

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



**ASSESSMENT OF PERFORMANCE APPRAISAL SYSTEM: THE CASE OF MINISTRY  
OF URBAN DEVELOPMENT AND HOUSING (MUDH), ETHIOPIA**

**By**

**Dereje Leyew(GSE/2623/09)**

**A Thesis Submitted to the Addis Ababa University, College of Business and  
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the Degree of Masters of Arts in Human resource Management .**

**Advisor**

**Abeba Beyene(PHD)**

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**School of commerce**

**Department of Human resource Management**

**Graduate programs**



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**By**

**DerejeLeyew**

**Approval Board Committee**

**Research Advisor**

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**Signature**

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**External Examiner**

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**Signature**

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**Internal Examiner**

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**Signature**

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## **DECLARATION**

I, Dereje Leyew, hereby declare that the thesis work entitled “The assessment of Performance appraisal system In the case of Ministry of urban Development and housing (MUDH)” submitted in partial fulfillment of the requirements for Master of Arts (MA) in Human Resource Management to Addis Ababa University School of Commerce, is the outcome of my own effort and that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for any degree in this University or any other University.

Name:Dereje Leyew

Signature \_\_\_\_\_

Date\_\_\_\_\_

## **STATEMENT OF CERTIFICATION**

This is to certify that Dereje Leyew carried out his project on the topic entitled “The assessment of Performance appraisal system, In the case of Ministry of urban Development and housing (MUDH)” under my supervision. This work is original in nature and is suitable for submission for the award of Degree of Master in the Department of Human Resource Management.

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Advisor Abeba Beyene(PHD)

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## **LIST OF ABBREVIATION AND ACRONYMS**

MUDH Ministry of urban development and housing

HR Human Resource

PA performance Appraisal

PAP Performance Appraisal practice

PM Performance management

PMS performance management system

SPSS Statistical Program for Social Science

## ABSTRACT

*Performance management is the system of maintaining or improving the job performance of employees through the use of performance planning processes, along with coaching, mentoring and providing continuous feedback. The aim of this study was to assess the performance management practices of MUDH. Descriptive research design was applied using both qualitative and quantitative approach. The study used stratified sampling techniques and collected primary data from 163 staff through questionnaire. SPSS 20 versions was used to process the primary data. The study has found out that the MUDH appraisal system lacks acceptability and sensitivity which is due to the subjective appraisal criteria and these criteria are not in line with the job description of employees. MUDH in general has areas of improvement in; considering factors hindering performance during appraisal, using performance results for promotion and advancement, and equipping supervisor to provide individualized recognition. Finally, MUDH management should be a model by seeking feedback and coaching from others and find opportunities to create space for openness, transparency and clear communication to flow smoothly in all direction to get the desired result of performance management.*

*Key words: performance management, feedback, performance assessment, performance appraisal*

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter introduces the nature of the proposed research and the overall planned approach to deal with the stated research problem. It consists of the background of the study, statement of the problem, Research question, Research objective, Significance of the study, Scope of the study, Limitation of the study, Definition of the term and Organization of the study.

### **1.1 Background of the Study**

Organizations set targets and goals that they work towards achieving. In view of this, management sections of organizations are tasked to employ the use of techniques and expertise in the efficiently, planning, organizing, directing, and controlling the operations to achieve set targets. The Human Resource Management is concerned with the management of an organization's workforce. They are responsible for the recruitment and retention of good employees and also the training and development of employees to boost their productivity, efficiency and also their satisfaction, and to resultantly promote the overall success of the organization (Paauwe & Boon, 2009).

Targets and goals set by organizations serve as yardsticks for measuring success. HRM practitioners, via the use of performance appraisals, evaluate their employees' performance since their performances are vital to organizational success (Collins & Wood, 2009). Desirable performance of employees which an organization needs, however, is dependent on positive job attitudes like job satisfaction. Thus, negative job attitudes pose a threat to the attainment of organizational goals (Moorhead & Griffin, 1992).

Performance appraisal was introduced by Lord and Taylor (1914). As a result, many companies were influenced by Frederick Taylor's "Scientific Management" efforts of the early twentieth century. It is therefore believed that the continued success of each organization depends on its performance appraisals. Employee performance appraisal is one of the most commonly used management tools.

Performance appraisals have far reaching consequences on people. If evaluators in any way discriminate against employees, these individuals can suffer devastating consequences. Given the possibility that adverse judgments can be made about an individual's performance, it is possible that performance appraisals might not be fair. Evaluators might allow their biases, prejudices and stereotypical attitudes to negatively influence the outcome.

In the early part of this century, performance appraisals were used in larger organizations mostly for administrative purposes, such as making promotions and determining salaries and bonuses. Since the 1960s, however, companies and researchers have increasingly stressed the use of employee evaluations for motivational and organizational planning purposes. Indeed, for many companies, performance appraisal has become an important tool.

In organizational setting, performance appraisal is defined as a structured formal interaction between a subordinate and a superior, that usually takes the form of a periodic interview which could either be annual or semi-annual, in which the work performance of the subordinate is examined and discussed with the view to identifying strength and weaknesses as well as opportunities for improvement and skill development. Moorhead and Griffin (1998) describe it as a process of evaluating work behavior's by measurement and comparison to previously established standards, recording results, and communicating them back to the employee. It is an activity between a manager and an employee.

Performance appraisal is described as one of HR management's most problematic aspects. Smith (1996) argues that all parties concerned with the appraisal process including employees, their supervisors and HR managers are collectively dissatisfied with appraisal systems in their Organization. Appraisal systems are also described to be full of errors (Cardy, 1998).

Therefore, knowing the practice and employee opinions with the system helps to analyze its effectiveness and efficiency in light of the performance management system and relevant literature. If effectiveness and efficiency is impaired the organization cannot meet its goals and objectives. These are practically, linked to the practice and problem with its employee's performance management practice and needs to be investigated thoroughly by posing statement of the problems.

The major goal of this study was to assess the practices of performance appraisal system in the context of Ministry of urban development and housing.

