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Addis Ababa University School of Commerce
Department of Human Resource Management

**An Assessment of the Performance
Appraisal Practice: The Case of Ambo
University**

*A thesis submitted to Addis Ababa University school of
Commerce in partial fulfillment of Masters of Arts in Human
Resource Management*

By

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DECLARATION

I, the undersigned, declare that this research is my original work, prepared under the guidance of Worku (PhD). All sources of materials used for this research have been duly acknowledged, the researcher further confirm that the research 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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CERTIFICATE

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

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Contents

Acknowledgement	i
List of figures	ii
List of tables.....	iii
Abstract	iv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Background of Ambo University	2
1.3 Statement of the Problem	3
1.4 Research Questions	4
1.5 Objectives of the Study	4
1.5.1 General Objective	4
1.5.2 Specific Objectives	4
1.6 Significance of the Study	4
1.7 Scope of the Study.....	5
1.8 Definition of Terms	6
1.9 Organization of the Study	6
CHAPTER TWO	7
RELATED LITRATURE REVIEW.....	7
Introduction	7
2.1 Theoretical Review	7
2.1.1 Overview of Performance Appraisal	7
2.1.2 Development of Performance Appraisal System.....	8
2.1.3 Performance Appraisal Theories	9

2.1.4 Objectives of performance Appraisal	10
2.1.5 Criteria of Performance Appraisal.....	13
2.1.6 Performance Appraisal Techniques.....	13
2.1.7 Developing Employee Performance Appraisal Plans (EPAP)	17
2.1.8 Periods of Performance Appraisal	18
2.1.9 Employee Participation in the Appraisal System	19
2.1.10 Post Appraisal Feedback Interview	20
2.1.11 Challenges of Performance Appraisal	21
2.1.12 Limiting the Effects of Supervisory Bias	24
2.1.13 Effectiveness of Performance appraisal	24
2.1.14 Performance appraisal in university context	25
2.2 Empirical Reviews	27
2.3 Conceptual Framework	29
CHAPTER THREE	30
RESEARCH DESIGN AND METHODOLOGY	30
3.1 Research Approach	30
3.2 Research Design.....	30
3.3 Population and Sampling Method.....	30
3.3.1 Target Population	30
3.3.2 Sampling Method	30
3.4 Data Type and Sources.....	31
3.5 Data Collection Procedures.....	32
3.6 Ethical consideration.....	32
3.7 Method of Data Analysis	32
3.8 Reliability and validity Test	33

3.8.1 Validity	33
3.8.2 Reliability	33
CHAPTER FOUR.....	34
RESULT AND DISCUSSION	34
Introduction	34
4.1 Response Rate	34
4.2 Demographic Information	34
4.3 Effectiveness of the performance appraisal system	36
4.4 Outcomes of performance appraisal system.....	40
4.5 Challenges of performance appraisal system	42
CHAPTER FIVE	45
CONCLUSION AND RECOMMENDATIONS	45
5.1 summary of Major Finding	45
5.2 Conclusions	45
5.3 Recommendations	46
References.....	47
Questionnaire	50

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List of figures

Figure 1 Conceptual framework developed by the author (2018) based on literature review 29

List of tables

Table 1 Reliability test	33
Table 2: Response Rate.....	34
Table 3: Demographic information of Respondents.....	35
Table 4 Effectiveness of the performance appraisal system.....	36
Table 5 Mean and standard deviation of effectiveness of PAS	37
Table 6 Frequency of Outcomes of PAS	40
Table 7 Mean of Outcomes of PAS	40
Table 8 Frequency of Challenges of PAS.....	42
Table 9 Mean of Challenges of PAS.....	43

Abstract

This study was conducted with an objective examining employee performance appraisal system of Ambo University. The researcher has used mixed research approach by using both qualitative and quantitative methods. The data were collected from both administrative and teaching staffs through questionnaire and interview. The data was analyzed by descriptive analysis methods. The study has identified that performance appraisal system of the university is ineffective in measuring the performance of employees. Ineffectiveness of the system has resulted negative outcomes such as minimizing cooperation and demotivating high performers. The appraisal system is challenged by inefficiency of the raters. Therefore, the researcher recommends the university to include promotion and reward opportunities with the system, link the current and expected performance, and train raters.

Keyword: Employee Performance Appraisal System

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Lansbury (1998) defines performance appraisal as a process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance. Its focus is measuring and improving the actual performance of the employee and also the future potential of the employee. Lansbury (1998) further states that performance appraisal is a formal and systematic process of identifying, observing, measuring, recording and developing the job-relevant strengths and weaknesses of employees.

According to Longenecker (1997) though performance appraisal system has been debated by many, however, overall, it is viewed that performance appraisal is an inseparable part of organizational life, mentioned several reasons that formal performance appraisals are to stay in organizations. Formal appraisals are required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, training need etc. According to Bacal, (1999) both employees and employers are benefited from performance appraisal. For employers it provides information about employee performance. Employees benefit by getting feedback about their performance to improve themselves on their poor performance.

In today's competitive business world, organizations can only compete with their rivals by innovating, and organizations can be innovative by managing their human resources well. The human resource system can become more effective by having a valid and accurate performance appraisal system used for rating employees (Armstrong, 2003; Bohlander & Snell, 2004). As revealed by Steers and Black (1994), "performance appraisal is one of the most important and often one of the most mishandled aspects of management." It has also been said to be one of the most problematic components of

human resource management and is viewed as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (Coutts and Schneider, 2004).

Somerick (1993) has proven that ineffective performance evaluation can be a cause for many problems, such as low morale, low productivity, a lessening of an employee's enthusiasm and support for the organization, high rate of skilled employee termination, high rate of customer turnover, high running costs and etc that leads the company to shrink early. The problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees, which in turn, leads to wrong administrative decisions.

The effectiveness and success of an organization therefore lies on the people who form and work within the organization. The ultimate objective of performance appraisal is identifying, measuring, and managing of human performance in an organization and to give feedback to employees who may improve their performance on job and also organizations success. Therefore, the researcher assessed and evaluated performance appraisal practices and its effectiveness in the case of Ambo University.

1.2 Background of Ambo University

Ambo university is public higher education institution located Oromia region in the town of Ambo. It is approximately 119 kilometers west of Addis Ababa, Ethiopia. Ambo university is one of the foremost higher learning institution with significant contribution in the country's overall development by building the capacity of development of development agents through short, medium and long term traings in various ffieds since its establishment in 1939. After passing through various development stages, it has recently become independent with a status of a university organized into five colleges, three institutes and two schools with 38 academic departments.

Ambo university is one of the fastest growing Ethiopia universities currently expanding to four campuses. In addition to main campus, it has two functional campuses-woliso business and economics and Awaro Technology campuses and Guder Campus which is under construction.

Ambo university is dedicated to serve the Ethiopian and the world society in discovery, development and application in wide range of disciplines. The university is committed to maintain and ensure the provision of quality, cost effective, timely and need based education at undergraduate and post graduate levels, engage in research and knowledge transfer, conducts short term trainings and consultancy; and offer community service in a professional and innovative manner so as to address the need of stakeholders.

1.3 Statement of the Problem

Organizational performance is cumulative result of the performance of all employees in the organization. This being the truth, employee performance has to be properly appraised and coached to ensure that it is contributing toward achieving organizational goals. According to Armstrong (2009) the performance of an organization is highly dependent on performance of the employees. The performance management system of the organization is intended to improve the performance of the employees. According to Bacal, (1999) the performance appraisal is the main function of performance management. According to Obisi (2011), Muthuo (2010) and Caroline (2011) effective performance appraisal results on motivated employees and improves their performance. In contrast, ineffective appraisal system results on demotivated employees that result on lower performance of the organization through their lower performance.

However, though Ambo University conducts performance appraisal periodically, preliminary study of the researcher shown that some employees of Ambo University are not happy with it by complaining that promotion is not based on performance appraisal result. Rather, it is based on experience of employees. Additionally, there are many challenges which are facing the current performance appraisal system by the Ambo University.

Muthuo (2010) and Obisi (2011) identified only the effect of the appraisal system on the performance of the employees and (Prowse & Prowse, 2009) identified the challenges of the appraisal system. These studies did not include the effectiveness of the appraisal system. Therefore, this study intends to fill this gap by including the effectiveness of the appraisal system in addition to effects and challenges of the system. As far as the knowledge of the researcher there are no empirical studies conducted on effectiveness,

outcomes and challenges of employee performance appraisal system in Ambo University. Therefore, this study has assessed the performance appraisal practice in Ambo University.

1.4 Research Questions

This study tried to answer the following basic research questions.

- To what extent is the performance appraisal of Ambo University effective?
- What are the major challenges of performance appraisal in Ambo University?
- What are the major outcomes of performance appraisal implemented in Ambo University effective?

1.5 Objectives of the Study

1.5.1 General Objective

The general objective of this study is an assessment of the performance appraisal practice in Ambo University.

1.5.2 Specific Objectives

Below listed are specific objectives which emanated from the general objective.

- To investigate the extent of performance appraisal effectiveness of Ambo University;
- To assess the major challenges of performance appraisal system in Ambo University; and
- To identify the major outcomes of performance appraisal system in Ambo University.

