



THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE'S
MOTIVATION IN OROMIA INTERNATIONAL BANK

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The Effect of Performance Appraisal on Employee's Motivation in Oromia
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Declaration

I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

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This research project has been submitted to Addis Ababa University, School of Commerce, Department of Business Administration and Information System for examination with my approval as a University advisor.

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ABSTRACT

The general objective of the study was to determine the effect of performance appraisal on employee motivation using a survey of Oromia International Bank. The study was guided by the following specific objectives: The study adopted a descriptive research design. The research survey was conducted among 80 employees including department heads and four branches, a total of 80 employees responded resulting in a 100% response rate. Both qualitative and quantitative research methods through semi-structured interviews and close ended questionnaires were analyzed to get an in-depth view about the problem. Performance appraisal did not reflect objectively the employees' performance and the employees were not satisfied with performance appraisal system and motivation. Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions. The performance appraisal identifies performance problems to improve employee productivity and motivation. Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions. The performance appraisal identifies performance problems to improve employee productivity and motivation.

Key words: *Performance Appraisal, Motivation, Performance Management.*

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CHAPTER ONE

Introduction

This chapter provides introductory information. It presents background of the study, statement of the problem, research questions, and objectives of the study, and definitions of terms. Also, significance, scope and limitation of the study are thoroughly discussed.

1.1 Background of the Study

There is an old kaizen (Japanese) saying “You can improve only what you can measure”, which explains that it is important to evaluate where you are and where you want to head. Knowing where you are and what you want to do is equally important as working towards to improve performance. A performance appraisal is indeed a way of measuring an employee’s performance. As of now there are no alternatives to measuring an employee’s performance, in whichever new way the employer tries to evaluate the employee’s performance, it will still be called as doing the employee performance appraisal.

The evolution of Performance appraisal practice started as old as human being started social life but well designed and planned performance appraisal system has emerged during Industrial revolution in Europe. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting based on predetermined goals (Armstrong, 2006).

Performance appraisal is the systematic process of weighting and measuring of employee performance against standards set or predetermined goals and these standards are obtained by the help of job analysis. Performance appraisal means evaluating an employee current and or past performance relative to his or her performance standards (Desseler, 2013).

Performance appraisal is the measurement of work and its results by using the scale and index that we can measure the desired quantity and quality with precision and free of personal judgments and vague criteria of evaluation. Measurement of an activity is done by activity and comparison of its results with a criterion that we can evaluate the desired quantity and quality precisely. Performance is the way through which employees perform their duties and the evaluation is judging the performance of employees, (Scott, 2009).

According to (Desseler ,2013) the main reasons to performance appraisal are the following:- Most employer still base pay, promotion and retention decisions on the employees appraisal, Appraisal play a central role in the employers performance management process, Appraisal lets employer and the subordinate develop plan for correcting any deficiencies and to reinforce the things the subordinate does right, Appraisal should facilitate career planning they provide opportunities to review the employees career plan in light of his or her exhibited strengths and weakness and Supervisor use appraisal to identify employees training and development needs and appraisal should enable the supervisor to identify if there is a performance gap between the employees' performance and his or her standards and it should help to identify the causes of such gap and the remedial steps required.

According to Dubin (2002), "Motivation is the complex of forces starting and keeping a person at work in an organization. Motivation is something that puts the person, and continues him in the course of action already initiated. Motivation refers to the way a person is enthused at work to intensify his desire and willingness to use his energy for the achievement of organization's objectives. It is something that moves a person into action and continues him in the course of action enthusiastically.

Motivation of employees can reduce attrition rate and make the employees committed to the company. Appraisals are a source of motivation for employees. Motivation is defined as a driving force which helps and encourages a person to achieve his goals and objectives. Motivation can also be defined as a set of forces that energize, direct and sustain behavior, (Hitt et al 2009; Lyman W. 2005). An organization becomes successful when its leadership is strong and engaged and promotes motivation. It is very important for the Human Resource managers to always be in touch with what is important and what is good for employees.

According to research conducted at private commercial banks, (Berhanu Woldie, 2014) the result of the correlation have revealed that there is a positive relationship between performance appraisal system and employee motivation. So, the implementation of performance appraisal system directly affects employee motivation.

1.2 Background of the Company

Banks play an important function in the economy of any country. They are the main intermediaries between those with excess money (depositors) and those individuals and businesses with viable projects but requiring money for their investment (creditors). Banks have at least the following functions: lending money, depositing money, transferring money locally or globally and working as paying agent.

There are number of private and public banks in Ethiopia. These are Commercial Bank of Ethiopia (CBE), Cooperative Bank of Oromia, Oromia International Bank (OIB), Awash International Bank (AIB), Nib international bank, Zemen Bank, Abay Bank, Buna International Bank, Development Bank Of Ethiopia, Dashen Bank, Wagegen Bank, Enat Bank, Birhan International Bank etc. Public banks are mostly operated aiming at safeguard the country's financial flow. E.g. national bank of Ethiopia (NBE) is one which regulates money demand and supply of country. But private banks are mainly established aiming at fetching certain amount of profit from their operations. Even though the primary objectives of private commercial banks are profit maximization, they play a crucial role in the growth and development of the country's economy through creating job opportunity, enhance competitive market, and encourage globalization, financing different sector and others. The same is also true for Oromia International Banks that established in accordance with the pertinent laws, regulations and the 1960 commercial code of Ethiopia. Accordingly, OIBs obtained banking license on September 18, 2008. At the time of its establishment, OIBs authorized capital was 1.5 billion birr and began its operation on October 25, 2008 by opening the first branch at Dembel city center which specifically named as bole branch. Moreover according to the annual report (2015 –December 2015), the total staff members are 2,727 (clerical & managerial 1686 and non- clerical staff 1041). To this end year, during the 2015 financial year, a total of 3,282 employees were trained on a number of topics to cope with the ever changing business environment as well as to provide efficient banking services to the customers and the bank's branches are classified in to 56 city branches and 115 outlying branches in the country. That means currently, OIB have 171 branches that offering full banking services.

1.3 Statement of the Problem

Research on performance management has moved towards a focus on the fairness of the performance appraisal process itself. Fairness in organizations refers to whether the processes and procedures used are fair and objective and how the people are treated during the processes (Erdogan et al, 2001).

Meanwhile Rowland and Hall (2012) confirmed in their study that if Performance appraisal is to contribute to the achievement of an organization's goals, then the organization needs to be clear about why appraisal is in place and how it fits with strategy, culture and philosophy. Appraisal has to be fair and above all, it needs to be seen to be fair.

According to Kofi Osei Akuoko(2012), effective performance remains a practical challenge to managers and employees because of cognitive, motivational and behavioral factors. Inaccuracies in appraisal can de-motivate employees (Coens and Jenkins 2000); this can affect the employee loyalty and commitment and affect the organizational performance as a whole.

Ratings are largely subjective and it is difficult to achieve consistency between the ratings given by different managers. Because of the notion of 'performance' is often unclear, subjectivity can increase. The problem with rating scales is that it is very difficult, if not impossible without very careful management, to ensure that a consistent approach is adopted by managers responsible for rating, and this means that performance or contribution pay decisions will be suspect (Armstrong (2006).

According to Ambily Jose, (2011) research explains that in AE Group, majority of employees do not get motivated with performance appraisal and the main reason is because the managers do not know the right way to conduct an appraisal and no feedback is given to the employees to know if they have performed well or not and no action is taken if they require any further work related training.

Putting the aforementioned facts as a basis, this study conducted in Oromia International Bank to investigate the effect of performance appraisal on employee's motivation specifically, the managers not give on time feedback for employee's performance, inaccuracies performance appraisal among the employees which make employees de-motivate and performance appraisal not identifies performance problems to improve employee productivity and motivation. The findings help managers and supervisors of the banks to avoid errors in the process of

performance appraisal which have the capacity to de-motivate their employees. Therefore this study will address the following research questions:-

1. How is employee motivation related to performance appraisal in OIB S.C?
2. What is the practice of performance appraisal in Oromia International Bank?
3. What is the perception of employees on performance appraisal?
4. What is the relationship between performance appraisal and employee's motivation?
5. What is the effect of performance appraisal on employees' motivation?

1.4 Research objectives

General objectives

The general objective of the study is to determine the effect of performance appraisal on employee's motivation in Oromia International Bank Share Company.

Specific objectives

This study had following specific objectives:

1. To determine the relationship between performance and employees' motivation,
2. To assess the process and methods of performance appraisal used at OIB S.C,
3. To identify employee's perception on performance appraisal,
4. To investigate the influence of performance appraisal on employees' motivation.
5. To analyze the effects of performance evaluation on employee's motivation.

1.5 Operation Definitions of Terms

Performance: is the way through which employees perform their duties and the evaluation is judging the performance of employees (Scott, 2009).

Performance appraisal: is the measurement of work and its results by using the scale and index that we can measure the desired quantity and quality with precision and free of personal judgments and vague criteria of evaluation (Scott, 2009).

Performance management: Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong 2009).

Motivation: Motivation is concerned with the factors that influence people to behave in certain ways goals (Armstrong 2006).

1.6 Significance of the study

The research has been increasing the experience or knowledge of the researcher in the field of research. The other contribution of the study the first and for most the findings and recommendations of the study has been vital for the human resource practitioners who design and administer employees performance appraisal to achieve organizational objectives and tackle the problem regarding employees performance appraisal and to motivate employees of OIB. In addition, it benefits its management, employees, and customer because the findings, conclusions and recommendations by the researcher help to reduce de-motivation and malpractice of performance appraisal. The study also contributes to other researchers as a reference or guidelines who want to conduct on the similar or related topics, in order to conclude and recommend on the problems by using this study as a springboard.

1.7 Scope and limitation of the study

The study determined the effect of performance appraisal system in improving employee's motivation. Despite the fact that, the researcher has recognized the need to cover all governmental and private financial institutions; resource limitation coupled with unmanageable population size forced the study to focus on one private bank called Oromia International Bank. The study is geographically delimited to head office and branch of the selected Oromia International Bank in Addis Ababa including Africa Godena, Finfine, Gefersa Nono and Burayu branch due to distance, cost and time constraint. The study is hypothetically limited to determine the relationship between performance appraisal and motivation.

1.8 Organization of study

The research organized in to five chapters. Chapter one deals with the introductory part. The second chapter presents the review. Chapter three explains the research design and methodology employed. In chapter four, the researcher will be summarized the results and interpreted the findings. Finally, based on the findings in chapter four, summary, conclusions and recommendations would present in chapter five.

CHAPTER TWO

Literature Riverview

2. Introduction

This chapter provides theoretical foundation for the study. It presents major concepts such as definitions, assumptions, purposes, characteristics, and methods of performance appraisal as well as employees' motivation. Also, different theories of motivation will be discussed. Finally, conceptual framework of the study will be developed and presented based on review of literature.

2.1 Performance Management an Overview

Performance management can be defined as a systematic process of improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements (Armstrong, 2009).

Performance management is a continuous process of identifying, measuring, and developing the performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals. Performance management is critical to small and large organizations – for- profit, domestic and global- and to all industries. After all, the performance of an organization depends on the performance of its people, regardless of the organization's size, purpose or other characteristics, (Aguinis, 2005).