## **1.2 Background of the Organization**

Ministry of Urban Development and Housing was established during the regime of emperor Hailselasie in 1967 E.C which was held under in ministry of country administration. From this period onwards it was continuously changing its function, form and structure Under Derge regime and EPRDF. From 2011 E.C onwards urban development and housing activities and construction minister are in the way to merge together. The main types of service provided by this organization are urban planning, land development and management, housing development and administration. Currently the organization has more than 495 employees including directories, supervisors, team leaders and other administrative employees. The main vision of the organization is Making urban center for development and effective service delivery for dwellers living condition lead by urban planning and center of development and democracy in 2025. The mission of the organization is making organizational customers and stake holders cooperating and integrating for effective service delivery in urban area as a center for urban development and good governance (Source: Ministry of Urban Development and Housing portal).

## **1.4 Statement of the problem**

Performance appraisal system is applied in the organizations to identify the skilled and best Performer employee, to increase their salary and other benefits, to increase productivity of employee by providing necessary training, to fill deficiency gap which ultimately enable employee to be satisfied from the job. Effective appraisal practice requires that the supervisor set performance standards and it also requires that employees receive it.

Performance appraisal is credited with encouraging employee loyalty, fostering teamwork, impacting other Human Resource functions positively and also positively involved in employee job satisfaction. Owing to the role these factors play in attaining organizational goal many organizations invest in Performance appraisals.

However, researchers also cite ambiguities in the appraisal system and also warn of the dangers it poses to management and their subordinates.

The study assesses the performance appraisal practices in MUDH and if it is well carried out with a focus on the purposes and features of performance appraisal. It has assessed the impacts of performance appraisal on the job related attitudes of employees, with the supposition that, if the performance appraisals are carried out with a clear purpose and links performance levels with rewards, then employees' job related attitudes job satisfaction will be accordingly positively influenced.

Ministry of urban development and housing (MUDH) has a long history which has different name and function in the past regime. Performance appraisal exercised periodically as a usual practice on the basis of which various administrative and developmental decisions are taken.

Though much of the literature in the area brought the issue of performance appraisal and enhancing performance of employees the researcher heard that there is administrative disputes on the application of performance appraisal outcomes and the types of benefit provided to employees like, promotion, foreign education program so a brief assessment made via interview with the organization HRM officers and selected employees revealed that the existing performance appraisal system has not become as effective and efficient as it has been expected to bring employee job satisfaction.

In addition to this evidence, key employee has been leaving the organization because of this.

The performance appraisal method which is currently in use, the process of performance appraisal established or the purpose of performance appraisal (being administrative or developmental) has a direct or indirect relation with the Organization performance.

There is no any study conducted in MDUH that assess the performance appraisal practices and filling this gap was could be the main contribution of this thesis. Therefore, the study aimed to evaluate and understand the problem in the existing performance appraisal system of MUDH.

## **1.5 Research question**

This study was addressed to answer the following questions.

1. How is performance appraisal practiced in MUDH?
2. What are the major problems underlying the appraisal system in MUDH?
3. Is the performance appraisal system of MUDH meeting its intended objectives?

## **1.6 Research objective**

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

### **1.6.1 General Objective**

The study has the general objective of assessing employee performance appraisal practice of MUDH and recommending solutions for problems related to the subject matter.

### **1.6.2 Specific Objective**

This study has the following specific research objective

1. To assess the practice of performance appraisal of MHUD
2. To see what methods are available to appraising performance and assess the frequency of the appraisal practice.
3. To recommend possible solutions for any pitfalls uncovered in the empirical findings.

## **1.7 Significance of the study**

The study helps the organization to pin point the important challenges that exist currently and take remedial actions for suitable positive results.

- The findings and recommendations of the study will be vital for the human resource practitioners who design and administer employees performance appraisal to achieve organizational objectives and tackle the problem regarding employees' performance appraisal and to increase job satisfaction level of employee.
- The study also contributes to other researchers as a reference or guidelines who want to conduct on the similar or related topics, in order to conclude and recommend on the problems by using this study as a facilitator.



## 1.8 Scope and Limitation of the study

The study was geographically delimited to employees who are working at ministry of urban development and housing (MUDH) at the federal level. The study Covered with the views of non-management employees (professional employees) of the Organization. The target population were permanent (full time) non managerial Professional employees of the organization who have experience of more than or equal to one year. This sample size was believed to be statistically sufficient to ensure the desired level of accuracy and these employees exposed for performance appraisal in MUDH at least once and it was believed that they have enough knowledge about appraisal practice of the company. Those employees of the company who were not permanent or served less than one year were excluded from the study due to the feeling that they will not provide reliable information.

The study only focus on major performance appraisal component it doesn't address all components of performance appraisal system component.

## 1.9 Definition of the term

**Performance Appraisal:** It is a systematic, periodic and so far as human possible, the impartial rating of an employee's excellence in matters pertaining to his potentialities for a better job (Flippo, 1984).

**Performance Appraisal Process:** It is establishment of performance standards in accordance with the organization's strategic goals, Communicate expectations, Measure actual performance, Compare actual performance with standards, discuss the appraisal with the employees and initiate corrective action(DeCenzo, 2010).

**Feedback:** is the communication of the results of appraisal to subordinates, so that they know their strong as well as weak points (Gupta,Sharma,and Bhalla,1988).

**Standard setting:** It is the proper following of prescribed rational system of rule or procedure resulting in the assignment of a number to differentiate between two or more sate and degree of performance (cizek1993).

## **1.10 Organization of the study**

The paper has comprised five chapters. The first chapter deals with the introduction part of the research topic. The second chapter review most important theoretical concepts written by various scholars in the field of HRM and performance management. The third chapter articulates and justifies the adopted methodological approaches and measurement techniques. In the fourth chapter, the analysis, discussion, and results outlined. The fifth chapter identified summery, conclusion and recommendation.

## **CHAPTER TWO**

### **LITRATURE REVIEW**

This chapter deals with review of related literature to the topics of performance appraisal and job satisfaction. Regarding the topics they are thoroughly discussed by referring different books and Journals available on the libraries and internet.