1.6 Significance of the Study

This research can benefit Ambo University, its employees, and other interested researchers. The university can be benefited through assessing its performance appraisal system to see its strengths and weaknesses. A fair performance evaluation will boost productivity by motivating employees and rewarding high performance. Accurate results

of Performance appraisal increase the quality of decisions made with respect to human resource planning, training and development, recruitment and selection, career planning and development, compensation programs, internal employment relations and assessment of employee potential. Subsequently, the attainment of organizational goals will be greatly improved.

In general, the research will have significance in:

- Performance appraisal helps employees of the organization by determining who shall receive merit increase, counsels on their improvement, training needs; promotion, and identifies those who should be transferred. To this end, it might indicate the possible appropriate ways of PA process and practices to Ambo University.
- The results of the effectiveness of PA process and challenges has important managerial decision making implications. It provides management an insight to make adjustment on performance appraisal variables in light of individual and organizational development.
- The study will provide viable solutions for the effective implementation of PA in Ambo University based on the empirical fingerings.
- The employees of Ambo University are also among the beneficiaries of this study in enjoying the findings of this study.
- Additionally, the study can function as an input for future researchers interested in the area.

1.7 Scope of the Study

Conceptually, the scope of this study is to assess the performance appraisal practice and its effectiveness. This study has limited to effectiveness of the appraisal system in the institution, outcome of the implemented appraisal system, and challenges to the the appraisal system. Geographically, this study is delimited in Ambo University.

1.8 Definition of Terms

The following definition of terms are adopted from (Lansbury, 1998).

- **Performance Appraisal:** Performance appraisal is defined as “the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance”
- **Performance appraisal methods:** are the techniques through which employee performance is appraised.
- **Performance appraisal Purposes:** are the reasons underlying any performance evaluation practice.

1.9 Organization of the Study

This research is composed of five chapters; first chapter is about the introduction of the study that includes background of the study, statement of the problem, research objectives, research questions, significance of the study and scope of the study; second chapter reviews related both theoretical and empirical literatures; third chapter is about research methodologies that include research approach, research design, study population, sampling methods, type of data, method and procedure of data collection, method of data analysis and ethical considerations; fourth chapter is about results and discussion; and the final chapter is about the summary of the findings, conclusion and recommendations.

CHAPTER TWO

RELATED LITRATURE REVIEW

Introduction

This chapter focuses on basic concepts and issues that are discussed by different authors on the research topic. Overview, purposes, methods, benefits of performance appraisal, responsible body to conduct performance appraisal, time to conduct performance appraisal, Challenges/problems of performance appraisal, guidelines for a successful performance appraisal system (effectiveness), employee participation in performance appraisal system and post appraisal feedback interview are discussed.

2.1 Theoretical Review

2.1.1 Overview of Performance Appraisal

Ainsworth et al., (2002) defines performance as an outcome, or result of an individual's actions. Performance Assessment (also performance appraisal, evaluation, measurement) becomes a continual review of the job related task accomplishments or failures of the individuals within the organization. A major consideration in performance improvement involves the creation and use of performance measures or indicators; which are measurable characteristics of products, services, processes, and operations the company uses to track and improve performance.

According to Armstrong (2009) performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. Further this author states performance management as a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements.

Yong (1996) defines performance appraisal as an evaluation and grading exercise undertaken by an organization on all its employees periodically on the outcomes of performance based on the job content, job requirement and personal behavior in the position. According to Longenecker, (1997) performance appraisal is a raft of strong

reactions, emotions, and opinions, when brought together in the organizational context of a formal appraisal procedure. Similar to these authors Palaiologos et al. (2011) states performance appraisal as a formal program in which employees are told the employer's expectations for their performance and rated on how well they have met those expectations. Palaiologos et al. (2011) further state performance appraisal as a process of obtaining, analyzing and recording information about the relative worth of an employee.

Mathis & Jackson (1997) affirmed that performance appraisal can be done by anyone who is familiar with the performance of individual being appraised. According to the authors the possible options are supervisors who rate their employees, employee who rate their supervisors team members who rate each other, outsider sources, employee self-appraisals or multi-score (360°) appraisal.

2.1.2 Development of Performance Appraisal System

Prowse & Prowse (2009) indicated the development of performance appraisal systems. In the 1940s behavioral methods were developed using a motivational approach. These included behavioral anchored rating scales (BARS), behavioral observation scales (BOS), behavioral evaluation scales (BES), critical incident, and job simulation. All these judgments were used to determine the specific levels of performance criteria to specific issues such as customer service and rated in factors such as “excellent”, “average”, “need to improve” or “poor”. Post-1945 developed into the results-oriented approaches and led to the development of management by objectives (MBO).

In the 1960s the development of self-appraisal by discussion led to specific time and opportunity for the appraisees to evaluate their performance reflectively in the discussion and the interview developed into a conversation on a range of topics that the appraisee needed to discuss in the interview. In the 1990s 360-degree appraisal developed, where information was sought from a wider range of sources and the feedback was no longer dependent on the manager-subordinate power relationship but included groups appraising the performance of line managers and peer feedback from peer groups on individual performance. So Since 1940s, the philosophy of performance appraisal has undergone tremendous changes. The common terms used include merit rating, behavioral assessment, employee evaluation, personnel review, staff assessment, and progress report

and performance appraisal. However, the most widely used term is performance appraisal (Danielle and Buckley, 2005).

Moats (1999) explains that in the early part of the twentieth century performance appraisals were used in larger organizations mostly for administrative purposes, such as making promotions and determining salaries and bonuses. Since the 1960s, however, companies and researchers have increasingly stressed the use of employee evaluations for motivational and organizational planning purposes. Indeed, for many companies performance appraisal has become an important tool for maximizing the effectiveness of all aspects of the organization, from staffing and development to production and customer service (Moats, 1999).

2.1.3 Performance Appraisal Theories

Even though there are many theories related to performance appraisal, the researcher believes that equity and expectancy theories (Kellogg and Negros, 2002; Richer, 2002; Vroom, 1964) and goal theory (Armstrong, 2006) are appropriate for the current study.

2.1.3.1 Equity and Expectancy Theories

Equity simply means fairness. Workers are motivated when they discover that they are treated fairly in compensation, promotion and that there is transparency in their evaluations. Workers reduce their efforts if they feel that they are treated inequitably (Hyde, 2005).

According to Vroom (1964) expectancy theory indicates that employees will be motivated to exert high level of effort when they believe that their efforts will lead to higher performance (expectancy), higher performance will lead to rewards (instrumentality) and rewards are valuable to them (valence). This effort will lead to good performance appraisal and followed by organization rewards such as bonus, salary increment or promotion which later satisfy personal goals (Vroom, 1964). This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory

underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Salaman, 2005).

2.1.3.2 Goal Theory

Goal-setting theory had been proposed by Edwin Locke in 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him/her for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic (Salaman, 2005). The theory emphasizes the important relationship between goals and performance. Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of goals may be affected by moderators such as ability and self-efficacy. Managers widely accept goal setting as a means to improve and sustain performance (DuBrin, 2012). The major findings of goal setting are that individuals who are provided with specific, difficult but attainable goals perform better than those given easy, nonspecific, or no goals at all. At the same time, however, the individuals must have sufficient ability, accept the goals, and receive feedback related to performance (Latham, 2003).

2.1.4 Objectives of performance Appraisal

Performance appraisals are used to support HR decisions, including promotions, terminations, training, and merit pay increases. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Performance appraisal is intended to identify, measure and manage employees' performance in organizations and to provide important feedback and coaches them to higher levels of performance. Regardless of whether they are large or small, public or private, service or manufacturing, organizations use performance appraisal with varying degrees of success, as a tool to achieve a variety of human resource management objectives. These studies indicate that performance appraisals is important part of organizational life because they can serve a number of

functions/purposes, including solving performance problems, setting goals, administering rewards and discipline, and dismissal.

Palaiologos et al. (2011) state that the performance appraisal system to be successful with its objectives it should be correlated with the organizational mission, philosophies and value system; cover assessment of performance as well as potential for development; take care of organizational as well as individual needs; help in creating a clean environment; link rewards with achievements; generate information for the growth of the employee as well as of the organization and suggests appropriate person-task matching and career plans.

Performance appraisals are important for staff motivation, attitude and behavior development, communicating organizational aims, and fostering positive relationships between management and staff. The objectives of the appraisal scheme should be determined before the system is designed in detail. The objectives will to a large extent dictate the methods and performance criteria for appraisal so they should be discussed with employees, managers and trade unions to obtain their views and commitment (Fletcher, 1994). The main objectives of an appraisal system are usually to review performance, potential and identify training and career planning needs. In addition the appraisal system may be used to determine whether employees should receive an element of financial reward for their performance (Derven, 1990).

Performance reviews give managers and employees opportunities to discuss how employees are progressing and to see what sort of improvements can be made or help given to build on their strengths and enable them to perform more effectively (Grote, 2002). Review of potential and development needs predicts the level and type of work that employees will be capable of doing in the future and how they can be best developed for the sake of their own career and to maximize their contribution to the organization. Performance appraisal is used for reward reviews to determine the rewards that employees will get for their past work. The reward review is usually a separate process from the appraisal system but the review is often assisted by information provided by the performance appraisal (Einstein, 1989).