2.1.1 Definitions of Performance Appraisal

Performance appraisal is the process of evaluation and an employee of an organization by some qualified persons. Performance appraisal is important to know whitens the selection of an employee was right or wrong, it also help for personnel promotion, transfer, salary increase with their performance. (Gupta, Sharma and Bhala, 1988). According to Fletcher (2001) defines performance appraisal more broadly as “activities” through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards’. The focus was on performance ratings and other limited and measured-focused issues, but more recently has broadened and currently addressed social and motivational aspects of appraisal. Fletcher’s definition reflects this shift in focus.

Jackson and Schuler (2003) describes it as evaluating performance based on the judgments and opinions of subordinates, peers, supervisor, other managers and even workers themselves, while, Bohlander and Snell (2007) sees performance appraisal as an annual regular undertaking developed to assist employees in understanding their roles, objectives, expectations and performance success conducted by a supervisor to a subordinate.

Performance appraisal system pertains to the whole process and procedures governing the performance appraisal in the entire organization as well (Jawahar, 2007).

2.1.2 Purpose of Performance Appraisal

Performance appraisal is conducted for two basic purposes: administrative and developmental (Cleveland, J. N., Murphy, K. R., Williams, R. E. (1989). Appraisal is for administrative purpose when an individual's performance is evaluated as basis for his or her promotion, pay increase, transfer or reassignment, and termination. Performance appraisal on this objective must be carried out in such a manner as to tell the difference between individuals or assess individuals against a measuring system.

On the other hand, appraisal is for developmental purposes when evaluation is done for soliciting information to further individual's improvement in his or her performance or as a basis for improving the function of the organization as to recruiting, selecting, placing, and training of its employees. Decisions for administrative purpose need information on what happened, while decisions for developmental purpose need information on how the outcome occurred (Gomez-Mejia et al., 2010; Youngcourt et. al., 2007).

2.1.3 Benefits of Performance Appraisal

As cited by Zachary dechev (2010) let's have a look at the most critical benefit of the appraisal process. Generally these could be divided in three categories according to their importance for the organization, manager or employee.

Benefit for the organization

Performance appraisal could be an effective source of management information, given to employees. Performances reviews are focused on contribute some on to the organizational goals. Some forms of these reviews include the question "what organizational goals were contributed to and how?" outcomes of performance appraisal can lead to improvements in

work performance and therefore overall business performance via, for example increased productivity or customer service, Zachary Dechev (2010).

Malcolm and Jackson (2002) outline four different benefits for the organization. These are:-

- Targeted training approach based on identified needs
- Future employee promotion decisions
- Effective bases for reward decisions and improved retention of employees

The importance of performance appraisal for training and promotion needs is also discussed by Mullins (1999) besides, he identifies an additional benefit: performance appraisal can help to indentify inefficient work practices or reveal potential problems, which are restricting the progress of the company. Derven (1990) and Mullins (1999) suggest that performance appraisal can help the organization to identify the talented employees and future leaders in the company.

Benefits for the manager

The annual meeting gives an opportunity to the manager to formally recognize good performance and this would lead to more motivation from the workers (1990). Modern systems for performance appraisal depersonalize issues. Supervisors focus on behaviors and results, rather than on personalities. Such systems support ongoing communication, feedback and dialogue about organizational goals. Also they support communication between an employee and a supervisor. Performance appraisal provides a clear target of job standards and priorities and ensures more trust on the relation manager – worker (Derven 1990). Other management benefits of performance appraisal are the identification of high performers and poor performers as well as the identification of strengths and development areas, (Jackson & Schuller, 2002).

Benefit to employee

Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees. It gives the staff the opportunity to express their ideas and expectations for the strategic goals of the company (Mullins 1999). Employees can find what is expected from them and what the consequences of their performance are.

It helps to align the individual performances with the organizational goals and also review employees' performances. Besides, enhancing motivation appraisal is about involvement in the 'big picture' – responsibility, encouragement, recognition for effective delivery and effort

(Malcolm and Jackson, 2002). Performance appraisal is a motivation for the employee, who performs well in the present to go on doing so and in the future (Derven 1990).

2.1.4 Performance appraisal system

The use of performance appraisal system by business and industry has been counted between 74 to 89 percent (Murphy & Cleveland, 1991). Performance appraisal systems are used for different purposes in which include human resource decisions, evaluation and feedback (Cleveland, Murphy and William, 1989). For achieving high performance goal of organization performance appraisal is very important component of human resource management. The information gathered and performance appraisal provide basis for recruitment and selection, training and development of existing staff, and motivating and maintaining a quality human resource through correct and proper rewarding of their performance (Lillian, Mathooko, and Sitati, 2011).

Performance appraisal is often including performance management system. Performance management systems manage and align all the organization, resources in order to achieve the highest possible performance (Martin, 1998), McMaster, 1994; Williams, 2002) argued that performance management involve determining the strategic objective, establish team goals, plan of performance developed, analyze the performance (by using appraisal system) identified need of development and align rewards.

The emphasis of performance management system is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Macky & Johnson 2000). Similarly from the suggestion of Lawler (2003), the objectives often include, motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. The main purpose of the performance management system is to ensure that:

1. The work performed by employees accomplishes the work of the company;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;
4. Awards and salary increases based on employee performance are distributed accordingly;

5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed.

2.1.5 Performance appraisal process

Establishing performance standard

Appraisal process begins with the establishment of performance standard in accordance with the organization's goals. These should evolve out of the company's strategic direction and more specifically, the job analysis and job description. These performance standards should also be clear and objective enough to be understood and measured. (David A. Decenzo and Stephen P.) Robbins 8th edition (2005)

Mutually set measurable goals

Once performance standards are established, it is necessary to communicate this expectation. Employees should not have to guess what is expected of them. Too many jobs have vague performance standards and the problem is compounded when these standards set in isolation and without employee input. (David A. Decenzo and Stephen P.) Robbins 8th edition (2005)

Measure actual performance

The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it, we should be concerned with how we measure and what we measure. (David A. Decenzo and Stephen P.) Robbins 8th edition (2005)

Compare actual performance with the employee.

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviation between standard performance actual performances. (David A. Decenzo and Stephen P.) Robbins 8th edition (2005)

Discuss the appraisal with the employee

Appraising performance may touch on one of most emotionally charged activities, evaluation's of individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self esteem and importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences. (David A. Decenzo and Stephen P.) Robbins 8th edition (2005)

If necessary, initiate corrective action

The final step in the appraisal is the identification of corrective action when necessary. Corrective action can be of two type, one is immediate and deals predominantly with symptom, and the other is basic delves in to causes. Immediate corrective actions is often described as “putting out of fire” whereas basic corrective actions touches the source of deviation and seek as adjust the difference permanently. (David A.Decenzo and Stephen P.) Robbins 8th edition (2005)

2.1.6 Accurate performance appraisal measures

Performance should be accurately measured so employees will know where they can improve. Knowing where to improve should lead to training employees to develop new skills to improve. To be an accurate measure of performance, our measure must be valid and reliable, acceptable and feasible, specific, based on the mission, and objective, performance feedback, employee participation and 360 degree appraisals.

2.1.6.1 Valid and reliable

As with all areas of our people management process, we must make sure that all of our performance management tools are valid and reliable. Uniform in application, consistent in effect, and has job relatedness. However, we still need to analyze validity and reliability in some detail. When a measure has validity, it is a factual measure that measures the process that you wanted to measure. A reliable measure is consistent; it works in generally the same way each time we use it.

2.1.6.2 Acceptable and feasible

In addition to validity and reliability, we need to look at a couple of other characteristics of our performance measures. We need to analyze acceptability and feasibility. Acceptability means that the use of measure is satisfactory or appropriate to the people who must use it. However, in performance appraisal, this isn't enough. Acceptability must include whether or not the evaluation tool is feasible. Is it possible to reasonably apply the evaluation tool in particular case? As an example, if the performance evaluation form is two or three pages long and covers the major aspects of the job that is being evaluated, and both managers and employees believe that the form truly evaluates performance measures that identify success in the job, then they are likely to feel that the tool is acceptable and feasible.

2.1.6.3 Specific

We want any evaluation measure to be specific enough to identify what is going well and what is not. The word specific means that something is explicitly identified or defined well enough that all involved understand the issue completely. In performance appraisal, specific means that the form provides enough information for everyone to understand what level of performance has been achieved by a particular employee within a well identified job. Creating specific measures is the only way that we can use a performance appraisal to improve the performance of our employees over time. The employees have to understand what they are doing successfully and what they are not. Many times, evaluation forms may be too general in nature to be of value for modifying employee behaviors because we want the form to serve for a large number of different types of jobs. This can create significant problems in the performance appraisal process.

2.1.6.4 Performance feedback

One of the most important conditions is to provide clear, performance-based feedback to employees (Carroll and Schneier, 1982, Larson, 1984). According to Levy and Williams (2004) if participants do not perceive the system to be fair, the feedback to be accurate, or the sources to be credible then they are more likely to ignore and not use the feedback they receive. Performance feedback should include information on how to improve performance, along with information about what areas of performance need improvement.

2.1.6.5 Performance – base pay

One widely accepted notion for improving individual performance is trying to pay performance in order to increase productivity (Swiercz et al, 1999). Performance based pay is a system which specifically seeks to reward employees for their contributions as individuals or as a part of a group or to reward employees on account of the organizations overall positive performance.

The performance – based pay approach has proven to be effective in improving an organizations success. According to Banket et al (2001) for example the implementation of a performance based incentive plan proved to lead to the attraction and retention of more employees.

2.1.6.6 Based on the Mission and Objectives

With everything else we do in HR, we need to ensure that the performance management success guides our employees toward achievement of the company's mission and objectives over time. As managers in the organization, making sure of this connection will allow us to reinforce employee behaviors that aim at achieving organizational goals and to identify for our employees

things that they may be doing that actively or unintentionally harm our ability to reach those goals.

2.1.7 Appraisal methods and forms

The formal performance appraisal usually involves the use of a standard form developed by the HR department to measure employee performance. Again, “if you can’t measure it, you can’t manage it. But we must be careful how we measure success, as the assessment should be as objective as possible, not subjective. Employees need to know the stands and understand what good performance looks like, and they need to be able to measure their own performance. If we are stuck with a form that has subjective sections, work with our employees to develop clear accurate standards.

There are two types of measures are used in performance appraisal: objective measures which are directly quantifiable and subjective measures which are not directly quantifiable. According to (Flippo, 1984) the different performance appraisal methods can be classified is to two major groups namely Traditional appraisal methods and Modern appraisal method.

2.1.8 Traditional Methods

Traditional methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

Ranking method

This method is very old and simple form of performance appraisal. An employee is ranked one against the other in the working group for example if there are 10 workers in the working group, the most efficient worker is ranked as number one and the last efficient worker is ranked as number ten. (Ramasamy, 1998)

The ranking method is a performance appraisal method that is used to evaluate employee performance from best worst. Managers have to make evaluate decisions, such as who is the employee of the month, who gets a raise or promotion, and who gets laid off. So when we have to make evaluative decisions, we generally have to use ranking. Ranking can also be used for development purposes by letting employees know where they stand in comparison to their peers; they can be motivated to improve performance. The employees ranked in the top group usually get the rewards (raise, bonus, promotion), those not at the top tend to have the reward withheld, and those at the bottom sometimes get punished.

Graphic rating scale

This method is the oldest and most commonly used type of performance appraisal. In this method each individual's trait or characteristics are presented by certain scale from low to high. A graphic rating scale lists traits such as quality and reliability of an employee and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait this method of appraisal is widely used because it is less expensive, easy to raters and it's applicable to a large number of employees. However it has some limitations like it expose to raters biases and feed back is limited due to these factors employees sometimes may complain against the results (Dessler, 2003).