#### **2 .Theoretical review**

##### **2.1 Definition of Performance Appraisal**

Performance appraisal is the process of evaluating an employee of an organization by some qualified persons. Performance appraisal is important to know bleaches the selection of an employee was right or wrong, it also help for personnel promotion, transfer, salary increase with their performance. Different scholar defined performance appraisal in the following manner

As defined by Gupta, Sharma and Bhala (1988), performance appraisal means the systematic evaluation of the performance of an employee by his or her supervisors. It is a tool for discovering, analyzing, and classifying the differences among workers in relation to job standards. It refers to the formal system of appraisal in which the individual is compared with others and ranked or rated. Generally appraisal is made by the supervisor or manager once or twice a year.

Performance appraisal is the formal process normally conducted by means of completing an instrument that identifies and documents a job holder's contributions and workplace behaviors. A primary reason for appraising performance is to encourage employees to put forth their best effort so that the organization can reach its mission and goal. Through the appraisal process organizations identify and recognize effort and contributions (Henderson, 2006).

Performance appraisal of employee implies to how efficiently the worker are performing their job and also to know their aptitudes and other qualities necessary for performing their job and also to know their aptitudes and other qualities necessary for performing the job assigned to

them. The qualities of employee that are appraised through performance appraisal are ability to do work, spirit of cooperation, managerial ability, self-confidence, intelligence etc.

## **2.2 Performance appraisal process**

According to DeCenzo (2010) performance appraisal process includes the following six steps, 1. Establish performance standards with employees. 2. Communicate expectations. 3. Measure actual performance. 4. Compare actual performance with standards. 5. Discuss the appraisal with the employee. 6. If necessary, initiate corrective action.

### **Establish Performance Standards**

The appraisal process begins with establishment of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction and, more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are articulated in ambiguous phrases that tell us little, such as "a full day's work" or "a good job." What is a full day's work or a good job? Supervisor's expectations of employee work performance must be clear enough in her mind so that she will be able to, at some later date, communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards DeCenzo (2010).

### **Communicate Expectations**

Once performance standards are established, it is necessary to communicate these expectations; employees should not have to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and without employee input. Communication is a two way street: mere information transfer from supervisor to employee is not successful communication DeCenzo (2010).

### **Measure Actual Performance**

The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the first two steps of the appraisal process DeCenzo (2010).

### **Compare Actual Performance with Standards**

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal DeCenzo (2010).

### **Discuss the Appraisal with the Employee**

One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences DeCenzo (2010).

## **Initiate Corrective Action if Necessary**

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as “putting out fires,” whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow DeCenzo (2010).

## **2.3 Methods of Performance Appraisal**

There are two types of measures in performance appraisal: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods.

### **2.3.1 .Traditional Methods**

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

**Ranking Method** .According to Dessler (2011), ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked .

**Graphic Rating Scales.**In 1922,Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and

practicality. According to Dressler.(2011), Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

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

### **2.3.2 Modern Methods**

Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc. Some of the modern appraisal methods are the following:

**Management by Objectives (MBO)** .According to Dessler (2003), this method of appraisal is more than an appraisal program. It reflects a management philosophy which values and utilizes employee contributions. By establishing clear and well defined objectives, the employees are provided with a course to follow and practice their duties and responsibilities properly. MBO generally refers to a comprehensive, organizational wide goal setting and appraisal program consisting of six steps: Set the organization goals, set departmental goals, discuss departmental goals, define the expected results, performance review and finally provide feedbacks.

**Behaviorally Anchored Rating Scales (BARS)** .This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are used as a basis for rating employee performance. While, more time consuming than other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feedback to employee. (Dessler, 2003)

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

**360 Degree Appraisal.** The 360-degree feedback evaluation method is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources unlike traditional performance reviews, which provide employees with feedback only from supervisors (Tracy, 2008). In this method, people all around the rated employee may provide ratings, including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and internal or external customers.

## **2.4 Performance Appraisal Problems**

Carroll and Schneier's (1982) research found that performance appraisal ranks as the most disliked managerial activity. It has reputation of being unpopular by both managers and employee and even compared to horrifying dental appointments where the latter was much more preferred. For many writers performance appraisal is 'doomed' (Halachmi 1993); a managerial practice 'whose time has gone' (Fletcher 1993; Bhote 1994) and whose end is imminently predicted (Roth and Ferguson 1994).

In essence, performance is a human judgment which, as we have already seen when considering personnel selection, suffers from problems of reliability and validity. People will always form their judgments about the abilities, performance of their colleagues which can be highly subjective and impressionistic (Herbert, 1991). This entails that perception of what is deemed to be an excellent work differs from one manager to another. Human judgment depends on the unique genetic and environmental influences that form each individual's values, attitudes, expectations and perception, (Shuan Tyson, 2006). Campbell & Garfinikel (1996) like most things that can be inherently wrong with the performance appraisal exercise.

In perfect system assumption, Managers have a base of judging employees in the case where directions and incentives are given (Sisson, 1994). It focuses on the judgment on specific work that employees are assigned. This process finally comes to an end where salary increment,



promotion or warnings are given. At the end of the year it is communicated by the manager to discuss reason as to employee's performance to the organization standards then the evaluation is signed also with opportunity to invalidate the evaluation by the employee is possible.

As cited by Daschler&Ninemeier (1985) do have a number of common problems for instance,

**Use of incorrect procedures.** Some or most organization there is no organized procedures of conducting performance appraisal. As such sometimes appraisal may be used as a form of disciplinary action and not as an opportunity to gain benefits from this appraisal exercise (Daschler&Ninemeier ,1985)

**Comparison of employees.** Some of the appraisers have the tendency to compare on employee from another while this should not be. Employee should be expected to be compared from the standard and expectation set by their managers.

**Fear of offending employees.** Appraisers are afraid of offending employee if their performance is below the standard so they tend to lie. As a result the organization is going to face the consequence for the manager/supervisor dishonesty.

**Irregular / infrequent performance appraisal.** If appraisal process is irregular the tendency for employees to get benefit from it will be lost and feedback won't be continuous this will in turn create dissatisfaction.

**Failure to follow up performance appraisal exercise review.** The appraisal done for every employee must be put to use rather than being shelved away until the next review.

