that the system itself brings positive and tangible impact on the organization these objectives vary from organization to organization.

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 purpose of performance appraisal in SC data collected is presented for discussion and analysis in the table below:-

	Performance appraisal enhances my personal development		The performance evaluation in my organization helped me improve my job performance		Information generated through PA is used to give feedback to employees		PA Determination s of Pay and Promotion	
	Count	%	Count	%	Count	%	Count	%
Strongly Dis agree	8	3.0	18	6.7			7	2.6
Disagree	14	5.2	52	19.5	7	2.6	126	47.2
Neutral	136	50.9	131	49.1	58	21.7	18	6.7
Agree	60	22.5	38	14.2	138	51.7	87	32.6
Strongly agree	49	18.4	28	10.5	64	24.0	29	10.9
Total	267	100.0	267	100.0	267	100.0	267	100.0

Table 8:- Category of respondents based on purpose of performance appraisal.

The majority 136 (50.9%) of the total respondent employees of SC neutral with the statement, while 60 (22.5%) agree about the enhancement PA on personal development and 49(18.4%) of the respondent strongly agree but only 14(5.2%) and 8(3%) disagree and strongly disagree respectively. This result signify that most of the employees or respondents of SC are not taking sides about the personal development through performance appraisal.

According to the Table above the majority 131(49.1%) neutral, while 52(19.5%) disagree, and 18(6.7%) strongly disagree, whereas only 38(14.2%) and 28(10.5%) agree and strongly agree respectively, about the performance evaluation in their organization helping them to improve their job performance. From the table we can infer that the performance evaluation of the organization has not helped employees to improve their job performance.

The majority 138 (51.7 %) of the total respondent employees of SC agree, while 64 (24%) strongly agree about the fact that information generated through PA is used to give feedback to employees, and 58(21.7%) are indifferent and the remaining 7(2.6%) disagree. Regarding the usage of this information for employees' feedback the human resource manual was reviewed. And according to the 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. Performance appraisal is used not only for employee feedback purposes, but also for pay and promotion determination purposes. If PA is to be effective it has to be connected with the benefits it bears, such as pay increment and promotion. Payment is a kind of material reward involving pay in cash or in kind, whereas promotion is the move from a lower level to a higher level position comes with cash increment. This helps the organization as well as the incumbent employee in bringing about effectiveness and efficiency, which in turn increases productivity or service quality.

According to this information 126 (47.2%) and 7 (2.6%) of employees agree and strongly agree respectively that performance appraisal is attached to reward and promotion in SC while 87(32.6%) and 29(10.9%) disagree and strongly disagree respectively . The remaining 18(6.7%) of the respondents were indifferent, and this may be from low understanding of employees about the performance appraisal and its purposes. For the purpose of triangulation the human resource Manual was referred and according to the manual/policy, information generated through PA is used for promotion decision which accounts for 20% of the total variables required for promotion in SC. The purpose of performance appraisal is also to determine decision of employees' development to make them more productive in the organizations.

According to (Henderson ,1984), developing an appraisal system that accurately reflects employee performance is a difficult task. Performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employee and organizational characteristics and qualities. If the design is tailored to the needs and characteristics of particular organization, the performance of employee within the goals of the organization and with human resource development and reward mechanisms that motivate employees, good relationship can be maintained and strengthened.

## 4.5. How does performance appraisal of SCI measures real performance of employees.

### 4.5.1 Appraisers give you feedback on the result of evaluation on time and discuss on the matter.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	2.6	2.6	2.6
Disagree	18	6.7	6.7	9.4
Neutral	64	24.0	24.0	33.3
Agree	132	49.4	49.4	82.8
Strongly agree	46	17.2	17.2	100.0
Total	267	100.0	100.0	

Table 9:- Category of respondents based on feed back.

The majority 132 (49.4%) of the total respondent employees of SC agree and 46 (17.2%) strongly agree about appraisers give feedback on the result of evaluation . whereas 64(24%) of the respondents are indifferent with this statement . Only 18(6.7%) and 7(2.6%) of employees disagree and strongly disagree. And according to the information, the employees are given the feedback about the result of the evaluation by their appraiser.