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity. McGregor in Moats (1999) describes the three main functional areas of performance appraisal systems as: administrative, informative, and motivational. According to Addison-Wesley (2001), appraisals serve an administrative role by facilitating an orderly means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. Again, Moats says the informative function is fulfilled when the appraisal system supplies data to managers and appraisees about individual strengths and weaknesses. Bodil finally describes the motivational role to entail creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals will be seen to be playing a major role in helping employees and managers establish goals for the period before the next appraisal (Addison-Wesley, 2001).

According to McNamara (2000) Performance Appraisal is done with the objectives of maintaining records in order to determine compensation packages, wage structure, salaries raises, etc.; identifying the strengths and weaknesses of employees to place right men on right job; maintaining and assess the potential present in a person for further growth and development; providing a feedback to employees regarding their performance and related status; using as a basis for influencing working habits of the employees; and review and retain the promotional and other training programs.

Wesley (2004) stated some objectives of performance appraisal are reviewing the performance of the employees over a given period of time; judging the gap between the actual and the desired performance; helping the management in exercising organizational control; helping to strengthen the relationship and communication between management and employees; diagnosing the strengths and weaknesses of the individuals so as to identify the training and development needs of the future; provide feedback to the employees regarding their past performance; providing information to assist in the other personal decisions in the organization; provide clarity of the expectations and responsibilities of the functions to be performed by the employees; judging the effectiveness of the other human resource functions of the organization such as

recruitment, selection, training and development; and reducing the grievances of the employees.

Reza (1997) stated that performance appraisal motivates employees, helps to identify training and development need, monitor recruitment and induction, and employee evaluation and control.

2.1.5 Criteria of Performance Appraisal

Robbins (1998) affirmed that criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based. Individual task outcomes measure job-related results; behaviors: measure observable physical actions and movements; and trait based criterion identifies a subjective character trait such as “pleasant personality”, “initiative,” or “creativity” and has little to do with the specific job.

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

2.1.6 Performance Appraisal Techniques

Jafari, et al, (2009) denominated that performance appraised by either of three approaches; absolute standards, relative standards, objectives or 360 Degree Feedback.

2.1.6.1 Absolute Standards

In the absolute standards the employees are compared to a standard, and their evaluation is independent of any other employee in a work group. Absolute approach includes the essay appraisal, the critical incident appraisal, the checklist, graphic rating scale, forced choice and behaviorally anchored rating scales.

The essay appraisal is the simplest evaluating method in which evaluator writes an explanation about employee’s strong and weak points, previous performance, positional

and suggestion for his (her) improvement at the end of evaluation term. This kind of evaluations usually includes some parts of other systems to cause their flexibility. This method often combines with other methods. Essay appraisal focuses on behaviors.

Critical incident appraisal focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to job and based on individual's performance than characteristics. The necessity of this system is to try to measure individual's performance in term of incidents and special episodes which take place in job performance. In this method, the manager writes down the positive and negative individual's performance behavior in evaluation term. Critical incident evaluation techniques require the assessor to record statements that describe good and bad job-related behavior (critical incidents) exhibited by the employee. According to Moats, the statements are grouped by categories such as cooperation, timeliness, and attitude. An advantage of this system is that it can be used very successfully to give feedback to employees. Furthermore, it is less susceptible to some forms of bias. On the other hand, critical incident assessments are difficult because they require ongoing, close observation and because they do not lend themselves to standardization and are time consuming (Kurt 2004).

The checklist method is a presentation of employee's characteristics and performance. In this method the evaluator has a list of situations and statements and compares it with employees. The results can be quantitative and give weight to characteristics. According to Moats (1999), some of the traditional forms of performance appraisals such as rating scales and checklists remain popular despite their inherent flaws. They entail an assessor providing a subjective assessment of an individual's performance based on a scale effectively ranging from good to bad or on a checklist of characteristics. Typically, basic criteria such as dependability, attitude, and attendance are listed. The obvious advantage of these techniques is that they are inexpensive and easy to administer. Primary disadvantages include the fact that they are: highly susceptible to all forms of bias; often neglect key job-related information and include unnecessary data; provide limited opportunities for effective feedback; and fail to set standards for future success. Furthermore, subjective techniques such as rating scales are vulnerable to legal attack.

The graphic rating scale is the most commonly used method of performance appraisal because they are less time-consuming to develop and administer and allow for

quantitative analysis and comparison. It is a scale that lists some characteristics and range of performance of each individual. The employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique.

Forced choice is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of evaluator is to determine which state has an explanation of employee most. Forced-choice appraisals consist of a list of paired (or larger groups of) statements. According to Moats (1999) the statements in each pair may both be negative or positive, or one could be positive and the other negative. The evaluator is forced to choose one statement from each pair that most closely describes the individual He contends that Forced-choice appraisals are typically easy to understand and inexpensive to administer, but they lack job relatedness and provide little opportunity for constructive feedback.

Behaviorally anchored rating scales (BARS) method replaces traditional numerical anchors tools with behavioral prototypes of real work behaviors. BARS the evaluator ranks employees based on observable behavioral dimensions. The elements of this method are result of combination of major elements of critical incident and adjective rating scale appraisal methods (Wiese, 2000). According to Moats (1999) a fairer approach to performance appraisal is behaviorally anchored rating scales (BARSs), which are designed to identify job-related activities and responsibilities and to describe the more effective and less effective behaviors that lead to success in specific jobs. The rater observes a worker and then records his or her behavior on a BARS. The system is similar to checklist methods in that statements are essentially checked off as true or false. Moats points out however that, BARS differ in that they use combinations of job-related statements that allow the assessor to differentiate between behavior, performance, and results.

Field review appraisal techniques entail the use of human resource professionals to assist managers in conducting appraisals. Moats says that the specialist asks the manager and sometime coworkers' questions about an employee's performance, records the answers, prepares an evaluation, and sends it to the manager to review and discuss with the

employee. This type of system improves reliability and standardization because a personnel professional is doing the assessment. For the same reason, it is less susceptible to bias or to legal problems. But field reviews are generally expensive and impractical for most firms, and are typically utilized only in special instances—to counteract charges of bias, for example (McNamara 2000).

2.1.6.2 Relative Standards

In relative standards individuals are compared against other individuals. These methods are relative standards rather than absolute measuring device. The most popular of the relative method are group order ranking, individual ranking and paired comparison. In group order ranking method employees are placed into a particular classification, such as “top one-fifth”. Unlike group order ranking, in individual ranking individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21st and 22nd employee. In this method, the manager compares each person with others than work standards. Paired comparison compares employees with all others in pairs. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

2.1.6.3 Objectives

Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. This approach is referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives in to individual objectives. It consists of four steps: goal setting, action planning, self-control and periodic reviews (Ingham, 1998). Moats (1999) describes this technique as usually goal oriented. In MBO, managers and employees work together to set goals with the intent of helping employees to achieve continuous improvement through an ongoing process of goal setting, feedback, and correction. As a result of their input, employees are much more likely to be motivated to accomplish the goals and to be responsive to criticism that arises from subsequent objective measurements of performance (McNamara 2000).

2.1.6.4 360 Degree Feedback Appraisal

360 degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. Feedback on performance for each target rates using standardized instruments. Rasheed et al (2011) state that 360-degree appraisal system is more effective as compared to the other systems that are one sided and could be biased at times. In 360-degree appraisal system, information is obtained from several sources; the boss, top management, assistants, coworkers, customers, dealers and advisors. All these can be classified into internal and external parties. In 360-degree appraisal system, information can be obtained from anyone who interacts with the employee and can tell how that employee behaves with him.

2.1.7 Developing Employee Performance Appraisal Plans (EPAP)

According to Wesley (2003), regulatory requirements for planning an employee's performance include first establishing the elements and standards in their EPAP. An EPAP outlines the specific elements and standards that the employee is expected to accomplish during the rating cycle. Wesley (2003) points out that performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable. In addition, EPAPs should be flexible so that they can be adjusted for changing program objectives and work requirements.

2.1.7.1 Elements

According to Wesley (2003) elements established in appraisal plans should all be considered critical. Through these elements, employees are held accountable as individuals for work assignments and responsibilities of their position. A critical element is an assignment or responsibility of such importance that unsatisfactory performance in that element alone would result in a determination that the employee's overall performance is unsatisfactory.

2.1.7.2 Standards

The performance standards, according to Wesley (2003) are expressions of the performance threshold(s), requirement(s), or expectation(s) that must be met for each

element at a particular level of performance. Kurt (2004) says they must be focused on results and include credible measures such as quality, quantity, timeliness and cost-effectiveness. Quality addresses how well the employee or work unit is expected to perform the work and/or the accuracy or effectiveness of the final product. It refers to accuracy, appearance, usefulness, or effectiveness. Measures can include error rates (such as the number or percentage of errors allowable per unit of work) and customer satisfaction rates (determined through a customer survey/feedback). Quantity addresses how much work the employee or work unit is expected to produce. Measures are expressed as a number of products or services expected, or as a general result to achieve. Timeliness addresses how quickly, when, or by what date the employee or work unit is expected to produce the work. Cost-Effectiveness addresses savings or cost control. These should address cost-effectiveness on specific resource levels (money, personnel, or time) that can generally be documented and measured. Cost-effectiveness measures may include such aspects of performance as maintaining or reducing unit costs, reducing the time it takes to produce or provide a product or service, or reducing waste (Wesley 2003).

