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THE IMPACT OF PERFORMANCE APPRAISAL ON EMPLOYEE JOB SATISFACTION: THE CASE OF THE ETHIOPIAN INSURANCE CORPORATION.

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A RESEARCH PROJECT IS SUBMITTED TO ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF COMMERCE, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE MASTER'S DEGREE IN BUSINESS LEADERSHIP (MBL).

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JUNE, 2023

ADDIS ABABA, ETHIOPIA

Declaration

I, Milkessa Damile Bakala, have carried out a research project titled "The Impact of Performance Appraisal on Employees' Job Satisfaction: In the Case of Ethiopian Insurance Corporation" independently in partial fulfilment of the requirements for the Master of Degree in Business Leadership with the close advice, support, and guidance of my advisor at Addis Ababa University's College of Business and Economics, School of Commerce.

I assure you that this research project is my own original work and has not been submitted for academic purposes at this or any other university, and that all sources of material used for the research project have been properly acknowledged.

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Certification

This is to certify that the research project work submitted by Milkessa Damile Bakala, titled "The Impact of Performance Appraisal on Employees' Job Satisfaction: In the Case of Ethiopian Insurance Corporation," and submitted in partial fulfilment of the requirements for the Master of Degree in Business Leadership, is his original work and is fit for the submission of the award of the Master of Degree in Business Leadership.

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Acknowledgement

First and foremost, I would like to thank the Almighty God for giving me his strength in my life in general and in the achievement of this research paper in particular.

Secondly, I would like to acknowledge the support and guidance provided by my advisor, Seifu Mamo (PhD), in the development of my research proposal and throughout the research process, for his tireless proactive guidance, support, and comments from the beginning to the culmination of this research paper. This work would not have been possible without his guidance and support.

I would also like to extend my appreciation to the management and staff of the Ethiopian Insurance Corporation for their participation and willingness to participate in this study and share their experiences. Without their contributions, this study would not have been possible.

Finally, I appreciate the encouragement and support from my family and friends throughout the course of this research project.

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List of Acronym

- **EIC** – Ethiopian Insurance Corporation
- **HR** – Human Resource
- **HRM** – Human Resource Management
- **PA** – Performance Appraisal
- **PAP** – Performance Appraisal Process
- **PAS** – Performance Appraisal System
- **SPSS**-Statistical Package for Social Science

Abstract

An effective performance appraisal process may help an organisation move in the right direction, while an ineffective performance evaluation system can trouble it by causing uncertainty and confusion from top management to the lowest levels of the organisation. Without determining whether the performance appraisal method affects employee job satisfaction, organisations have continued to use it. The Ethiopian Insurance Corporation conducts performance appraisal for its employees using the objective approach, which focuses on individual goals and objectives but does not assess the skills and abilities required of the employee to perform their duties. However, this is not an appropriate use of performance appraisal system, because the main outcome of this system is the determination of the appropriateness of the pay increase. The objective of this study was to investigate the impact of performance appraisal process on employee job satisfaction at the Ethiopian Insurance Corporation. The study focused on EIC staff based in Head office. Explanatory research design was used to interpret the findings and use quantitative methods to test hypotheses. Both primary data was used and collected from 205 employees who were selected through stratified sampling approach. Data was collected through a structured questionnaire consisting of multiple-choice and likert-scale questions. The data was analysed using both descriptive and inferential specifically the mean score, standard deviation, Pearson correlation, and linear regression analysis tests were used. The findings were presented using charts and tables. The findings indicated that majority of the employees are not satisfied with current performance appraisal process, however there is a lack of job satisfaction. Employees were found to be more satisfied with their jobs when the appraisal system was perceived to be fair and transparent, provided constructive feedback, and provided opportunities for growth and development. The study found that 53.2%, of variation in employee job satisfaction is explained by performance appraisal process where as 46.8% of variance is explained by other factors. The staffs are not satisfied because the management does not use the performance appraisal to determine salary increments, rewards, promotions, fringe benefits, training needs and career growth opportunities. In conclusion the findings have indicated a positive and significant relationship between performance appraisals and job satisfaction. Based on the study result, it is recommended that organisations adopt an effective appraisal process that focuses on employee development and growth to improve job satisfaction.

Key words: *Performance Appraisal, Employee Job Satisfaction.*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Organisations set targets and goals that they work towards achieving. Targets and goals set by organisations serve as yardsticks for measuring success. Management sections of organisations are tasked with employing techniques and expertise in efficiently planning, organising, directing, and controlling operations to achieve set targets and goals. Employees' day-to-day performance is linked to the goals and targets that the organisation establishes. Human resource management (HRM) is concerned with the management of an organisation's workforce. They are responsible for the recruitment and retention of good employees, as well as the training and development of employees to boost their productivity and efficiency, enhance their satisfaction, and ultimately promote the overall success of the organisation (Paauwe & Boon, 2009). Performance appraisal is a vital component of a broader set of human resource practises because it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals and targets that the organisation establishes (Coutts & Schneider, 2004). The performance appraisal, also known as a formal system, is used to evaluate an employee's performance relative to their job responsibilities (Mondy & Mondy, 2014). Performance appraisal has increasingly become part of a more strategic approach to integrating human resource activities and business policies, which can be seen as a generic term covering a variety of activities through which organisations seek to assess employees and develop their competence, enhance performance, and distribute rewards (Fletcher, 2001). As part of the performance appraisal process, the employee's performance will be compared against standards that human resource management has already established for completing that particular job description. It is a continuous process that identifies, evaluates, and improves employee performance in the workplace. Practises included in this process include determining an employee's strengths and shortcomings, giving them feedback on a regular basis, and providing career development opportunities. Performance appraisal is the process of assessing an individual employee's performance and how it can be improved to contribute to the overall organisation's performance (Grubb, 2007).

The performance appraisal system is the yardstick for measuring employee, department, and organisation achievements and evaluating performance gaps through various tools and techniques. The competency, skills, and knowledge gaps are also identified through this process, which can be improved by providing guidance, training, coaching, and mentoring to employees or teams at different levels and designations. Performance management reviews, feed-

back, and forms should be documented and maintained periodically by every organisation. This process can be applied to a single department or to the whole organisation. Therefore, managing employee performance is the ultimate need of an organisation.

Performance appraisal systems are also described as full of errors (Cardy, 1998). The strategy of a company as a whole and other human resource-related factors are significantly influenced by the performance appraisal system. The foundation for ensuring success in employee-related topics, such as selection, training, and employee motivating practises, is laid by performance appraisal effectiveness. Recent studies show that performance reviews have a positive effect on businesses and also highlight the necessity for performance appraisal systems to be clearly understood by employees and their aims stated to them. Despite its advantages, performance evaluation is regarded as one of the most difficult aspects of human resource management.

Performance appraisal is an important tool for evaluating the performance of employees in organisations. It is a systematic way of assessing an individual's performance against established objectives and standards. The objective of performance appraisal is to improve the efficiency and productivity of the organisation by identifying and addressing the strengths and weaknesses of employees.

Employee job satisfaction is a critical factor in the success of any organisation. Job satisfaction refers to job performance and providing employees with feedback on areas where they excel and areas where they need improvement. The process aims to improve employee productivity, enhance overall company performance, and keep employees motivated in their jobs. On the other hand, a measure of how content an employee is with their current job situation, including the work environment, job tasks, and overall compensation and benefits. A high level of employee job satisfaction can lead to increased employee retention and productivity.

The impact of performance appraisals on employee job satisfaction has been a topic of interest in the field of organisational behaviour for many years. Research suggests that employees who perceive performance appraisals as fair and accurate tend to have higher levels of job satisfaction. However, there is also evidence to suggest that poorly conducted performance appraisals can have a negative impact on employee satisfaction and motivation.

Thus, this study aims to examine the relationship between performance appraisal and employee job satisfaction, specifically looking at how different aspects of the appraisal process, such as feedback quality, managerial support, clarity of role, rewards or penalties and perceived fairness, can impact employee satisfaction levels. Understanding this relationship can provide

valuable insights for organisations looking to improve their performance appraisal processes and increase overall employee satisfaction.

According to Robbin et al. (1998), employee performance is moderated by the personality, values, attitudes, and abilities of the individual, which in combination affect their perceptions and motivation and ultimately influence employee performance. They go on to argue that emphasising biographical factors like seniority, age, and gender does not offer precise, solid evidence of relationships to better performance and job satisfaction. However, they caution that even the most skilled employee may not perform or be satisfied with their job, so they recommend a multifaceted approach to improving and maintaining job satisfaction if long-term results are expected. They stress the importance of employees having the necessary skills and abilities to perform their duties. Without determining whether the performance assessment method affects employee job satisfaction, organisations have continued to use it. The objective approach is used by the Ethiopian Insurance Corporation to evaluate the performance of its employees. This method concentrates on personal goals and objectives without evaluating the skills and talents necessary for the employee to carry out their job. However, Fisher (1997) argues that this is not an appropriate use of the performance appraisal system because the main outcome of this system is the determination of the appropriateness of the pay increase.

1.2 Background of the Corporation

This research project was conducted at the Ethiopian Insurance Corporation (EIC) in Addis Ababa, Ethiopia. Ethiopian Insurance Corporation was established in 1976 by proclamation No. 68/1975. The corporation came into existence by taking overall the assets and liabilities of the thirteen nationalised private insurance companies, with birr 11 million in paid-up capital, aiming to engage in all classes of insurance business in Ethiopia and ensure the insurance services reach the broad mass of the people, subject to the provisions of Article 18 of the Housing and Saving Bank Establishment Proclamation No. 60/1975, and promote efficient utilisation of both material and financial resources.

EIC operated the business for about nineteen years under a protected monopolistic system as a state-owned sole insurer. After the demise of the Marxist regime in mid-1991, Fundamental change has taken place, and there has been a shift in political, economic, and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as a public enterprise under proclamation number 201/94 with a birr 61 million paid-up capital.

Upon the re-establishment of the corporation in 1994 as a state-owned enterprise, the law covers the following new objectives for the corporation: engaging in the business of rendering

insurance services and engaging in any other related activities conducive to the attainment of its purpose.

Brought Dynamism and Innovation to the Insurance Sector in Ethiopia and Unique to the Ethiopian Insurance Industry by Service Delivery Standards, Excellent Service Delivery Supported by High Tec, targets corporate clients, introduced innovative products and services to customers, innovation and technology, and convenient service hours.

EIC gives more priority to performance appraisal, which is known as the most critical HRM tool to evaluate the employee's performance appraisal based on job performance at the workplace where the employee can satisfy the particular job description and which motivates the workforce to achieve the organisational goals and targets. EIC also centralised a system of performance appraisal, which can help them identify an existing problem clearly, improve the employee's performance at the workplace, and increase their motivation through clearly stating their role in the organisation, rewards (promotion) or penalties, and feedback and recognition systems.

1.3 Statement of the Problem

Several companies in Ethiopia face the same issue of highly qualified and inspired employees leaving their jobs. According to exit interviews conducted at many different companies, the main issue is leavers' dissatisfaction with pay and various administrative problems. Performance appraisal practises of the organisations highly contribute to the issues. Many organisations experience low productivity despite their acclaimed, effective performance appraisal system (Armstrong, 2006).

Employees and supervisors are not in favour of the performance review procedure or its fairness. Managers and subordinates have voiced their discontent with the performance review procedure due to its lack of efficacy (Ekpe et al., 2013; Kim & Holzer, 2016). Despite the fact that fairness perceptions have been implemented worldwide (Monsur & Akkas, 2015), management researchers still face a problem in this regard (Kromrei, 2015; Stepanovich, 2013). Focusing on performance evaluation is crucial since it may influence employees' attitudes and behaviours, which might result in improved outcomes and increased workplace pleasure for all parties. (Dzansi et al, 2016). Ineffective performance assessment systems are one of the factors that might impair job satisfaction.

To make just judgements, the assessment system's methodologies need to be dependable and legitimate. When a method is used incorrectly, it causes several unnecessary issues for businesses. It is practically possible to use performance ratings to make major decisions for promotion, demotion, pay raise or pay cut, etc. if the system is not based on effective perfor-

mance measurement, this will gradually lower the performance and effectiveness of the entire organisation. Performance appraisal is viewed and conducted solely in terms of its evaluative aspect, thereby overlooking its use for facilitating growth and development in workers through training, coaching, counselling, and feedback of appraisal information (Asamu, 2013).

Performance appraisal is said to encourage teamwork, encourage employee loyalty, and have a positive impact on other human resource (HR) responsibilities related to employee motivation. The human resources department's policies and procedures must assist the company in retaining qualified, enthusiastic, and competent employees. Performance appraisal is an essential human resource management practise implemented across various industries worldwide, including the insurance sector. The primary purpose of performance appraisal is to evaluate employee performance and provide feedback to improve their job performance and organisational effectiveness. However, the impact of performance appraisals on employee job satisfaction in the insurance industry is not well understood. Thus, the problem is to determine the effect of performance appraisal on evaluating the performance levels of employees, measuring their achievements, and identifying areas for improvement.

While there is significant research acknowledging the importance of performance appraisal, there remains a lack of research investigating the impact of performance appraisal on employee job satisfaction in the insurance industry. The insurance industry is a highly competitive industry, and its success relies heavily on the performance and productivity of its employees. Ethiopian Insurance Corporation (EIC) has mentioned that the performance appraisal should be conducted once per year in the month of June for all employees in positions of junior employee, senior employee, and principal customer care employees who are at management level but are not involved in any of the performance appraisal processes, excluding directors of the departments and top-level management.

However, there is limited research investigating knowledge gap the relationship between performance appraisal and employee job satisfaction in this corporation. Therefore, this study aims to fill this gap by exploring the impact of performance appraisal on employee job satisfaction in the case of Ethiopian Insurance Corporation. The results of this study will provide valuable insights into the effectiveness of performance appraisal in improving employee job satisfaction in the corporation. These findings will be useful to corporations, human resource managers, and policy makers in developing appropriate strategies to improve employee job satisfaction and productivity in the Ethiopian Insurance Corporation to achieve the corporation's vision of becoming world-class insurers in 2025.

To the best knowledge of the researcher, there has not been any study conducted in the Ethiopian Insurance Corporation that investigated the impact of performance appraisal on employee job satisfaction, and filling this gap is believed to be the main contribution of this research.

1.4 Research Questions

In light of the above-mentioned statements, the study is intended to answer the following:

1. What is the relationship between performance appraisals and employees' job satisfaction?
2. What is the level of impact of performance appraisals on employees' job satisfaction?
3. What type of performance appraisal practice is applied to employees of EIC?

1.5 Objectives of the Study

The general and specific research objectives of the study are present below.

1.5.1 General Objective

The study's general objective is to investigate the impact of performance appraisal on employees' job satisfaction at Ethiopian Insurance Corporation (EIC).

1.5.2 Specific Objectives

The study's has the following specific objectives;

1. To determine the relationship between performance appraisal and job satisfaction in EIC.
2. To find out the degree of impact performance appraisal process on employee job satisfaction in EIC.
3. To assess the practice of performance appraisal of EIC.

1.6 Developed Research Hypothesis

Null Hypothesis (H0):

- There is no significant relationship between performance appraisals and employee job satisfaction in Ethiopian Insurance Corporation.

Alternative Hypothesis (H1):

- There is a significant relationship between performance appraisals and employee job satisfaction in Ethiopian Insurance Corporation.