Critical incidents method

In this method the rater records statements describing extremely good or bad employee behavior related to performance. These statements are supported by explanations of the actual happenings that were recorded at the time they took place. These statements are called critical incidents. Both negative and positive incidents are recorded and the employee is appraised on all events occurred in a particular time. (Ramasamy, 1998)

Field review Method: - When this method is adopted a skilled representative of personnel management assists supervisors with their ratings. An employee's performance is appraised through interview between the rater and the immediate supervisor of a concerned employee. The rater asks the supervisor questions about the performance of an employee the success of this type of appraisal method is based on the competence of the interviewer (Ramasamy.1998)

2.1.9 Modern method

In 1954, Peter F. Drucker introduced “Management by Objective” in his book “the practice of management”. It comprises of these building blocks: object formulation, execution process and performance feedback.

The management by objective (MBO) method is a process in which managers and employees jointly set objectives for the employees, periodically evaluate performance, and reward according to the results. Although it is a three – step process, no standard form is used with MBO, so it is a method. MBO is also referred to as work planning and review, goals management, goals and controls, and management by results. The MBO method is one of the best methods of developing employees. Like critical incidents, employees get ongoing feedback on how they are doing, usually at scheduled interval meetings. We can use the MBO method

successfully with our employees if we commit to the process and truly involve employees rather than trying to make them believe that our objectives are their accurate measures.

How do we use the MBO Method

Set individual objectives and plans: - the manager sets objectives jointly with each individual employee. The objectives are the heart of the MBO process and should be accurate measures of performance results. To be accurate, objectives should be SMART. They need to be specific, measurable, and attainable, relevant and time – based. Being specific, measurable, and time – based is fairly easy to determine in a written goal, but being attainable and relevant is more difficult.

Give feedback and evaluate performance: - communication is key factor in determining MBO's success or failures, and employees should continually critique their own performance. Thus, the manager and employee must communicate often to review progress. The frequency of evaluations depends on the individual and the job performed.

Reward according to performance: - employees' performance should be measured against their objectives. Employees who meet their objectives should be rewarded through recognition, praise, pay raises, promotions, and so on. Employees, who do not meet their goals, so long as the reason is not out of their control, usually have rewards withheld and even punishment when necessary.

Assessment centers: - These methods are designed to differentiate between the current performance and potential performance of an employee and they used to select managers and supervisors by recognizing their potential performance in their job. The employees who will be examined to be supervisions are brought together into similar condition of job or assessment counters. The assessment includes interview, psychological tests, and personal background histories leaderless group discussions and evaluated by well trained persons. This evaluate can show and measure their future potential performance depending on the current performance of an employee (Graham, 1998).

Behaviorally anchored Rating Scales (BARS)

This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are used as a basis for rating employee performance. While, more time consuming then other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feed back to

employee. (Dessler, 2003) According to (Flippo, 1984) there are two behavior anchored rating scales these are: - Behavior expectation scales (BES) and Behavior observation scales (BOS). The Behavior expectation scales are used to help the rates to define as superiors, average or below average the behavior of the employee. The Behavior observation scales (BOS) used where the rater reports the frequency with which the employee engagements in the behavior specified is the anchors.

Human resource accounting

Human resource accounting method the performance of employee is evaluated in term of contribution and cost of employees (Ijbm, 2012). (Sharma, 2012). The research into true human resource accounting began in the 1960 by Rensis Linkert. Prof. Flamholtz defines human resources accounting for people as an organizational resource. The main theory underlying the HRA is the people are valuable resources of an organization or enterprise, information on investment and value of human resource is useful for decision making in the organization.

360 degree

According to (Sharma, 2012) 360 degree involves the feedback of employee's performance by anyone who has contact with employee in organization. In 360 degree include Self-appraisal, Superior appraisal, Subordinate appraisal, peers appraisal. These methods are less structured than the traditional method which is less focuses on the rankings and ratings and more emphasis on arranging meetings between employees and supervisor (Sharma, 2012).

It is a popular performance appraisal technique that involves evaluation input from multiple levels within the firm as well as external sources. 360 degree feedback relies on the input of an employee's superior, colleagues, subordinates, sometimes customers, suppliers and/or spouses. It provides people with information about the effect of their action on others in the workplace. It provides a notion of behavioral change might be elicited through a process of enhanced self – awareness.

2.1.10 Common Problems with the Performance Appraisal Process

Performance appraisals are often retrospective. A typical traditional appraisal usually occurs once or twice a year. There would be extended time gaps of months between establishing goals and reviewing them, and objectives that were set upon in the beginning of the year are usually only dragged out during appraisal time (Afriyie, 2009). While performance appraisals provide

the perfect opportunity for managers and staff to have a one-on-one discussion, it is unfortunately open to biased ratings (Khan, 2013). For example, some managers tend to be liberal or strict in their rating of staff. Managers may also fall into the trap of the “recent performance effect” where they generally only recall the recent actions of employees at the time of the appraisal and award points based on recent favorable or unfavorable events rather than whole year’s worth of activities (Jones and Wright, 2007).

Bias

Bias is simply a personality-based tendency, either toward or against something. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm (Kumbhar, 2011). This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees (Ali, Mahdi and Malihe, 2012). So to overcome the bias problem, the appraiser needs to be objective and not let their feelings of liking or disliking the individual influence their assessment (Caruth and Humphreys, 2008).

Stereotyping

Stereotyping is mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group (Afriyie, 2009). Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. However, regardless of whether the stereotype is positive or negative, making membership in a group, rather than explicitly identifying the characteristics of the individuals, creates the potential for significant error in evaluations (Holzer, 2007). Stereotyping can be avoided by getting to know each employee as an individual and objectively evaluating individual employees based on their actual performance (Denby, 2010).

Halo Error

This error occurs when the evaluator has a generally positive or negative (negative halo error is sometimes called “horns error”) impression of an individual, and the evaluator then artificially extends that general impression to many individual categories of performance to create an overall evaluation of the individual that is either positive or negative (Jones and Wright, 2007).

In other words, if employees are judged by their supervisor to be generally “good” employees, and the supervisor then evaluates each of the areas of their performance as good, regardless of any behaviors or results to the contrary, the supervisor is guilty of halo error (Ngo et al., 2008). The halo error can be avoided by remembering that employees are often strong in some areas and weaker in others that should objectively evaluate individual employees based on their actual performance for each and every item of assessment (Mamoria, 2005). Decenzo and Robbins (2003) also notes that the halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor.

Distributional Errors

The distribution error is often based on the ranking method of evaluation and forced distribution. These errors occur in three forms: severity or strictness, central tendency, and leniency (Porter, 2008). They are based on a standard normal distribution, or the bell curve. In severity or strictness error, the rater evaluates everyone, or nearly everyone, as below average. Central tendency error occurs when raters evaluate everyone under their control as average where nobody is either really good or really bad (Scott, Clothier and Spriegel, 2007). Finally, leniency error occurs when the rater evaluates all others as above average. Leniency error, therefore, is basically a form of grade inflation. Distributional errors can be avoided by giving a range of evaluations (Shaw et al., 2008).

Similarity Error

This error occurs when raters evaluate subordinates that they consider more similar to themselves as better employees, and subordinates that they consider different from themselves as poorer employees (Skarlicki and Folger, 2007). People have a tendency to feel more comfortable with people who feel the same way which can allow this feeling of comfort with similar individuals to be reflected in the performance appraisal process (Teseema and Soeters, 2006). To avoid similarity error, it is important to embrace diversity and objectively evaluate individual employees based on their actual performance, even if they are different from the appraisers and don't do things the same way (Tassema and Soeters, 2006).

Proximity Error

This error states that similar marks may be given to items that are near (proximate to) each other on the performance appraisal form, regardless of differences in performance on those measures

(Newman, Thanacoody and Hui, 2012). This error can be avoided by objectively evaluating employees' actual performance on each and every item on the assessment form (Tessema and Soeters, 2006).

The Appraisal Conflicts

Conflict of interest constantly happens in an organization. One of the reasons is because of the practice of performance appraisal activities. Conflict probably occurs because of disagreement of the rates regarding the implementation of the performance appraisal process (Porter, 2008). It can be categorized into several categories such as conflicting intra-individual goals, which is the desire for honest feedback versus desire for self-concept affirming feedback and recognition. Besides that, there is a conflict on individual workers with their colleagues' goals, which means that a person's desire for rewards contradicts with other colleague's desire (Skarlicki and Folger, 2007).

Contrast Error

In contrast error, the rater compares and contrasts performance between two employees, rather than using absolute measures of performance to measure each employee (Scott, Clothier and Spriegel, 2007). For example, the rater may contrast a good performer with an outstanding performer, and as a result of the significant contrast, the good performer may seem to be "below average." This would be a contrast error (Qureshi et al., 2007). Contrast error can be avoided by objectively evaluating individual employees based on their actual performance. The ranking method can be used correctly by assessing each individual based on the items on the assessment form then rank the individuals based on their assessments (Shaw et al., 2008).

Attribution Error

In simplified terms, attribution is a process where an individual assumes reasons or motivations (such as attitudes, values, or beliefs) for an observed behavior. So, attribution error in performance appraisal might occur when the rater observes an employee action such as an argumentative answer to a question and assumes that the individual has a negative attitude toward the job and is a poor performer (Scott, Clothier and Spriegel, 2007). This may not be true, and in such a case the rater would be guilty of an attribution error. There is need to avoid attribution error because it is based on subjective conclusion (Skarlicki and Folger, 2007). When in doubt, the rater shouldn't assume they know why the employee did or didn't do something.

The rater should talk to employees to find out so that they can objectively evaluate employees based on their actual performance (Shaw et al., 2008).

A successful performance appraisal system must fit the organization. Organizations need to assess the suitability of performance appraisal systems to their own workforce before implementing one that meets their needs (Skarlicki and Folger, 2007). The primary purpose of an appraisal system is to sieve out those who cannot or would not do the job. It has to be communicated to all involved parties and appropriate support and training should be provided especially to managers conducting such sessions with their staff (Shaw *et al.*, 2008).

Employers should also take note that performance evaluation is a continuous process and not one that happens only once a year. The best appraisals are a two-way discussion and focus on the employee assessing his own performance and setting goals for improvement. And as best practice, organizations should ensure Key Performance Indicators (KPIs) are well communicated to and clarified with staff, and there are proper benchmarks in place against which staff are assessed. Data collected from appraisals should be used to track the success of recruitment and induction practices (Qureshi *et al.*, 2007).

2.1.11.1 Develop accurate performance measures

If the performance appraisal methods and forms are not accurate measures, the entire performance appraisal process will have problems. Therefore, the organization should have its own HR specialist or hire consultants to develop the assessment process and measures.

2.1.11.1.1 Use multiple criteria

One method of overcoming some of the problems with the appraisal process is to ensure that we use more than one or two criteria to evaluate an individual's performance over time. We should generally have at least one evaluation criterion for each major function within an individual job. Behaviors and results that occur over the entire course of the evaluation period are typically the best criteria to use in the process of evaluating an individual's performance, but employees behave in many different ways in different circumstances throughout the course of a year, so we shouldn't limit the appraisal process to one or two actions on the part of that individual employee. By evaluating multiple criteria, we have the ability to lower the incidence of halo, contrast, and attribution errors, and may even be able to affect bias and stereotyping, because many criteria, not just one or two, are being analyzed.