### 4.5.2 The performance criteria/instruments used to measure my performance are clearly defined and objective

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	18	6.7	6.7	6.7
Neutral	57	21.3	21.3	28.1
Agree	162	60.7	60.7	88.8
Strongly agree	30	11.2	11.2	100.0
Total	267	100.0	100.0	

Table 10:- Category of respondents based on performance criteria

The above table indicated that most of the respondents are positive about the performance criteria/instruments used to measure their performance are clearly defined and objective. The neutral level is 57(21.3%), similarly 162(60.7%) of the respondent agree and 30(11.2%) strongly agree with the statement while the remaining 18(6.7%) disagree. It implies that the majority of employees believe that the performance criteria/instruments used to measure their

performance are clearly defined and objective. By this we can say that the criteria set are set to measure their actual performance.

**4.5.3 My supervisor possesses and utilizes effective written/verbal communication skills in the formal appraisal process**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	15	5.6	5.6	5.6
Disagree	35	13.1	13.1	18.7
Neutral	96	36.0	36.0	54.7
Agree	79	29.6	29.6	84.3
Strongly agree	42	15.7	15.7	100.0
Total	267	100.0	100.0	

Table 11:- Category of respondents based on effective written/verbal communication

According to the above table the largest population of the respondents support that the supervisor possesses and utilizes effective written/verbal communication skills in the formal appraisal process by 79(29.6%) agree and 42(15.7%) strongly agree, whereas 96(36%) of the respondents are indifferent about this statement. Only 50(18.7%) disagree. Based on the result it can be concluded that the supervisors in SC possess and utilize effective written/verbal communication skills in the formal appraisal process.

According to (David A. Dcenzo & Stephen P. Robbins,2005), Four common sources of information are frequently used by managers regarding how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increase both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure, since the selection of the wrong criteria can result in serious, dysfunctional consequences. What we measure determines to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in first steps of the appraisal process.

## 4.6. What are the lessons learned after review of performance appraisal?

### 4.6.1 Performance appraisal helps people set and achieve meaningful goals

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	8	3.0	3.0	3.0
Neutral	50	18.7	18.7	21.7
Agree	135	50.6	50.6	72.3
Strongly agree	74	27.7	27.7	100.0
Total	267	100.0	100.0	

Table 12:- Category of respondents based on setting and achieving meaningful goals.

As shown in the table majority of the employees 135(50.6%) agree with Performance appraisal helping people set and achieve meaningful goals. Similarly 74(27.7%) of the respondents agree with the statement. While 50(18.7%) of the responses are neutral and 8(3%) disagree. The result signifies that Performance appraisal helps people set and achieve meaningful goals. PA is an ongoing process and accordingly while we set goals we refer to previous objective and observe the lessons we learned from the previous performance evaluation process and set our new goal.

### 4.6.2 Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	7	2.6	2.6	2.6
Disagree	38	14.2	14.2	16.9
Neutral	80	30.0	30.0	46.8
Agree	93	34.8	34.8	81.6
Strongly agree	49	18.4	18.4	100.0
Total	267	100.0	100.0	

Table 13:- Category of respondents based on counseling and coaching

Reference to the table 93(34.8%) and 49(18.4%) of the respondents agree and strongly agree respectively, about Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their

respective potential. It implies that majority of employees believe that Information generated through performance evaluation is used to counsel and coach subordinates so that they will improve their performance and develop their respective potential. This shows that the result gathered through the PA is used to counsel and coach employees.

The design of information generation should be done in such a way that it can strengthen the relationship between superiors and subordinates. According to (Henderson,1984), developing an appraisal system that accurately reflects employee performance is a difficult task. Performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employee and organizational characteristics and qualities. If the design is tailored to the needs and characteristics of particular organization, the performance of employee within the goals of the organization and with human resource development and reward mechanisms that motivate employees, good relationship can be maintained and strengthened.