To test the hypothesis, the researcher conducted a study where they measured levels of job satisfaction after the performance appraisal process. The researcher then uses a statistical thesis: There is a significant impact of performance appraisal on employee job satisfaction.

This hypothesis suggests that performance appraisal has a significant effect on employee job satisfaction, indicating that employees who undergo regular performance reviews and receive

feedback about their performance are more satisfied with their jobs than those who do not receive such reviews and feedback. The alternative hypothesis is supported by the theoretical perspective that suggests that the performance appraisal process helps employees understand how they are performing, what their strengths and weaknesses are, and how they can improve their performance. This understanding, in turn, can lead to increased job satisfaction, motivation, and commitment towards work. To test these hypotheses, the research collected data on employees' job satisfaction, the performance appraisal process, and how they engage with their work.

1.7 Significance of the Study

This study makes a significant contribution to our understanding of the relationship between employee job satisfaction and performance appraisal. The study is the first of its kind to investigate the impact of performance appraisal on employees' job satisfaction, with a focus on the Ethiopian Insurance Corporation. The study supports the growth of the insurance business sectors, which are crucial to the expansion of the economy. The insurance industry is one of the most successful techniques because it has the capacity to assume risks and offer safeguards to guarantee safety for financial losses suffered by both individuals and non-individuals as a result of natural and man-made catastrophes.

The findings and recommendations of the study have been vital for the human resource practitioners who design and administer employee performance appraisals to achieve organisational objectives, tackle the problem of employee performance appraisals, and increase employee job satisfaction. The study aids in the conclusion and formulation of recommendations on the issues by providing other researchers who wish to do research on similar or related themes with a reference or set of guidelines.

1.7.1 Practical significance of the study

Performance appraisal provides employees with feedback from their HRM, which can help to identify areas of strength, weakness, and opportunities for growth. This feedback can increase employees' self-esteem and confidence, which will increase their level of job satisfaction. Additionally, performance appraisal also recognizes employees' efforts and accomplishments, boosting their sense of pride and job satisfaction. Performance appraisal can be motivating for employees, as it sets clear expectations, goals, and objectives for their work. When employees know exactly what they are expected to do, they are more likely to be motivated to do it, which can enhance job satisfaction. Performance appraisal can help align employees' goals with the organization's objectives and provides employees with opportunities for learning and development.

1.7.2 Theoretical significance of the study

An employee will be more motivated to put out effort and perform at a high level, according to the expectation theory of motivation, if they think that their efforts will result in excellent performance, and good performance will result in rewards. Performance appraisal provides a link between effort, performance, and rewards. When employees receive performance feedback and recognition, they will be more motivated to continue putting in effort to achieve good performance, thus increasing job satisfaction. The Equity Theory suggests that employees compare their outcomes (e.g., salary, benefits, recognition) to their inputs (e.g., effort, skills, experience) with those of their co-workers. According to this theory, employees want to feel that their outcomes and inputs are comparable to those of their peers.

Performance appraisal has a direct impact on employee job satisfaction, as it is a key factor in determining an employee's experience, and compares them to others in similar situations to determine if they are being treated fairly. This can be applied to the impact of performance appraisals on employee job satisfaction in the following ways:

Fairness in evaluation: If employees perceive that their performance appraisal is fair, objective, and based on their actual job performance and contributions to the organisation, they are more likely to experience satisfaction. However, if they perceive that appraisal as biased, subjective, and based on personal preferences, they are more likely to experience dissatisfaction.

Perceived equity of outcomes: If employees believe that the outcomes of performance appraisal (e.g., salary increments, promotions, bonuses) are consistent with their inputs (e.g., effort, skills, experience) and are comparable to others in similar situations, they are more likely to experience satisfaction. However, if they perceive that the outcomes are unequal or unfair, they are more likely to experience dissatisfaction.

Recognition and feedback: Employees who receive positive recognition and feedback for their performance are more likely to experience job satisfaction. On the other hand, employees who receive negative feedback or who feel that their performance is not acknowledged or appreciated are more likely to experience dissatisfaction.

Overall, the equity theory suggests that performance appraisals can have a significant impact on employee job satisfaction. Employees who perceive fairness in evaluation, perceive equity in outcomes, and receive recognition and feedback are more likely to experience job satisfaction. Therefore, it is important for organisations to design and implement fair and transparent performance appraisal systems to ensure employee satisfaction and retention.

The theory explains relational satisfaction in terms of perceptions of fair and unfair distributions of resources within interpersonal relationships. The equity theory deals with a ratio of inputs to outcomes. The contributions made by an employee are referred to as inputs," and what the organisation gives in return is referred to as outcomes. The equity theory compares the ratio of inputs to outputs of relational partners and is often concerned with maintaining justice in the allocation of resources within an organisation. This study compares the job satisfaction of employees with the elements from the studied literature, including the fairness of the appraisal system, the reflection of employee performance in incentives like promotions, and providing feedback and clarity of role to all employees.

1.8 Definition of Terms

1. Performance Appraisal: It is a systematic, periodic, and, as far as humanly possible, impartial rating of an employee's excellence in matters pertaining to his potential for a better job (Flippo1984). Performance appraisal is a systematic process of evaluating an employee's job performance and productivity. It involves setting clear job expectations and goals, providing regular feedback on progress, and assessing whether the employee has met or exceeded expectations. The purpose of performance appraisal is to help employees understand their strengths and areas for improvement, provide guidance and support for career development, and identify opportunities for training and development. Performance appraisal also provides a basis for making decisions. Performance appraisal can be studied to determine its effectiveness in improving employee performance, motivation, and job satisfaction.

2. Performance Appraisal Process: As per DeCenzo (2010), the appraisal process involves the establishment of performance standards in accordance with the organisation's strategic goals. Communicate expectations, Measure actual performance, Compare actual performance with standards, discuss the appraisal with the employees, and initiate corrective action. Employee performance and job satisfaction are directly influenced by the performance appraisal process used (Chandhana & Easow, 2015). Using the appraisal process, managers can provide feedback on their employees' strengths and weaknesses, uncover individual training requirements, pinpoint performance gaps, gauge the effectiveness of their workforce, and lower the number of employee grievances (Hauck, 2014).

3. Job Satisfaction: This is the feeling of the employee towards the job they do with regards to the conditions of work and the rewards accrued (Armstrong, 2006). Job satisfaction refers to an individual's overall feelings and attitudes towards their job. It encompasses various aspects of the job, such as the work environment, relationships with colleagues and supervisors, workload, compensation, opportunities for growth and development, and the level of autono-

my and control over one's work. Broadly speaking, job satisfaction can be defined as the emotional and cognitive responses that an individual has towards their job based on their experiences and expectations. It is a complex and multifaceted construct that can influence an individual's well-being, motivation, performance, and retention in the job. Job satisfaction is often measured using standardised questionnaires or scales that assess different dimensions of job satisfaction.

4. Feedback: It is the communication of the results of the appraisal to the subordinates so that they know their strengths as well as their weaknesses (Gupta, Sharma, and Bhalla, 1988).

5. Clarity of performance expectations: it shows the extent to which employees are familiar with the purpose and role of the performance appraisal. This will involve precision and clarity about the role that performance appraisal will play in shaping an employee's fate within the organisation and the performance appraisal process. (Brown, Haytt, and Benson 2010)

6. Fairness of performance appraisal process: Employees want to be treated fairly throughout the performance appraisal process, as this is considered to have an effect on the quality of the results of the process. (Fortin, 2008)

7. Reward: refers to the positive outcomes or benefits that an individual derives from their work, Depending on their performance appraisal rating, such as pay raises, promotions, bonuses, or recognition, which contribute to their overall satisfaction and fulfilment in their job role. It encompasses various elements that are valued by employees and can significantly impact their motivation, engagement, and loyalty.

1.9 Scope of the Study

The study was geographically limited to employees who are working at the head office of the Ethiopian Insurance Corporation and covered the views of management-level staff who are not involved in the performance appraisal process and non-management employees (junior and senior staff) of the corporation. The research does not include other elements of the corporation's human resources management programmes. As the sampling technique, the study was delimited to proportionate stratified sampling techniques. To conduct the study, primary data was used. In order to collect the data, self-administrated questionnaire was employed.

1.10 Limitation of the Study

This research project aims to investigate the impact of performance appraisal on employee job satisfaction within the context of the Ethiopian Insurance Corporation. The results of this study cannot be generalised to the whole insurance sector because it was done within a single insurance company. The other limitation of the study was that it only relied on self-

administered questionnaires to collect data from respondents, which raised the possibility that respondents could not have given honest responses that accurately reflected the events that actually existed at the time. Some employees' carelessness and hesitation during the data gathering procedure might have an impact on the study's findings. The study's major limitation is the exclusion of other employees who work out of the head office.

While we focus on the impact of performance appraisals, we acknowledge that employee job satisfaction can be influenced by various external factors. It's not try attempt to control for these factors through statistical analyses and by considering potential confounding variables, such as organisational culture, leadership, compensation, and work-life balance.

By doing so, this study will contribute to a more accurate understanding of the impact of performance appraisal on employee job satisfaction within the specific context of the Ethiopian Insurance Corporation, while also providing insights for future research in this area.

1.11 Organization of the Research Report

The piece of writing is divided into five chapters. The introduction to the study topic is covered in the first chapter. The second chapter reviews the literature reviews put forward by numerous researchers in the fields of performance appraisal and HRM. The selected methodologies are explained and justified in the third chapter. The analysis, discussion, and results are detailed in the fourth chapter. In the fifth chapter, recommendations, a summary, and a conclusion were provided. References and annexes are provided at the end of the chapter.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Theoretical review of the study

Performance appraisals of employees, which are typically scheduled annually or semi-annually, are one of the most important HRM practises and have been widely researched (Kamp Kotter, 2014). The HRM practise of performance appraisal has received extensive study in both developed and developing nations, and it is also acknowledged as a potent motivator. According to Boswell and Boudreau (2002), performance appraisals are used for a variety of reasons, such as promotions (rewards), clarity of roles, detailed and valuable feedback, and career progression. Aguinis (2007) defines performance appraisal as a continuous process through which the performance of employees is identified, measured, and improved in the organisation. This process involves a range of activities, like highlighting employee accomplishments, giving them periodic feedback, and offering possibilities for career development. By evaluating employee effectiveness, performance appraisal systems help the business achieve its goals and vision, i.e., recruitment, selection, training, and development (Jain & Garg, 2013).

2.2 Performance Appraisal and Purpose

Performance management represents a strategic and integrated approach that is geared towards delivering organisational success by improving the performance capabilities of both individuals and teams (Armstrong, 2005). Performance appraisal is considered to encourage employees in the subsequent performance cycle (Heneman & Wemer, 2005). Organisational performance appraisal increases employee accountability and productivity (Halachmi, 2002). It is widely accepted that performance appraisals are a valuable human resource management (HRM) tool that businesses use to measure and manage performance (Radebe, 2015). Performance appraisal is concerned with the clarification of employees' work expectations, helping with individual employee growth and the collective growth of the entire workforce, as well as ensuring that pay structure design incorporates performance. It ensures that employees have an awareness of how organisations expect them to perform in relation to organisational goals after their performances are evaluated (De Waal, 2004). This assertion of awareness creation, as mentioned by De Waal (2004), is in consonance with a finding by Gabris and Ihrke (2000), which states that the main aim of performance appraisal is the provision of periodic and formal feedback to individual staff members.

Wendy R. Boswell and John W. Boudreau (2002) make mention of two typical reasons for performance appraisal: evaluative and developmental purposes. According to Boswell and

Boudreau (2002), the evaluative function covers using performance appraisal for typical HR decisions like pay and salary administration, promotion, retention, termination, layoffs, giving employees the needed recognition, and identifying poor performance.

Boswell and Boudreau (2002) also describe developmental functions as geared towards improving individual employees by employing the use of appraisal to identify training deficits in employees, giving employees a clear perspective about what their strengths and weaknesses are, and providing employees with feedback about their performance.

As a formal organisational event, performance appraisal is undertaken for certain reasons. Malcolm and Jackson (2002) discuss three main reasons why performance appraisals are done. One of the reasons is what they term performance reviews. They characterise performance appraisal as a chance for managers to talk with their staff about how things are going in their present roles, their strengths, and any areas that need further work. Secondly, they mention reward reviews and describe them as usually separate discussions but linked to the appraisal system in which the manager communicates decisions on rewards such as pay, benefits, or promotion and provides feedback. Lastly, they discuss potential reviews, which represent discussions about employees' opportunities for progression and the type of work they will be fit for in the future and how this can be achieved.

According to Margulies and Murphy (2004), companies use performance appraisal for a variety of reasons, according to the researcher, including identifying particular behaviours or job performance that should be stopped or strengthened, acting as a coaching and employee development tool, determining whether the employee is ready for a promotion, and, finally, providing the foundation for awarding merit pay to employees based on their performance.

These objectives of the performance appraisal will improve the efficiency of an organisation by attempting to mobilise the best possible effort from the employees. With regards to clarifying reasons for performance appraisal, Young, L., and Jones (2007) assert that perceived reasons for appraisal will influence employees' attitudes towards performance appraisal irrespective of its intended purpose. They therefore suggest that there should be a clear purpose behind establishing performance appraisal, and it must be achieved.

2.3 Performance appraisal process

To enhance an organisation's overall performance, the performance appraisal process should concentrate on the advancement of both individuals and team members (Armstrong, 2009). It's a way to produce better outcomes by better understanding and controlling performance under desired goals, standards, and competencies. The performance appraisal process, as described by Weiss and Hartle (2000), is a method for building a common understanding of

what needs to be done, how to do it, and how to guide individuals to increase their chance of success.

Setting criteria that will be used as a standard to measure employee performance in the real world is a key component of the performance appraisal process. The criteria that will be used to determine if an employee's performance is successful or unsuccessful, as well as the extent to which they contribute to the corporate goals and objectives, must be established. These criteria must be precise, intelligible, and measurable. Organisations use performance reviews to reward and grow their human resources so they can function effectively.

It is the most difficult part of the performance appraisal process; it is a continuous process that involves monitoring performance throughout the year. After comparing the actual performance with the desired performance, the actual performance is compared with the desired or standard performance. The comparison shows the deviations in the performance of the employees from the standards set, which in turn is followed by discussing the results, and finally, decision-making is the last step of the process. Decisions are taken either-to improve the performance of the employees, take the required corrective actions, or make related human resource decisions like rewards, promotions, demotions, transfers, etc.

On the other hand, performance appraisal is susceptible to a variety of errors. However, although it is hard to eliminate rater errors, raters' awareness of them is important. Commonly made errors by raters like these: variations in standards: managers should avoid using different expectations and standards for staff that do the same or similar duties (Jakson, 2010). Supervisors' use of subjective weightings and vague criteria frequently results in these kinds of issues. The effect is what arises when a rater weighs recent events more heavily when assessing a person's performance. When rating someone's performance, the main influence occurs when the rater gives early data a significant amount of weight. An appraisal is considered inconsistent in the mean if all employees have mid-scale ratings that fall within the same narrow range. The error of leniency involves a sharp decline in average employee satisfaction (Jakson, 2010).