Minimize the use of trait – based evaluations

Our next method of overcoming problems within the appraisal process is to minimize the evaluation of individual traits. As we noted in the section on what we have the ability to evaluate, trait – based evaluations tend to be more subjective than behavior - or results – based evaluations and as a result should generally not be used unless there is a specific reason why the particular trait must be exhibited in order to be successful in a job. Only when we have specific reason for trait – based evaluations should those traits be measured and evaluated in the appraisal process.

2.1.11.2 Train evaluators

Once we have accurate measurement methods and forms, the next thing that we should do to help overcome some of the issues with the appraisal process is to train our evaluators concerning the common errors and problems that occur and how to use the methods and forms.

Train evaluators to overcome the common problems of assessment

Simply through the process of training, many of the common problems are mitigated, if not eliminated. One evaluator become aware that the common errors occur with some regularity, they almost immediately begin to evaluate such errors and guard against them. Even the bias and stereotyping errors may be mitigated through the rater training process.

Train evaluators to use the various performance assessment methods and forms. Because the critical incidents method is not commonly used as a formal assessment method, evaluators should be taught to use it to help overcome recency error. Evaluators need training to effectively use MBO and to write a good narrative. When a rating scale is used, some training should be given to better understand the differences between the word descriptors along the continuum (excellent, good, etc.). BARS and ranking forms are fairly straightforward, but when they are used, some training can help overcome problems.

2.1.11.3 Use multiple raters

The next tool to minimize errors in the evaluation process, at least in some cases, is to use multiple raters to evaluate an individual. As we noted earlier, this becomes expensive very quickly, so we must decide whether or not the value inherent in using multiple evaluators overcomes the cost of the process. If it does, using multiple evaluators can conquer some significant problems in the appraisal process. Multiple evaluators limit the ability of one individual appraiser to provide a biased opinion concerning an employee's performance, as well

as limiting the ability for stereotyping in the appraisal process. In addition, halo, similarity, contrast, and attribution errors become less likely, and distributional errors tend to even out among multiple raters.

2.2 The Concept of Motivation

All organizations are concerned with what should be done to achieve sustained high levels of performance through people. This means giving close attention to how individuals can best be motivated through such means as incentives, rewards, leadership, importantly, the work they do and the organization context within which they carry out that work (Armstrong 2006).

According to Dubin (2002), “Motivation is the complex of forces starting and keeping a person at work in an organization. Motivation is something that puts the person, and continues him in the course of action already initiated”. Motivation refers to the way a person is enthused at work to intensify his desire and willingness to use his energy for the achievement of organization’s objectives. It is something that moves a person into action and continues him in the course of action enthusiastically.

Motivation is a complex phenomenon, which is influenced by individual, cultural, ethnic and historical factors. Motivation can be defined as “a series of energizing forces that originate both within and beyond an individual’s self”. These forces determine the person’s behavior and therefore, influence his/her productivity (Jackson, 1995). According to De Cenzo et al., (1996), people who are motivated use a greater effort to perform a job than those who are not motivated. In other words this means that all thinkable factors of physical or psychological aspects that we interact with, leads to a reaction within our self or of the entire organization.

2.2.1 Definition of motivation

According to (Gary Latham of the Joseph L) define motivation as the internal and external factors that lead an individual to engage in goal – relate behavior. Motivation is an element that retains and manages employee manners and behavior (steers and porter, 1987), (porter and miles, 1974) argued that in job the employees need freedom for success and work environment traits rewards create motivation. Motivation acts as driving force that leads employees towards its goals (grant, 2008). Motivated employees are highly involved and engaged in their job and try to make their performance best (Guay, 2000; vansteenkiste, 2007) self – driven and freedom oriented qualities are mostly found in motivated employees (Grant, 2008). Motivated people are

highly committed and have few desires (Kamal et al, 2005). According to Armstrong (2010) Motivation is the force that energizes, directs and sustains behavior. Motivation theory explains how motivation works and the factors that determine its strength.

2.2.2 Theories of Motivation

2.2.2.1 Frederick W.Taylor's scientific management

Toward the end of the 19th century, Frederick W.Taylor introduced the application of scientific principles to the management of work and workers which is known as scientific management. Taylor suggested that each job be broken down into its separate tasks. Managers should determine the best way to execute each task and the level of production that should be expected. The best person for each job will be selected and trained. Taylor believed that people work only to earn money and therefore money should be matched to output. This gave rise to the piece rate system, a compensation system under which employees are paid a certain amount for each unit of output they produce.

2.2.2.2 Hawthorne studies

Elton Mayo conducted an experiment between 1927 and 1932, which is called the Hawthorne studies, to find out the effects of the work environment on worker productivity. The first set of experiments used different levels of lighting in the plant for one group, and a stable level of light in the control group. But the result was surprising as productivity increased in both groups. Then Mayo used piece-rate system with groups of workers, rather than individuals and found that production remained constant. It was concluded that human factors were responsible for the results. In the lighting experiment the members felt important as they were involved in a group. In the second experiment, groups maintained a steady pace because of a desire for social acceptance. These conclusions generate that for better performance workers should be satisfied.

2.2.2.3 Maslow's hierarchy of needs

Abraham Maslow first presented the five –tier hierarchy of needs in 1942 to a psychoanalytic society and published it in 1954 in motivation and personality (New York: Harper and Row). He identified that the most basic need emerges first and the most sophisticated need last. He suggested that people start on the bottom and put efforts to go up to needs hierarchy. When one need is fulfilled, it loses its strength and the next level of needs is activated. A satisfied need is longer a motivator.

The most powerful employee motivator is the need which has not been satisfied. According to Maslow, physiological needs are the things we require for survival, like food, clothing, shelter, and sleep. In corporate world, adequate wages represent such type of needs. Next level is of safety needs, which are necessary for physical and emotional security. Through job security, health insurance, retirement benefits, and safe working environments, these needs are satisfied. Moving up to the third level is the social need, where people seek for love, affection and belonging. Relationships in the work environment and in the informal organization, as well as in social networks with family and friends outside the organization are good examples of social needs. Next level is the esteem need, where we urge for respect, recognition, accomplishment and worth. The management can fulfill such needs by matching the skill and ability of the employee to the job, by showing workers that their work is appreciated. Finally, the self-actualization needs, which are the desires to grow and develop up to ones fullest potential.

2.2.2.4 Alderfer's ERG model

Clayton Alderfer indentified three categories of needs: existence needs, relatedness needs and growth needs. Existence needs are the desire for physical well being. Relatedness needs are the urges to satisfactorily relating to others by establishing and maintaining interpersonal relationships. Growth needs are the desires to self development, creativity, growth, and competence. According to Aldefer, one many be motivated by needs on several levels at the same time and when individuals are frustrated in meeting one level needs, they may concentrate on the next lower level needs.

2.2.2.5 Mc Clelland's needs theory of motivation

David C. Mc Clelland divided motivation into needs for power, affiliation, and achievement. People having need for power seek positions of leadership. They always try to control or dominate others. They like to exercise their influencing power. They are forceful, argumentative, hardheaded, and outspoken. Affiliation motivated people usually get pleasure from being loved and socialized with others. Achievement motivated people have an intensive craving for attaining goals and success. They want to control the situations in which they are involved. They take moderate risks and set realistic targets. They want to be challenged and like to analyze problems.

2.2.2.6 Herzberg's motivation – hygiene theory

In the late 1950s, Frederick Herzberg interviewed 200 accountants and engineers in his research and examined motivation in the light of job content and context. According to Herzberg, motivators or satisfiers are those that increase motivation, but whose absence does not necessarily result in dissatisfaction. They include achievement, recognition, advancement and growth in the job. Dissatisfaction occurs when the maintenance or hygiene factors are absent in the job. Examples of such dissatisfiers are: working conditions, company policy and administration, salary, status job security, peer relations, and quality of supervision. These factors will not produce motivation, but their absence can create employee dissatisfaction.

2.2.2.7 Vroom's expectancy model

Victor Vroom developed a model of motivation based on individual needs and motivation. He suggests that employees work for different reasons and these reasons can change over time. So managers should design an environment for performance considering the differences in various situations. Expectancy theory is complex, but it is consistent with real life situations.

2.2.2.8 Equity theory

The important aspect of equity theory is that people make subjective judgment about fairness in the rewarding system related to inputs (such as their competencies, qualifications and effort), in comparison of rewards of others. If they feel that they are not equitably treated they may be dissatisfied. If they feel that they are receiving more rewards, then they will improve their quantity and quality of work or they may discount their rewards, (Adams). Bowditch and Buono (1997) believed that although equity theory was originally concerned with differences in pay, it can be applied to other forms of tangible and intangible rewards in the workplace. The motivation process will be difficult if the input – output ratio is not in balance.

2.2.2.9 Goal – setting

The proposition is that employees are motivated if goals are meaningful, challenging, clear, attainable and measurable. When employees are encouraged to set goals for themselves and supervisor reviews and approves them, then they take challenges for achieving those targets. If goals are completely unrealistic, employees will become demotivated. Goal – setting theory helps a manager to design rewards that match employees' requirements. But it is not the only one method to managers. Tolchinsky and King in 1980 discovered that, while financial benefits influence job performance, the relationship is not mediated by goal – setting. That means, goal –

setting and financial incentives have independent effect on job performance (Perry, Mesch and Parlberg, 2006).

2.2.2.10 Reinforcement theory

The psychologist B.F. Skinner of Harvard developed this theory. He suggests that human behavior can be influenced through the use of rewards. If the work environment is properly designed and employees' performances are praised, then they are motivated. For poor performances if there is any punishment, that will generate negative consequences.

2.2.2.11 McGregor's theory X and theory Y

In 1960 Douglas McGregor set forth the concepts of theory X and Y, which assumes that there are different views about human nature. The traditional assumptions about the nature of peoples are included in theory X which states that employees dislike work and will function only in a highly controlled work environment where managers must coerce, control, and threaten employees to attain organizational goals. On the other hand, theory Y states that employees are responsible and feel work as an important part as their lives. If they get personal rewards, they will work toward organizational targets. Theory X and Theory Y have increased the importance of social factors in the organization for motivating employees.

2.2.2.12 Theory Z

After studying business practices at American and Japanese firms in the 1970s, William Ouchi proposed Theory Z. He observed that businesses of these two countries are dominated by two different management systems. In Japan most of the firms were characterized by group discussions, lifetime employment, collective responsibility for the outcomes, slow appraisal and promotion, and employees were treated as people. Ouchi termed these firms as type J firms. In America type A firms dominated, which offered short – term employment and decisions were taken individually so that responsibility for outcomes goes to that person. There employee evaluation and promotion were rapid, and employees were treated only as employees. From this research he suggested that theory Z which sets between type A and type J practices is best for American business.

2.2.2.13 Fifty – fifty theory

According to John Adair's perception people motivate themselves by fifty percent and from the environment they are motivated by the remaining fifty percent. This environment includes work conditions, colleagues and especially leaders. The Fifty – Fifty rules recognizes that leaders have a key role in influencing motivation of employees at work. The relationship between leadership and motivation is crucial to determine employee's motivation. But leaders alone cannot motivate the employees fully as they are self motivating in various degrees. These are the challenges that management faces to stimulate employee motivation with the work environment. (John 2007).