#### 4.6.3 I get timely and accurate feedback on my performance and growth

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	7	2.6	2.6	2.6
Disagree	17	6.4	6.4	9.0
Valid Neutral	119	44.6	44.6	53.6
Agree	96	36.0	36.0	89.5
Strongly agree	28	10.5	10.5	100.0
Total	267	100.0	100.0	

Table 14:- Category of respondents based on feedback on performance and growth

Out of the total employees of SC the majority 119 (44.6%) neutral about timely and accurate feedback on performance and growth, while others 96(36.%) agree and 28(10.5%) strongly agree. Only 24(9%) of the respondents disagree. meanwhile from this table, it is possible to say that the feedback process lacks implementation on providing timely and accurate feedback

**4.6.4 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**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	21	7.9	7.9	7.9
Disagree	87	32.6	32.6	40.4
Neutral	93	34.8	34.8	75.3
Agree	47	17.6	17.6	92.9
Strongly agree	19	7.1	7.1	100.0
Total	267	100.0	100.0	

Table 15:- Category of respondents based on evaluation

From the above Table we can see that 93(34.8%) of employees are indifferent. while 47(17.6%) agree and 19(7.1%) strongly agree and the remaining 21(7.9%) and 87(32.6) strongly disagree and disagree respectively about supervisor accurately evaluating their performance to the extent that they will be rewarded for doing what they must or penalized for failing to do so. According to the result of the table the almost equal population is subject to neutral, agree and disagree and this implies that there is no consistency in evaluating performance and also rewarding and penalizing.

**4.7. How is the perception of employee on performance appraisal?**

No	Descriptions	Frequency	Percentage
<b>1</b>	The PA system is serving its purpose		
	Strongly disagree	15	5.6
	Disagree	52	19.5
	Neutral	119	44.6
	Agree	49	18.4
	Strongly agree	32	12
		<b>267</b>	<b>100</b>
<b>2</b>	I don't think the performance appraisal process is a waste of time		
	Strongly Disagree	8	3.0
	Disagree	20	7.5
	Neutral	103	38.6
	Agree	56	21.0
	Strongly Agree	80	30.0
	Total	267	100

No	Descriptions	Frequency	Percentage
3	Knowledge of employees about the Existence of PA		
	Strongly Disagree		
	Disagree		
	Neutral	42	15.7
	Agree	160	59.9
	Strongly Agree	65	24.3
	Total	-	-
		267	100
4	Employees Knowledge about the Purpose of PA		
	Strongly Disagree		
	Disagree		
	Neutral	1	.4
	Agree	85	31.8
	Strongly Agree	116	43.4
	Total	65	24.3
		267	100
5	In my opinion the performance evaluation system in is serving its purpose.		
	Strongly Disagree	7	2.6
	Disagree	88	33
	Neutral	64	24
	Agree	70	26.2
	Strongly Agree	38	14.2
	Total		

Table 16:- Category of respondents based on perception of employees.

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. Knowledge of the existence of performance appraisal is essential not only for employees, it is also important for the organizations and supervisors. The knowledge of the existence PA is essential for employees in order to help them understand what is expected of them and what they are expecting out of their performance.

On the other hand, organizations will be benefit from such knowledge of the employees about

the existence of PA and make effort in the job they are hired for and maximize their contributions. It also helps managers/supervisors in order to align the employees with the organizational goal; it will enable them to put a sense of order into the accomplishment of their responsibilities.

Out of the total employees of SC the majority 88 (33%) disagree and 7(2.6%) strongly disagree about the PA serves its purpose, while 64(24%) are indifferent , 70(26.2%) agrees and from this table, it is possible to understand that the majority of employees of SC know the existence of performance appraisal in their organization. The majority of 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. This indicates that it has been given low regards by the management.

One of the human resource management functions is managing the performance of employees in their respective organizations. Managing performance of employees involves informing, training, and coaching about the existence and functions of performance appraisal on the job the employees are assigned to. Responses of the employee show the low-level regard given to the performance of employees. The implication is also no care for the performance of the organization. Knowing the existence of performance appraisal is one great thing as there are employees working in the organization without knowing of its existence. However, do those employees who know the existence of performance appraisal really know the purposes? The purposes of PA are informative, developmental, and administrative.

#### **4.8. What are the potential Sources of employees' dissatisfaction regarding performance appraisal.**

Performance appraisals are subject to errors; these errors occur in the rater's observation; judgment and information processing and can seriously affect assessment results. The most common appraisal errors are Leniency Error, halo effect, central tendency, rater's error, recent incident effect, similarity error and reward effect and others. 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. The below tables is prepared to see the existence of such problem in SC:-

#### 4.8.1 My supervisor generally supports his evaluation with specific incidents of good and poor performances

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	2.6	2.6	2.6
Disagree	38	14.2	14.2	16.9
Neutral	98	36.7	36.7	53.6
Agree	106	39.7	39.7	93.3
Strongly agree	18	6.7	6.7	100.0
Total	267	100.0	100.0	

Table 17:- Category of respondents based on perception of employees.