2.1.8 Periods of Performance Appraisal

Organizations have their own time to conduct PA depending on their own philosophy of time period. With the majority of schemes, staffs receive an annual appraisal and for many organizations this may be sufficient. More frequent appraisals may be appropriate for new members of staff, those recently promoted or appointed to a new position or for those whose past performance has not been up to the required standard. First an informal appraisal is conducted whenever the supervisor feels it is necessary. The day-to-day working relationships between a manager and an employee performance have to be judged. This judgment is communicated through conversation on the job or over coffee or by an on-the-spot examination of a particular piece of work. Informal appraisal is especially appropriate when time is an issue. The longer feedback is delayed the less likely it is motivating behavior change. Frequent information feedback of employee can also avoid surprises (and therefore problems) later when the formal evaluation is communicated. Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it

should not take the place of formal appraisal. When a formalized or systematic appraisal is used, the interface between the HR unit and the appraising manager becomes more important. Therefore, systematic appraisals typically are conducted once or twice a year.

Appraisals most often are conducted once a year, usually near the employee's anniversary date. For new employees, an appraisal at 90 days after employment, at six months, and annually is common timing. This regular time interval is a feature of formal appraisals and distinguishes them from informal appraisals. Both employees and managers are aware that performance will be reviewed on a regular basis, and they can plan for performance discussions. In addition, informal appraisals should be conducted whenever a manager feels they are desirable.

Obisi (2011) asserted that for most people, objectives cannot be accomplished by a performance appraisal given only once a year. Therefore, it is recommended that reviews be conducted three to four times a year for most employees. It is also not in the interest of the organization for performance appraisal to be conducted once in a year because it would be difficult for the appraiser to know what happened throughout the year and be able to remember them.

Boice and Kleine (1997), argued that employee reviews should be performed on a frequent and ongoing basis. The actual time period may vary in different organizations and with different aims but a typical frequency would be bi-monthly or quarterly. They further strengthened their argument by stating added value of conducting performance evaluation frequently. Two situations that are eliminated by conducting reviews frequently are: selective memory by the supervisor or the employee; and surprises at an annual review.

People generally tend to remember what happened within the last month or high profile situations (good or bad). Frequent reviews help eliminate the effects of this, generally unconscious, selective memory.

2.1.9 Employee Participation in the Appraisal System

Each employee should evaluate by his supervisor and to discuss each other to set objectives for upcoming evaluation. This discussion should cover the review of overall

progress, problems encountered, performance improvement possibilities, long term career goals, specific action plan about job description and responsibilities, employee development interest and needs, to concentrate specific areas of development, to review performance objectives and performance standard, ongoing feedback and periodic discussions.

Rasheed et al. (2011), asserted their views about the participation of employees in appraisal systems. They said that through participation, employees are given an opportunity to raise their voice. They further added that biasness reduces and trust on the supervisors develops when performance standards and criteria for evaluation are set with the help of employee in a joint session between employee and supervisor. Decreased employee participation increases appraisal related tension and appraiser- appraise conflicts. Comprehensive and effective participation within the performance appraisal consists of joint rater-rate development of: 1) performance standards, 2) the rating form, 3) employee self-appraisal, and 4) rate participation in the interview.

Clear and specific standards of performance are major elements of a valid and reliable performance appraisal system. The key is to develop standards that measure the essential job duties and responsibilities utilizing a balance of process, outcome, and individual and group based performance standards. The development of reliable, valid, fair and useful performance standards is enhanced by employee participation, as workers possess requisite unique and essential information necessary for developing realistic standards.

Employee participation in developing the rating form and appraisal procedures is the logical extension of the development of performance standards. The rating form summarizes the formal operational definition of what the organization considers worthy of formal appraisal. As such, it is important to gather employee input on the aspects of performance formally appraised as well as the measurement scales provided (Roberts, 1996).

2.1.10 Post Appraisal Feedback Interview

Feedback is an important part of the PAS. The ratees should be given feedback on their competence and overall progress within the organization. The feedback should be

specific and timely and be against the predetermined performance expectations. It's within the employee's rights to know how they are progressing in performing the assigned tasks and to receive feedback. The feedback should be provided on a continuous basis – daily, weekly or monthly reviews (Lee, 2005). There are three methods of post appraisal feedback interview. These methods include tell and sell method, tell and listen method, and problem solving method.

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

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

In problem solving method the subordinate is asked to look at his/her job critically and constructively, to assess its problem and difficulties, to determine what actions and resources are needed to improve work performance. The manager's role is to help the subordinate carry out this critical analysis and evaluate the proposed solutions which the two have devised together.

2.1.11 Challenges of Performance Appraisal

Most employees have mixed feelings with performance appraisal systems. Whilst some believe it carry some biases and largely fails to meet its objectives, others find it a means to justify their performance (Rasch 2004). According to Rasch (2004), managers commit mistakes while evaluating employees and their performance. Some of these biases are perceived by employees as ways of unfairly interpreting their performances. Moats (1999) points out that, even when a performance evaluation program is structured

appropriately, its effectiveness can be diluted by the improper use of subjective, as opposed to objective, measures.

Objective measures are easily incorporated into an appraisal because they are quantifiable and verifiable. In contrast, subjective measures are those that cannot be quantified and are largely dependent on the opinion of an observer. Subjective measures have the potential to dilute the quality of worker evaluations because they may be influenced by bias, or distortion as a result of emotion (Moats, 1999). To overcome the effects of prejudice, many organizations must train appraisers to avoid biases.

According to Schraeder & Simpson (2006) problems related to performance appraisal can be of three general types: human errors, problems of criteria, and problems of confidentiality.

2.1.11.1 Human errors (rating biases)

Human errors happen when supervisors may neither know about them nor have much control over them. Evaluation is likely to be distorted because of single criterion, strictness or leniency, halo error, central tendency errors, recency of events, or similarity error.

Although a typical employee's job is made up of a number of tasks, where employees are evaluated on a single job criterion, and where successful performance on the job requires good performance on a number of criteria, employees will emphasize the single criterion to the exclusion of other job-relevant factors.

Some supervisors tend to rate all their subordinates consistently low or high. The strict rater gives ratings lower than the subordinate deserves. This strictness error penalizes superior subordinates. The lenient rater tends to give higher ratings than the subordinate deserves. Just as the strictness error punishes exceptional subordinates, so does the leniency error (Lunenburg, 2012).

Halo error is tendency for an evaluator to let the assessment of an individual on one trait influence his or her evaluation of that person on other traits. A person who is good in one trait rated as overall good. The result is that subordinates are rated consistently high, medium, or low on all performance appraisal dimensions.

Some raters follow play safe policy in rating by rating employees around the middle point of the rating scale and they avoid rating at both the extremes of the scale. They follow play safe policy because of answerability to management or lack of knowledge about the job and/or the employee rated or the appraiser's lack of interest in their job.

Ideally, performance appraisals should be based on data collected about a subordinate's performance over an entire evaluation period (usually six months to a year). However, as is often the case, the supervisor is likely to consider recent performance more strongly than performance behaviors that occurred earlier. Failure to include all performance behaviors in the performance appraisal of a subordinate can bias the ratings.

This occurs when appraisers rate other people giving special consideration to those qualities they perceive in themselves. The similarity between the rater and ratee may take demographic similarity, affective similarity, perceived similarity and mutual liking.

Another very common critic is the performance rating suffers from many biases like age, ethnicity, and gender, physical appearance, attitudes and values, in a group/out a group, personal like/dislike and so on.

2.1.11.2 Problems of Criteria

Appraisal has to be against certain criteria. If a discrepancy between expected and actual performance is pointed out, the question is whether the expected was fully defined and communicated to the employee. In the absence of such an attempt, the appraisal reports can be questioned. The issue basically refers to job description. It is true that jobs can be clearly defined at the lower levels in the organizational hierarchy. However, as one goes up, it becomes more and more difficult to clearly specify the tasks one is supposed to perform.

2.1.11.3 Problems of confidentiality

One important issue in performance appraisal has to do with sharing or keeping secret the ratings on various items of appraisal report. While many organizations have a system of selective feedback to the employee, the general policy is not to share the total report with the employee. There are many reasons for this. First, each employee expects rewards if the report is better than average, which may not be administratively possible. Secondly,

very often supervisors pass the challenge to top management by saying that while they did give good ratings to the employee; top management did not take that into consideration. Thirdly, giving rewards is not the only objective of appraising employees. Given these reasons, it is emphasized that supervisory ratings of employees should be kept confidential.

On the other hand, it is claimed that since there will always be differences between the supervisor and employee's perception of the subordinate's job performance, perhaps the employee should fully be aware of how he/she has been rated.