2.4 Principles of Effective performance Appraisal

A systematic performance an appraisal should be accurate and trustworthy. Wherever management has solved the obstacles to performance evaluation, the dependability and accuracy of the process are attained. There isn't a perfect assessment system in every organisation, but there are several systems that have specific traits that can make doing the appraisal more efficient. Whatever approach is employed, it is essential to comprehend what an assessment is meant to accomplish. The most crucial factor in a performance review is not the form or

method used, but rather whether managers and employees are aware of its goals and are able to get useful information from it (Ramasamy, 1998).

According to Ramasamy, 1998, to improve the effectiveness of the appraisal, management may take the following actions: Two raters each rate one employee separately. Then, a comparison is made to obtain an accurate rating; for effective performance appraisal, a separate department may be established; the positive aspects of an employee should be acknowledged; however, the negative aspects should not be overemphasised but may be hinted at; the standard for each job should be used for performance appraisal for each job in accordance with the nature of the job; and finally, the kind of job being performed should determine which specific printed forms should be utilised for each job's performance evaluation. Employees should feel confident as a result of the measurement and on-going personal observation of an employee.

The perfect performance appraisal system doesn't exist because all performance appraisal methods have their own limitations and negative impacts. According to Flippo (1984), the following are the characteristics of an effective performance appraisal system: Performance expectations: Prior to the assessment period, managers should make sure that employees understand the performance expectations. This enables the employees to direct their efforts and emphasis towards the expected performance level. Employee access to the result: An effective appraisal system should provide feedback to employees on how well or poorly they have performed on a continuing basis. Qualified appraisals: the evaluators should be well trained and given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisal interviews, and documenting approaches. Standardisation: employees in the same job category under the same supervisor and coordinator should be appraised using the same evaluation instruments, techniques, procedures, and work objectives. Due process: A formal procedure should be developed for the appraisal process, and it is vital to reduce employees' complaints and grievances. Performance should be job-related.

Employees react strongly to performance appraisal quality variations because these processes are a significant factor in determining whether they will receive promotions, rewards, demotions, or even lose their jobs within the company. As a result, employees are sensitive to changes in performance appraisal quality. Any organisation should incorporate the following four key performance appraisal system quality indicators in order to develop an efficient performance appraisal system that will increase employee job satisfaction: The first one is the clarity of performance expectations, which demonstrates the extent to which staff members are aware of the significance and function of the performance evaluation. This will entail be-

ing precise and transparent about the performance review process and its role in determining an employee's future within the company. Brown, Haytt, and Benson (2010)

The second indicator is the degree of communication between staff members and their managers, which identifies the chances for staff members to assess information and obtain supplies in combination with clarity regarding performance evaluation procedures, giving them the opportunity to exert some degree of process control. Additionally, giving an employee the ability to voice their opinions is valued by the company and confirms their membership in the group. Brown, Haytt, and Benson (2010)

Employees who believe their supervisor is competent and knowledgeable about their work tasks are more likely to view their performance appraisal experience favourably and trust their supervisor, according to the third indication. Additionally, when employees trust their management, they develop optimistic perspectives about that manager's intentions and believe that manager will act in their best interests. (Greenberg, 1986)

The fourth one is the fairness of the performance assessment process. Employees want to be treated properly throughout the process since it is thought that this will affect how well the outcomes turn out. (Fortin, 2008)

2.5 Stages in Performance Appraisal

The best performance appraisal systems are those in which the supervisor or manager makes an on-going effort to coach and monitor employees instead of leaving evaluation to the last minute. According to Gupta, Sharma, and Bhalla (1988), there are some stages in performance appraisal to make the appraisal more effective and appropriate. These stages are the following:

- 1. Establishment of performance standards:** The first stage involves the setting of performance standards, which serve as the basis for evaluating an employee's performance. These standards should be specific, measurable, achievable, relevant, and time-bound (SMART).
- 2. Communicating the performance expectations and standard to employee:** The performance benchmarks stage of performance appraisal is to establish clear and objective performance standards that are specific, measurable, achievable, relevant, and time-bound (SMART). These performance standards should be based on the job description and the organisational goals and should be communicated clearly to the employees. Once the performance standards are established, the next step is to communicate them to the employees. This involves explaining the expectations, goals, and objectives of the performance appraisal process to the employees clearly.
- 3. Performance measurement:** The third stage is to measure the performance of the employees against the established standards. This involves collecting relevant information or data about

the employees' performance through various methods, such as observation, self-evaluation, feedback from superiors, peers, and subordinates, and performance records.

4. Performance feedback: After measuring the performance, the next stage is to provide feedback to the employees about their performance. This involves giving them a clear and objective analysis of their strengths and weaknesses and suggestions for improvement. The feedback should be given in a constructive manner and should be based on the performance standards established earlier.

5. Performance review: The fifth stage is to review the performance of the employees based on their performance appraisal results. This review should be conducted periodically, usually annually, to evaluate the progress made by the employees towards achieving their goals and objectives.

6. Performance improvement: The final stage is to develop and implement a performance improvement plan for those employees who require further development in their job performance. This plan should be based on the strengths and weaknesses identified during the performance appraisal process and should include specific goals, objectives, and action plans for improvement.

2.6 Significance of Performance Appraisal

Knowledge of performance appraisal generally aids human resource managers and subordinates by providing feedback on their performance. The significance of performance appraisals in enhancing employee growth, performance, and organisational effectiveness

Performance appraisals play a critical role in the success of any organisation as they help identify employee strengths and weaknesses, provide a framework for employee development, align employee goals with organisational objectives, and ensure legal compliance. It is an important tool for promoting a positive work culture, improved communication, and employee engagement.

According to Megginston (1981), performance appraisal serves multiple purposes and has significant importance in organisations.

Firstly, performance appraisals provide the basis for decision-making related to promotion, salary increments, and rewards. It helps to identify high performers who can be groomed for higher responsibilities and also provides feedback to underperformers. Secondly, performance appraisals serve as a communication channel between employees and a basis for reward and recognition. By evaluating an employee's performance, the organisation can determine who deserves bonuses, promotions, or other rewards. This can motivate employees to improve their performance and contribute more to the organisation. Performance appraisals help identify training and development needs. By assessing an employee's strengths and weaknesses,

the organisation can identify areas where additional training and development are necessary. This can improve the employee's skills and knowledge, leading to better overall performance. Thirdly, performance appraisals can improve communication and feedback between employees and managers. Regular review meetings provide a platform for managers to provide constructive feedback on an employee's performance and discuss areas where improvements can be made. This can promote open and honest communication and improve overall collaboration and teamwork. Finally, performance appraisal also serves as the basis for personnel decisions such as promotions, terminations, and layoffs. By evaluating an employee's performance, the organisation can make informed decisions about career advancement and human resource management. Overall, Megginston's 1981, highlights the importance of performance appraisal in driving organisational effectiveness and improving employee performance, motivation, and development.

2.7 Methods of Performance appraisal

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 where they stand 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 used in performance appraisal: objective measures, which are directly quantifiable, and subjective measures, which are not directly quantifiable.

According to Daley (1992), there are various performance appraisal types used in different organisations. These include the objective technique, the graphic rating scale, and the trait rating scale, showing how they are applied in different organisations.

2.7.1 Management by objective Method

The objective technique, also known as management by objectives, is a process whereby employees and superiors collaborate to identify shared goals, the employees set their own goals to be met, the standards to be used as the yardstick for measuring their performance and contribution, and the employees decide the course of action to be taken. The essence of management by objective is participative setting, choosing courses of action, and decision-making. An important part of management by objective is the measurement and comparison of the employee's actual performance with the standards set.

Despite employee evaluation, management frequently decides to impose its standards and goals, which frequently demoralises employees. Daley (1992) argues that the advantage of the objective technique can be nullified through a misapplied or inappropriate appraisal interview. It can also lead to an entire organization's credibility being damaged, which has adverse consequences for productivity.

The key feature of management by objectives is that it fosters open communication with employees about their performance, allowing them to get feedback on their work and fostering superior and subordinate relationships through regular engagement. Management by objective means enhances the participation of subordinates and employees in managing their own affairs. On the other hand, there are a number of limitations to applying management by objective, some of which are: It is time-consuming. The reluctance of superiors to delegate authority and subordinates to accept authority for fear of accountability puts more emphasis on short-term objectives than long-term objectives, and its objectives could sometimes be too ambitious, which results in employee frustration. In general, management by objectives is particularly effective in some circumstances, such as when staff members and supervisor's exhibit flexibility and self-control in their jobs, but it may not be useful in various situations. To make it more effective, it is important to reduce its problems (Dessler, 2003).

2.7.2 Graphics Rating Method

This method comes in two different forms. The first form of this method involves a manager writing an essay about their perception of an employee's performance as a whole. It is important to note that nothing obligates the manager to justify anything within their assessment. The second form has the manager providing the employee with an evaluation using a range of adjectives like "above average; fair; or poor." He adds that the appraisal's topic of discussion may not necessarily be job-related.

This method presents each person's traits or attributes on a scale ranging from low to high. An employee's qualities, such as their quality and dependability, are shown together with the performance range for each on a visual grading scale.

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 rate, and applicable to a large number of employees. However, it has some limitations, like being exposed to rater biases and limited feedback. Due to these factors, employees may sometimes complain about the results (Dessler, 2003)

2.7.3 Trait Rating Method

This method's focal point is a list of personality and dispositional features, to which the appraiser must give either a numerical rating or an adjective-descriptive assessment. Traits may include items such as cooperation, motivation, flexibility, and attitude. This approach assumes that one can define and rate traits objectively, but in practise, traits are too broadly defined, as are the criteria for evaluating each trait. Because the trait approach is unreliable and invalid, it is highly questionable whether it offers any useful information about employee performance and development. Additionally, the trait technique is probably designed to demotivate workers and produce conflict between workers and managers due to its dependence on false assumptions.

The advantages of critical events and visual rating scale assessment techniques are combined in this method. Compared to other methods for evaluation, this one is more closely tied to the work and has a high level of validity.

2.8 Problems of performance appraisal

Considering their complexity, appraisals of performance should be conducted in accordance with a technique that is both objective and standardised if they are to achieve their intended target or goal. There are certain organisations where the action does not provide the desired effect. Performance evaluations frequently fall short of their intended goals, according to organisations. When evaluation is carried out ineffectively, or even when it is carried out effectively but under bad operational conditions, it can create employee resentment and anxiety and eventually result in the inefficient use of both human and nonhuman resources, rising costs, and diminishing productivity. The ultimate result can even be the death of the organisation (Henderson, 2006).

According to Ivancevich (1989) performance appraisal problems can be classified into the following two categories: Rater's problems and system design and operating problems

2.8.1 Rater Problem

The failure of assessment operations is significantly attributed to the rater's insufficient ability to perform the procedure. Some of the problems are as follows:

1. **Central tendency:** This occurs when managers assign a restricted range of ratings to the majority of their staff members regardless of how they actually perform, fail to see substantial differences among group members, and classify everyone into an average category with neither effective nor ineffective employees.

2. Halo effect: This occurs when a manager generates ratings for each aspect of an individual's performance from a single point; for instance, an employee who receives an "above average" rating on quantity of performance may also receive an "above average" rating on quality of performance. Interpersonal skills, presentation preparedness, and promotion readiness
3. Leniency strictness: This issue emerges when a supervisor is extremely forgiving, rating all performance as good and giving it a favourable rating, or when a supervisor is overly severe, fillings out performance assessment forms too quickly.
4. Decency error: This arises when an employee's most recent behaviour—whether it was good or bad—is the focus of the appraisal. As a result, workers may flounder throughout the first few months of the assessment period before overworking themselves in the final few weeks or months before the review. This technique results in inconsistent performance and affects how people approach the game.
5. Personal biases: In this scenario, managers allow their own personal prejudices—such as liking or hate for a person as well as racial and sexual prejudices—to affect the evaluations. Personal prejudices are against the law in many situations and can affect how fairly and accurately an examination is conducted.

2.8.2 Performance Appraisal System Design and Operating Problems

In general, some organisations design their systems without taking into account some basic criteria for evaluation, and they miss the appropriate methods and procedures that are aligned with their internal and external environments. These issues arise when organisations choose or use inappropriate techniques and systems of rating. Thus, operating and designing system problems are common unless organisations care for their appropriateness (Invanceevich, 1989).

2.9 Review of Job Satisfaction

Employee job satisfaction is a critical factor in the success of any organisation. Job satisfaction refers to work performance and providing employees with feedback on areas where they excel and areas where they need improvement. The process aims to improve employee productivity, enhance overall company performance, and keep employees motivated in their jobs. Job satisfaction often represents how an employee feels about their position. Job satisfaction has been defined as an employee's positive attitude towards work, workplace culture, and co-workers, or as emotions and attitudes that relate to professional activities done by the employee (Schultz & Schultz, 2012). It includes how an employee feels about the conditions within which he or she works and thus influences his or her attitudes towards his or her work.

The external environment in the organisation has effects on human sensations at the workplace. Schweppes (2001) defines job satisfaction as the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating one's job values. Based on Joo's (2009) explanation, job satisfaction is distinct from constructive psychological or job-related results or accomplishments that a person builds up as a result of work skills.

The terms job satisfaction, job contentment, and job fulfilment" are frequently used as synonyms in the literature. Positive attitudes are impacted by external factors like an equitable and fair salary, a nice work environment, and positive connections with superiors and co-workers when it comes to work satisfaction.

Vroom (1964) also proposed a perspective on job satisfaction that is based on attitude instead of feeling towards the job; job satisfaction is a function of effort to achieve a specified goal, a noticeable subjective probability of success, and the correctness of the reward received. According to this theory, people make decisions based on the likelihood that particular actions will result in particular rewards. People will do their jobs in such a way that they get paid more or get additional advantages in the workplace. Vroom's expectation hypothesis is supported by actual evidence (Van et al., 1996).

Locke's (1976) theory is the most famous job satisfaction model. The basis of this theory is that the variation between one's ideal employment and what they actually get determines how satisfied they are. Further, the theory states that one's level of value for a certain quality influences how satisfied or dissatisfied they feel when their expectations are or are not recognised. When a person appreciates a certain aspect of their employment, their level of satisfaction is higher when expectations are met than if they don't value that aspect.

The Job Characteristics Theory (JCT) of Hackman & Oldham (1976) posits five common aspects of work that are strongly associated with job satisfaction. These are independence, task identity, Variety of skills, feedback, and task significance. The identity of the task, variety of skills, and task significance factors are linked to the feeling of meaning in one's job, the independence to take responsibility for one's actions, and feedback from knowing one's actions and responsibilities concerning them.

Herzberg's approach is unique in that it divides satisfaction and dissatisfaction into two separate continuums. Hygiene and motivation are the two variables that this theory focuses on in the workplace. Interpersonal relationships, working circumstances, organisational structure, and management, as well as compensation, all play a role in workplace hygiene. Hygiene el-

ements have an impact on job dissatisfaction, but they do not contribute to job satisfaction if they are high enough (Weiss, 2002).

Motivators refer to aspects of job content such as achievements, job content, respect, responsibility, advancement, and growth prospects. These are some instances of elements influencing the content. Therefore, if job satisfaction is high enough, people prefer to support it. But if they are low, it could make dissatisfied. Herzberg's perspective holds that dissatisfaction and a lack of satisfaction cannot be related. He advises concentrating on enhancing the motivating factors of the job to increase overall job satisfaction rather than attempting to lessen the impact of hygiene problems.