## 2.5 Principles of Effective performance Appraisal

Systematic performance appraisal should be an accurate and reliable one. The reliability and accuracy of performance appraisal is obtained wherever the barriers of performance appraisal are overcome by the management. However, there is no perfect appraisal system in all organizations but there are some systems that possess certain characteristics that can provide a more effective means for achieving the appraisal. Regardless of which method is used an understanding of what an appraisal is supposed to do is critical. The most important thing is not which form or which method of performance appraisal used but whether managers and employees understand its purposes and obtaining the actual result from the evaluation. (Ramsey, 1998).

The management may take the following measures to make the appraising more effective. Single employee is rated by two raters. Then, the comparison is made to get accurate rating, a separate department may be created for effective performance appraisal, the plus points of an employee should be recognized, at the same time, the minus points should not be highlighted too much but they may be hinted to him, the standard for each job should be used for performance appraisal to each job according to the nature of the job, Separate printed forms should be used for performance appraisal to each job according to the nature of the job, The measurement should create confidence in the minds of employees and Continuous and personal observation of an employee (Ramasamy,1998).

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 effective a performance appraisal system.

1. **Performance expectations:** the managers should clearly explain performance expectation to employees in advance of the appraisal period. This enables the employees lead their efforts and emphasis towards the expected performance level.
2. **Employee access to the result:** An effective appraisal system should provide feedback to employees on how well or bad they have performed and a continuing basis.
3. **Qualified appraisals:** the evaluators should be well trained, should be given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisals interviews and documented approaches.

4. **Standardization:** employees in the same job category, under the same supervisor and coordinator should be appraised by the same evaluation instruments, techniques, procedures and work objective.

5. **Due process:** A formal procedure should be developed for appraisal process and it is vital to reduce employees' complaint and grievances performance should be job related.

Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees' futures such as having promotion, rewards, demotion or even termination of their job within the organization suggested performance appraisal quality variations will generate strong reactions among employees. (Mayer and Davis, 1999).

In order to create effective performance appraisal system that will create employee job satisfaction any organization shall include the following four principal indicators of the quality of performance appraisal system.

1. **Clarity of performance expectations**, which shows the scope to which employees are familiar with the purpose and role of the performance appraisal. This will involve precision and clearness of the role of performance appraisal that will play in shaping an employee's fate within the organization and the performance appraisal process. (Brown, Haytt, Benson,2010).

2. **The level of communication**, between the employees and their supervisors that specifies the opportunities to evaluate information and acquire supply in combination with clarity about performance appraisal processes provide employees with the chance of exercising a level of process control. In addition providing an employee with the chance to express his or her opinion is appreciated in it and certifies his or her belongings in the organization. (Brown, Haytt,Benson,2010).

3. **Trust in the supervisor**, employees who consider their supervisor is capable and has high quality knowledge of their employees' job responsibilities will be more probable to rate their performance appraisal experience positively and trust their supervisor (Greenberg, 1896).

Also when employees trust their supervisor they grasp positive outlooks about their supervisor's motives, judging that manager will act in their finest interest.

4. **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)

## **2.6 Brief overview of Performance Management**

Performance management is not an appraisal event, but an ongoing process involving performance planning, feedback, evaluation and development. Performance management focuses on future performance planning and improvement and personal development. It enhances teams and individual capacities (Armstrong, 2009). The phases of performance management are as follows;

### **a. Planning Phase**

The performance planning phase refers to the confirmation of business performance goals, technical knowledge areas and behavioral competencies used to measure job performance. It involves identifying applicable performance criteria that link to the organizations business plan and defining success at varying levels of an organization. This process of performance planning is most effective when there is broad employee participation. This process requires the manager and the employee get together for a performance planning meeting where they discuss what the person will achieve over the next twelve months (the key responsibilities, goals and projects the person will work on) and how the person will do the job (the behaviors and competencies the organization expects from its staff) (Chingos & Marwick 1997; Grote, 2002). After performance planning, execution phase of performance management begins where the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs.

### **b. Implementation phase**

This phase is ongoing throughout the performance period. The most significant aspect of this phase is the opportunity for enhancing communication throughout the performance period. According to Armstrong (2006), two of the main issues that may arise in the course of managing performance throughout the year are updating objectives and continuous learning. An inclusive element of the performance management system should involve all staff to ensure ownership of the system and enhance commitment of individuals to facilitate the implementation process. Both the employee and the supervisor are expected to be active participants in the assessment and evaluation processes.

### **c. Assessment phase**

This phase typically occurs at the end of the performance period. Research and observation of real organizational behavior reveal that managers and employees alike, view performance management as a low priority, an unpleasant task to be avoided or both; and in practice goal setting, coaching and evaluation sessions are commonly late, rushed and incomplete or omitted altogether (Grote, 2002). Warner (2002) argues that organizations under use their performance management system because they become so focused on completing forms and reports that they lose sight of the real purpose behind the system.

## **2.7 Uses of Performance Management**

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions (Smither and London 2009).

Performance management as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal. Performance management system has many purposes but the major ones are discussed below (Smither and London 2009).

Performance appraisal in particular is a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization (Coutts and Schneider, 2004). According to Armstrong (2000), a PA function is a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams.

## **2.8 Theories of performance management**

Motivational theories are invaluable in the explanation of performance appraisal. Examples of such theories are the Equity theory and two factor theory.

### **2.8.1 Equity Theory**

It is a theory that explains relational satisfaction in terms of perceptions of fair or unfair distributions of resources within interpersonal relationships. John Stacey Adams (1963), who developed the theory, asserted that employees seek fairness in terms of their contribution to an organization and what they get in return from the organization, particularly in relation to what they think other employees' contributions are and what the organization gives in return to those employees.

This borders on the issue of motivation because if an employee holds the view that he is being treated fairly, it causes him to maintain a healthy relationship with his coworkers and his organization. The contributions made by an employee are referred to as inputs and what the organization gives in return are referred to as outcomes. Thus equity theory deals with a ratio of inputs to outcomes. If an employee is over under rewarded, he will seek to restore a balance by increasing or decreasing his contributions respectively. Equity theory typically focuses on ensuring fairness in the distribution of and organizations resources and it is measured by comparing the ratio of inputs and outcomes of relational partners.