2.1.12 Limiting the Effects of Supervisory Bias

McNamara (2000) suggests awareness training, developing poor performers, and counseling, transfer, termination to limit the effects of supervisory bias. Supervisors need to be informed of the types of subtle bias that can interfere with their performance as appraisers. They need to understand that the ingroup/outgroup bias, for instance, reduces the morale and motivation of their subordinates. Incentives, financial or non-financial, may be offered to encourage supervisors to make special efforts to help poor performers improve. Supervisory appraisals, for example, might stress the importance of working with poor performers to upgrade their performance. The possibilities are extensive. There is always the possibility that an employee who receives poor appraisal results is in fact a chronic poor performer. No employer is obliged to tolerate poor performance forever. Consistently poor appraisal results will indicate a need for counseling, transfer or termination. The exact remedy will depend on the circumstances.

2.1.13 Effectiveness of Performance appraisal

The effectiveness of a system is defined as an external standard "of how well the system is meeting the demands of the various groups and organizations that are concerned with its activities" (Pfeffer and Salancik 1978) which approximately is a construct "for doing the right things" or having validity of outcome (Hines et al. 2000).

Effectiveness is by definition a qualitative measure set by evaluator. Möller and Törrönen (2003) argue that effectiveness "refers to the system's ability to invent and produce solutions that provide more value to stakeholders of the institution".

Moats (1999) points out those most effective systems of appraising performance are pragmatic, relevant, and uniform. Bodil (1997) describes pragmatism as important because it helps to ensure that the system will be easily understood by employees and effectively put into action by managers. Moats (1999) further stresses that appraisal structures that are complex or impractical tend to result in confusion, frustration, and nonuse. Commenting further, Moats (1999) that systems that are not specifically relevant to the job may result in wasted time and resources. Undeniably, most successful appraisal programs identify and evaluate only the critical behaviors that contribute to job success. Systems that miss those behaviors are often invalid, inaccurate, and result in discrimination based on nonrelated factors (Bodil 1997).

Moats (1999) stresses again that the uniformity of the appraisal structure is vital because it ensures that all employees are evaluated on a standardized scale. Appraisals that are not uniform are less effective because the criteria for success or failure become arbitrary and meaningless. Furthermore, uniformity allows a company to systematically compare the appraisals of different employees with each other. Moats (1999) contends that companies must address four decisions when structuring their appraisal systems: (1) What should be assessed; (2) Who should make the appraisal; (3) Which procedure(s) should be utilized; and (4) How will the results be communicated? In determining what to evaluate, designers of an appraisal system usually consider not only results, but also the behaviors that lead to the results (Bodil, 1997).

According to Shelley (1999) the actions and results that are measured will depend on a variety of factors specific to the company and industry. Most importantly, criteria should be selected that will encourage the achievement of comprehensive corporate objectives. According to Moats (1999) this is accomplished by determining the exact role of each job in accomplishing company goals, and which behaviors and results are critical for success in each position. Furthermore, different criteria for success should be weighted to reflect their importance.

2.1.14 Performance appraisal in university context

Higher education institutions have traditionally been independent institutions, where the academic staff has been able to enjoy high levels of independence and autonomy, without

having to occupy themselves with commercial responsibility and accountability. The academic staff has also been able to maintain themselves comparatively “free from any sense of management” (Egginton 2010). As has been discussed earlier in the previous chapter, times have changed during the past few decades, and demand on HEI’s about e.g. quality and efficiency, as well as the expectations of students and other customers, have been continuously increasing. This has led to new HR approaches, such as performance appraisal, in the academic context.

Performance management is becoming one of the key strategic HRM practices also in the university context. Attracting and retaining talent is one of the top priorities in universities, as competition can be harsh and universities are not the only employers competing for high achievers. According to Brink et. al. (2013) performance management therefore plays a large strategic role, and the role is “reinforced by the trend of universities switching from a collegial to a managerial model”. In the managerial model, the old collegiality of academics is replaced by a new approach to evaluating performance. This new approach has by Brink et.al (2013, 181) been described to be seemingly more objective, fair, and transparent.

Embedding performance management and appraisal in the university context can be a cultural challenge (Egginton 2010). Matthew (2013) criticizes human resource management in the academic context that HRM does not completely fit into the academic environment once characterized by democratic and collegiate values, including academic freedom. He also argues that performance appraisal in university settings can be perceived as something in which “academics are required to agree on quantifiable, or SMART, targets in line with corporate objectives for teaching, research and income generation”. He sees that such an approach presents a major challenge to the core values of the academic community.

HRM has been criticized to be “a Foucauldian control mechanism employing disciplinary and self-disciplinary techniques” (Waring 2013). Such mechanisms, e.g. performance appraisal, see employees as a “depersonalized unit of economic resource whose productivity and performance must constantly be measured and enhanced”, and such resources are eliminated, when they are no longer seen to add value to the organization.

Waring (2013) sees implementing HRM in university settings as problematic and conflicting with traditional higher education values. Even though he points out, that the need for the transformation to more business-like management in higher education is understandable, he still feels, that the current way of implementation is a conflict between academic values (e.g. freedom to pursue research) and budgets, performance monitoring, and efficiency and effectiveness criteria. He even argues, that while aiming to be efficient and cost-effective, universities have developed monitoring systems.

2.2 Empirical Reviews

According to Edwards & Wright (2011), there is a direct link between performance appraisal and firm performance but Katou & Budhwar (2006), argue that performance appraisal system do not lead directly to business performance but influence employee motivation and its these employee outcomes which ultimately influence performance.

Maragwa (2007) identified performance appraisal as one of the tools used to identify training and development needs. The aim of Performance appraisal is to improve individual performance. Other benefits are improving motivation and morale; clarifying expectations and reduction of ambiguity in performance; determining rewards; identifying training and developmental capabilities; improving communication; selecting employees for promotion; managing careers; counseling; discipline; planning remedial action; and setting goals and targets.

Muthuo (2010) noted that performance appraisal has a positive impact on their Performance. Performance appraisal gives employees job satisfaction and effectiveness. The results indicated that majority of the officers reported that it helps the ministry to achieve its targets, performance appraisal leads to employee effectiveness however its prone to failure when there is lack of commitment from the top management. Both the manager and the supervisor should provide feedback for the process to be effective. However her findings revealed that performance appraisal alone should not be used for assessment because it does not address some issues like motivation and the work environment.

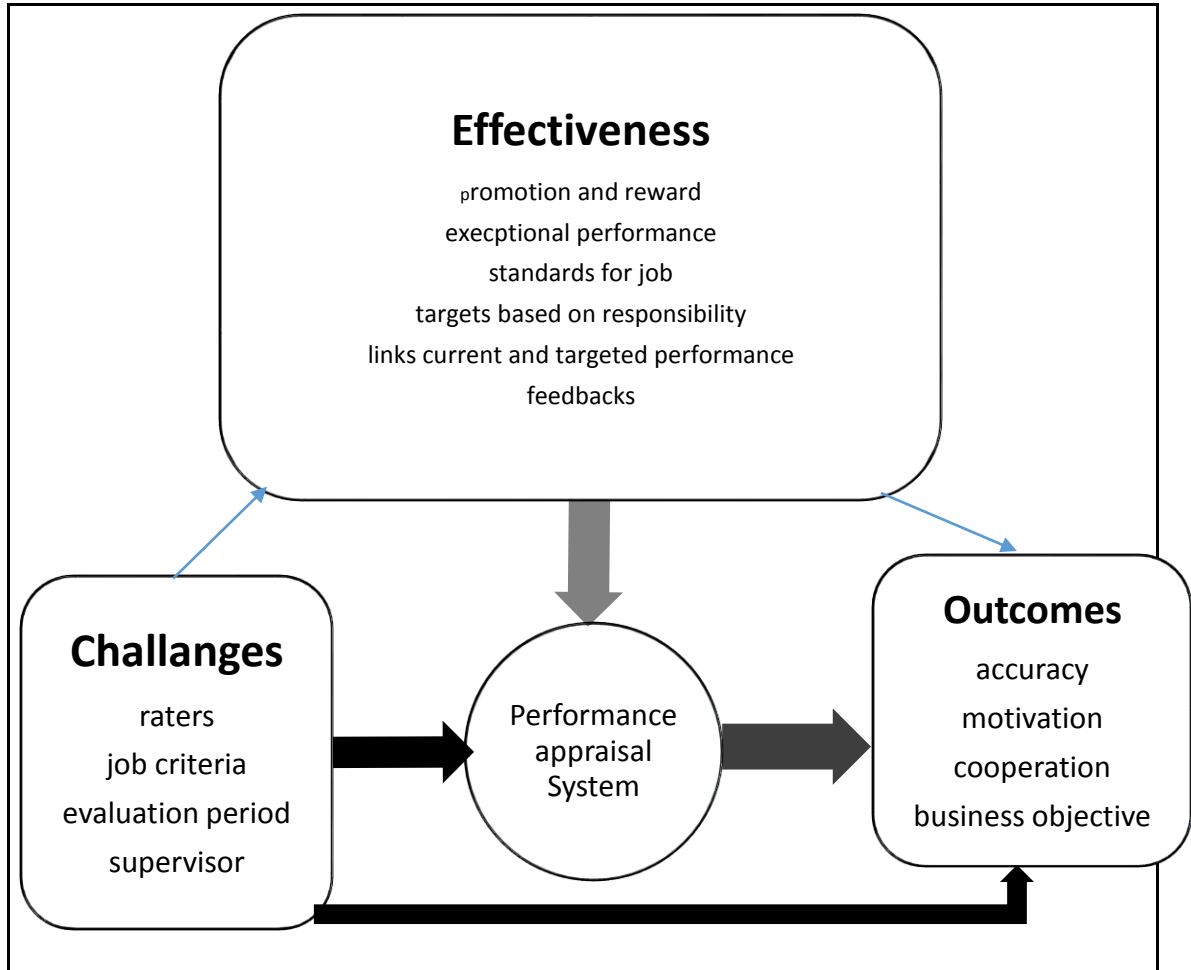
In her study on Performance Improvement in the Civil Service, Marangu (2004) noted that performance management is a formal process through which employees and their

supervisors/managers world over jointly define goals, major areas of responsibilities in terms of the expected results and the use of these measures as guides for future performance and subsequent review of performance. Performance appraisal may therefore be said to be a continuous process which entails setting direction and standards, monitoring and measuring of performance.