2.3 Techniques for increasing employee motivation

Now a day's money alone cannot motivate employees. A variety of techniques are used for motivation. Many intrinsic rewards other than money work as psychological incentives (Rudolph and Kleiner, 1989). These rewards may be expressing, thinks, providing inputs, job rotation, job enlargement, management by objectives, and so on. Employees who are motivated intrinsically enjoy performing job – related tasks, such as influencing customers and learning about the company. Different researchers suggested several techniques for increasing employee motivation, among the following are relevant to my research:

- 1. Open – book management-** in open – book management, the firm trains all employees to interpret key performance measures that affect the firm's profits and value. Workers understand how they can contribute to the firm. Management delegates some power to the employees for taking decisions. For their contributions in maintaining goals they receive compensation.
- 2. Job enrichment** – the work itself can motivate employee behavior. If the conditions are the work time are attractive and creative (Cuendent, 1996) and the responsibilities are constantly renewed by the management, employees will be motivated. Such an example is job enrichment that provides employees with more variety and responsibility in their jobs. Employees gain new skills and get a better understanding about the organization. Job can be enriched by allowing the employees some authority in decision making, encouraging their participation, providing feedback on their performance, and involving them in analysis of challenging tasks.
- 3. Empowerment** – employee empowerment is a process by which individual or group capability is improved to enable them to take fruitful decisions. Many organizations

today are using employee empowerment as a motivational technique to increase its productivity. Through empowerment employees get the opportunity to attain intrinsic rewards from their work, such as a greater sense of achievement and a feeling of importance. Motivated employees give task- specific knowledge; those on the front line can better identify problems. In such situation empowerment works well.

4. **Flexible work schedule** - flexible is a work schedule in which employees set their own work hours within set boundaries. The firm allows each employee to choose arrival and departure time on the job and establishes a fixed time of the day when everyone must be at work.
5. **Behavior modification**- in this system positive reward is given to encourage desirable actions and punishments for undesirable ones, though research has shown that the positive reinforcements are far more effective. Experts suggest that management should reward quality, loyalty, and productivity.
6. **Employee ownership** – under employees stock ownership plans, or ESOPS, companies give shares to the employees. The employees perform better because they own the company and if the company flourishes they will get benefit directly.
7. **Teams** –a team is a group of workers performing together as a unit to accomplish a common objective. Within the team, each member has a role to play. In addition to the team leader role, various members may play the task- specialist roles. In a team every member gets closer to one another and sometimes there arises informal relations among them. As they have one common goal, they put full effort for the accomplishment.
8. **Loyalty from management** – treating all employees equally and fairly regardless of their status. Position and other demographic factors and applying organizational policies, procedures in a good manner

2.4. Empirical Review of Literature

According to research conducted at Ghana Commercial Bank, by Thomas Owusu, (2012) the researcher concluded that when employees are motivated they are able to turn the fortunes of the bank in terms of increased deposit, loan/advances and profitability. Also, the shareholder value is increased in terms of the capital gains and dividends resulting from increased profitability. It promotes efficient utilization of assets for the generation of higher returns. A highly motivated employee's agility can effectively reduce operational cost without compromising service quality and profitability. There is a significant effect of motivation on employee performance and if the motivation packages are withdrawn there would be zero percent (0%) of employees' performance level. A change in the level of motivation will result in the same proportional change in the level of performance. Therefore the corporate performance of the bank would report negative returns.

According to research conducted at private commercial banks, (Berhanu Woldie, 2014) the result of the correlation have revealed that there is a positive relationship between performance appraisal system and employee motivation. So, the implementation of performance appraisal system directly affects employee motivation.

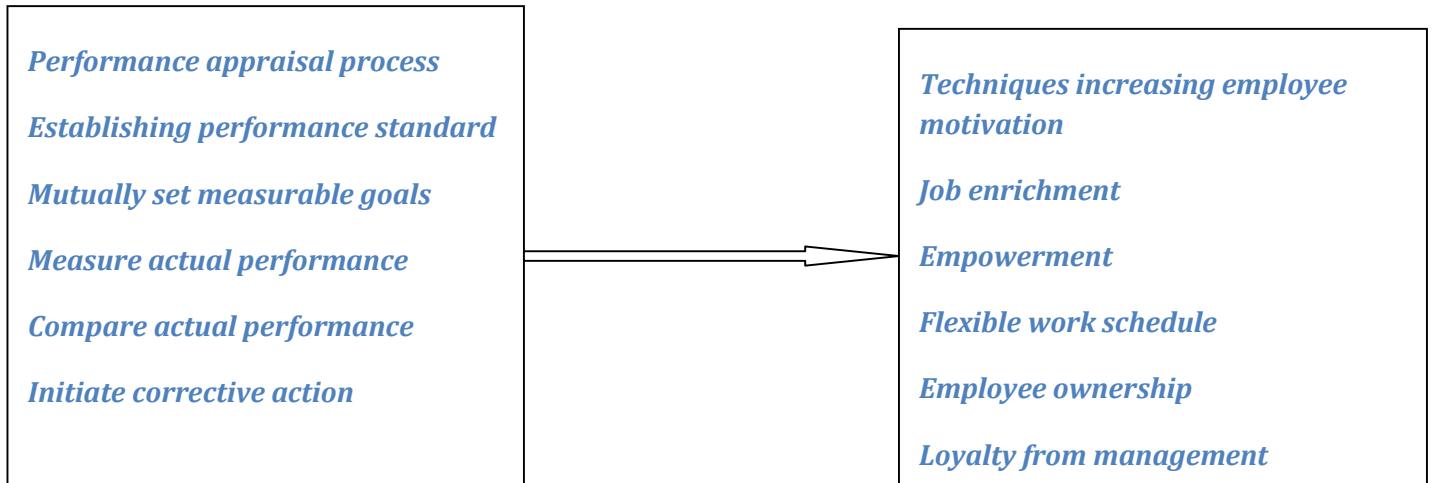
Conceptual frame work

Conceptual frameworks of the study have independent variables which are performance appraisal and dependent employee's motivation. According to David A. Decenzo and Stephen P. (2005)) independent variable performance appraisal there has process: (Establishing performance standard, Mutually set measurable goals , Measure actual performance, Compare actual performance and Initiate corrective action. According to Rudolph and Kleiner, (1989), mentioned in their study that employee's motivation is measured in terms of intrinsic rewards; Job enrichment Empowerment, Flexible work schedule, Employee ownership and Loyalty from management.

Figure 2.1 Conceptual framework performance appraisal and employee's motivation

Independent variables

Dependent variables



Source: Adopted from literatures

CHAPTER THREE

Research Methodology

This chapter spells out the approach to the research and seeks to establish sound reasoning in linking the steps that respondents answer the proposed research questions to achieve the intended objectives of the research project.

3.1 Research Design and Approach

The research approach used in this study was both qualitative and quantitative data. A descriptive research type used to examine and describe the current effect of performance appraisal on employee's motivation. The qualitative research approach portrayed the interview with concern body and quantitative approach used to depict and represent questionnaire responses in simple percentage, tables which was reinforced by narration.

3.3 Data type and sources

a) Primary data

Primary data was collected from interviews with managers and through questionnaires distributed to employees of Oromia International Bank.

b) Secondary data

Secondary data was obtained by analyzing the data obtained from different secondary sources of documents about OIB. *i.e.* document of the organization under study, internet and the company's website.

This study chooses all these materials because these data are available and contain adequate information about the study area.

3.4 Measurement

The effect of performance appraisal on employees' motivation was measured by using five point likert scale items. The questionnaire have a 5 point Likert Scale (Strongly Agree = 5, Agree = 4, neutral = 3, Disagree = 2, and Strongly Disagree = 1) where 5 was the highest rank and 1 the

lowest, close ended questions because these kinds of questions mostly clear and helps to give information for respondents. The interview was administered in the normal work time by making appointment with interviewees

3.5 Sampling and Sampling Techniques

The study used Purposive or judgmental sampling technique. The population of the study was employees' of Oromia International Bank (managers as well as professional and clerical) working at the head office and four selected branches located in Addis Ababa with sample size 69 employees in the head office and 11 in selected branches).

The study used both probability and non-probability sampling methods. The branches with the most number of employees are selected using purposive sampling technique. Since most of bank branches have few employees it is better to select the branches with the most number of employees in order to get a large population of respondents in a limited time. Moreover, simple random sampling techniques used to select the respondents from each branch. Since the employees in the bank are homogeneous they are selected through the employees name list which was provided by the human resource department. Each and every employee in the population has an equal chance of inclusion in the sample and each one of the possible samples. The study used the sample determination method table developed by Naresh, (2005). The sample size determination table is presented below.

Table 3.1 Sample Size Determination

Population size	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1,200	32	80	125
1,201-3,200	20	125	200
3,201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-15,000	200	500	800

Source: (Naresh, sample determination, Marketing research, an applied research, 2005).

As it can be seen from the table the population of the study i.e. 496 lies under the category that ranges from 281- 500 samples of 80 would take which is determined large for such range of population by Naresh (2005) for the sake of data reliability. Therefore, the sample size selected for the study under consideration would be 80.

Table 3.2- Sample representation

S.N	Name of branches	No of employees	Sample size
1	Head office	427	69
2	Africa Godana branch	17	3
3	Finfine branch	25	4
4	Burayu branch	13	2
5	Gefersa Nono branch	14	2
TOTAL		496	80

(Source: Oromia International Bank report of 2014/15).

3.6 Data Collection Method

Moreover the data collection modes are different for different researches. Some researchers require observation; others may rely on surveys, or secondary data (Zikmund, 2000). The Data collection was occurred after the confirmation of the sampling criteria. Questionnaires were personally for employees to complete. Questionnaires are preferred in order to decrease the tendency of dissemblance of information from the respondents and to collect significant data.

Even though the questionnaires provided good qualitative support but numbers may go through the extent that the researcher expects. An interview was employed to the managers of selected departments and branches which helped to point out some of the underlying dynamics that helped the researcher get further explanation in deep. Most of the interview questions were constructed as open ended questions.

3.7 Method of Data Analysis

The data collected from different sources by different means organized and analyzed quantitatively and qualitatively. The organized and analyzed of data implemented by using percentage and average in the help of tables and paragraph. The tabulation method used in case of questionnaire. The research used SPSS (statically package for social science) software, version 20 to analyze the quantitative data collected from the questionnaire.

3.8 Reliability and Validity

Reliability is the extent to which a measurement procedure yields the same answer however and whenever it is carried out. The reliability of the scale was determined by Crobch's alpha method. According to Bryman and Bell (2003) the Crobch's alpha result of 0.7 and above implies acceptable level of internal reliability. Therefore, the result indicated that the questionnaires of the study were internally consistent by 89.6 percent.

Validity

Validity is the extent to which it gives the correct answer (Kirk and Miller, 1986). It indicates the degree to which an instrument measures what it is supposed to measure. Questionnaire papers were modified according to literatures within the specific topic. Approval from advisor and other professionals was applied in order to increase the face/content validity.

Table 3.3 scale measurement summary

	N	%
Cases Valid	79	98.8
Excluded ^a	1	1.3
Total	80	100.0

Cronbach's Alpha	N of Items
.896	37

3.9 Ethical Considerations

Each participant was fully aware of the nature and the purpose of the research and their anonymity will ensure. No names or any identifiable information from respondents takes as a way of ensuring the ethical principle to keep all information confidential.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the findings of the primary data collected from the field using the questionnaire as the tool. The general objective of the study was to determine the effect of performance appraisal on employee motivation in Oromia International Bank.

4.1. Response Rate and Respondents

As shown in Table 4.1 below, out of 80 questionnaires distributed to the head office and branches, all of questions were returned.