According to Willem (2007), job satisfaction should have a relationship between human expectations and the advantages taken from the particular job description at the workplace. Job dissatisfaction refers to the negative emotional state an employee has when they realise their position or role prevents them from reaching their potential. Organisations cannot easily ascertain if job satisfaction will lead to increased productivity owing to the assertion that an employee's performance may be influenced by his or her personality (Bowling, 2007). When deciding how to improve job satisfaction, organisations ought to take this into account.

2.10 Model of job satisfaction

Various models have been constructed to explain what makes people satisfied with their jobs. One of the job satisfaction models is Locke's (1976) model of job satisfaction, which is focused on the individual's attitudes towards their job. According to Locke, job satisfaction is determined by the difference between an individual's expectations and their perception of their job experience. This difference is called the "discrepancy score".

Locke's model suggests that individuals are more likely to be satisfied with their jobs because job satisfaction is the result of the individual's perceived fit between their needs and values and the characteristics of their jobs. This model proposes that job satisfaction is a function of the degree of satisfaction obtained from specific job facets. Locke defined job facets as dimensions of the job that can be systematically identified and measured, such as pay, promotion opportunities, supervision, social interaction, and working conditions.

Another well-known theory of job satisfaction is the dispositions theory, which suggests that job satisfaction is influenced by an individual's personality traits and predispositions. According to the theory, people with high levels of conscientiousness, extraversion, and emotional stability are more likely to experience job satisfaction. Conscientious people tend to be responsible and dependable, which can contribute to job satisfaction as they are able to meet

work demands and complete tasks efficiently. Positive affectivity and low levels of negative affectivity tend to lead to higher levels of job satisfaction than those with low positive affectivity and high negative affectivity. Positive affectivity refers to a person's tendency to experience positive emotions such as happiness, excitement, and enthusiasm, while negative affectivity refers to the tendency to experience negative emotions such as anxiety, anger, and frustration.

In addition, the theory proposes that individuals with high levels of core self-evaluation (CSE), which includes traits such as self-esteem, locus of control, and emotional stability, tend to have higher levels of job satisfaction. This is because individuals with high CSE are more likely to have positive self-beliefs, see challenges as opportunities, and be resilient in the face of setbacks. Finally, the theory suggests that job satisfaction is also influenced by situational factors such as job characteristics, work environment, and organizational culture. While personality traits and predispositions play a significant role in shaping job satisfaction, situational factors can either amplify or mitigate their impact.

The dispositions theory provides a useful framework for understanding the complex factors that shape job satisfaction and highlights the importance of considering both individual and situational factors in promoting job satisfaction.

In addition, Herzberg's Two-Factor Theory proposes that job satisfaction and dissatisfaction are influenced by two different types of factors: hygiene factors and motivators. Hygiene factors are those that are necessary to prevent job dissatisfaction, such as pay, working conditions, and management policies. Motivators are factors that lead to job satisfaction, such as recognition, achievement, and opportunities for advancement. According to this theory, job satisfaction is influenced more by motivators than by hygiene factors.

Finally, Hackman and Oldham's Job Characteristics Model is based on the premise that job satisfaction is dependent on the intrinsic characteristics of the work itself. This model proposes that there are five core job characteristics that contribute to job satisfaction: skill variety, task identity, task significance, autonomy, and feedback. The model suggests that these characteristics create meaningful work for employees, leading to higher levels of motivation, engagement, and job satisfaction. The five core job characteristics can be combined to form a motivating potential score for a job, which can be used as an index of how likely a job is to affect an employee's attitudes and behaviours.

Overall, these models provide different perspectives on the factors that influence job satisfaction, including individual attitudes and needs, job characteristics, and external factors such as pay and working conditions. Understanding these theories can help organisations develop

strategies for improving job satisfaction, increasing employee engagement, and ultimately improving overall organisational performance.

2.11 Measuring Job Satisfaction

Job satisfaction is not something that happens automatically in business organisations. In a broad sense, a job satisfaction system needs to exist, and it must include well-planned activities that will help accomplish the desired job satisfaction goals. It needs to be an action plan, and it needs to be closely watched to make sure that adjustments are made as needed.

There are many different methods for measuring job satisfaction, including:

- 1. Surveys** - Surveys are commonly used to measure job satisfaction. A survey may contain a series of questions about various aspects of the job, such as pay, benefits, work environment, job security, and relationships with co-workers and supervisors.
- 2. Interviews** - Interviews with employees can provide valuable insights into their levels of job satisfaction. These include questions that ask employees to rate their satisfaction with various aspects of their job, such as compensation, work-life balance, job security, and relationships with co-workers. It is a common method for measuring job satisfaction. Human resource professionals or supervisors may conduct interviews with employees to determine how satisfied they are with their job and what can be improved.
- 3. Focus Groups** - Focus groups also allow for open discussion among a small group of employees. For example, a focus group may be created of employees who have worked at the organisation for different lengths of time.
- 4. Employee Turnover Rate** - It is a simple and cost-effective method of measuring job satisfaction. If the turnover rate is low, that usually indicates satisfied employees. In contrast, a high turnover rate could indicate dissatisfaction with the job or the organisation.
- 5. Employee Productivity** - Happy and satisfied employees may be more productive than unhappy ones. Higher productivity can be an indirect indication of job satisfaction in some roles and industries.
- 6. Exit Surveys** - Occasionally, organisations use exit surveys to know why an employee is leaving the job in order to improve the workplace for remaining employees.
- 7. Performance Appraisals** - Finally, performance appraisals offer the opportunity to evaluate employee satisfaction based on their goals, feedback, and their own opinions. This method may be useful for those types of workers whose contributions directly impact customer satisfaction.

According to Armstrong (2006), the level of job satisfaction can be measured by using attitude surveys. There are four methods of conducting them:

1. By the use of structured questionnaires

These can be issued to all or a sample of employees. The advantage of using standardised questionnaires is that they have been thoroughly tested, and in many cases, norms are available against which results can be compared. Benchmarking can be carried out with other organisations; additional questions, especially relevant to the company, can be added to the standard list. A tailor-made questionnaire can be used to highlight particular issues, but it may be advisable to obtain professional help from an experienced psychologist, who can carry out the skilled work of drafting and pilot testing the questionnaire and interpreting the results. Questionnaires have the advantage of being relatively cheap to administer and analyse, especially when there are large numbers involved.

2. By the use of interviews

These may be open-ended or in-depth interviews in which the discussion is allowed to range quite freely, or they may be semi-structured in that there is a checklist of points to be covered, although the aim of the interviewer should be to allow discussion to flow around the points so that the frank and open views of the individual are obtained. Alternatively, and more rarely, interviews can be highly structured so that they become no more than the spoken application of a questionnaire. Individual interviews are preferred because they are more likely to be revealing, but they are expensive, time-consuming, and not so easy to analyse. Discussions through ‘focus groups’ (that is, groups of employees convened to focus their attention on particular issues) are a quicker way of reaching a large number of people, but the results are not so easy to quantify, and some people may have difficulty expressing their views in public.

3. By a combination of questionnaire and interview

This is the ideal approach because it combines the quantitative data from the questionnaire with the qualitative data from the interviews. It is always advisable to accompany questionnaires with some in-depth interviews, even if time permits only a limited sample. An alternative approach is to administer the questionnaire to a group of people and then discuss the reactions to each question with the group. This ensures that a quantified analysis is possible but also enables the group, or at least some members of it, to express their feelings more fully.

4. By the use of focus groups

A focus group is a representative sample of employees whose attitudes and opinions are sought on issues concerning the organisation and their work. The essential features of a focus group are that it is structured, informed, constructive, and confidential.

2.12 Steps to achieve job satisfaction

Organisations can help increase job satisfaction by putting systems in place that will ensure that workers are rewarded for being successful. The following list of suggestions may contribute to job satisfaction:

1. Flexible work arrangements, possibly including telecommuting, training, and other professional growth opportunities, Interesting work that offers variety and challenge and allows the workers to put their signature on the finished product,
2. Opportunities to use one's talents and to be creative,
3. Opportunities to take responsibility and direct one's own work,
4. A stable, secure work environment that includes job security and continuity,
5. An environment in which workers are supported by an accessible supervisor who provides timely feedback as well as congenial team members,
6. Flexible benefits, such as childcare and exercise facilities, up-to-date technology, and quality health insurance (Kelski, 2007).

2.13 Factors Affecting Job Satisfaction

Employee job satisfaction is influenced by a variety of variables; according to affect theory, job satisfaction is determined by the gap between what an employee wants from their position and what they really have. Employee job satisfaction is influenced by both objective (environmental) and subjective (personal) elements, according to research (Arekar et al., 2016). Objective factors that are described by the employee (extrinsic incentives) have a direct impact on the workplace environment, including the nature of the job (intrinsic rewards) and working circumstances. The ability to apply one's skills and knowledge to a number of endeavours, the ability to select from a wide range of professional duties, and the respect and prestige that come with having a well-rounded job are all examples of intrinsic pleasures. Extrinsic incentives include things like job stability, pay, career potential, and connections with co-workers. It is common for researchers to highlight the following factors: race, education, age, and career position in the institution as factors leading to work satisfaction (Qayyum, 2013).

There are also several aspects of a company's culture that have an impact on employee satisfaction, including working conditions, salary, advancement opportunities, and the nature of work itself (Judge et al., 2009). The level of job satisfaction is moderately affected by the working environment (Luthans, 2011). Workplace culture often has a stronger impact on employee attitudes than company rules or organisational and technological needs. Employees' degree of satisfaction is also influenced by the psychological contract that governs expecta-

tions between the employee and the company (Dwiyanti et al. 2019). When a corporation disrespects this contract, it may cause changes in the way that employees feel about their jobs and how they see the workplace.

The supervisor's perception of the performance assessment and how accurately they rate the employee's performance will determine how satisfied they are with it. The core self-evaluation model, on the other hand, argues that self-esteem, general self-efficacy, locus of control, and neuroticism are the four basic self-evaluations that clarify one's disposition towards job satisfaction.

In addition, Herzberg's theory shows that job satisfaction is caused, on the one hand, by a set of factors related to the work itself, such as the nature of the job, achievement in the work, possibilities of personal growth and recognition, and promotion opportunities; on the other hand, job dissatisfaction is a result of factors that affect how well a job is done, including the workplace's physical attributes, pay, employer regulations, job security, supervisory guidelines, and connections with others.

2.14 Empirical Review

Among many studies that deal with employees job satisfaction and performance appraisal system are the study conducted at Kenya Revenue Authority, By Caroline W. M, (2011) the researcher concluded that the findings have indicated a positive and significant relationship between performance appraisals and job satisfaction.

On the other hand According to research conducted at Kenya Commercial Bank, By Victoria M.K, (2012) the researcher concluded that the method of performance appraisal used by the bank have an effect on employee motivation and general job satisfaction. According to Darehzereshki (2013), there is a direct link between employee outcomes, such as work satisfaction and performance appraisal satisfaction. Brown (2010) discusses two aspects of this research. The researcher employed the (stepwise mode) to assess two dimensions: the contact between employees and their superiors, as well as the fairness of the performance rating process. There is growing evidence that firms need to plan and implement performance evaluation approaches with care and regularity, and utilize it more as an advancement tool to upgrade efficacy in producing work fulfilment and efficiency (Mathew & Johnson, 2015; Prasad,2015). Researchers from Microfinance organizations in Ghana (Agyare et al., 2016) examined the effects of performance evaluation on work satisfaction and loyalty.

Employee perception of fairness of performance appraisal system has shown linked to satisfaction with the system in their review of performance appraisal research indicated that the most important performance appraisal issue faced by organizations is perceived fairness

of performance review and performance appraisal system. On their findings they suggested most employee perceived their performance appraisal system as neither accurate nor fair hence performance appraisal system and process can be a source of dissatisfaction when employees believe the system is biased and irrelevant. One of the major problems of organization is the performance appraisal system and process and the evaluation system is perceived as inaccurate and unfair.

2.15 Performance appraisal and job satisfaction

Organisational performance appraisal increases employee accountability and productivity (Halachmi, 2002). It is widely accepted that performance appraisals are a valuable human resource management tool that businesses use to measure and manage performance (Redebe, 2015). In a study of the effectiveness of training on staff performance (2007), Maragwa identified performance appraisal as one of the tools used to identify training and development needs. Enhancing individual performance is the goal of performance evaluation. Other advantages include raising morale and motivation, reducing ambiguity in performance expectations, defining rewards, identifying training and development needs, improving communication, selecting employees for promotions, managing careers, counselling, enforcing rules, and setting targets and goals. Employee performance and job satisfaction are directly influenced by the performance appraisal method used (Chandhana & Easow, 2015; Muthuo, 2010). Using the appraisal process, managers may measure the efficacy of their staff, identify performance gaps, give feedback on their employees' strengths and shortcomings, and reduce the number of employee complaints. (Hauck, 2014)

Performance appraisals give employees job satisfaction and effectiveness. Performance appraisal encourages employee effectiveness, which helps a business reach its goals, but it is vulnerable to failure when senior management lacks commitment. Both the manager and supervisor should provide feedback for the process to be effective. However, the findings revealed that performance appraisal alone should not be used for assessment because it does not address some issues like motivation and the work environment. Employees and their supervisors and managers worldwide create goals and primary areas of responsibility in terms of the expected results through the formal process known as performance management. These metrics are then used as benchmarks for future performance and subsequent performance reviews. Performance appraisal may therefore said to be a continuous process that entails setting direction and standards, monitoring, and measuring performance. Marangu noted that in order to align each employee's goals with those of the company, management must affect human behaviour in the area of motivation.

Tsai and Wang (2013) found that employees' concept of fairness in appraisals affects their performance, their behaviour, and their job satisfaction. According to Akkas (2015), successful managers identify problem areas and measure the progress they are making towards attaining their improvement goals by conducting daily performance reviews and requesting employee feedback. Shrivastava & Purang (2016), state that employee perceptions of fairness influenced employee assessment outcomes more than the system's intended purpose and design and that job satisfaction has a positive relationship with employee satisfaction with the evaluation method. According to Edwards and Wright (2001), there is a direct link between performance appraisal and firm performance, but Katou and Budhwar (2006) argue that performance appraisal systems indirectly affect employee satisfaction, which in turn affects employee outcomes, which eventually affect performance.

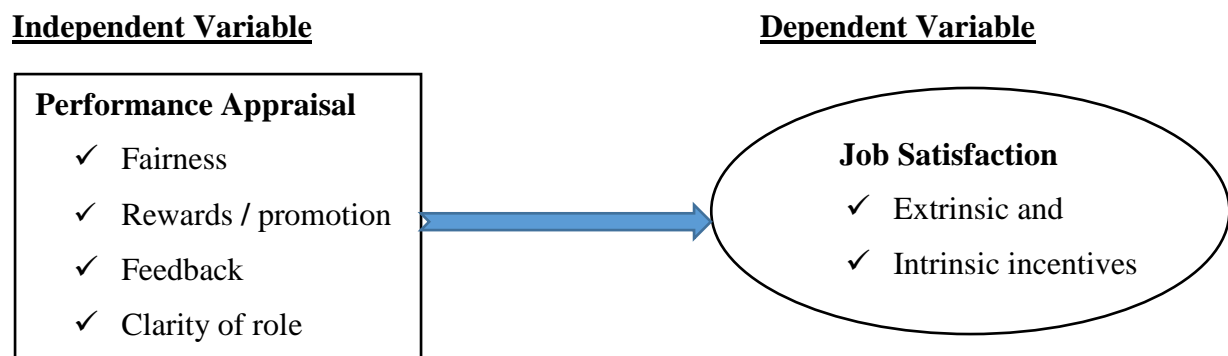
2.16 Conceptual Framework of the study

A conceptual framework is a theoretical model that outlines the relationships between the independent variable and the dependent variable of the study. It helps provide a structure for understanding how the independent variable affects the dependent variable.