The agreement level of the respondent shows that most of the employees 106(39.7%) and 18(6.7%) agree and strongly agree. While 98(36.7%) neutral and 45(16.8%) disagree. The result indicate that majority of the employees believe their supervisor generally supports their evaluation with specific incidents of good and poor performance.

#### 4.8.2 My supervisor rates based on Personal Liking and Disliking

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	2.6	2.6	2.6
Disagree	108	40.4	14.2	16.9
Neutral	89	33.3	33.3	50.2
Agree	38	14.2	40.4	90.6
Strongly agree	25	9.4	9.4	100.0
Total	267	100.0	100.0	

Table 18:- Category of respondents based on rater bias.

On the influence of the rater biases on the basis of personal liking and disliking the Majority 108 (40.4%) of employees from SC disagree, while 89(33.3%) indifferent, and 38(14.2%) agree about their rater rating their performance basing on personal liking and disliking. According to the information acquired, 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. It is customary, among some raters of performance appraisal in organization giving rating which may have negative consequences to their subordinates. According to (Mathis and Jackson ,1997), this type of leniency error occurs

when rating patterns employees are at the high end of the scale.

As the table shows majority of the respondents 89(33.3%) agree and 25(9.4%) strongly agree with the statement. On the other hand 89(33.3%) neutral and 45(16.8%) disagree. Based on this information it can be infer most of the employees get clear direction from their supervisor

#### 4.8.3 I used to work hard only making sure that my supervisor watched what I am doing

Doing work just for show off might be something we have observed in our work environment but doing it in relation to gain advantage in the sacrifices of others or organizations benefit is unethical.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	131	49.1	49.1	49.1
Disagree	100	37.5	37.5	86.5
Valid Neutral	29	10.9	10.9	97.4
Strongly agree	7	2.6	2.6	100.0
Total	267	100.0	100.0	

Table 19:- Respondents classified based on working hard while supervisor watched.

As depicted in the table majority of the respondents 131(49.1%) and 100(37.5%) strongly disagree and disagree with the statement. whereas only 7(2.6%) agree and the remaining 29(10.9%) neutral. From the above description it is possible to conclude most of the respondents disagree with the statement of I used to work hard only making sure that my supervisor watched what I am doing Therefore, even if majorities of employees don't do work for show off to their supervisors there are few employees who do.

#### 4.8.4 Performance evaluation is considered important task by my rater

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	8	3.0	3.0	3.0
Disagree	1	.4	.4	3.4
Valid Neutral	115	43.1	43.1	46.4
Agree	91	34.1	34.1	80.5
Strongly agree	52	19.5	19.5	100.0
Total	267	100.0	100.0	

Table 20:- Respondents classified based on performance evaluation considered important.

Reference to the above table 91(34.1%) and 52(19.5%) of employees agree and strongly agree with the statement. On the other hand 115(43.1%) neutral and 9(3.4%) disagree. The result implies that majority of employees believe that their rater consider performance evaluation as important task if it is believed that the rate will follow all process and steps to complete the performance evaluation.

#### 4.8.5 My rater gives Equivalent rating to all to Avoid Resentment and Rivalries

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	20	7.5	7.5	7.5
Disagree	78	29.2	29.2	36.7
Neutral	152	56.9	56.9	93.6
Agree	16	6.0	6.0	99.6
Strongly agree	1	.4	.4	100.0
Total	267	100.0	100.0	

Table 21:- Respondents classified based on equivalent rating.