Table 4.1 Response rate of the questionnaire

No	Random sampling	Sample size	Response			response rate
			Returned	Completed	In completed	
1	Head office	69	69	69	-	100
2	Africa Godana branch	3	3	3	-	100
3	Finfine branch	4	4	4	-	100
4	Burayu branch	2	2	2	-	100
5	Gefersa Nono branch	2	2	2	-	100

Source own survey 2016

4.2. Demographic Characteristics of Respondents

All of 80 distributed to the employees of Oromia International Bank 80 (100%) questionnaires were returned with full information. In the below the demographic characteristics of the respondents in terms of job classification, gender, age, education level, years of service and their status is stated.

Table 4.2 Demographic characteristics of respondents

No	Item	variables	frequency	percent
1	Job classification	Management	20	25
		Clerical	34	42.5
		Professional	26	32.5
		Total	80	100
2	Gender of respondent	Male	60	75
		Female	20	25
		Total	80	100
3	Age of respondent	18- 25 years	18	22.5
		26- 40 years	58	72.5
		41- 50 years	4	5
		Total	80	100
4	Work experience	< 1 years	8	10
		1-3 years	30	37.5
		4- 5 years	28	35
		6- 10 years	14	17.5
		Total	80	100
5	Educational level	Bachelors degree	64	80
		Masters degree	8	10
		Diploma	8	10
		Total	80	100
6	Marital status	Single	42	52.5
		Married	38	47.5
		Total	80	100

Source own survey 2016

With regard to job classification of respondents as stated in the above table, majority of respondents are clerical followed by professional, and management staffs which represents

34(42.5%), 26(32.5%), 20(25%) respectively. From this it can be inferred that most of employees of OIB are clerical staffs. With regard to gender of respondents 60(75 %) were males the remaining 20 (25%) were females.

As it is indicated in table 4.1 the majority of the respondents are found in the age category of between 26-40 years which are 72.5% of the respondents. The second major group of respondents found in the age category of 18-25 years which are 22.5% of the respondents and the third age category found that in the age group of 41-50 years which is 5 % of the respondents.

Concerning with work experience majority of respondents had worked between 1-3 years which are (37.5%). The second major group of respondents had worked between 4-5 years which are 35 % of the respondents and the third category had worked between 6-10 years which is 17.5 % of the respondents. Finally the small number shows had worked less than one year which are 10%.

Regarding to the respondents educational qualification of the respondents majority of the respondents are Bachelor degree holders which are 80 % of the respondents. The second category of respondents is Masters' degree holders which constitute 10 % of the respondents and the third largest group was Diploma holder 10 %.

As indicated the majority of respondents are single which 52.5% are and the second largest of respondent are married which are 47.5%.

4.3 Analysis of the Performance Appraisal Practices

Table 4.3 Performance Appraisal Practices

NO	Item		Rating					mean	Std. deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly agree		
1	My performance rating is based on how well am I doing	frequency	12	28	4	23	13	2.96	1.382
		%	15	35	5	28.7	16.3		
2	My manager discuss regularly my job performance with me	Frequency	20	31	1	20	8	2.56	1.367
		%	25	38.8	1.3	25	10		
3	The most recent ratings I received are based on many activities I am responsible for at work.	Frequency	14	32	3	20	11	2.76	1.371
		%	17.5	40	3.8	25	13.8		
4	I clearly understand the purpose of performance appraisal process	Frequency	11	30	4	16	19	2.61	1.355
		%	13.8	37.5	5	20	23.8		
5	Performance appraisal identifies performance problems to improve employee productivity and motivation.	frequency	16	28	5	19	12	2.79	1.402
		%	20	35	6.3	23.8	15		
6	Performance appraisal process encourages co-operation	frequency	16	26	7	21	10	2.79	1.366
		%	20	32.5	8.8	26.3	12.5		
7	The performance appraisal system has helped improve my job performance	frequency	15	34	2	18	11	2.70	1.372
		%	18.8	42.5	2.5	22.5	13.8		
8	I am satisfied with the way the performance appraisal system is used to set my performance goals for each rating period	frequency	13	33	4	19	11	2.78	1.350
		%	16.3	41.3	5	23.8	13.8		
9	I am satisfied with the bank's performance appraisal method	frequency	17	29	2	21	11	2.75	1.410
		%	21.3	36.3	2.5	26.3	13.8		

Source: own survey questionnaire 2016

Concerning performance rating based on how well respondents doing as indicated in the above Table 4.3.,the majority of respondents were disagree 28(35%), 23 (28%) in the agreement level, 13(16.3%) were strongly agree) 12(15%) of respondents were strongly disagree, and 4(5 %) were undecided. From this results performance rating was not based on how well employee's doing. This indicate that in company performance rating based on supervisor and manager perception about the employees so the company re-look the way of performance rating.

Regarding to managers discuss regularly with respondents about job performance the majority of respondents were disagree 31(38.8%), 20(25%) were strongly disagree, 20(25%) were agree, 8(10%) were strongly agree and the rest 1(1.3%) neutral. From this result the managers did not discuss regularly with respondents about job performance and it is a day or time based. The managers had no contribution for the improvement of the employee's performance.

As indicated in the above table 4.3 the most recent rating of the respondents received were based on their activities at work time were the majority of respondents disagree 32(40%), the second majority of respondents were agree 20(25%), 14(17.5%) were strongly disagree, 11(13.8%) were strongly agree and the rest 3(3.8%) neutral. From this the most of recent rating of the respondents received did not based on their activities at work time. So this indicated that the result of the performance rating and the activities of the employees are not match.

Concerning the respondents were clearly understand the purpose of performance appraisal process the majority of respondents were answer 30(37.5%) disagree, 19(23.8%) strongly agree16 (20%) agree, 11(13.8%) strongly disagree and 4(5%) neutral. As results shows the respondents did not clearly understand the purpose of performance appraisal process. Since the purpose its administrative purposes of the performance appraisal such as basis his/her promotion, pay increase, transfer or reassignment, and termination.

Regarding to Performance appraisal identifies performance problems to improve respondents' productivity and motivation the majority of respondents were stated disagree 28(35%), agree 19(23.8%), strongly disagree 16(20%), strongly agree 12(15%), and the rest of respondents were neutral 5(6.3%). This shows Performance appraisal did not identifies performance problems to improve respondent's productivity and motivation.

As shown in the above table 4.3 Performance appraisal process were encourages respondents co-operation the majority of respondents were answer disagree 26(32.5%), agree 21(26%), strongly

disagree 16(20%), strongly agree 10(12.5%) and the rest of respondents were neutral 7(8.8%). From this it can be conclude that Performance appraisal process were not encourages employees of Oromia International Bank. The process of the performance appraisal

As stated in the above table 4.3 performance appraisal systems has helped to improve respondent's job performance the majority of respondent were answer strongly disagree, disagree, neutral, agree, and strongly agree. Whereas the rest 15 (18.8%), 34 (42.5%), 2 (2.5%), 18 (22%), 11(13.8%) respectively. Therefore, most of respondents were appraisal systems not helped to improve their job performance.

Regarding to question respondents were satisfied with the way performance appraisal system is used to set respondents performance goals for each rating period the majority of respondents were answer disagree 33(41.3%), agree 19(23.8%), strongly disagree 13(16.3%), strongly agree 11(13.8%) and the rest of respondents answer neutral 4(5%).

A number of the respondents suggested that they were not satisfied and motivated with the way appraisal system is used to evaluate their performance. This means that the appraisal process is not accurate according to the current job description and experience which may have a direct impact on the employee's motivation to give their best.

As indicated in the above table 4.3 respondents were satisfied with the bank's performance appraisal method the majority of the respondents were answer disagree 29(36.3) percent, agree 21(26.3) percent, strongly disagree 17(21.3) percent, strongly agree 11(13.8) percent and the rest of respondents answer neutral 2(2.5) percent. Therefore, most of respondents were not satisfied with the bank's performance appraisal method. A probable reason for these problems is that the performance appraisal has not been conducted in the right way or right method.

4.4 The relationship between Appraisal System and Employee Motivation

This section indicated to determine the correlation between satisfaction with appraisal system and employee motivation. The findings in table 4.4 suggested that there was a strong correlation between high performance lead to higher levels of motivation and the existing of motivational practices increase the quality of work ($r=0.652$, $p<0.01$).

Table 4.4 correlation between appraisal system and employee motivation

		The performance appraisal system has helped improve my job performance	The existing motivational practices has made me willing to increase the quality of work I do	Performance appraisal process encourages co-operation	I think that high performance lead to higher levels of motivation
The performance appraisal system has helped improve my job performance	Pearson Correlation	1	.380**	.067	.255*
	Sig. (2-tailed)		.001	.556	.022
	N	80	80	80	80
The existing motivational practices has made me willing to increase the quality of work I do	Pearson Correlation	.380**	1	.213	.652**
	Sig. (2-tailed)	.001		.058	.000
	N	80	80	80	80
Performance appraisal process encourages co-operation	Pearson Correlation	.067	.213	1	.362**
	Sig. (2-tailed)	.556	.058		.001
	N	80	80	80	80
I think that high performance lead to higher levels of motivation	Pearson Correlation	.255*	.652**	.362**	1
	Sig. (2-tailed)	.022	.000	.001	
	N	80	80	80	80

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

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

4.5 Analysis of the impact of performance appraisal on employee motivation

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable.

Table 4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.696 ^a	.484	.463	5.03980

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1809.178	3	603.059	23.743	.000 ^b
	Residual	1930.372	76	25.400		
	Total	3739.550	79			

Coefficients^a

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.920	2.707		3.295	.001
	practices perception impact	.367	.125	.321	2.939	.004
		.098	.123	.094	.793	.430
		.337	.100	.382	3.358	.001

Source own survey questionnaire 2016

Table 4.6 analysis of the Perception on performance appraisal

N O	Item		Rating						mean	Std. deviation
			Strongly Disagree	Disagree	Neutral	Agree	Strongly agree			
1	Managers know enough to appraise me.	frequency	20	27	1	24	8	2.66	1.396	
		%	25	33.8	1.3	30	10			
2	Managers set targets more clearly	frequency	22	33	2	20	3	2.36	1.235	
		%	27.5	41.3	2.5	25	3.8			
3	The rater helps me understand what I need to do to improve my performance	frequency	20	27	1	22	10	2.69	1.428	
		%	25	33.8	1.3	27.5	12.5			
4	My manager/supervisor has reasonable expectations from my work	frequency	17	25	4	26	8	2.75	1.373	
		%	21.3	31.3	5	32.5	10			
5	My manager gives me fair feedback	frequency	15	30	2	28	5	2.73	1.292	
		%	18.8	37.5	2.5	35	6.3			
6	I feel proud to work for my company	frequency	8	10	2	24	36	3.87	1.372	
		%	10	12.5	2.5	30	45			
7	My job is fulfilling my needs	frequency	20	31	2	16	11	2.59	1.411	
		%	25	38.8	2.5	20	13.8			
8	My manager/supervisor is highly capable as manager	frequency	14	32	3	22	9	2.75	1.336	
		%	17.5	40	3.8	27.5	11.3			
9	Performance management can help people understand the organization's strategic priorities	frequency	16	14	2	35	13	3.19	1.433	
		%	20	17.5	2.5	43.8	16.3			
10	My manager plays a significant role in my career development	frequency	16	29	2	26	7	2.74	1.338	
		%	20	36.3	2.5	32.5	8.8			

Source: own survey 2016

As it is shown in the above Table 4.6., concerning Managers know about respondents enough to appraise them, 20(25%) of respondents strongly disagree and disagree 27(33.8%) while 24(30%) and 8(10%) of respondents in the agreement level. The rest of 1(1.3%) of respondent was

responded that as neutral level. As result shows the Managers did not know about respondents enough to appraise them.