In this research project, the dependent variable is job satisfaction, and the independent variable is performance appraisal. There are several variables that might have an impact on an employee's job satisfaction, and one of those variables is an ineffective performance appraisal. By developing a conceptual framework that focuses on the direct relationship between performance appraisal and job satisfaction, you can explore how changes in performance appraisal practises may impact employee job satisfaction.

From the literature review, four components of the performance appraisal system that lead to employee job satisfaction have been identified, such as feedback after a performance appraisal is conducted, clarity of role, fairness of the PA process, and rewards or penalties after a performance appraisal evaluated, which collectively influence an employee's overall job satisfaction. The diagram shows that these components represent aspects that can shape an employee's perception of the PA process.

Figure 1: Conceptual Framework



Source: From Literature Review.

Feedback after Performance Appraisal is conducted: This component represents the feedback and constructive criticism provided to employees after the PA process is evaluated. Positive and constructive feedback can contribute to job satisfaction, while a lack of feedback or negative feedback may negatively impact satisfaction. Clarity of Role: This component refers to the extent to which employees have a clear understanding of their roles, responsibilities, and performance expectations. When employees have a clear understanding of their roles, it can positively impact their job satisfaction. Fairness of PA Process: This component pertains to the perceived fairness of the PA process itself. If employees perceive the PA process as fair and unbiased, it can positively influence their job satisfaction. Conversely, perceived unfairness can lead to dissatisfaction. Reward (promotion) or Penalties after Performance Appraisal: This component involves the consequences or outcomes that follow the PA process, such as rewards (e.g., salary increases, promotions) or penalties (e.g., demotions, disciplinary actions). Positive outcomes and rewards can contribute to higher job satisfaction, while negative consequences can lead to dissatisfaction.

Extrinsic incentives refer to external factors that motivate individuals to perform well in their jobs, such as salary, bonuses, promotions, and other tangible rewards. These incentives are typically provided by the organization and are designed to reward and encourage employees for their efforts. Intrinsic incentives, on the other hand, are related to the internal satisfaction and fulfilment that individuals derive from their work. These incentives are driven by factors like the sense of achievement, autonomy, personal growth, and the enjoyment of the tasks themselves. Both incentives play a role in shaping job satisfaction and contribute to employees' overall well-being and engagement in their work. Overall, this conceptual framework suggests that the mentioned components of performance appraisal collectively influence an employee's job satisfaction. By analysing and understanding these relationships, the researcher was able to explore the impact of performance appraisal on employee job satisfaction.

CHAPTER THREE

3. METHODOLOGY

The study was conducted to investigate the impact of performance appraisals on employee job satisfaction. The following research design and technique were used to achieve the study's goal of providing an accurate answer to the research questions outlined in Chapter 1.

3.1 Research Design

Since the main objective of the research is to investigate the impact of performance appraisal on employee job satisfaction, the researcher used an explanatory research design to determine the causal relationships between variables and a descriptive research method to describe the demographic and other information about respondents as well as the descriptive statistics of the study variables. This study is of a cross-sectional kind as well subsequently the data was gathered at a single time point and the study was completed at a single point in time.

3.2 Research Approach

The researcher used a quantitative method meanwhile it is a good way to test hypotheses by looking at how the variables under investigation relate to one another. The quantitative method is more objective for this research project. The selection of these methodologies depends on the purpose of the study, the researcher's previous experience, and the demographic being studied. It is used for evaluating the evidence and clarifying theories and hypotheses. It is much more focused on the collection and analysis of statistics. It allows counting and measuring the relationship between variables. When a researcher wants to check if the stated hypothesis is true, they undertake quantitative research.

3.3 Target Population

A population is the group of units about which the researcher wants to make judgements. These units can be groups of individuals, customers, companies, or products (Mooi and Sarstedt 2011). The study focused on EIC staff in the head office as the population of the study. The corporation has approximately 2,100 employees. The total number of employees in the head office is 420; focus on the distribution of employees in three positions: junior staff with 134 employees, senior staff with 246, and management level staff with 40 employees.

3.4 Sampling technique

The researcher used proportionate stratified random sampling techniques to distribute the survey questionnaires. Stratified sampling involves dividing the populations into several different homogenous groups called strata. To ensure that each stratum is equally represented, an equally sized randomised sample is obtained from each stratum separately. This study has three strata based on the employee position: junior staff, senior staff, and management staff.

3.5 Sample Frame of the Study

A sampling frame is a list of individuals in the population (Mooi and Sarstedt 2011). The sampling frame for this study consisted of 420 employees, including full-time employees and those who had at least one year of employment with the organisation or who had at least had their job performance evaluated once by a supervisor. In addition to the management team, these personnel are knowledgeable about the general corporate culture, rules, regulations, and policies.

3.6 Sample size of the Study

Utilising the stratified random sampling method and the Yamane, 1967, formula to calculate sample size. Therefore, A concrete instance of a mathematical formula The sample size for this study were determined using the following formula, assuming a confidence level of 95%, a margin of error of $\pm 5\%$, and a standard deviation of 0.5: from the target population, which consists of all employees in junior staff positions, senior staff positions, and management level staff positions in the organisation, 420 employees ($N = 420$) from the head office only, according to data required from the Human Resource Management office of EIC, the sample size of 205 ($n = 205$) is accepted.

$$\text{Formula: } n = \frac{N}{1 + N(e)^2}, \quad \frac{420}{1 + 420(0.05)^2} = 205$$

When; n -is the sample size

N -is total target population size

e -is the error of 5% points and a confidence coefficient of 95% are assumed for this equation.

1 -is constant

$\text{Distributions (ni)} = \frac{\text{Population size (Ni)} * \text{Sample size (n)}}{\text{Total number of population size (N)}}$

Table 1: Sample Size Determination

Staff Position	Total target population	Sample size
Junior staff	134	65
Senior staff	246	120
Management staff	40	20
total	420	205

3.7 Data Collection and Measurement Method

The tool used was the questionnaires that are issued and used to collect the usual primary data on demographics, performance appraisal, and job satisfaction. Primary data are original research or raw data that has not been interpreted or has not been subjected to statements that

reflect government viewpoints or attitudes. For this study purpose, primary data was collected from employees of Ethiopian Insurance Corporation at the head office through a closed-ended structured questionnaire, which was mailed to the respondents electronically and secondary data is collected from different journals and literatures regarding the title. The items in the questionnaire are multiple choices and a Likert scale of measurement.

In order to reduce ambiguity and grab respondents' attention, the questionnaire was designed concisely and with appropriate wording. Questionnaires consisted of structured (closed-ended) questions. This instrument consisted of three parts. Part 1 consisted of questions on the general demographic information of the respondents. Part 2 measured the respondent's awareness of the performance appraisal process and the main objectives of the performance appraisal process in EIC. The study adopted a 5-point Likert scale, with values ranging from 1 to 5. Each respondent was asked to rate each item on the response scale. 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, and 5 = strongly disagree. Part 3 of the questionnaire was measure the respondent's job satisfaction. This section was constructed based on Vroom's Expectancy Theory. It consists of a five-point Likert scale ranging from 1 to 5. Each respondent will be asked to rate each item on the scale. 1 = Extremely Satisfied, 2 = Satisfied, 3 = Neutral, 4 = Dissatisfied, and 5 = Extremely Dissatisfied.

The questionnaire was pilot tested following the advisor's approval. Final comments from the pilot test were taken into account while constructing the final questionnaire, which was then sent to a sample group to gather data. This was to find out the relationship between the variables.

3.8 Performance appraisal measurement

The performance appraisal factor measure and associated metrics were modified from (Caroline W. M'MBUI, 2011). On the basis of the aforementioned five-point likert scale, eleven statements were evaluated.

3.9 Job satisfaction measurement

The job satisfaction factor measure and associated metrics were modified from (Caroline W. M'MBUI, 2011). On the basis of a Likert scale, fourteen statements were evaluated.

3.10 Data Analysis Method and presentation

Both descriptive and inferential analysis will be used to examine the primary information that was gathered through a self-administered questionnaire. The IBM Statistical Package for Social Sciences (SPSS) version 24 was utilized.

Descriptive statistics was used mainly to organise and summarise the demographic and general data of the respondents and enterprises. It was used to calculate the mean, standard deviation, frequency, and percentage.

As opposed to descriptive statistics, which only describe a single observation, inferential statistics derive conclusions about the wider population from which the sample was selected. It was used for testing hypotheses and investigating research objectives. In the study, different types of inferential statistics were employed.

The researcher uses the parameter method, linear regression analysis and Pearson correlation analysis to test hypotheses after checking that the data is normally distributed. The Pearson correlation was used to determine the relationship and the effect of the two variables. Correlation analysis can show the correlation among variables, but it doesn't tell which relationship is stronger. Likewise, linear regression analysis was used to measure the degree of effect of performance appraisal on employee job satisfaction. At the end, the quantitative data was presented in the form of tables and charts, as desired, so as to make all the data readable and understandable.

3.11 Reliability

The degree to which a researcher's measure is free from random error is referred to as reliability (Mooi and Sarstedt 2011), and it is concerned with the reliability or constancy of the result of a measurement or examination across time and in various contexts or situations. There is less potential that the leading score is the result of random variables and measurement error if the measurement is trustworthy. As per Zikmund et al, 2009, a coefficient of alpha between 0.80 to 0.95 are considered to have a very good reliability, between 0.70 to 0.80 are considered to have good reliability, between 0.60 to 0.70 indicates fair reliability, and finally, below 0.60 indicates poor reliability. As a result, Cronbach's alpha of the questionnaire revealed a score of 0.93, considered to have a very good reliability

Table 2: Reliability Statistics

Cronbach's Alpha	Number of items
0.93	27

Source: own survey questionnaire, 2023

3.12 Validity

Whether we are measuring what we intend to measure is known as validity (Mooi and Sarstedt 2011). It is connected to the research method since the main objective is to improve the precision and applicability of findings by removing or controlling as many confounding variables as possible, which increases the confidence of the results of any specific study. The re-

searcher used the professional judgement of experienced human resource managers, academic physicians, and research advisers to ensure the validity of the study. In addition, a thorough and adequate research investigation confirms the measure's validity. Finally, a pilot test was conducted in order to be sure the question items were unambiguous. The self-administered questionnaire has been revised on the basis of the comment and pilot study's feedback.

3.13 Ethical consideration of the research

Ethics in the context of research is the appropriateness of the researcher's conduct with regard to the rights of the study subjects or participants. In order to comply with the general guidelines of research ethics, the respondents was asked to contribute information on a voluntary basis, the study's objective was disclosed in advance, and the confidentiality of the data was ensured. It could not be ethical to access some confidential documents of the organisation. Therefore, the organisation's code of ethics was taken into account without significantly compromising the findings of the study. Furthermore, attempts made to bring clarity to the questionnaire to best fit the corporate context. Lastly, the questionnaires distributed only to voluntary participants who either took the questionnaire home or used their break time.

Some ethical considerations for this research title are:

- 1. Informed Consent:** Participants should be fully informed about the research, its purpose, and the potential outcomes of their participation before they give their consent to participate. Information about any potential risks or benefits should also be provided to ensure that participants are fully aware of what they are getting involved in.
- 2. Confidentiality:** The privacy of participants must be respected in the study in order to make an informed decision about whether to participate or not. Participants should be given the right to refuse or withdraw from the research at any time without any negative consequences. Participants' personal information and data collected during the research should be kept confidential and only used for research purposes. Researchers should ensure that participants' anonymity is maintained and they cannot be identified from the data collected.
- 3. Respect for Participants' Autonomy:** Researchers should make sure that participants are not coerced or forced to participate in the research. They should ensure that participants are treated with respect and that their cultural and linguistic needs are met.

By addressing these ethical considerations, the researcher can ensure that they conduct the research in a responsible and ethical manner, while also protecting the rights and welfare of the participants.

CHAPTER FOUR

4. DATA ANALYSIS, FINDINGS AND ENTERPRETATION

4.1 Introduction

The research's findings are presented in this chapter. The data were analysed using both descriptive and inferential statistical methodologies. The relevance of the respondents' replies was specifically examined using frequencies, means, standard deviations, and parametric method. Three key components make up this analysis. The background information of the respondents, the descriptive statistical analysis of the gathered data in relation to the research variables, and a discussion and analysis of the study goals are presented. The objective of this study was to investigate the impact of the performance appraisal system on employee job satisfaction at the Ethiopian Insurance Corporation. 205 questionnaires were distributed, of which overall collected with an excellent response rate for use in the subsequent data analysis, coded, and transferred to SPSS-Statistical Package for Social Science version 24.

4.2 Demographic Information of the Respondent

The purpose of this part of the questionnaire was to collect data on the respondents' gender, Age, level of education, year of service or experience, and position. Below is a discussion and illustration of the results.

Table 3: Demographic Information of the Respondent

No.	Variables	Categories	Frequency	Percentage (%)
1	Gender of respondents	Male	126	61.5
		Female	79	38.5
		Total	205	100.0
2	Age of respondents	less than 20 years	5	2.4
		20 to 30 years	75	36.6
		31 to 40 years	85	41.5
		41 and above years	40	19.5
		Total	205	100.0
3	Work experiences	less than 3 years	19	9.3
		3 to 6 years	79	38.5
		6 and above years	107	52.2
		Total	205	100.0
4	Education background	Diploma	16	7.8
		bachelor degree	133	64.9
		Master's degree	51	24.9
		Other	5	2.4
		Total	205	100.0
5	Position	Junior Staff	65	31.7
		Senior Staff	120	58.5
		Management Staff	20	9.8
		Total	205	100

Source: own survey questionnaire, 2023

In terms of gender, as shown in table 3 above, 61.5% (n = 126) of the respondents were men and 38.5% (n = 79) were female. It is clear from the results that there was a gender gap among the study's respondents; the majority of the respondents who took part in the survey were male.

According to the result, 2.4% of the subjects were under the age of 20, 36.6% were between the ages of 20 and 30, 41.5% were between the ages of 31 and 40, and 19.5% were over the age of 41 and above. So that, 41.5% of the population, or the majority of respondents, were between the ages of 31 and 40, as can be seen. This demonstrates that a majority of the employees were relatively young and in their most productive stage, so the corporation should make sure they are really content with their jobs in order to accomplish the organisation's goals.

The duration of the subject's employment is shown above, nineteen or 9.3% people claimed to have worked for EIC for fewer than three years. Seventy-nine or 38.5% of respondents said they had been in EIC for between three and six years; and One hundred and seven or 52.2% said they had been there for longer than six and above years. The majority 107 or 52.2% of the 205 respondents in the sample had worked for EIC for longer than six years, according to results observed in the data, expected that employees are experienced with their organisation's performance appraisal systems and provide the necessary information required for the research

Respondents' different educational backgrounds, it was revealed that 64.9% (n = 133) of the respondents were holders of a bachelor's degree, and 7.8% (n = 16) of them held a diploma. The master's degree was achieved by 24.9% (n = 51) of those surveyed, and 2.4% (n = 5) of the respondents held other certificates. A bachelor's degree was held by 65% of the employees in the overall population surveyed. The mere fact that respondents from different levels of education are represented in the study's sample size indicates the majority of them are of high enough education to understand and respond to the research instruments accurately.