According to Encarta English dictionary (2009), resentment is ill feeling, aggrieved feelings caused by a sense of having been badly treated, while rivalry is a condition of competitiveness: the condition or fact of competing with somebody or something or competitive action. Therefore, such feelings like avoiding resentments have positive outcome for employees while avoiding rivalries among colleagues have negative consequence to SC and employees. These types of biases have negative implication in the organization and employees"

From the above table it is possible to understand that most of the employees do not agree with the statement of "My rater gives Equivalent rating to all to Avoid Resentment and Rivalries". Out of the total population 152(56.9%) neutral and 96(36.7%) disagree. While only 17(10%) agree with the statement. it entails almost all of the employees do not agree that their rater giving equivalent rating.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS & RECOMMENDATIONS

In this chapter the main findings of the research are summarized and the conclusions reached from them are put in brief. After that recommendations are given to further strengthen the positive findings and to avoid or minimize undesirable findings.

#### 5.1. *Summary of the Findings*

The major findings of the study are summarized as follows:-

- ❖ It's all about developing the 'will' and the 'skill'. Helping managers to understand the importance of effective performance appraisal, helping them develop the skills and then holding them accountable for applying those skills in practice.
- ❖ Most of the employees have the knowledge about the performance appraisal evaluation criteria used by the organization as confirmed by respondent.
- ❖ The organization uses the same appraisal format for all employees irrespective of their job assignment.
- ❖ According to the organization policy performance appraisal is conducted twice in a year, but it lacks regularity that means it is not conducted on the designed time and administered by both immediate supervisor and department heads.
- ❖ As obtained from the data the organization does not use post appraisal discussion and feedback on the result of evaluation.
- ❖ Majority of the employee are not satisfied with performance appraisal system of the organization as confirmed by the respondent. The reason for their dissatisfaction is that the appraisal system lacks openness and transparency, the absences of formal way of discriminating good and poor performer.
- ❖ Less The information generated through PA is at the moderate level in SC in providing incentives and job promotion to those employees', whose performance is at the level of

the standard and above and makes both payment (annual increment) and promotion and training and development program.

## 5.2. Conclusions

- ❖ Even if all established criteria are not used equally during evaluation the organization has evaluation criteria and this criteria are known by majority of the employee.
- ❖ The organization fail to design and implement performance evolution criteria in accordance with what the job require and their job assignment
- ❖ Employee performance appraisal is conducted at the end of every six-month. But this appraisal undertaken without recorded evidence. So this will lead the whole evaluation activity to be dominated by subjectivity and will create biasness which result unfair evaluation.
- ❖ Participatory type of performance evaluation is not applied within the organization before and during evaluation (lack transparency).
- ❖ According to the organization policy, employees are rated twice in a year during December and June and the organization is following matrix management meaning one employee might have more than two bosses.
- ❖ Employee complained that, as there is no transparency in performance appraisal system. This is due to lack of formal feedback mechanism in the organization and poor system to identify good and poor performer. This may diminish the motivation of the employee.
- ❖ Employee of the organization are dissatisfied by the performance appraisal system of the organization due to different things such as lack of compatibility of the weight given for the criteria and their contribution (job assignment) and in most case un relatedness of job description and the criteria.
- ❖ The appraisal method that the organization use has limitations and the employee suggest possible solution.
- ❖ Performance Appraisal processes define individual performance and contribution expectations, assess performance against those expectations, and provide for regular constructive feedback, and result in agreed plans for performance improvement, learning and personal development. They are a means of providing non-financial motivation and may also inform contingent pay decisions.

### 5.3. Recommendation

- 1) The HR department should prepare criteria based on the job description (job assignment) of individual instead of grouping different duties in broad category and making it more subjective.
- 2) Appraisers or supervisors should develop a habit of writing day to day output in order to consult and convince employees at a time of evaluation and to discriminate good and poor performer. Moreover, it helps them to be free from bias or halo effect and give fair evaluation.
- 3) Appraisal should be conducted on after each task on job assignment is performed and average of eight weeks and should be documented.
- 4) If it is not properly designed and handled performance evaluation can be a source of employees' dissatisfaction. This dissatisfaction reflected on the overall activities, as a result poor quality of work will happen. So by participating the employee, the senior management team along with HR must design and implement an appraisal system that is constructive and stand for mutual benefit of the organization and employees.
- 5) Monitor the evaluation documents and consistency of performance ratings at senior management and at HR level. This should provide a mechanism whereby significant anomalies can be detected.
- 6) Further training should be given by HR to the management team on how to address poor performance within their teams, while giving the employees an understanding of the confidential nature of the performance appraisal process should alleviate the concern among employees that poor performance is not being addressed.
- 7) HR department should prepare a forum to collect idea about the weak and strong part the organization, concerning appraisal system and try to implement those possible solutions suggested by the employees.