Caroline (2011) found out the effect of performance appraisal on employee job satisfaction in Kenya Revenue Authority by using both primary and secondary data that was collected from one hundred and twenty two employees who were selected through stratified sampling approach and by analyzing through both descriptive and inferential specifically the mean score, standard deviation, Pearson correlation, and chi square tests were used. The findings of the study show that performance appraisal helps employees to meet set targets. The staffs are not satisfied because the management does not use the performance appraisal to determine salary increments, rewards/penalties, promotions, fringe benefits, training needs and career growth opportunities. The study revealed positive and significant relationship between performance appraisals and job satisfaction.

2.3 Conceptual Framework

Figure 1 Conceptual framework developed by the author (2018) based on literature review



Source: Own design, 2018

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Approach

According to Creswell (2005) the three methods that are commonly implemented in a research are quantitative, qualitative and mixed, where one of them is not better than the others, all of this depends on how the researcher want to conduct the study. This research has employed both qualitative and quantitative method while conducting the study.

3.2 Research Design

This study is an applied research which follows descriptive research designs in order to address the aforementioned objectives. It is conducted on Ambo University both for supporting departments and instructors.

In order to assess the performance appraisal practice and its effectiveness in Ambo University, the researcher suggested that descriptive study is suitable. In this particular study descriptive survey approach is best suited to collect precise information concerning the current status of performance appraisal. Hence, after the data are collected, the researcher has analyzed the data by using descriptive analysis.

3.3 Population and Sampling Method

3.3.1 Target Population

The target populations of this study are employees of the university that are included in the performance appraisal system implemented by the university. This study has targeted both administrative departments and teaching departments since both the supporting staffs and instructors of the university has direct relationship with the appraisal system. According to the Ambo university human resource department there are 1672 instructors and 1138 administrative staffs with the total of targeted population of 2,810 employees.

3.3.2 Sampling Method

The researcher has utilized stratified and simple random sampling technique so as to give equal opportunity to be selected to be part of the study respondents who have direct or

indirect involvement in performance appraisal of the university (from department heads, instructors, human resource managers, and employees in supporting departments).

A different sampling paradigm by Lowler (1984) noted that there is no a single precise way for the determinations of sample size hence there are a number of inadequacy for deciding on sample size. Malhotra & Peterson(2006) stated that, the larger the sampling size of a research, the more accurate the data generated.

However, to determine the sample size, the researcher used Yamane's (1967) formula. He provided a simplified formula to calculate the sample size. This formula is based on a 95% desired confidence level and a 5% desired level of precision.

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

Where: - n = Sample size

N = population size

e = level of precision

Accordingly, 209 respondents were selected from teachers and 142 were selected from administrative staffs.

The researcher has used both stratified and random sampling method. The respondents are classified in to strata of administrative departments and teaching departments. Respondents were randomly selected from each stratum.

3.4 Data Type and Sources

The researcher has used primary data that was collected through questionnaire and interview. The questionnaire was employed as a main source of primary data from employees of the university from department heads, instructors, human resource managers, and other employees. Interview was collected from human resource manager from human resource department. According to Biggam (2008) primary data helps to find out relevant data for the study by the researcher him/herself regarding a specific topic. The main advantage with this type of data is that it is collected with the research's purpose in mind. It implies that the information resulting from it is more consistent with the research questions and objectives.

Secondary source was used to support data analyzed from primary sources by the theoretical and empirical evidences. They were obtained from published and unpublished materials, articles, text books on practice performance appraisal.

3.5 Data Collection Procedures

The primary data were gathered using structured close-ended questionnaire and semi-structured interview. The close-ended questionnaires can be administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. The Likert-type scale method was used a range of responses: ‘Strongly Disagree’, ‘Disagree’, ‘Neutral’, ‘Agree’, and ‘Strongly Agree’, with a numeric value of 1-5, respectively. The usage of this particular scaling method ensures that the research study illustrates the ability to assess the responses and measure the responses quantifiably so that a pattern or trend may be produced in order to assess research questions. According to Neuman, (2003) questionnaire enables asking many people the same questions and examining their answers. The questionnaire will help to cover larger target groups than the interview, given the quality and chance of no response. The researcher has collected data from respondents through questionnaire by drop and pick approach.

3.6 Ethical consideration

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of his competence. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged.

3.7 Method of Data Analysis

After the data are collected descriptive techniques (mean, standard deviation and frequencies) were employed to analyze the data. The data was analyzed using SPSS version 23 computer software. The statistical tools were aligned with the objectives of the research.

3.8 Reliability and validity Test

3.8.1 Validity

The validity of the study was ensured using data collecting tools that are based on sound theoretical foundations. Therefore; the study has ensured the instruments or procedures used in the research measured what they were supposed to measure i.e. employee performance appraisal system by crosschecking different theorists and sources.

3.8.2 Reliability

0.5 is a sufficient value, while 0.7 is a more reasonable value. Scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability.

Table 1 Reliability test

No	Variables	Number of Items	Cronbach's Alpha
1	Effectiveness of EPAS	8	0.825
2	Outcomes of EPAS	5	0.819
3	Challenges of EPAS	6	0.820
Entire scale		19	0.910

Source: Survey, 2018

Inter-item reliability coefficient i.e. Cronbach's alpha for overall questionnaire (19 items) is 0.910. Cronbach's alphas for effectiveness of PAS (8 items) is 0.825 and outcome (5 items) of performance appraisal system were 0.819. The Cronbach's alpha value of challenges to PAS (6 items) is 0.820. As it is indicated in the table 1,

CHAPTER FOUR

RESULT AND DISCUSSION

Introduction

This chapter presents results of data collected and discussions on the results. It includes demographic information about the respondents, descriptive analysis about the effectiveness of the appraisal system, its outcome on the employees and challenges to the appraisal system.

4.1 Response Rate

Table 2 below presents response rate of the study.

Table 2: Response Rate

staffs	Distributed	Responded	Response rate
Administrative	142	125	88.02
Instructors	209	183	87.56
Total	351	308	87.75

Source: Own survey, 2018

The researcher has distributed 351 questionnaires to employees that involve in performance appraisal in Ambo University. But 308 questionnaires were returned with response rate of 87.75%. The data was analyzed through descriptive analysis methods.

4.2 Demographic Information

Table 3 below presents demographic information of respondents.

Table 3: Demographic information of Respondents

Variable	Category	Frequency	Percent
Gender	Male	221	71.8
	Female	87	28.2
Age	Less than 30	54	17.5
	31 to 40	139	45.1
	41 to 50	102	33.1
	Above 50	13	4.2
Education	Diploma	18	5.8
	Bachelor Degree	153	49.7
	Masters	105	34.1
	PhD and above	32	10.4
Experience	Less than a year	67	21.8
	One year to three years	153	49.7
	More than three	88	28.6
Staff	Teaching	183	59.4
	Administrative	125	40.6

Source: Own Survey, 2018

As indicated in the table 3, 221(71.8%) of the respondents are male and remaining 87(28.2%) of the respondents are females. This indicates that majority of the employees in the university are males.

Further table 3 presents that 54(17.5%) of the respondents are age of below 30 years. The majorities (45.1%) of the respondents are at age between 31 to 40 years and followed by 41 to 50 years which is 33.1% of the respondents. but only 13(4.2%) of the respondents are above 50 years age.

Regarding the education background of the respondents, only 18(5.8%) of the respondents have educational qualification of diploma. But the majorities (49.7%) of the respondents have bachelor's degree. Majority of the administrative staffs have bachelor's degree. On the other hand, majority of teaching staffs have master's degree.

As it is presented in table 3, 67 (21.8%) of the respondents have experience less than a year in the university. Majorities (49.7%) of the respondents have an experience from one

to 3 years. But only 88(28.6%) of the respondents have experience above 3 years. This is an indication of employee turnover in the university.