Regarding the positions shown in Table 3, 31.7% (n = 65) of the total respondents were junior staff, 58.5% (n = 120) were senior staff, and 9.8% (n = 20) were management level staff. Since seniors represent the majority of the respondents, it seems that they have a good awareness of their corporation's performance appraisal process (PAP).

4.3 Descriptive Analysis of the Respondent's View on the Performance Appraisal Process

The purpose of this section of the questionnaire was to generalise respondents' perceptions of the performance appraisal process, evaluate employee awareness of the Ethiopian Insurance

Corporation's performance appraisal system, and discuss the rewards or penalties related to the various performance rating categories at the Ethiopian Insurance Corporation.

4.3.1 Awareness of the performance appraisal process

In order to gather data on the EIC performance appraisal process, questionnaires were sent to the respondents. Table 4 shows that only 3.4% (n =7) of respondents said that they were unaware of the EIC performance assessment system, whereas 96.6% (n =198) of respondents indicated that they were aware of the EIC performance appraisal system. It indicates that the majority of employee respondents are familiar with the EIC's performance.

Table 4: Awareness of performance appraisal system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	198	96.6	96.6	96.6
	No	7	3.4	3.4	100.0
	Total	205	100.0	100.0	

Source: own survey questionnaire, 2023

4.3.2 Awareness of rewards or penalties for various categories of the performance ratings

Table 5 results show that the majority (91.2%) of respondents are aware of the rewards and penalties for the various categories of performance ratings in EIC. However, it was observed that 3.4% of respondents said they were unaware and 5.4% said they were doubtful about the rewards and penalties for the various rating categories in EIC (such as commendation, pay increment, bonus, caution, and termination of employment).

This implies that the majority of employees are aware of the rewards and constraints associated with the various rating categories. The job satisfaction of employees gets raised by making them aware of the stated rewards and penalties; despite this, job satisfaction may be decreased by not upholding the mentioned rewards and penalties.

Table 5: Awareness of rewards/penalties of various categories of performance rating

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	187	91.2	91.2	91.2
	No	7	3.4	3.4	94.6
	Not Sure	11	5.4	5.4	100.0
	Total	205	100.0	100.0	

Source: own survey questionnaire, 2023

4.3.3 Respondents view on the performance appraisal process

Concerning the items, as indicated in Table 6, the majority of respondents strongly agree with the questionnaire statements that PA identifies skills, gaps, and development needs. Respondents believe that the performance appraisal process can help pinpoint areas where an employee needs further training or development as well as provide valuable feedback on areas of their work where they excel. This is an important tool for identifying areas where employees can improve their skills and knowledge. The respondents are likely to value performance appraisals as a means of providing specific feedback on an employee's job performance and identifying areas where they need additional training or support. Overall, the strong agreement among respondents suggests that performance appraisal is viewed as an essential part of the employee development process.

The majority of respondents agree with each of the four questionnaire statements. PA ensures that EIC goals are achieved; PA helps individual staff meet set targets and goals; PA assists staff to know their level of performance; and actual performance is rated based on set targets in EIC. From these statements, it can be concluded that performance appraisal is seen as an important tool for ensuring the achievement of EIC goals. It is also believed to be helpful for individual staff members in meeting their personal targets as well as gaining clarity on their own performance levels. Additionally, the performance of staff is evaluated based on specific targets that are set by the organisation. This suggests that EIC is also seen PA as a way to help individual staff members meet their goals and targets. Additionally, performance appraisals are seen as a way for staff to gain a better understanding of their level of performance and to receive feedback on areas where they may need improvement. In the EIC, actual performance is rated based on set targets, which suggests a goal-oriented approach to performance management within the organisation. Overall, it can be inferred that performance appraisal is viewed as a key component of performance management within the EIC.

The majority of respondents' perceptions of the following five questions are neutral or undecided: PA is used in EIC to determine rewards or penalties for performance. Human Resources offer's sufficient training on PA systems in EIC. The PA method used in EIC is professional, objective, and fair. The supervisor rates my performance accurately, and timely feedback is given on PA in EIC.

The only question on which the majority of the respondents disagree is whether the frequency with which the PA is conducted in EIC is sufficient. This suggests that the employees of EIC do not believe that they are receiving enough feedback and evaluations of their job performance. This may indicate a need for more frequent appraisals or a review of the current ap-

praisal process to see if it is adequate, but it also means that the majority of respondents believe that the frequency of performance appraisals is not adequate to effectively measure and improve employee performance. There may be a need for more frequent performance appraisals to ensure that employees are meeting organisational goals and objectives and to provide them with timely feedback and development opportunities.

Table 6: Respondents View of Performance Appraisal System

1-Strongly Agree, 2- Agree, 3-Neutral, 4-Disagree, 5-Strongly Disagree

No	Item		Rating					n
			1	2	3	4	5	
1	PA insure that EIC goals are achieved	frequency	51	102	25	14	13	205
		Percent %	24.9	49.8	12.2	6.8	6.3	100
2	PA helps individual staff meet set targets and goals	frequency	57	84	40	13	11	205
		Percent %	27.8	41	19.5	6.3	5.4	100
3	PA identifies skills, gaps and development needs	frequency	77	67	33	16	12	205
		Percent %	37.6	32.7	16.1	7.8	5.9	100
4	PA assists staff to know their level of performance	frequency	36	93	46	20	10	205
		Percent %	17.6	45.4	22.4	9.8	4.9	100
5	PA is used in EIC to determine rewards /penalties for performance	frequency	15	57	73	49	11	205
		Percent %	7.3	27.8	35.6	23.9	5.4	100
6	Human resource offers sufficient training on PA systems in EIC	frequency	13	34	83	61	14	205
		Percent %	6.3	16.6	40.5	29.8	6.8	100
7	Actual performance is rated based on set targets in EIC	frequency	10	74	67	44	10	205
		Percent %	4.9	36.1	32.7	21.5	4.9	100
8	The PA method used in EIC is professional, objective and fair.	frequency	12	66	70	43	14	205
		Percent %	5.9	32.2	34.1	21	6.8	100
9	The supervisor's rates my performance accurately	frequency	7	50	95	42	11	205
		Percent %	3.4	24.4	46.3	20.5	5.4	100
10	The frequency with which the PA is conducted in EIC is sufficient	frequency	7	28	54	82	34	205
		Percent %	3.4	13.7	26.3	40	16.6	100

11	Timely feedback is given on PA in EIC	frequency	6	30	86	52	29	205
		Percent %	3.9	14.6	42	25.4	14.1	100

Source: own survey questionnaire, 2023

4.3.4 Mean and Standard Deviation of the PA as a Management Tool

The responses from the respondents regarding whether performance appraisal in EIC assists both organisations and employees in achieving their goals, whether there is enough training on performance appraisal as a management tool, the level of professionalism supervisors maintain while appraising staff, and finally whether staff receive feedback on how they were appraised, were rated on a five-point Likert scale. The performance evaluation process comprised eleven standards, from which the final rating was determined. Strongly agreeing (1) to strongly disagreeing (5) was the range.

According to the mean score interpretation, the Strongly Agree ratings were used to provide a variable with a mean on the Likert scale of 4.6 and above. The agree rating was used to represent a variable with a Likert scale mean ranging from 3.6 to 4.5. The neutral rating was chosen to stand in for a variable with a mean range of 2.6 to 3.5 on the Likert scale. The Disagree rating was used to indicate a variable with a mean on the Likert scale of 1.6 to 2.5. The level of strongly disagreeing was chosen to indicate a variable with a mean on the Likert scale of 0 to 1.5.

Table 7: The Performance Appraisal as a Management Tool

Items		Valid	Mean	Std. Deviation
1	PA insure that EIC goals are achieved	205	2.20	1.086
2	PA helps individual staff meet set targets and goals	205	2.20	1.083
3	PA identifies skills, gaps and developmental needs	205	2.12	1.170
4	PA assists staff to know their level of performance	205	2.39	1.040
5	PA is used in EIC to determine rewards /penalties for performance	205	2.92	1.012
6	Human resource offers sufficient training on PA systems in EIC	205	3.14	.987
7	Actual performance is rated based on set	205	2.85	.974

	targets in EIC			
8	The PA method used in EIC is professional, objective and fair.	205	2.91	1.018
9	The supervisor's rates my performance accurately	205	3.00	.897
10	The frequency with which the PA is conducted in EIC is sufficient	205	3.53	1.032
11	Timely feedback is given on PA in EIC	205	3.31	1.015

Source: own survey questionnaire, 2023

According to the finding in Table 7, the respondent employees disagree with the following aspects of performance appraisal as a management tool: PA ensures that EIC goals are achieved with a mean of 2.20; PA helps individual staff meet set targets and goals with a mean of 2.20; PA identifies skills, gaps, and developmental needs with a mean of 2.12; and PA assists staff in knowing their level of performance with a mean of 2.39.

The results also show that employee attitudes towards the following aspects of performance appraisal as a management tool were neutral or undecided: PA is used in EIC to determine rewards or penalties for performance with a mean of 2.92; human resources offers sufficient training on PA systems in EIC with a mean of 3.14; actual performance is rated based on set targets in EIC with a mean of 2.85; the PA method used in EIC is professional, objective, and fair with a mean of 2.91; the supervisor rates my performance accurately with a mean of 3.00; the frequency with which the performance appraisal is conducted in EIC is sufficient with a mean of 3.53; and timely feedback is given on PA in EIC with a mean of 3.31.

The results show that respondents' opinions on performance appraisal as a management tool are very variable in terms of standard deviation and also most of the employees are not satisfied with current appraisal system and they also want it change for the future. The majority of the items showed significant standard deviations with values greater than 0.9. This suggests that there is significant variation in the ratings, which has a significant effect on respondents' perceptions of performance appraisal as a management tool. As a result, there seems to be some agreement among the responses. The variation in the standard deviation can be defined by the employees' age ranges, years of service in EIC, and positions. It is clear that the majority of the employees are young and at the peak of their productivity. The same team

of employees also occupies senior positions, where they accumulate a vast understanding of human resource techniques.

4.4 Descriptive Analysis of Respondent Views on Job Satisfaction

The purpose of this section of the questionnaire was to generalise respondents' perceptions of employee job satisfaction.

4.4.1 Respondent Views on Job Satisfaction

Regarding job satisfaction questions, respondents or employees were asked fourteen questions, and the majority of the respondents were satisfied. For the questions "Salary increments are linked to performance rating," the response was 34.1% satisfied; "My performance targets are well communicated to me," 37.1% satisfied; "Work done is based on set objectives," 37.6% satisfied; and "I enjoy working with co-workers," 39.5% satisfied. From the responses, it can be concluded that job satisfaction is positively linked to factors such as clear communication of performance targets, objective-based work, and enjoying working with co-workers. Additionally, the link between salary increments and performance ratings also suggests a sense of fairness and recognition for good performance, which can contribute to job satisfaction. Overall, these results suggest that employees who feel informed, supported, and properly recognised are working with co-workers. Additionally, respondents also indicated that their satisfaction is linked to salary increments that are based on performance ratings. This suggests that employees value a clear understanding of what is expected of them and the ability to be recognised and rewarded for meeting or exceeding those expectations. Employers who prioritise these factors are likely to have a more satisfied and motivated workforce.

The respondents were also asked the other seven questions out of fourteen regarding employee job satisfaction; the majority of the responses were neutral or undecided. The questions are: "Rewarding and penalising are based on skills, competencies, and performance;" 33.2% of the responses were undecided. "I am satisfied with fringe benefits;" 39% of responses were undecided. "Promotions are linked to performance ratings;" 41.5% were undecided. "My supervisor is accurate in measuring actual performance against set targets;" 33.7% were undecided responses. "I am satisfied with my supervisor's rating;" 43.4% were undecided. "I am encouraged to speak out when I disagree with my supervisor's decision." 41% gave an undecided response, and "EIC puts emphasis on staff training questions;" also, 37.1% were undecided by the respondents.

On three of the fourteen questions, the majority of the respondents were dissatisfied with the answers: "I am satisfied with communication on performance within the organisation" 33.7%

were dissatisfied, EIC has opportunities for career growth 32.2% were dissatisfied, and I am satisfied with the performance management policy and guidelines, 29.3% of the respondents were dissatisfied with the question. Based on the respondents' answers, it appears that there is a significant level of dissatisfaction with job satisfaction within the organisation. However, they did not seem to be generally satisfied with communication on performance, career growth opportunities, and the performance management policy and guidelines. Overall, it may be worth exploring strategies to address the issues related to job satisfaction while also leveraging the areas of strength to promote a positive workplace culture satisfied with other aspects, such as communication on performance and the per management policy and guidelines. It's also noted that there are no opportunities for career growth within the EIC.

Therefore, it may be important for the organisation to address the concerns raised in regards to job satisfaction and work on improving this area for employees. However, the positive feedback regarding communication and policy guidelines is a good sign and indicates that the organisation has some strength's that can be leveraged to support employee satisfaction and retention.

Table 8: Respondents view on job satisfaction

1= Extremely Satisfied, 2 = Satisfied, 3 = Neutral, 4= Dissatisfied, 5= Extremely Dissatisfied

No	Items		Rating					N
			1	2	3	4	5	
1	Salary increments are linked to performance rating	frequency	22	70	56	43	14	205
		Percent %	10.7	34.1	27.3	21	6.8	100
2	Rewarding / penalties are based on skills, competencies and performance	frequency	14	54	68	50	19	205
		Percent %	6.8	26.3	33.2	24.4	9.3	100
3	Am satisfied with fringe benefits	frequency	9	42	80	56	18	205
		Percent %	4.4	20.5	39	27.3	8.8	100
4	Promotions are linked to performance rating	frequency	7	42	85	55	16	205
		Percent %	3.4	20.5	41.5	26.8	7.8	100
5	My supervisor is accurate in measuring actual performance against set targets.	frequency	20	53	69	47	16	205
		Percent %	9.8	25.9	33.7	22.9	7.8	100
6	I am satisfied with my supervisors rating	frequency	9	41	89	49	17	205
		Percent %	4.4	20	43.4	23.9	8.3	100

7	I am encouraged to speak out when I disagree with my Supervisors decision	frequency	5	38	84	54	24	205
		Percent %	2.4	18.5	41	26.3	11.7	100
8	I am satisfied with communication on performance within the organization	frequency	10	34	62	69	30	205
		Percent %	4.9	16.6	30.2	33.7	14.6	100
9	My performance targets well communicated to me	frequency	17	76	61	41	10	205
		Percent %	8.3	37.1	29.8	20	4.9	100
10	Work done is based on set objectives	frequency	20	77	64	35	9	205
		Percent %	9.8	37.6	31.2	17.1	4.4	100
11	EIC has opportunities for career growth	frequency	9	32	65	66	33	205
		Percent %	4.4	15.6	31.7	32.2	16.1	100
12	EIC puts emphasis on staff training	frequency	12	69	76	41	7	205
		Percent %	5.9	33.7	37.1	20	3.4	100
13	I enjoy working with co-workers	frequency	22	81	70	28	4	205
		Percent %	10.7	39.5	34.1	13.7	2	100
14	I am satisfied with the performance management policy and guidelines.	frequency	21	48	55	60	21	205
		Percent %	10.2	23.4	26.8	29.3	10.2	100

Source: own survey questionnaire, 2023

4.4.2 Mean and Standard Deviation of Job Satisfaction.

The dependent variable of this study was job satisfaction. In order to investigate the job satisfaction of employees, fourteen statements were compiled. According to mean interpretation, the scores of extremely satisfied had been taken to present a variable that had a mean of 4.6 and above on the Likert scale. The score of satisfied had been taken to represent a variable that had a mean of 3.6 to 4.5 on the Likert scale. The score of neutral or undecided had been taken to represent a variable that had a mean of 2.6 to 3.5 on the Likert scale. The score of dissatisfied had been taken to represent a variable that had a mean of 1.6 to 2.5 on the Likert scale. The score of extremely dissatisfied had been taken to represent a variable that had a mean of 0 to 1.5 on the Likert scale.