**Any effective performance management system includes the following components:**

- ❖ **Performance Planning:** Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done mutually also the reviewed in the beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the performance budget which will be finalized after a mutual agreement between the reporting officer and the employee.
- ❖ **Performance Appraisal and Reviewing:** The appraisals are normally performed twice in a year in an organization in the form of mid reviews and annual reviews which is held in the end of the financial year. In this process, the appraise first offers the self-filled up ratings in the self-appraisal form and also describes his/her achievements over a period of time in quantifiable terms. After the self-appraisal, the final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee being appraised. The entire process of review seeks an active participation of both the employee and the appraiser for analyzing the causes of loopholes in the performance and how it can be overcome. This has been discussed in the performance feedback section.
- ❖ **Feedback on the Performance followed by personal counseling and performance facilitation:** Feedback and counseling is given a lot of importance in the performance management process. This is the stage in which the employee acquires awareness from the appraiser about the areas of improvements and also information on whether the employee is contributing the expected levels of performance or not. The employee receives an open and a very transparent feedback and along with this the training and development needs of the employee is also identified. The appraiser adopts all the possible steps to ensure that the employee meets the expected outcomes for an organization through effective personal counseling and guidance, mentoring and representing the employee in training programs which develop the competencies and improve the overall productivity.
- ❖ **Rewarding good performance:** This is a very vital component as it will determine the work motivation of an employee. During this stage, an employee is publicly recognized for good performance and is rewarded. This stage is very sensitive for an employee as this may have a direct influence on the self-esteem and achievement orientation. Any

contributions duly recognized by an organization helps an employee in coping up with the failures successfully and satisfies the need for affection.

- ❖ **Performance Improvement Plans:** In this stage, fresh set of goals are established for an employee and new deadline is provided for accomplishing those objectives. The employee is clearly communicated about the areas in which the employee is expected to improve and a stipulated deadline is also assigned within which the employee must show this improvement. This plan is jointly developed by appraisee and the appraiser and is mutually approved.
- ❖ **Potential Appraisal:** Potential appraisal forms a basis for both lateral and vertical movement of employees. By implementing competency mapping and various assessment techniques, potential appraisal is performed. Potential appraisal provides crucial inputs for succession planning and job rotation.

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# **APPENDIX**



## Part II questions of performance appraisal

	Please express your view by marking a tick in relevant box.  <b>A – Performance Appraisal</b>	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	I know the existence of Performance appraisal in SCI					
2	I know the objective/purpose of performance appraisal in SCI.					
3	My job duties and responsibilities are clearly defined to my understanding					
4	In my opinion the performance evaluation system in sci is serving its purpose.					
5	Performance appraisal helps people set and achieve meaningful goals					
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	Performance management system links the organizational goal with my personal goal.					
8	Appraisers give you feedback on the result of evaluation on time and discussed on the matter.					
9	The criteria used to measure performance is related to your job or job description					
10	My supervisor generally supports his evaluation with specific incidents of good and poor performances.					
11	My supervisor clearly tells me what is expected of me					
12	I get timely and accurate feedback on my performance and growth					
13	The appraisal process is fair and transparent					
14	My rater frequently lets me know how I am doing.					
15	I always compare my performance rating with my colleagues.					61
16	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.					
17	Performance evaluation is considered important task by my rater.					
18	I used to work hard only making sure that my supervisor watched what I am doing.					
19	The performance evaluation in my organization helped me improve my job performance.					
20	Performance appraisal enhances my personal development.					
21	The performance criteria/instruments used to measure my performance are clearly defined and objective					
22	In my opinion, the performance evaluation system in SCI is serving its purpose.					
23	In my opinion, the performance evaluation system is fair and objective.					
24	My supervisor possesses and utilizes effective written/verbal communication skills in the formal appraisal process.					
25	My rater gives Equivalent rating to all to Avoid Resentment and Rivalries					
26	My supervisor rates based on is Bias of the Rater by Personal Liking and Disliking					
27	I don't think the performance appraisal process is a waste of time.					
28	Information generated through performance evaluation is used to motivate subordinates through recognition and support.					