This study is stratified into administrative and teaching staffs. 183 (59.4%) of the respondents involved in the study are teaching staffs and 125 (40.6%) of the respondents are administrative staffs.

4.3 Effectiveness of the performance appraisal system

Table 4 and 5 show the effectiveness of the performance appraisal system with frequency and mean respectively.

Table 4 Effectiveness of the performance appraisal system

	SD	D	N	A	SA
Promotion and reward opportunities indicated in the performance appraisal system are fair and satisfactory.	171	24	23	49	41
Performance appraisal system recognizes the exceptional performances	194	40	29	24	21
The performance appraisal system has set clear and specific standards for job.	148	29	24	66	41
The targets are set based on activities and responsibilities of the position.	24	19	8	176	81
The performance appraisal system links current performance and expected targets.	145	27	21	75	40
The performance appraisal system is fair and consistent in measuring performance.	207	40	21	20	20
The performance evaluators are appropriate to rate the performers.	198	42	23	24	21
Feedbacks are provided based on the performance.	131	25	20	80	52

Source: Own Survey, 2018

Table 5 Mean and standard deviation of effectiveness of PAS

	Mean	Std. Deviation
Promotion and reward opportunities indicated in the performance appraisal system are fair and satisfactory.	2.2370	.99461
Performance appraisal system recognizes the exceptional performances	1.8247	.87404
The performance appraisal system has set clear and specific standards for job.	2.4253	.82959
The targets are set based on activities and responsibilities of the position.	3.8799	.87408
The performance appraisal system links current performance and expected targets.	2.4792	.77625
The performance appraisal system is consistent in measuring performance.	1.7240	.75617
The performance evaluators are appropriate to rate the performers.	1.7987	.54599
Feedbacks are provided based on the performance.	2.6656	.74971

Source: Own Survey, 2018

The responses with mean value of 2.237 disagree that promotion and reward opportunities indicated in the appraisal system is fair and satisfactory. This indicates that in the performance appraisal system promotion and reward opportunities are not fair and satisfactory. The interview result indicates that promotion and reward opportunities indicated in the employee performance appraisal system are higher educational opportunity for teaching staffs and promotion for administrative staffs. But higher education opportunities are mainly based on experience and there is biasedness on selection process. 50% of the evaluation is provided by students that is resulting on high evaluation bias. According to Boice & Kleiner (1997) effective employee performance appraisal system includes promotion and reward opportunities that are fair and satisfactory. Inconsistent to this theory and Longenecker (1997) performance appraisal

system of the Ambo University does not include promotion and reward opportunities that are fair and satisfactory.

Mean value for statement that performance appraisal system recognizes the exceptional performance is 1.8247 suggesting that the appraisal system has weakness of ignoring outstanding performers. Standard deviation of 0.87404 indicates that there is very low variation from mean response indicating that the employees have similar opinion on this weakness. The interview result subject to this indicates that employees have standards to meet. But there are no special targets and how to reward them. Both interview result and response through questionnaire indicates that the appraisal system of the university is ineffective in recognizing the exceptional performance. Finding of this study is inconsistent to theoretical expectation of including exceptional performances and rewarding them and finding of Obisi (2011) that outstanding performers are recognized for their special contribution for organizational performance.

Mean value for statement that the performance appraisal system has set clear and specific standards for job is 2.4253 and respective standard deviation is 0.82959. The result indicates that standards for the job are not clear and specific. This suggests that the university has ineffective employee performance appraisal system including unclear and nonspecific standard for the job.

Mean value for responses for statement that the targets are set based on activities and responsibilities of the position is 3.8799 and its respective standard deviation is 0.87408 suggesting that the employees agree that the targets consider activities and responsibilities of the position. This indicates that in employee performance appraisal system of Ambo University, targets are set based on activities and responsibilities of the position. Therefore, the performance appraisal system is effective in including targets based on activities and responsibilities of the position.

Mean value of 2.4792 for the statement of performance appraisal system links current performance and expected targets indicates that employees disagree that the performance appraisal system does not link current performance with expected targets. The standard deviation of 0.77625 indicates there is no high variation in opinion for the statement. In addition to responses from questionnaire, interview results indicate that the appraisal

system does not link current performance with expected targets. This is due to evaluation is conducted at the end of the courses for teaching staffs and the system is not appropriate to link performance of administrative staffs. The backlogs are not clearly indicated in the appraisal system. Therefore, the researcher infers that performance appraisal system of the University is ineffective in linking current performance and expected targets.

The mean value for statement that the performance appraisal system is consistent in measuring performance is 1.724 showing that the employees disagree about consistency of the system in measuring performance. This suggests that the appraisal system is inconsistent in measuring employees' performance. Standard deviation for the statement is 0.75617 suggesting that the respondents have similar opinion in inconsistency of performance appraisal system of the institution.

The respondents disagree that the performance evaluators are appropriate to rate the performance. It is indicated by mean value of 1.7987 and standard deviation of 0.54599. According to interview result teaching staffs are evaluated by students and department heads. Evaluation by students indicates there is negligence in evaluating their teacher and associates with the grade system of the teacher. Rank given to the students is very high which is 50% of the evaluation result. Department heads gives similar result to all students and they have no appropriate information about the performance of the instructor/lecturers. The interview result indicates teaching staffs by their own ranks their performance which results on biased results. The finding suggests that the performance raters are inappropriate. Therefore, the performance appraisal system is ineffective in selecting the evaluator.

Mean value for statement of feedbacks are provided based on performance is 2.6656 and its respective standard deviation is 0.7491. This suggests that employees are not getting feedback for their performance. The lower standard deviation value indicates there is similar opinion that feedbacks are not provided. Therefore, the researcher infers that the institution is not giving appropriate attention to appraisal system.

Moats (1999) points out effective systems of appraising performance are pragmatic, relevant, and uniform. In contrast to Moats (1999) this study has identified that the appraisal system of the university is not relevant, not pragmatic and non-uniform.

4.4 Outcomes of performance appraisal system

Table 6 Frequency of Outcomes of PAS

	SD	D	N	A	SA
The performance appraisal system provides improvement in the accuracy of employee performance	148	29	25	66	40
Promotion opportunities indicated in the performance appraisal system motivates to work	123	25	15	80	65
Performance appraisal process encourages co-operation.	122	26	13	81	66
The performance appraisal system satisfies and motivates to perform better.	182	26	19	44	37
The performance appraisal system is consistent to contribution of individual to business objectives.	113	20	11	79	85

Source: Own Survey, 2018

Table 7 Mean of Outcomes of PAS

	N	Mean	Std. Deviation
The performance appraisal system provides improvement in the accuracy of employee performance	308	2.4188	.71049
Promotion opportunities indicated in the performance appraisal system motivates to work	308	2.8019	.78446
Performance appraisal process encourages co-operation.	308	2.8149	.89233
The performance appraisal system motivates to perform better.	308	2.1175	1.01523
The performance appraisal system is consistent to contribution of individual to business objectives.	308	3.0019	.84830

Source: Own Survey, 2018

The mean value for responses about the statement that the performance appraisal system provides improvement in the accuracy of employee performance is 2.4188 indicating that employees disagree that the performance appraisal system of the institution improves the accuracy of employee performance. Lower standard deviation of 0.71049 indicates lower variation in level of agreement. Based on the result the researcher infers that the performance appraisal system of the university does not improve accuracy of employee performance.

The mean value for statement that promotion opportunities indicated in the performance appraisal system motivates to work is 2.8019 and its standard deviation is 0.78446. Majority of the respondents disagree that promotion opportunities indicated in the performance appraisal system motivates to work better. As it is indicated in previous section, promotion opportunities indicated in the appraisal system are not functional and that will results on demotivated employees.

The mean value of responses for statement that performance appraisal process encourages cooperation is 2.8148 suggesting that majority of respondents disagree that the performance appraisal is not encouraging cooperation. Standard deviation for this statement is 0.89233 suggesting that there is very low variation from mean response. The interview result indicated that promotion opportunities stated in the appraisal system are that discourage team work. The behaviors of the responsibilities in teaching staffs have no intention for cooperation instead it focuses on own personal performance.

The responses for statement that the performance appraisal system motivates to perform better has mean value of 2.1175 and standard deviation of 1.01523. This suggests that the performance appraisal system of the university does not motivate employees to perform better. The standard deviation value is high indicating that there is variation in agreement with the statement suggesting that there are some employees that are motivated with performance appraisal system. Therefore, the researcher infers that the performance appraisal system of the university is not implemented in the way that it motivates the employees to perform better.

Mean value for the responses about the statement that performance appraisal system is consistent to contribution of individual to business objective is 3.0019 suggesting that majority of the respondents are indifferent about the statement.

Palaiologos et al. (2011) state that the performance appraisal system to be successful with its outcomes it should be correlated with the organizational mission, philosophies and value system; cover assessment of performance as well as potential for development; take care of organizational as well as individual needs; help in creating a clean environment; link rewards with achievements; generate information for the growth of the employee as well as of the organization and suggests appropriate person-task matching and career plans. Finding of this study is in contrast to finding of Palaiologos et al. (2011) that the appraisal system of the university has negative outcomes because it does not provide improvement in accuracy of performance, demotivating promotion opportunities, discourages cooperation, and demotivates higher performers.