With regarding Managers set targets more clearly for respondents 55(68.8 %) of respondents were strongly disagree and disagree while 23(28.8 %) of respondents were in the agreement level. The rest of 2(2.5%) of respondent was responded that as neutral level. Therefore the majority of respondent believe that managers not set clearly targets for employees.

With concerning the rater helps respondents to understand what they need to do to improve their performance 47(58.8 %) of respondents were strongly disagree and disagree while 32(40 %) of respondents were in the agreement level. The rest of 1(1.3%) of respondent was responded that as neutral level. Therefore as a result shows the majority of the respondents did not the raters help them to understand what they need to do to improve their performance.

With regard to the questions were the manager/supervisor had reasonable expectations from the respondents at work place 42(52.2 %) of respondents were strongly disagree and disagree while 34(42.5 %) of respondents were in the agreement level. The rest of 4(5 %) of respondent was responded that as neutral level. As stated in the above table 4.4 the majority of respondents were the manager/supervisor had not reasonable expectations from the respondents at work place.

Concerning the questions the manager gives to the respondents timely and fair feedback 45(56.3 %) of respondents were strongly disagree and disagree while 33(41.3 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as neutral level. As the result shows the majority of respondents the managers not gives to the respondents timely and fair feedback. Therefore the managers based on his method.

As shown in the above table 4.4 concerning questions the respondents feel proud to work for their company 18(22.5 %) of respondents were strongly disagree and disagree while 60(75 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as neutral level. Therefore the result shows the majority of the respondents proud to work for their company.

With regard to the respondents job performance were fulfilling their needs the majority of respondents answers 51(63.8 %) of respondents were strongly disagree and disagree while 27(33.8 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. Therefore the majority of respondents' answers the job performance was not fulfill the employee's needs.

As indicated in the above table 4.4 the manager/supervisor were highly capable to manage respondents 46(57.5 %) of respondents were strongly disagree and disagree while 31(38.8 %) of respondents were in the agreement level. The rest of 3(3.8 %) of respondent was responded that as neutral level. The respondents disagree that the managers were not highly capable as manager in evaluating their performance. This indicates that the managers may not be capable of evaluating employee performance which is likely to affect their motivation.

Concerning the questions Performance management can help respondents to understand the organization's strategic priorities 30(37.5 %) of respondents were strongly disagree and disagree while 48(60 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as neutral level. Therefore the majority of respondent indicated that performance management can help employees to understand the organization's strategic priorities.

With regard to the manager plays a significant role in respondent's career development 45(56.3 %) of respondents were strongly disagree and disagree while 33(41.3 %) of respondents were in the agreement level. The remains 2(2.5 %) of respondent was responded that undecided level. As the result shows most of the respondents were the manager cannot plays a significant role in employee's career development.

4.7 Analysis of the impact of Performance Appraisal on Employee Motivation

Table 4.7 the impact of Performance Appraisal on Employee Motivation

NO	Item	Response categories							
		Strongly disagree	disagree	Neutral	Agree	Strongly agree	mean	Std. deviatio	
1	My manager provides me with fair feedback.	frequency	14	31	2	28	5	2.74	1.280
		%	17.5	38.8	2.5	35	6.3		
2	My ratings are based on reasonable expectations from my work.	frequency	16	29	3	25	7	2.73	1.331
		%	20	36.3	3.8	31.3	8.8		
3	The ratings adequately reflect my performance.	frequency	12	32	3	27	6	2.79	1.270
		%	15	40	3.8	33.8	7.5		
4	My supervisor has fair perception about my job performance.	frequency	17	32	2	23	6	2.61	1.307
		%	21.3	40	2.5	28.7	7.5		
5	My rater plays a significant role in my motivation.	frequency	12	21	1	26	20	3.26	1.465
		%	15	26.3	1.3	32.5	25		
6	My manager/supervisor is highly capable to rate my performance.	frequency	21	20	2	25	12	2.84	1.488
		%	26.3	25	2.5	31.3	15		
7	Performance appraisal reflects objectively my performance	frequency	20	25	2	22	11	2.74	1.447
		%	25	31.5	2.5	27.5	13.8		
8	I receive correct feedback on my performance	frequency	13	32	3	19	13	2.84	1.391
		%	16.3	40	3.8	23.8	16.3		
9	My manager has reasonable expectations from my work.	frequency	14	26	4	24	12	2.93	1.394
		%	17.5	32.5	5	30	15		

Source own survey 2016

As it is shown in the above Table, Concerning weather manager provides fair feedback majority of respondents 45(56.3 %) strongly disagree and disagree and 33(41.3 %) of respondents were in agreement level, On the other hand the remaining 2(2.5) were undecided. From this the manager did not provides employees with fair feedback. Concerning questions the ratings are based on reasonable expectations from respondents work 36(65.3%), the ratings adequately reflect the respondent's performance 27(62%), the supervisor has fair perception about respondent's job

performance 27(62%) the majority of respondents were in disagreement level and the other hand were in agreement level. On the other hand the remaining 8(10%) was undecided for the stated statement respectively. From this the majority of respondents were answer the raters not based on reasonable expectations and on the other hands the supervisors not based on the fair perception about employees job performance. Also the remaining respondents believe that their supervisor based on employees performance. The rest of the respondents were undecided.

With regard to the rater plays a significant role in respondents motivation 49(61.3 %) of respondents were strongly disagree and disagree while 33(36.2 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. This indicates that more number of employees disagreed in the statement i.e. the rater not plays a significant role in employees motivation. Regarding to the manager/supervisor is highly capable to rate respondents' performance 41(51.3 %) of respondents were strongly disagree and disagree while 27(46.3 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. From this the majority of respondent's disagreement with the manager/supervisor is highly capable to employee's performance. As shown in the above table Performance appraisal reflects objectively the respondents performance 45(56.5 %) of respondents were strongly disagree and disagree while 33(41.3 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. As the results shows out of 100% 56.5% were in disagreement level. From this the majority of respondents believed that performance appraisal not reflects objectively the employee's performance. This shows their managers based on his perception or subjectively. Concerning with the respondents received correct feedback on employee's performance 45(56.3 %) of respondents were strongly disagree and disagree while 32(40 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. As the results shows out of 100% 56.5% were in disagreement level.

With regard to the manager had reasonable expectations from respondents at work place majority of respondents disagree 26(32.5) percent, agree 24(30) percent, strongly disagree 14(17.5) percent, strongly agree 12(15) percent and the rest of respondents answer undecided 4(5) percent. From this the majority of respondents disagree with to the manager had reasonable expectations from respondents at work place. On the other hand out of hundred percent thirty percent of respondents agree with this statement.

4.8 Analysis of Appraisal System and Employees

This section indicated to determine the correlation between satisfaction with appraisal system and employee motivation. The findings in Table 4.8 suggested that there was a strong correlation between the existence of recognition for good work, has given an opportunity to work beyond the requirements of the job and performance is fairly evaluated ($r=0.379$, $p<0.01$).

Table 4.8 Correlation between performance appraisal and motivation

		My manager plays a significant role in my career development	I feel that my job performance is fairly evaluated.	My supervisor recognizes me when I do a good job.	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.
My manager plays a significant role in my career development	Pearson Correlation	1	.235*	.291**	.256*
	Sig. (2-tailed)		.036	.009	.022
	N	80	80	80	80
I feel that my job performance is fairly evaluated.	Pearson Correlation	.235*	1	.142	.379**
	Sig. (2-tailed)	.036		.209	.001
	N	80	80	80	80
My supervisor recognizes me when I do a good job.	Pearson Correlation	.291**	.142	1	.267*
	Sig. (2-tailed)	.009	.209		.017
	N	80	80	80	80
The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	Pearson Correlation	.256*	.379**	.267*	1
	Sig. (2-tailed)	.022	.001	.017	
	N	80	80	80	80

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

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

Source own questionnaire 2016

4.9 Analysis of the practice of performance appraisal on employee's motivation

Table 4.9 Analysis of the practice of performance appraisal on employee's motivation

N O	Item	Response categories							
		Strongly disagree	disagree	Neutral	Agree	Strongly agree	mean	Std. deviation	
1	I am satisfied and motivated with the way appraisal system is used to evaluate my performance	frequency	12	28	3	26	11	2.95	1.359
		%	15	35	3.8	32.5	13.8		
2	Performance Appraisal motivate you to perform well in the company	frequency	11	29	2	28	10	2.96	1.335
		%	13.8	36.3	2.5	35	12.5		
3	My supervisor recognizes me when I do a good job.	frequency	16	29	2	25	8	2.75	1.355
		%	20	36.3	2.5	31.3	10		
4	I feel that my job performance is fairly evaluated.	frequency	13	31	3	24	9	2.81	1.332
		%	16.3	38.8	3.8	30	11.3		
5	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	frequency	10	27	4	29	10	3.03	1.312
		%	12.5	33.8	5	36.3	12.5		
6	I think that motivation and performance have strong relationship	frequency	3	4	4	26	43	4.27	1.031
		%	3.8	5	5	32.5	53.8		
7	I think that high performance lead to higher levels of motivation	frequency	5	6	2	37	30	4.01	1.31
		%	6.3	7.5	2.5	46.3	37.5		
8	The existing motivational practices has made me willing to increase the quality of work I do	frequency	3	15	3	36	23	3.76	1.172
		%	3.8	18.8	3.8	45	28.7		
9	In this organization both praise and appreciation are used to extract work from the employees	frequency	12	33	3	25	7	2.78	1.283
		%	15	41.3	3.8	31.3	8.8		

Source: own questionnaire 2016

With regard to respondents were satisfied and motivated with the way appraisal system is used to evaluate their performance the majority of respondents were disagree 28(35) percent, 12(15) percent were strongly disagree, 26(32.5) percent were agree, 11(13.8) percent were strongly agree and the rest 3(3.8) percent undecided. From this results the majority of respondents

disagree with performance appraisal system satisfies and motivate employees. Concerning the questions Performance Appraisal motivate respondents based on their performance in the company 40(50 %) of respondents were strongly disagree and disagree while 38(47.5 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. From this results out of 100% fifty percent were disagree with performance appraisal motivate employees.

As indicated in the above table supervisor recognized respondents when they do a good job 45(56.3 %) of respondents were strongly disagree and disagree while 33(41.3 %) of respondents were in the agreement level. The rest of 2(2.5 %) of respondent was responded that as undecided level. As the results shows out of 100% 56.3% were in disagreement level, supervisor recognized when employees do a job.

As shown in the above table respondents feel that their job performance is fairly evaluated disagree 31(38.8) percent, 24 (30%) in the agreement level, 9(11.3) percent were strongly agree) 13(16.3) percent of respondents were strongly disagree, and 3(3.8 %) were undecided. From this results the majority of respondents in disagreement level. This shows job performance of the employees not evaluated fairly. Concerning the questions that existence of recognition for good work, has given respondents an opportunity to work beyond the requirements of their job 37(46.3 %) of respondents were strongly disagree and disagree while 39(48.8 %) of respondents were in the agreement level. The remains 4(5 %) of respondent was responded that undecided level. From this result the majority of respondents in agreement level that means the existence of recognition for good work, had given to respondents an opportunity to work beyond the requirements of the employees job performance.