It can be deduced that the theory typically focuses on rewards and recognition which may be reflected in the form of bonuses or salary increment. The researcher, thus, by comparing the factors from reviewed literature which includes fairness of the appraisal system, reflecting employee performance in rewards such as promotions, providing feedback to all employees, and clarifying work roles to all employees (Adams, 1963).

### **2.8.2. Two-factor theory**

Among the content theories of motivation, Herzberg (1959) theory emphasizing the motivator-hygiene factors sought to explain satisfaction and motivation in the organization. The theory focuses on outcomes of satisfaction and dissatisfaction. The theory further found that certain aspects of a job cause satisfaction and therefore motivation, but certain aspects caused job dissatisfaction. Herzberg explained that the factors that lead to satisfaction or to dissatisfaction are different. Accordingly, he states that ‘the opposite of job satisfaction is not job dissatisfaction but, rather, no satisfaction; and the opposite of job dissatisfaction is not job satisfaction but no satisfaction’ (Herzberg, 2003). This theory states that job satisfaction and dissatisfaction is a product of different factors – motivation and hygiene respectively. Motivation is seen as an inner force that drives individuals to attain personal and organizational goals. Motivational factors are those aspects of the job that make people want to perform and provide people with satisfaction. Hygiene factors include aspects of the working environment like working conditions, interpersonal matters, organizational policies and so on (Hackman & Oldham, 1976). Factors that relate to job satisfaction are therefore called satisfiers or motivators.

## **2.9 Empirical literature**

Migiro and Taderera (2011) empirically evaluated the performance appraisal system in the bank of Botswana using stratified sampling to divide the sampling frame into strata and then simple random sampling was applied from each stratum. The study aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana. It has concluded that, the following issues need to be addressed for the Bank’s performance appraisal system to be effective and meet its objectives: regular training for both the employees and the evaluators; transparency in the implementation of the appraisal system; provision of continuous feedback to employees on their performance and reduction of inconsistency in the system used across the bank. Based on these the study has recommended that; the bank should provide training to both the evaluators and the employees on the pay-based appraisal system, the bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of

assessing performance such as multi rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

Mishra (2013) has studied the Employee Appraisal System in Hong Kong and Shanghai banking Corporation (HSBC Bank) and concluded that the process of performance appraisal has to be a continuous activity which should be conducted on a regular basis.

Performance appraisal plays a vital role in achieving the predetermined goals of the organizations thorough the efforts of HR which ensures the accomplishment of tasks by judging the behavior of employees and overall performance within the organization. The performance evaluation and feedback with the employee also facilitate in gaining the organization results. The study has also suggested that the process of performance appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization.

Atta-Quartey (2015) in the research entitled “Evaluation of the annual performance appraisal system at the University of Cape Coast” has investigated staff’s perception on the effectiveness of the annual assessment system and also examined the motivation status of staff after assessment by applying convenience sampling technique and the data collection methods used were both quantitative and qualitative. The study has concluded that the current appraisal system of the university is ineffective and performance appraisal, likewise performance management at the University of Cape Coast, lacks policy direction. Without the use of guiding principles for monitoring performance and appraising staff, it is possible that many people are actually not performing and therefore assessments at University of Cape Coast suffer a variety of judgmental errors and biases due to subjective appraisals. The study has recommended that the Division of Human Resources (DHR) should review the appraisal system from start to end and introduce new appraisal system for various levels of administrative staff. It was also suggested that training has also be arranged to all supervisors in order to provide them appropriate assessment skills like communication of feedback to staff so as to make them to have a meaningful interaction which will motivate the staff in improving their work. In designing the appraisal forms, the Human resource has also recommended to include guiding principles to the appraisal form which enables the supervisors to do more objective appraisals.



### **2.9.1 Performance Standard setting**

Standard setting is the proper following of prescribed rational system of rule or procedure resulting in the assignment of a number to differentiate between two or more state of degree of performance (Cizek, 1993). Roberts (2003) suggested that when employees are given autonomy or resources to participate in performance goal setting with management, they will develop stronger ownership of the process and their acceptance will be heightened accordingly. Allowing employees to engage in goal and performance standard setting implies that supervisors and employees agree on the importance of collaborative efforts to share knowledge about developing better measures, understanding the contexts, and solving emergent problems and they will be more satisfied (Julnes 2001).

### **2.9.2 Feedback**

Feedback is one of the most frequently used concepts in the fields of technical and social sciences. When looked at from the aspect of management of the organization, analyses arise related to the management subjects of communication, decision-making, motivation, organizational change, performance evaluation, employee satisfaction and training (Herold and Greller, 2002).

The concept of feedback is explained in different areas in different forms. In a performance evaluation system, it is the prime information to achieve development by confirming or rejecting a performance or behavior (Herold and Greller, 2002).

In research by Kluger and DeNisi in 1996, feedback was seen to have positive effects on employee's performance but it was also stated that the feedback created negative effects at a rate of over 38%. This statistical result clearly shows that how the mechanism of feedback is operated is not fully understood and thus the process of feedback and incorrect methods of appraisal can have destructive effects on performance and motivation.