Table 9: Mean and Standard Deviation of Job Satisfaction

Items		Valid	Mean	Std. Deviation
1	Salary increments are linked to performance rating	205	2.79	1.103
2	Rewarding / penalties are based on skills, competencies and performance	205	3.03	1.075
3	Am satisfied with fringe benefits	205	3.16	.993
4	Promotions are linked to performance rating	205	3.15	.951
5	My supervisor is accurate in measuring actual performance against set targets	205	2.93	1.092
6	I am satisfied with my supervisors rating	205	3.12	.968
7	I am encouraged to speak out when I disagree with my Supervisors decision	205	3.26	.975
8	I am satisfied with communication on performance within the organization	205	3.37	1.075
9	My performance targets are well communicated to me	205	2.76	1.023
10	Work done is based on set objectives	205	2.69	1.010
11	EIC has opportunities for career growth	205	3.40	1.069
12	EIC puts emphasis on staff training	205	2.81	.937
13	I enjoy working with co-workers	205	2.57	.925
14	I am satisfied with the performance management policy and guidelines	205	3.06	1.162

Source: own survey questionnaire, 2023

The finding in Table 9 shows that staff are only dissatisfied because they enjoy working with co-workers (mean of 2.57) and have a standard deviation of 0.925, which is the minimum regarding the other statements. The mean score of 2.57 for the statement "I enjoy working with co-workers" suggests that, on average, the respondents have a moderate level of job satisfaction with regard to working with their colleagues. The standard deviation of 0.925 indicates a moderate level of variability among the responses, which suggests that while some respondents strongly agreed with the statement, others were neutral or had a slightly negative view of enjoyment while working with their co-workers. The SD value of 0.925 suggests that there is a fair amount of variation in the responses, which means that some respondents report much higher levels of enjoyment working with co-workers than others. Overall, the results indicate that there is room for improvement in terms of fostering positive relationships and a sense of solidarity among co-workers, which could contribute to higher levels of job satisfaction among employees.

According to the data in the above table, The majority of the respondents were neutral or undecided responses on out of fourteen statements, on thirteen statements, whether Salary increments are linked to performance rating (mean of 2.79), on whether Rewarding / penalties are based on skills, competencies and performance (mean of 3.03), staff were also undecided on satisfaction with fringe benefits (mean of 3.16), the Promotions are linked to performance rating (mean of 3.15), organisation supervisor is accuracy in measuring actual performance against set targets (mean of 2.93), satisfaction with their supervisors rating (mean of 3.12), results show that staff are undecided on whether they are encouraged to speak out when they disagree with their supervisors' decision (mean of 3.26), satisfaction with communication about performance within the organisation (mean of 3.37), staff were also undecided on whether their performance targets are well communicated (mean of 2.76), work done is based on set objectives (mean of 2.69), staffs were undecided on the performance management policy and guidelines (mean of 3.173), and the staff undecided on whether EIC has opportunity for career growth (mean of 3.40).

It seems that the respondents were mostly undecided about their perception of job satisfaction, as their mean score falls within the range of 2.69 to 3.37. The SD value of greater than 0.9 indicates that there is a considerable amount of variability in their responses, which suggests that some respondents may have stronger levels of job satisfaction perception than others. However, without 2.69 to 3.37 on the Likert scale, this range suggests that the respondents neither agree nor disagree with the statements regarding their perception of job satisfaction.

However, the high value of the standard deviation (greater than 0.9) indicates high variability among the responses. This means that while most of the respondents were undecided about their job satisfaction, there were some who felt strongly one way or another.

Therefore, these statements suggest that there may be a lack of consensus among the respondents regarding their perception of job satisfaction.

This indicates the respondents' levels of satisfaction with their jobs varied significantly. The significant differences in the employees' demographic information, such as gender, age, years worked in EIC, and positions, can be attributed to the high variation in the standard deviation of the respondents' job satisfaction. This may indicate that the management did not measure in accordance with the expectations of the employees.

4.5 Hypothesis Analysis

Null Hypothesis (H0):

- There is no significant relationship between performance appraisals and employee job satisfaction in Ethiopian Insurance Corporation.

Alternative Hypothesis (H1):

- There is a significant relationship between performance appraisals and employee job satisfaction in Ethiopian Insurance Corporation.

4.5.1 Correlation Analysis

The objective of this research was to investigate whether the Ethiopian Insurance Corporation's appraisal process impacted the job satisfaction of employees. To investigate the impact of the system for appraisal on job satisfaction, a correlation study was conducted between the performance appraisal and employee job satisfaction.

A measure of the relationship (no relationship, positive relationship, negative relationship) between two variables is called correlation. According to Kothari (2004), positive values of "r" indicate a positive correlation between the two variables, which means that changes in both variables occur in the direction indicated. In contrast, negative values of "r" indicate negative correlation, which means that changes in the two variables occur in opposite directions. If the "r" value is zero, there is no correlation between the two variables.

The perfect positive correlation is indicated by $r = (+) 1$, while the perfect negative correlation is indicated by $r = (-) 1$. Similar to Cohen (1998) cited by Warokka et al. (2012) how interpreted the coefficient of correlation between 0 and 1. A low degree of correlation is indicated by a correlation coefficient (r) between 0.10 and 0.29; a moderate degree of correlation is indicated by a correlation coefficient (r) between 0.30 and 0.49; and a high degree of correlation is indicated by a correlation coefficient (r) between 0.50 and 1.00. In this study, the researcher determined the strength of the relationship between job satisfaction and performance appraisals.

Table 10: Correlation Analysis

		Performance Appraisal	Job Satisfaction
Performance Appraisal	Pearson Correlation	1	.730**
	Sig. (2-tailed)		.000
	N	205	205
Job Satisfaction	Pearson Correlation	.730**	1
	Sig. (2-tailed)	.000	
	N	205	205

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

The findings show a positive correlation ($r = .730$) and statistical significance ($p = 0.00$) at the 5% level of significance between the EIC performance appraisal process and employee job satisfaction.

4.5.2 Testing Assumption of Regression

The researcher tested the assumptions of the standard linear regression model (normality, autocorrelation/independent errors, homoscedasticity, and linearity) before performing the linear regression analysis to make sure the assumptions were met.

4.5.2.1 Normality Assumption

The data are assumed to be normally distributed for regression analysis. The assumption behind a normal distribution is that error terms have a normal distribution. There are many techniques used to test for normality. One of the techniques is the Kolmogorov-Smirnov test, which examines the p-value, the simplest way of visually checking normality. It compares the observed real data size of greater than 100 values with the relatively normally distributed distribution. The p-value indicates the level of significance or evidence against normality. A common threshold is to consider p-values less than 0.05 (or any chosen significance level) as evidence to conclude that the data is not normally distributed. If the p-value is greater than 0.05 (e.g., $p > 0.05$), we can consider the data to be approximately normally distributed.

Table 11: Kolmogorov-Smirnov Test of Normality

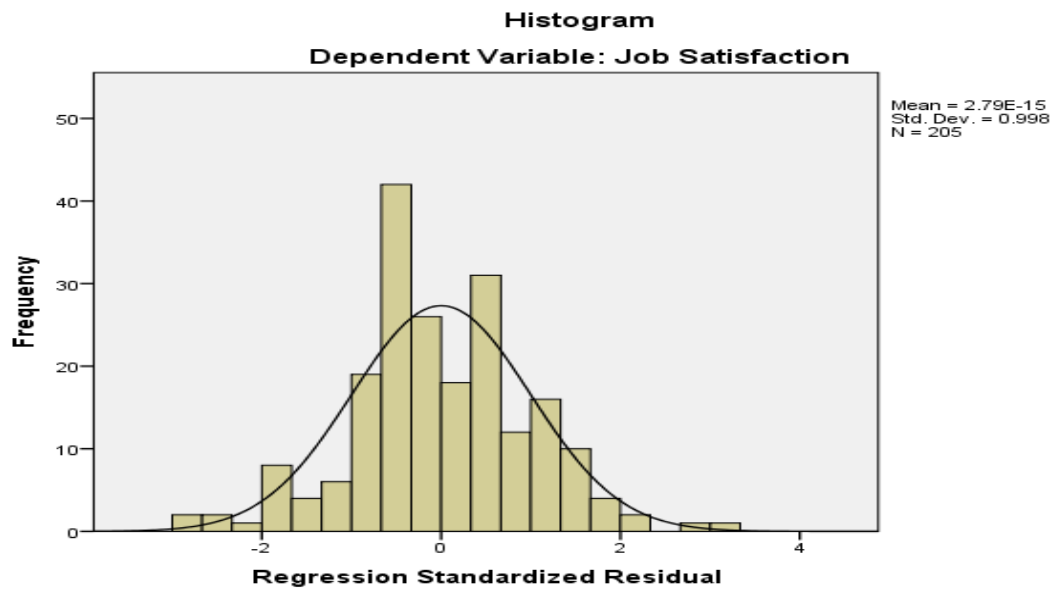
Tests of Normality			
		Kolmogorov-Smirnov	
	Statistic	df	Sig.
Job Satisfaction	.060	205	.072

a. Lilliefors Significance Correction

In the event of a normal distribution, the Kolmogorov-Smirnov test is symmetric. The study's Kolmogorov-Smirnov test ($p = .072$) shows that the data are essentially normally distributed.

The other technique for visually determining normality is the histogram, which is the other strategy to do so. It contrasts the actual data values that have been seen with a distribution that is roughly normally distributed. The histogram is relatively symmetric if the distribution is normal (its two sides appear to be mirror images of one another) Peck et al, (2016). The study's histogram shows that the data are essentially normally distributed.

Figure 2: Histogram



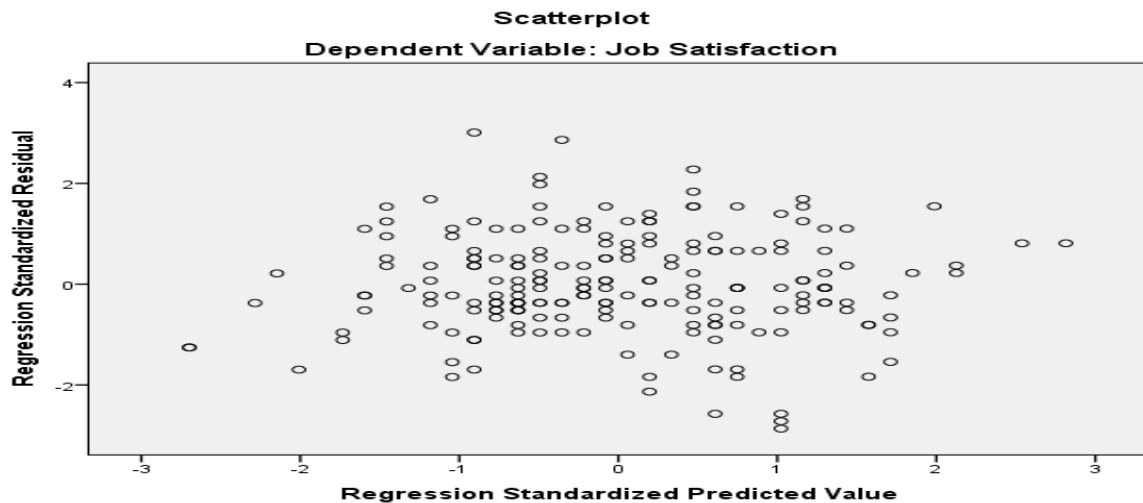
4.5.2.2 Autocorrelation Assumption

According to Field (2005), the terms of residuals should be uncorrelated or independent of one another for any two observations. This situation is occasionally referred to as no autocorrelation. Confidence intervals and significance tests are invalidated by autocorrelation. The Durbin-Watson test, which looks for serial correlation between residuals, may be used to evaluate the autocorrelation assumption. A result of 2 in the test statistic, which ranges from 0 to 4, denotes the absence of autocorrelation between related residuals. Positive autocorrelation is indicated by values less than 2 and negative correlation by values larger than 2. Concerns about autocorrelation arise when the value is less than 1 or larger than 3. See at regression analysis table 16 (DW-value of 1.784).

4.5.2.3 Linearity Assumption

The core concept of the linearity assumption is that independent and dependent variables interact linearly. Creating a scatter plot of the residual values compared to the outcome value predicted by the model is one method of testing the linearity assumption. Thus, linearity is determined if there is no typical correlation between the model's error and what it predicts (Field, 2005). There is no indication of any regular connection between the model's errors and what the model predicts in the scatter plot. The linearity assumption is therefore validated.

Figure 3: Scatterplot Diagram



4.5.2.4 Homoscedasticity Assumption

The homoscedasticity assumption, which holds that the error term's variance is constant, is one of the assumptions made by the regression model. Homoscedasticity refers to the assumption that the variability (or spread) of the residuals (or errors) is constant across all levels of the independent variable(s) in a statistical analysis. In other words, it assumes that the variance of the errors is consistent across the range of values of the predictors. A visual examination of the standardised estimated value is used to verify homoscedasticity. There cannot be a trend of rising or falling residuals in regression if the variance of the error term is constant, Expected value that is standardised. The researcher determines that the data is homoscedastic since figure 3: Scatterplot diagram above shows no evidence of the residuals increasing or decreasing.

4.6 Regression Analysis

Regression analysis's main goal is to provide the relationship between a dependent variable and one or more independent variables, using the independent variable's values to predict the value of the dependent variable. (Peck. et al, 2016). For evaluating the relative impact of an independent variable on a dependent variable, regression analysis is effective.

Therefore, the researcher used a linear regression analysis to investigate how performance appraisal directly affects employee's job satisfaction. The researcher used a significance level of 0.05 and a confidence level of 95% to see if the impact was statistically significant.

As a result, the relationship between the performance appraisal factors and job satisfaction is investigated.

Table 12: Regression Analysis

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.730 ^a	.532	.530	.48598	1.784

a. Predictors: (Constant), Performance Appraisal

b. Dependent Variable: Job Satisfaction

R: This is the **Pearson correlation coefficient (R)**, which measures the strength and direction of the linear relationship between two variables. It is a value between -1 and 1, with values closer to -1 or 1 indicating a strong linear relationship, while values closer to 0 suggest a weak relationship. It ranges between -1 and +1 and measures the strength and direction of the linear relationship between variables.