With regard to respondents think that motivation and performance had strong relationship 7(8.8 %) of respondents were strongly disagree and disagree while 69(86.3 %) of respondents were in the agreement level. The rest of 4(5%) of respondent was responded that as neutral level. As summarized in the above table out of 100 percent 86.3 percent in agreement with performance appraisal and motivation had strongly relationship. Concerning with think that high performance lead to higher levels of motivation 11(13.8 %) of respondents were strongly disagree and disagree while 67(83.8 %) of respondents were in the agreement level. The rest of 2(2.5%) of respondent was responded that as neutral level. From this the majority of respondents believed that high performance lead to higher levels of motivation.

As indicated in the above table the existing motivational practices has made respondents willing to increase the quality of work they do 18(22.6 %) of respondents were strongly disagree and disagree while 59(73.7 %) of respondents were in the agreement level. The rest of 3(3.8%) of respondent was responded that as undecided level. The majority of respondents agree with motivational practices has made respondents willing to increase the quality of work they do.

As shown in the above table both praise and appreciation are used to extract work from the employees in the organization disagree 33(41.3) percent, agree 25(31.3) percent, strongly disagree 12(15) percent, strongly agree 7(8.8) percent and the rest of respondents answer neutral (3.8) percent. This indicated majority of respondents disagree with both praise and appreciation is used to extract work from the employees in the organization.

When the human resource manager interviewed about how they conduct performance appraisal and its basis, actually the company do not have a good performance appraisal system, but employees and management have a good working relationship. There is orientation and guidelines of performance appraisal but the company did not follow properly.

With regard to performance appraisal process plays an important role; as I think Performance appraisal did not play an important role in the company. Because performance appraisal not just reveal about the employees performance. With concerning about a good performance appraisal will make sure that their workforces are aware of the company goals and objectives and it makes them work hard to achieve it. This increases the employees' self-esteem level.

With regard to performance appraisal waste a time, no definitely I do not agree to that. Performance appraisal cannot be a waste of time instead this system if properly used and utilized will help the employees to become more hard working and will make them realize their career advances. But if performance appraisal do not met the target it can be waste time of the company and employees'.

Concerning about the successful of performance appraisal can be called as successful when employees understands what the appraisal questions all about and how are they related to his/her daily work, answer them accordingly and the manager must ask questions based on the appraisal forms.

CHAPTER FIVE

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

Introduction

In this section, the researcher provides a discussion on the findings of the research in relation to the literature review. The summary, conclusion and recommendations in regards to the effect of performance appraisal on employee motivation are comprehensively discussed with the specific research objectives.

5.2 Summary of the findings

After gone through the analysis an interpretation obtained from the questionnaire and interviews the researcher come with the following summary:-

- ✚ Performance rating was not based on how well employees were doing.
- ✚ The managers did not discuss regularly with employees about job performance.
- ✚ Most of the recent rating that employees received did not based on their activities at work time.
- ✚ The respondents did not clearly understand the purpose of performance appraisal process. This shows that Performance appraisal did not identify performance problems to improve employees' productivity and motivation.
- ✚ Performance appraisal processes were not encouraging employees of the company.
- ✚ Performance appraisal systems of the company did not help to improve their job performance.
- ✚ Most of the employees were not satisfied with the bank's performance appraisal method.
- ✚ The Managers did not know how to appraise the employees.
- ✚ The managers/supervisors were not having high capacity to manage the employees.
- ✚ Majority of the employees did not accept that the raters helped them to understand what they need to do to improve their performance.
- ✚ The raters did not based on reasonable expectations and on the other hand the supervisors did not based on the fair perception about employees' job performance.
- ✚ The rater did not play a significant role in employees' motivation.
- ✚ Performance appraisal did not reflect objectively the employees' performance.
- ✚ The manager did not have reasonable expectations from the employees' at work place.

CONCLUSION

The general objective of the study was to determine the effect of performance appraisal on employee motivation using a survey questionnaire in oromia international bank. The study was guided by the following specific objectives: to assess the process and methods of performance appraisal used at OIB S.C, to identify employee's perception on performance appraisal, and employee motivation, and to investigate the influence of performance appraisal on employees' job performance in Oromia International Bank Share Company.

The study adopted a descriptive research design. The research survey was conducted among 80 employees including department heads and four branches, a total of 80 employees responded resulting in a 100% response rate. Both qualitative and quantitative research methods through semi-structured interviews and close ended questionnaires were analyzed to get an in-depth view about the problem. Performance rating was not based on how well employees were doing, the managers did not discuss regularly with employees about job performance, and most of the recent rating of the employees received were not based on their activities at work time, performance appraisal processes were not encouraging employees of Oromia International Bank, performance appraisal systems did not help to improve their job performance, the employees were not satisfied with the bank's performance appraisal method, the raters did not help majority of the employees to understand what they need to do to improve their performance, performance appraisal did not reflect objectively the employees' performance and the employees were not satisfied with performance appraisal system and motivation.

Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions. The performance appraisal identifies performance problems to improve employee productivity and motivation.

5.3. RECOMMENDATIONS

- ✓ The company's performance rating should be based on how well employees are doing.
- ✓ The company managers should discuss regularly with employees about job performance.
- ✓ The company performance rating should be based on activities and reasonable expectations of the employees.
- ✓ The company should give orientation for employees about the purpose of performance appraisal process. Because if employees know about the purpose of performance appraisal they inform its administrative purpose of the performance appraisal such as basis his/her promotion, pay increase, transfer or reassignment, and termination. Also performance appraisal used as individual's improvement or developmental purpose.
- ✓ Performance appraisals should identify performance problems to improve employees' productivity and motivation. Actually, performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees and performance appraisal is a motivation for the employee, who performs well in the present to go on doing so and in the future.
- ✓ Performance appraisal process should encourage employees of the company. Because performance appraisal is to provide motivation to our employees to improve the way they work individually for developmental purposes, which in turn will improve organizational productivity overall.
- ✓ Performance appraisal systems should help to improve employees' job performance.
- ✓ The company should choose appropriate performance appraisal methods which satisfy their employees' needs. Like management by objective (MBO) method which managers and employees jointly set objectives for the employees, periodically evaluate performance, and reward according to the results.
- ✓ The company should assign managers/supervisors who have the knowhow and capacity to appraise the employees.
- ✓ The managers/supervisors should play significant role and help employees the way to understand what they need to do to improve their performance and career development.

- ✓ The company's performance appraisal should reflect objectively the employees' performance. Supervisor in the evaluation process should not be subjective and avoid lack of consistency in effect on different groups of employees.
- ✓ The organization should use both praise and appreciation to extract work from the employees. As a company makes employees feel praise and appreciation in the achievement of the organization's objectives, this makes increase organizational productivity.

5.4 RECOMMENDATIONS FOR FURTHER STUDIES

The current study investigated on the effect of performance appraisal on employee motivation in Oromia International bank Share Company. The researcher recommends that future can apply the same research objectives to determine the effect of performance appraisal on employee motivation in public and private banks.

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**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

Questionnaire to conduct Research on Performance

Appraisal Practices of Oromia International Bank S.C

Dear respondent,

I thank you very much in advance for your willingness to spend some of your valuable time to respond to this survey questionnaire. Your genuine reply helps in assessing the effect of performance appraisal on employee's motivation in Oromia International Bank S.C. The researcher would like to emphasize that this study primarily will be used for academic purpose as partial fulfillment of the Degree of Master in human resource management and secondly the recommendation of the finding will be provided to the management and non-management of **Oromia International Bank S.C** in order to use the finding and recommendation as input to design better employees' performance appraisal system. Moreover, the researcher believes that the final paper will serve as a reference in future studies of similar nature.

I would like to assure you that your response will be treated strict confidentially and will be used only for the purpose of this research and be presented in aggregate without being revealed individual respondent's response. The survey questionnaire contains about three related parts: the first part deals about respondents' demographic information; the second and the third parts are general question regarding employees' performance appraisal practice in the corporation.

Finally, you are kindly requested to return the questionnaire by answering every possible item at your earliest time.

Robson Kejelcha Atomsa: Tel. No +251919644596

E- mail: rkejelcha@gmail.com

Thank you for your co-operation in advance

NO	Performance Appraisal Practices	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	My performance rating is based on how well am I doing	1	2	3	4	5
2	My manager discuss regularly my job performance with me					
3	The most recent ratings I received are based on many activities I am responsible for at work.					
4	I clearly understand the purpose of performance appraisal process					
5	Performance appraisal identifies performance problems to improve employee productivity and motivation.					
6	Performance appraisal process encourages co-operation					
7	The performance appraisal system has helped improve my job performance					
8	I am satisfied with the way the performance appraisal system is used to set my performance goals for each rating period					
9	I am satisfied with the bank's performance appraisal method					

Section II: perception of employees on performance appraisal

The study aims to investigate the effect of performance appraisal perception on employee motivation. Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree and 5 = strongly agree. Put (√) which best describes your opinion of the statement.

NO	Perception of employees on performance appraisal	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	Managers know enough to appraise me.	1	2	3	4	5
2	Managers set targets more clearly					
3	The rater helps me understand what I need to do to improve my performance					

4	My manager/supervisor has reasonable expectations from my work					
5	My manager gives me fair feedback					
6	I feel proud to work for my company					
7	My job is fulfilling my needs					
8	My manager/supervisor is highly capable as manager					
9	Performance management can help people understand the organization's strategic priorities					
10	My manager plays a significant role in my career development					

Section III: impact of Performance Appraisal on Employee Motivation

The study aims to investigate the impact of performance appraisal on employee motivation. Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree and 5 = strongly agree. Put (√) which best describes your opinion of the statement.

NO	Impact of Performance Appraisal on Employee Motivation	Strongly disagree	disagree	Neutral	Agree	Strongly agree
1	My manager provides me with fair feedback.	1	2	3	4	5
2	My ratings are based on reasonable expectations from my work.					
3	The ratings adequately reflect my performance.					
4	My supervisor has fair perception about my job performance.					
5						
6	My rater plays a significant role in my motivation.					
7	My manager/supervisor is highly capable to rate my performance.					
8	Performance appraisal reflects objectively my performance					
9	I receive correct feedback on my performance					
10	My manager has reasonable expectations from my work.					

Section IV: The practice of performance appraisal on employee motivation

The study aims to investigate the practice of performance appraisal on employee **motivation** on employee motivation. Indicate the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree and 5 = strongly agree. Put (√) which best describes your opinion of the statement.

NO	The practice of performance appraisal on employee motivation	Strongly disagree	disagree	Neutral	Agree	Strongly agree
1	I am satisfied and motivated with the way appraisal system is used to evaluate my performance	1	2	3	4	5
2	Performance Appraisal motivate you to perform well in the company					
3	My supervisor recognizes me when I do a good job.					
4	I feel that my job performance is fairly evaluated.					
5	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
6	I think that motivation and performance have strong relationship					
7	I think that high performance lead to higher levels of motivation					
8	The existing motivational practices has made me willing to increase the quality of work I do					
9	In this organization both praise and appreciation are used to extract work from the employees					

Semi-Structured Interviews of HR Managers head office of OIB S.C

1. As the head of the department how do you conduct performance appraisal and on what basis?
2. Do you think the performance appraisal process plays an important part in a company?
3. According to you what can a good Performance Appraisal do for the organization?
4. Do you think conducting a performance appraisal is a waste of time?
5. Are you motivated when your performance appraisal is conducted?
6. What makes a successful Performance Appraisal?
7. Do you think performance appraisal should be linked to pay and bonus?
8. Do you think Performance Appraisal is an integral part of the company's success?
9. According to you why do you think that employees are not interested in performance appraisal?
10. Is the bank use appropriate performance appraisal method?

Thanks for your valuable participation