### **2.9.3 Rater Accuracy**

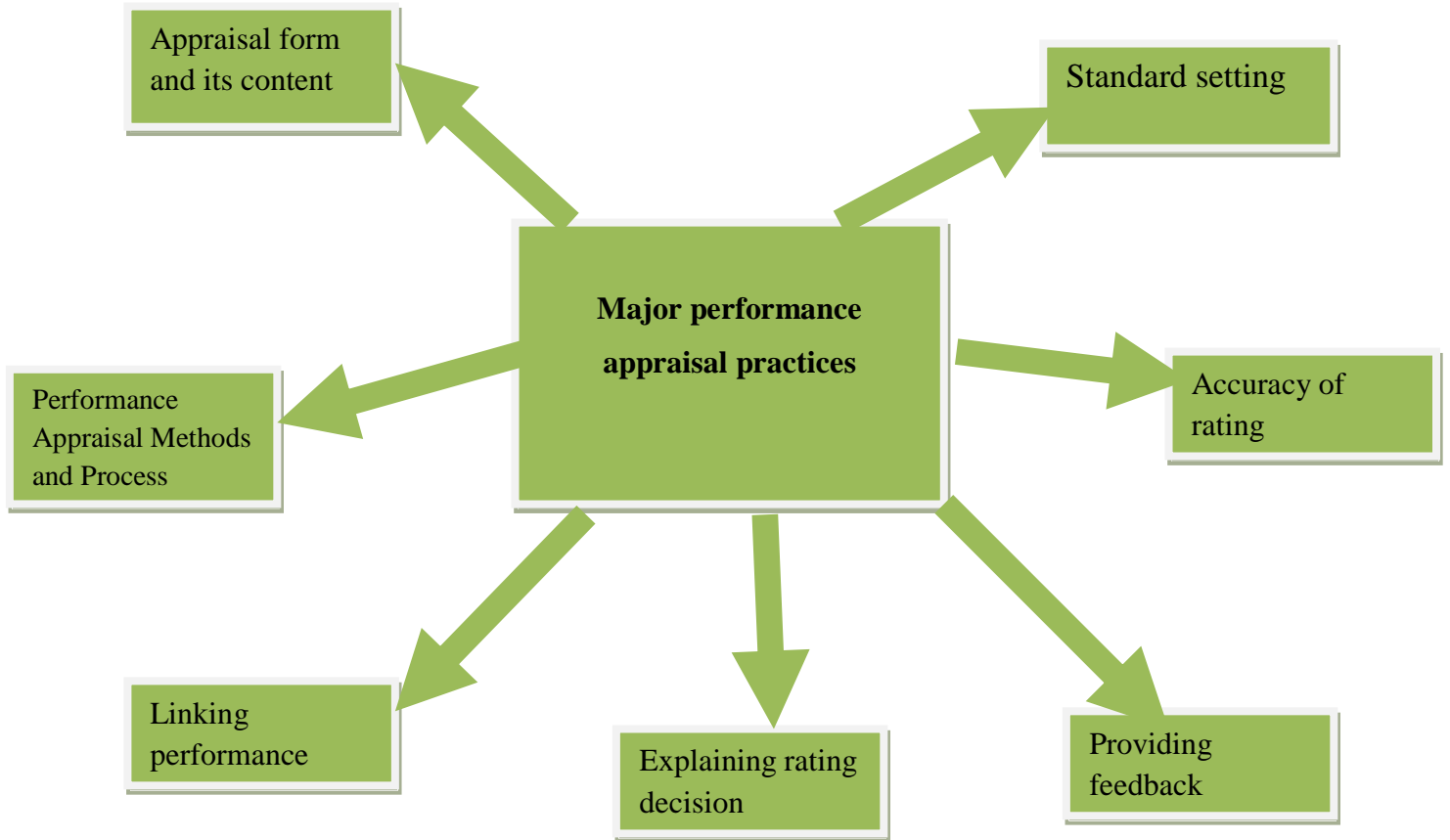
Rater's inadequate skill to conduct the process greatly contributes to the failure of appraisal activities and leads to job dissatisfaction. Some of the problems are as follows Central tendency: this occurs when supervisors rate most of their employees within a narrow range regardless of how people actually perform, to distinguish significant difference among group members and lumps everyone together in an average category that is no effective or ineffective employee. Halo effect: this exists where a supervisor assigns the same rating to each factor being evaluated

for an individual by generating from a single point for example an employee rated "above average" on Quantity of performance may also be rated above average on quality of performance interpersonal competence, attend once and promotion readiness. Leniency strictness: this problem exist when supervisor overly lenient in evaluating to see all performance as good and to rate it Favorably or when the supervisor is overly strict of being too hash in filling performance appraisal. Recency error: these exist when evaluators focus on an employee's most recent behavior either good or bad. This leads to a situation where employees may float for the initial months of the evaluation period and then over exert themselves in the last few months or weeks prior to evaluation. This practice leads to uneven performance and contributor to the attitude of playing the game Personal biases: this is a situation in which supervisors allow their own personal biases to influence the appraisals such biases include like or dislike for someone as well as racial and sexual biases. Personal biases can interfere with the fairness and accuracy of an evaluation and are illegal in many situations (Steers, 1991).

## **2.10 Conceptual Framework**

Almost all the literature review and the existing 'Coaching for performance' model agree on areas that performance management is concerned with identification of organizational visions, missions and goals, bringing managers and employees on the same page towards the achievement of organizational strategic objectives/alignment, provision of coaching and periodic performance review, final performance evaluation, and attaching results with reward and/or punishment depending on the nature of result. The variables under study have been represented diagrammatically to show the performance management as drawn from the literature review.

**Figure 2.1 Conceptual Framework of the Study**



*Source: Adopted from literatures*

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter presents the research method and procedures that is be used to carry out this study. It includes the research approach, data and variables and research design, population studied and sampling strategy, the data collection process, the instruments used for gathering data, ethical consideration and how data was analyzed and presented.

#### **3.1. Research setting**

The research has conducted at Ministry of Housing and Development in front of National Bank of Ethiopia Addis Ababa.

#### **3.2. Research Approach**

According to Creswell (2009), there are three approaches available for researchers to design their research methodology. These are Quantitative, Qualitative, and Mixed methods research approaches. Quantitative research can be used in response to relational questions of variables within the research. Quantitative researchers seek explanations and predictions that will generate to other persons and places. The intent is to establish, confirm, or validate relationships and to develop generalizations that contribute to theory” (Leedy&Ormrod, 2001). On the other hand, qualitative research method allows the researcher to explore and better understand the complexity of a phenomenon. It concerned with subjective assessment of attitudes, opinions and behavior. Finally, mixed method refers to a research method which employs aspects of both quantitative methods and qualitative procedures.

For the purpose of this study to evaluate the effect of performance appraisal on employee “Job satisfaction in MUD the researcher has used the mixed approach which comprises both qualitative and quantitative method, because the researcher has selected quantitative research approach for its convenience on describing a research problem through description of trends on the selected population. Quantitative research approach availed the opportunity for the researcher

of collecting numeric data from the target population using instruments with specific questions and responses. The qualitative method helps in depth understanding of individual's perception and their suggestions but the quantitative approach helps the reader to understand better as it provides a numerical data which can be viewed and compared. Tashakkori and Teddlie (2003) explained mixed approach provides the opportunities to find and gain in depth information and answer to the raised issue or research question.