From our data output, the R-value of 0.730 shows that there is a strong and positive correlation among the variables, which supports alternative hypothesis (H1) of the study (There is a significant relationship between performance appraisals and employee job satisfaction in Ethiopian Insurance Corporation).

R-Square: The **coefficient determination (R-square)** is used to measure the goodness of fit or the explanatory power of the model, which is a measure of how much of the variability in the dependent variable, can be explained by the independent variable. It ranges between 0 and 1, where 0 means no linear relationship and 1 means a perfect linear relationship.

The R-square gives the proportion or percentage of the total variation in the dependent variable that is explained by the independent variable. The model fits well, as indicated by the R-square value of 0.532, which indicates that around 53.4% of changes in the dependent variable (job satisfaction) are explained by the independent variable (performance appraisal), have large effect since the value of r-square is greater than 50%. 53.2% also implies that there might be other factors which bring about 46.8% in the employees' job satisfaction.

The Adjusted R-Square: This is a modified version of the R-Square that has been adjusted for the number of independent variables in the model. The adjusted R-square penalises the R-square for the additional variables that do not contribute to the explanatory power of the model. The adjusted R-Square value of 0.53 indicates that performance appraisal explains around 53% of changes in work satisfaction, demonstrating the model's suitability.

Durbin-Watson (DW): The DW statistics measure the evidence of autocorrelation in the residuals. The acceptable DW range for no autocorrelation is value of 2. The fitted regression line result showed that there is no evidence of autocorrelation, as indicated by the DW statistic value of 1.783, as a result the assumption of autocorrelation is not violated.

Analysis of Variance (ANOVA)

The ANOVA (F-statistic) measures the overall significance of the model. It consists of calculations that provide information about levels of variability with the regression model and form the basis for tests of significance.

Table 13: ANOVA

ANOVA						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	54.602	1	54.602	231.189	.000 ^b
	Residual	47.945	203	.236		
	Total	102.547	204			

a. Dependent Variable: Job Satisfaction

b. Predictors: (Constant), Performance Appraisal

The result confirms that the regression model is significant for the data, and this was captured by the ANOVA (F-statistic) value of 231.189 and its associated probability value of zero ($F = 231.189, P = 0.00$), which was found to be significant at the 5% level ($p < 0.05$). There is a very low probability that this relationship is occurred by chance (F-statistic) value is very high. We conclude that PA has a significant impact on employee job satisfaction, accept the alternative hypothesis, and it is an important factor that should be considered by corporations when evaluating and managing their employee's job satisfaction.

Regression Coefficient

The amount to which each independent variable affects the dependent variable is depicted in the table below. The standardised beta coefficient provides an explanation for the relative contribution of independent variables to the variance of dependent variables. The coefficient (β) shows the sign and size or magnitude of change; they are computed by the standard ordinary least squares (OLS) formula.

Table 14: Regression Coefficient

Coefficients						
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.		
	B	Beta				
1	(Constant)	.827	.147	5.609	.000	
	Performance Appraisal	.784	.052	15.205	.000	

a. Dependent Variable: Job Satisfaction

The standardized beta value is positive, which means a higher positive effect of performance appraisal is associated with higher job satisfaction. The performance appraisal coefficient value, which was found to be 0.73, shows that a unit increase in performance appraisal, on average, increased job satisfaction by 0.73 units.

From the above table, the calculated t-statistic or t-value for the relationship between performance appraisal and job satisfaction is given as 15.205 with an associated p-value of zero. Since the p-value is less than 0.05 at the 5% level of significance, we conclude that performance appraisal has a positive and significant impact on job satisfaction, which supports the alternative hypothesis (**H1**). Or we are 95% confident to say that there is a significant positive relationship between performance appraisal and employee job satisfaction in Ethiopian Insurance Corporation.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

The general objective of the study was to investigate the impact of the performance appraisal on employee job satisfaction at the Ethiopian Insurance Corporation. A total of 205 questionnaires were provided, and all of the responses were returned, providing a response rate of 100% overall. This chapter of the research project paper summarises the key research findings, draws conclusions, makes recommendations, and offers ideas for future research. The chapter starts by outlining the key research findings, then moves on to the study's conclusions, and then comes to a close with recommendations and ideas for future research.

5.2 Summary of major findings

The major findings of the study were the following:

It is clear from the results that there was a gender gap among the study's responses the majority of respondents were male. The majority of the employees are relatively young and at the highest level of productivity, according to the data regarding age of respondents. The results indicate the high degree of education held by EIC employees. The majority of the employees have a senior position, making them active in the daily oversight and direction of corporate processes.

Since everyone is evaluated once a year, the majority of respondents are aware of the EIC performance evaluation process in this context. The findings also indicate the majority of employees are aware of the rewards such as pay raises, promotions, bonuses, or recognition, and penalties such as demotion, reduction in pay, or even termination of employment, linked to the various performance rating categories. Employee satisfaction may be increased by making them aware of the aforementioned rewards and penalties; nevertheless, satisfaction may be decreased simply by not following the aforementioned rewards and penalties. The majority of respondents agree with each of the four questions. PA ensures that EIC goals are achieved; PA helps individual staff meet set targets and goals; PA assists staff to know their level of performance; and actual performance is rated based on set targets in EIC. The majority of respondents' perceptions of the following five questions are neutral or undecided: PA is used in EIC to determine rewards or penalties for performance; Human Resources offers sufficient training on PA systems in EIC. The PA method used in EIC is professional, objective, and fair. The supervisor rates my performance accurately, and timely feedback is given on PA in

EIC. The only question on which the majority of the respondents disagree is whether the frequency with which the PA is conducted in EIC is sufficient and also Most of the employees are not satisfied with current appraisal system and they also want it change for the future.

The results show that respondents' views on appraisal of performance as a management tool are very variable in terms of standard deviation. The majority of the items had high standard deviation readings of >0.9 . This suggests that there is a wide variation in the evaluations, which has a major impact on respondents' perceptions of performance evaluation as a management tool. As a result, there doesn't seem to be any agreement among the replies.

Regarding job satisfaction questions, the majority of the respondents were satisfied. For the questions: salary increments are linked to performance ratings; my performance targets are well communicated to me; work done is based on set objectives; and I enjoy working with co-workers. The majority of the staff expressed undecided satisfaction with their jobs. Rewarding and penalising are based on skills, competencies, and performance; I am satisfied with fringe benefits; promotions are linked to performance ratings; supervisors are accurate in measuring actual performance against set targets; and I am satisfied with my supervisor's rating. Encouragement speaks out when disagreeing with the supervisor's decision and EIC puts emphasis on staff training.

The majority of the respondents were dissatisfied with: satisfaction with communication on performance within the organisation; EIC having opportunities for career growth; and satisfaction with the performance management policy and guidelines. The results show that there is significant diversity in the respondents' job satisfaction standard deviation. This was the case since all fourteen of the statements had large standard deviation values (>0.9). This means that the respondents' work satisfaction varied significantly.

From the correlation analysis, it is noted that performance appraisal is positively correlated with job satisfaction. And also, from the correlation analysis, there is a significant positive relationship between the performance appraisal system and job satisfaction among employees. From the regression analysis, the degree of association between major components of the performance appraisal system and job satisfaction is 0.532. This implies that 53.2% of the variation in job satisfaction is explained by major components of the performance appraisal system, while 46.8% of the variance is explained by other factors.

5.3 Conclusion

The general objective of the study was to investigate the impact of performance appraisal on employee job satisfaction using a survey questionnaire at the Ethiopian Insurance Corporation. The study was guided by the following specific objectives: to investigate the practise of performance appraisal in EIC, to determine the relationship between performance appraisal and job satisfaction, and to find out the level of impact the performance appraisal process has on employee job satisfaction in EIC.

According to the findings of the study, there is a formal appraisal system once a year for professional workers in June. Performance is set at the beginning of the appraisal period, the majority of employees agree about it, PA ensures that EIC goals are achieved, PA helps individual staff meet set targets and goals, PA assists staff to know their level of performance, and actual performance is rated based on set targets in EIC. On the contrary, on the item about whether the frequency with which the PA is conducted in EIC is sufficient, most of the employees disagreed on this item. And also, most of the employees are undecided. PA is used in EIC to determine rewards or penalties for performance; Human Resources offers sufficient training on PA systems in EIC. The PA method used in EIC is professional, objective, and fair. The supervisor rates my performance accurately, and timely feedback is given on PA in EIC.

The results suggested that there is a lack of job satisfaction. The employees are dissatisfied because the management does not use the performance appraisal to satisfy the communication on performance within the organisation, there are poor opportunities for career growth, and they are dissatisfied with the performance management policy and guidelines. Salary increments are linked to performance ratings, performance targets are well communicated, work is done based on set objectives, and employees enjoy working with co-workers. It can be concluded that job satisfaction is positively linked to factors such as clear communication of performance targets, objective-based work, and enjoying working with co-workers.

The result of the correlation analysis shows that there is a positive and significant relationship between performance appraisal and job satisfaction. The result of the regression analysis shows that the variance in job satisfaction is greatly (53%) explained by the performance appraisal.

5.4 Recommendation

The researcher makes a number of recommendations that should be taken into consideration in regard to job satisfaction and performance appraisals, as performance appraisals are used by corporations to recognise and develop their employee resources in order to function effectively.

The employee needs training on the performance appraisal system, even if they are involved in and aware of it as a management tool. Since the scales on the performance appraisal form are overly general, subjective, and lack particular job relevance, the firm needs to significantly improve them. Without a corporate commitment from the company to ensure that it is utilised properly and regularly, even the best-designed performance appraisal system is ineffective. Re-evaluating the criteria and methods used in performance appraisal to ensure that they are fair and unbiased and that they accurately reflect employee contributions and achievements

Ensuring that, performance appraisals are transparent, fair, and consistent across organisations. This can help build trust and engagement amongst employees and ensure that everyone is held to the same standards.

EIC, in particular its human resources division, provides training and support to managers and supervisors to improve their skills in conducting performance evaluations, giving constructive feedback to the performance appraisal process, and identifying any flaws in the methodology or criteria used. This can involve seeking feedback from employees and considering alternative approaches that may better align with their needs and expectations.

Providing employees with opportunities for training, development, and career progression is important, as these factors are strongly linked with job satisfaction. Providing clear career paths and opportunities to grow and develop within the organisation can also increase motivation, engagement, and job satisfaction.

Encouraging, open communications and feedback between managers and employees, as well as among team members. This can help identify and address issues, resolve conflicts, and build stronger relationships within the workplace.

Implementing regular check-ins and feedback sessions, rather than just an annual performance appraisal, to ensure employee progress and development are monitored and support is provided when needed EIC must evaluate each employee's performance on a regular basis at least twice a year to guarantee rating accuracy.

It is recommended to provide employees with instant feedback rather than waiting for the yearly review date, and the appraisal system should be investigated to make sure that rewards and penalties are linked to employee performance.

The management should use performance appraisal to determine salary increments, rewards and penalties, promotions, fringe benefits, training needs, and career growth opportunities, and make clear performance management policies and guidelines to boost employee job satisfaction.

Overall, it may be recommended to re-evaluate the entire performance appraisal system and include suggestions and feedback from employees to ensure that the process is fair and effective in promoting employee job satisfaction.

By putting into practise the suggestions listed above, the Corporation ought to concentrate on the most important appraisal elements that have been chosen in order to raise the level of employee job satisfaction.

It is important to conduct further study to see how factors other than appraisals impact employees' job satisfaction.

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ANNEX 1: Questionnaire

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
COLLEGE OF BUSSINES AND ECONOMICS**

Dear Respondents;

I really appreciate your willingness to give up some of your important time to answer the survey's questions. Your genuine reply helps in investigating "**The Impact of Performance Appraisal on Employee Job Satisfaction: The Case of Ethiopian Insurance Corporation**, in partial fulfilment of the degree of Masters in Business Leadership.

Confidentially, I want to assure you that this research project is only for academic purposes. Thus, your ideas and comments are highly honoured and kept confidential. The recommendation of the finding will be provided to the top management team of Ethiopian Insurance Corporation in order to use the finding as input to design better employees Performance appraisal systems. The researcher hopes that the completed report will be used as a guide for future studies on a related topic.

Since your responses will have a significant impact on the result of the study, I kindly ask for your cooperation in properly completing all the questionnaire's items. The survey questions contain about three related parts: the first part deals with respondent demographic information; the second part is a general question regarding employee performance appraisal practices in the corporation; and the final part contains questions regarding job satisfaction of employees in the corporation.

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

Thank you for your cooperation and timely response in advance.

General Instruction

- There is no need of writing your name and signature.

Definition of Some Terms

- EIC- Ethiopian Insurance Corporation
- PA- Performance Appraisal
- PAS-Performance Appraisal System

PART 1: GENERAL INFORMATION

Please put (√) to indicate your answer.

1. What is your gender? Male Female
2. Your age category? Less than 20 20 to 30 31 to 40
41 and above
3. Your years' of service in EIC? Less than 3 years 3 to 6 years
More than 6 years
4. Highest formal education attended? Diploma bachelors of degree
Master's degree others
5. Under which position are you working now? Junior staff senior staff
Management staff

PART 2: PERFORMANCE APPRAISAL

Please put (√) to indicate your answer.

1. Are you aware of the EIC PAS? Yes No not sure
2. Are you aware of the rewards or penalties for the various categories of performance rating in EIC? (Commendation, salary increment, bonus, caution and termination of service).
Yes No not sure
3. Performance appraisal is a crucial management tool that helps both the business and the employee reach their goals.

Please respond to the list below by ticking appropriately.

1-Strongly Agree, 2- Agree, 3-Neutral, 4-Disagree, 5-Strongly Disagree

No	Questions	1	2	3	4	5
1	PA insure that EIC goals are achieved					
2	PA helps individual staff meet set targets and goals					
3	PA identifies skills, gaps and developmental needs					
4	PA assists staff to know their level of performance					
5	PA is used in EIC to determine rewards /penalties for performance					
6	Human resource offers sufficient training on PA systems in EIC					
7	Actual performance is rated based on set targets in EIC					

No	Questions	1	2	3	4	5
8	The PA method used in EIC is professional, objective and fair.					
9	The supervisor's rates my performance accurately					
10	The frequency with which the PA is conducted in EIC is sufficient					
11	Timely feedback is given on PA in EIC					

PART 3: JOB SATISFACTION

Below is a list of statements. Kindly rate your satisfaction in relation to the following aspects:
Please respond to the list below by ticking appropriately.

1= Extremely Satisfied, 2 = Satisfied, 3 = Neutral, 4= Dissatisfied, 5= Extremely Dissatisfied.

No	Questions	1	2	3	4	5
1	Salary increments are linked to performance rating					
2	Rewarding / penalties are based on skills, competencies and performance					
3	Am satisfied with fringe benefits					
4	Promotions are linked to performance rating					
5	My supervisor is accurate in measuring actual performance against set targets.					
6	I am satisfied with my supervisors rating					
7	I am encouraged to speak out when I disagree with my Supervisors decision					
8	I am satisfied with communication on performance within the organization					
9	My performance targets well communicated to me					
10	Work done is based on set objectives					
11	EIC has opportunities for career growth					
12	EIC puts emphasis on staff training					
13	I enjoy working with co-workers					
14	I am satisfied with the performance management policy and guidelines.					