4.5 Challenges of performance appraisal system

Table 8 Frequency of Challenges of PAS

	SD	D	N	A	SA
The raters are reluctant to offer feedback	5	16	87	103	97
Raters focus on achievement of short term goals	2	6	87	146	67
The appraisal results are subjective.	5	10	43	152	98
The appraisal is based on a single job criterion regardless of number of activities.	1	39	66	143	59
Performance appraisals is not based on data collected over an entire evaluation period	0	30	56	166	56
The supervisor is considers recent performance more strongly than performance behaviors that occurred earlier.	2	40	42	207	17

Source: Own survey, 2018

Table 9 Mean of Challenges of PAS

	Mean	Std. Deviation
The raters are reluctant to offer feedback	3.8766	.97076
Raters focus on achievement of short term goals	3.8734	.79095
The appraisal results are subjective.	4.0649	.85553
The appraisal is based on a single job criterion regardless of number of activities.	3.7143	.92883
Performance appraisals is not based on data collected over an entire evaluation period	3.8084	.84979
Supervisor considers recent performance more strongly than performance behaviors that occurred earlier.	3.6396	.78876

Source: own survey, 2018

The mean value of the responses for statement that the raters are reluctant to offer feedback is 3.8766 and the standard deviation is 0.97076 suggesting that there is challenge on the system from the side of raters. Response with mean value of 3.8734 and standard deviation of 0.79095 indicates that raters focus on short term goals achievement. The lower standard deviation indicates that the employees have similar agreement on the behavior of the raters. Therefore, the researcher infers that the appraisal system of the university is challenged by focus of the raters only in short term goals although long term goals are included in the appraisal system.

Responses for statement that the appraisal results are subjective have mean value of 4.0649 and standard deviation of 0.85553. The mean value suggests that the respondents agree that the appraisal results are subjective. Lower standard deviation value indicates the respondents have similar perception about the subjectivity of the result. The interview result also indicates that there are completely varying results although the activities are not that result on such variation. This result variation is due to subjective evaluation. Therefore, the researcher infers that evaluators are not considering the evaluation criteria indicated in the appraisal system.

Statement of 'the appraisal is based on a single job criterion regardless of number of activities' has a mean value of 3.7143 and standard deviation of 0.92883. The mean value indicates that employees agree that the appraisal is based on a single job criterion regardless of number of activities. The standard deviation indicates that there is similar perception on the focus of single criteria by the evaluator. Therefore, the researcher infers that the focus of the evaluators is only single criteria although there are different activities to be evaluated and performance of the employees to be determined.

The mean value for the statement of performance appraisals is not based on data collected over an entire evaluation period is 3.8084 suggesting that the employees agree that the performance appraisal is not about the entire evaluation period rather it is about single period performance. Standard deviation for this statement is 0.84979 suggesting similarity of responses. Therefore, this implies that the appraisal system is facing challenge of single period.

Responses with mean value of 3.6396 indicate that supervisor considers recent performance more strongly than performance behaviors that occurred earlier. Standard deviation for this statement is 0.78876 suggesting lower variation in agreement about stronger considerations of supervisors on recent performance. Based on this it is possible to infer that employee performance appraisers in the university have inefficiency of focusing on only recent performance.

According to Schraeder & Simpson (2006) problems related to performance appraisal can be human errors, problems of criteria, and problems of confidentiality. In relation to this finding this study has identified the challenges associated to the appraisal system are focus of raters on short term goal, subjective appraisal results, focusing on information of single period, and focusing on recent periods became challenge to implement effective performance appraisal system.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 summary of Major Finding

This study is conducted with an objective of assessing employee performance appraisal system in Ambo University. This general objective has included specific objectives of identifying effectiveness of the appraisal system, assessing outcome of the system and finding out challenges to the appraisal system. To this end primary data was collected through questionnaire and interview from both administrative and teaching staffs. 308 respondents were involved in the study from both groups. 40.6% of the respondents were administrative staffs and 59.6% of the respondents were teaching staffs. Only 28.2% of the respondents were females. Respondents on average disagree on the effectiveness measures of employee performance appraisal system in the university. The responses indicated that despite the objective of the appraisal system, the appraisal system has negative outcome on the employees. Finally, the appraisal system is facing different challenges especially from the raters.

5.2 Conclusions

This study is conducted with an objective of assessing employee performance appraisal system of Ambo University. For this general objective the researcher has developed three specific objectives: identifying the effectiveness of performance appraisal system; identifying the outcomes of the appraisal system; and assessing challenges to the appraisal system. To reach at these objectives the researcher has used both administrative and teaching staffs of the university. By using both qualitative and quantitative approaches the researcher has reached on following conclusions.

- The performance appraisal system of the university is ineffective because promotion and reward opportunities indicated in the appraisal system are not fair and satisfactory; it does not recognize the exceptional performances; standards for job are not clear and specific; current performances and expected targets are not

linked; inconsistent in measuring performance, evaluators are not appropriate and feedbacks are not provided on the performance.

- The performance appraisal system of the university has negative outcomes because it does not provide improvement in accuracy of performance, demotivating promotion opportunities, discourages cooperation, and demotivates higher performers.
- Focus of raters on short term goal, subjective appraisal results, focusing on information of single period, and focusing on recent periods became challenge to implement effective performance appraisal system.

5.3 Recommendations

Based on the conclusion reached the researcher provides following recommendations.

- Making the performance appraisal system effective by fair and satisfactory promotion and reward opportunities, recognizing exceptional performances, preparing clear and specific standards, modifying the appraisal system that link current and expected targets, making the performance measure consistent and assigning proper evaluators and rate.
- Since the performance appraisal system of the university has negative impacts the university management is recommend to align the appraisal system in a way that create positive outcome on both employees and the institution. Therefore, it is recommended that the appraisal system has to create accuracy in performance of both administration and teaching staffs, motivate promotion opportunities, encourage cooperation, and motivates high performers.
- To reduce challenges to effective performance appraisal system the university is recommended to raters to focus on both long and short term goals, making the measurement objective, and focusing on entire period evaluation through trainings.

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Addis Ababa University
School of Commerce

Questionnaire

Dear Sir/Madam;

Request for Participation in a Research Study

I am a Postgraduate student at Addis Ababa university school of commerce in department of Human Resource Management. As partial fulfillment of Masters of Arts in Logistics and Supply Chain Management, I am conducting a research study on “An Assessment of Employee Performance Appraisal System and Its Effectiveness at Ambo University”

Therefore, I would appreciate if you could spare a few minutes of your time to answer the following questions in regard to practices in your organization. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Your assistance will be highly appreciated and thank you in advance.

Yours faithfully,

Tekabe Getahun

Part I: Demographic Information

1. Gender: Male Female
2. Age in years:
 Less than 30 31-40 41 – 50 above 50
3. Your department:
 Administrative staff Teaching staff
4. For how long have you been working in the university (in years):
 Less than 2 2-5 5-10 Above 10
5. Level of Education
 Diploma Bachelor Degree Masters PhD and above

Part II: To what extent do you agree with following statements about the effectiveness of performance appraisal system of the university?

		SD	D	N	A	SA
7	Promotion and reward opportunities indicated in the performance appraisal system are fair and satisfactory.					
8	Performance appraisal system recognizes the exceptional performances					
9	The performance appraisal system has set clear and specific standards for job.					
10	The targets are set based on activities and responsibilities of the position.					
11	The performance appraisal system links current performance and expected targets.					
12	The performance appraisal system is fair and consistent in measuring performance.					
13	The performance management system of the organization is participatory.					
14	The performance evaluators are appropriate to rate the performers.					
15	Feedbacks are provided based on the performance.					

Part III: to what extent do you agree on the following statements about the outcomes of the performance appraisal system of the university?

		SD	D	N	A	SA
16	The performance appraisal system provides improvement in the accuracy of employee performance					
17	Promotion opportunities indicated in the performance appraisal system motivates to work					
18	Performance appraisal process encourages co-operation.					
19	The performance appraisal system satisfies and motivates to perform better.					
20	The performance appraisal system is consistent to contribution of individual to business objectives.					

Part IV: To what extent do you agree on the following statements about the challenges of the university?

		SD	D	N	A	SA
21	There are rewards on nonperformance					
22	The raters are reluctant to offer feedback					
23	Raters focus on achievement of short term goals					
24	The appraisal results are subjective.					
25	The appraisal is based on a single job criterion regardless of number of activities.					
26	The rater is incapable to rate performance.					
27	Performance appraisals is not based on data collected over an entire evaluation period					

28	The supervisor is considers recent performance more strongly than performance behaviors that occurred earlier.					
29	Evaluation on one trait influences evaluation on the other traits.					

List of interview questions:

1. How is performance appraisal conducted at the university?
2. How are employees involved in the performance appraisal processes?
3. What are the reasons/Purposes to conduct performance evaluation at the university?
4. What are the major problems and consequences of performance evaluation?
5. What measurements are taken in order to overcome the problems?