### **3.3 Research design**

Zikmund(2009), defines a research design as a master plan that specifies the methods and procedures for collecting and analyzing the needed information. It provides a framework or plan of action for the research. In addition, according to Saunders, (2009), it is a general plan of how the researcher will go about answering his/her research question(s).

As the research demands responses from large group of participants, survey research was found to be the preferred method for the study. For the purpose of this research, to arrive at correct analysis and interpretation explanatory method is applied in order to explain the relationship between the independent and the dependent variables which are the main business of the thesis work performance appraisal and employee job satisfaction at work place.

### **3.4 Population and Sample**

#### **3.4.1 Population of the study**

The total number of employees inMUDH are 493 including administrative and professional employees, from this the target populations are 320 permanent (full time) non managerial Professional employees of the organization because they are directly involved in performance appraisal system. Those employees of the company who were not permanent or served less than one year, non-professional and managerial employees are excluded from the study due to the feeling that they will not provide reliable information.

#### **3.4.2 Sample size determination**

The sample size is a smaller set of the larger population (Cooper and Schindler, 2006).

Determining sample size is a very important issue for collecting an accurate result within a

quantitative survey design. One of the real advantages of quantitative methods is their ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study (Fisher, 2007).

According to Hussey and Hussey (1997) no survey can ever be deemed to be free from error or provide 100% surety and error limits of less than 5% and confidence levels of higher than 95% can be regarded as acceptable. Bearing this in mind, at a confidence level of 95%, the margin of error would be 0.05%. To obtain the minimum population sample for this study, the researcher used stratified sampling as a technique using Yamane's formula (Yamane, 1967) as follows:

$$n = N / 1 + N(e)^2$$

Where n is the sample size, N is the population size and e is the margin of error.

$$n = 320 / 1 + 320(.05)^2 = 177.$$

Therefore a sample size of 177 were selected from a total population of 320 employees. The selection of the sample is sufficient and representative enough of the entire population which is large enough to produce results among variables that are significantly different and it broadens the range of possible data and forms a better picture for analysis. Hence by utilizing the above formula, the calculated sample size will be 177 and, questioners will be distributed according to table.

**Table 3.1 sample size determination**

<b>Population</b>	<b>Population size</b>	<b>Sample size</b>
<b>Team leader</b>	12	7
<b>Level IV</b>	124	69
<b>Level III</b>	98	54
<b>Level II</b>	37	20
<b>Level I</b>	49	27
<b>Total</b>	<b>320</b>	<b>177</b>

### **3.4.3 Sampling Design**

Stratified random sampling technique was used in order to get a representative sample from all departments nominated to represent in this study. With stratified sampling, the population is divided into groups, based on some characteristic. Then, within each group, a probability sample (a simple random sample) was selected to give equal opportunity for all members to be selected.

Stratified random sampling is a probability sampling procedure in which simple random sub samples are withdrawn from within different strata that are more or less equal on some characteristics.

## **3.5 validity and reliability**

### **3.5.1 Validity**

To achieve validity the researcher was used standardized questionnaire, so, the instrument is already valid and tested. Content validity ensured by consistency in administering the questionnaires. All questionnaires distributed to subjects by the researcher personally the questions formulated in simple language for clarity and ease of understanding clear instructions will be given to the subjects.

### **3.5.2 Reliability**

Reliability from questionnaire was achieved by ensuring consistency and uniformity in asking questions across time. Therefore each item of the scale must be designed to measure the study objective. Computation of Chronbach's Alpha score was used in measuring internal reliability.

The reliability also improved through standardizing the conditions under which the measurement takes place.

As multiple items in all construct used the internal consistency (reliability of performance appraisal practices was assessed with Cronbach's alpha.

Validity refers to whether we are measuring what we want to measure (Mooi and Sarstedt 2011). To ensure the validity of the study, the researcher used various reputable and research study in the area. Also, validity of measure is guarantee using a thorough and adequate literature review.

### **3.6 Data Collection Procedure**

Primary data was collected through the use of self-administered questionnaires. This method of data collection has its own advantage because of it is low cost, it was also proven to be free from bias of the respondents, it also gave the correspondence adequate time to give well thought answers and since large samples could be made use of, the results were more dependable and reliable (Kothari, 2004). The questionnaire contained structured questions using a method of Likert Scale ranging. To improve the response rate, there was a cover letter explaining the reasons for the research, why the research is important, why the subjects was selected and a guarantee of the respondents' confidentiality will provided. To collect the data the research himself will involve in the collection of the questionnaire in order to make the respondents feel comfortable about their response they gave and give support to rater while they are filling the questionnaire. Before distributing the questionnaire permission was obtain from the organization and every respondent.

### **3.7 Ethical Considerations**

It could not be ethical to access some confidential documents of the organization. Therefore, the organization's code of ethics is taken in to account without significantly compromising findings of the study. Also it may not be ethical to ask employees to answer questionnaires while they are



at their work responsibility. Hence, enough time is given to respondents so that they either took the questionnaire to their home or used their break.

### **3.8 Methods of Analysis**

The data was analyzed using procedures within Statistical Package for Social Sciences (SPSS) version 20. In order to analyze the statistical data that is obtained through questioner, the researcher was employed both descriptive statistics. While using descriptive statistics such as, frequency and percentage, the demographic background of respondents will be analyzed and presented, measure of central tendency (mean), measure of dispersion (standard deviation), is used on assess the existing practice of PAS in the MUDH.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRTEATION**

#### **4.1. Introduction**

The general objective of the study was to assess performance appraisal practices using a stratified Random sampling of MUDH at federal level. This chapter presents the findings of the primary data collected from the respondents using the questionnaire as the tools for the research.

The study was guided by the following specific objectives: To assess the practice of performance appraisal of MHUD, to determine the relationship between performance appraisal system component and job satisfaction and to find out the effect of performance appraisal system on level of employee job satisfaction

The chapter presents an analysis of the information designed to respond to the research objectives as outlined in the study. One hundred seventy seven (177) questionnaires were distributed to the respondents but the response rate was (92%) that is only 163 questionnaires were collected from respondents. The response rate was adequate enough to comprehensively answer the research objectives.

#### **4.2. Demographic Information of Respondents**

The first part of the questionnaire consists of five items about demographic information of the respondents. It covers the personal data of respondents such as: Gender, Age, Educational Background, Department and Year of Service in MUDH. The following subsequent tables will indicate the total demographic characteristics of the respondent.

Table 4.2 Profile of the Respondents

<b>1</b>		<b>Gender</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	47	28.8	28.8	28.8
	Male	116	71.2	71.2	100.0
	Total	163	100.0	100.0	
<b>2</b>		<b>Age</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
	18-27	11	6.7	6.7	6.7
	28-38	84	51.5	51.5	58.3
	39-48	26	16.0	16.0	74.2
	49 and above	42	25.8	25.8	100.0
	Total	163	100.0	100.0	
<b>3</b>		<b>Educational Category of Respondents</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Technical and vocational diploma	4	2.5	2.5	2.5
	First Degree	43	26.4	26.4	28.8
	Masters	116	71.2	71.2	100.0
	Total	163	100.0	100.0	

<b>4</b>		<b>Service years in Current Position</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5yer	39	23.9	23.9	23.9
	6-10yers	35	21.5	21.5	45.4
	11-20yers	48	29.4	29.4	74.8
	21-30yers	9	5.5	5.5	80.4
	above 30yers	32	19.6	19.6	100.0
	Total	163	100.0	100.0	

As shown in the table 4.2, of the total respondents 71.20% (n=116) were Male and the remaining 28.80% (n=47) were Female. This shows that the company is male dominated.

With regard to respondents' age category, the highest group of respondents i.e. n= 84 (51.50%) falls under age category of 28-38. The next higher group n= 42 (25.80%) fall under age category above 49. This implies that about 51.50% of the respondents are between 28 to 38 years of age. Therefore most of MUDH employees are youngsters. The remaining group of respondents 26(16%) is between 39 to 48 years and 11 (6.70%) of the respondents are categorized over 18 to 27 years.

The study sought to determine the educational level of the respondents whom involved in the study. From the above table we can see 2.5% of the respondents holding Technical and vocational diploma, 26.4 % of respondents are First degree level and 71.20 % holding Masters. The findings indicated that majority of the respondents had masters degree educated to provide responses on performance appraisal system. In addition to this the education requirement of the organization job position are having master in related to urban development and housing.

In terms of length of service of respondents in the organization, out of the total respondents 70% of the respondents have been serving the company for more than a year but less than five years. The next higher percentages 23.8% of respondents have been working six to ten years and 6.3% of the respondents have served for 11 years and above. Thus, the findings indicate that majority of the respondents are relatively exposed for at least one appraisal period and experienced to answer the appraisal question.

### **4.3 Performance Appraisal System**

Summary of responses of all the respondents to the questions on the performance appraisal practice is summarized below. Analysis in this respect is helpful to identify the strongest and weakest contributors of the performance appraisal. It helps to review the performance appraisal system and enhance its contribution.

**Table 4.3.1 the mean value and standard deviation of Performance Standard setting**

<b>Descriptive Statistics</b>			
<b>Performance Standard setting</b>	N	Mean	Std. Deviation
The PAP requires that performance expectations set for me at the start of a rating period	163	3.82	1.024
My rater clearly and regularly explains to me what he or she expects from my performance	163	3.47	1.067
The PAP allows me to help set the performance standards that my supervisor will use to rate my performance	163	3.36	1.082
I personally involved in the process of setting objectives and targets of my future Performance	163	3.42	1.149
There are clear performance criteria (standards) set for my job	163	2.94	1.226
<b>Performance standard setting over all mean</b>	163	3.4025	.89304
Valid N (list wise)	163		

(Source: Own Survey, 2019)

Mean value: Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low (Crewel, 2012).

So concerning the item standard setting, as indicated in the above the majority of respondents agree for each of the five questions. From these results, conducting transparent performance appraisal standard setting which ultimately minimized biasness of rate (employees) and rater (organization). For the organization performance standard setting serve as a benchmark against which the performance of an employee will be compared at the end of rating period and from employee side it will avoid ambiguity and confusion and it will also help to perform according to expectations and standards. Thus, the overall mean of Standard setting categorical total has a mean of 3.4025 (SD=.89304). This implies that, most employees of the organization moderately agreed with performance appraisal standard setting system of the organization

**Table 4.3.2 the mean value and standard deviation of Appraisal methods and process**

**Descriptive Statistics**

<b>Appraisal methods and process</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The rater rank employees within their departments from highest performers to poorest performers	163	2.99	1.293
The rater keep record of specific examples of effective and ineffective performance on the part of each employee	163	3.00	1.257
The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance	163	3.01	1.128
Do rater and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems.	163	3.31	3.180
The rater keep record of specific examples of effective and ineffective performance on the part of each employee	163	2.79	1.035
I clearly understand the purpose of performance appraisal process	163	3.02	1.057
The most recent ratings I received are based on my activities I am responsible for at work and that motivates me to do more	163	2.69	1.009
The performance appraisal system allows me to receive feedback about my job performance	163	2.75	1.062
The performance appraisal system has helped to improve my job performance	163	3.35	5.673
<b>Appraisal methods and process over all mean</b>	163	2.9891	1.10865
Valid N (list wise)	163		

(Source: Own Survey, 2019)

The mean of the above first item of 2.99(SD=1.293), indicate that, the rater rank employees within their departments from highest performers to poorest performers conversely, the mean value of 3.00(SD=1.257) prevail the rater keep record of specific examples of effective and ineffective performance on the part of each employee that the respondents have clear understanding about the performance management process and the mean of 3.01 indicate that the respondents agree the rater defines performance dimensions by developing behavioral anchors associated with different levels of performance, strongly agree performance is evaluated periodically. In overall performance appraisal methods and process mean value 2.9891 (SD=1.10865), this implies that the respondents moderately agree with the performance appraisal methods and process of the organization but it needs improvement.

**Table 4.3.3 the mean value and standard devastation of Appraisal form and its content**

<b>Descriptive Statistics</b>			
<b>Appraisal form and its content</b>	N	Mean	Std. Deviation
The PA form makes sure that my performance expectations measure what I really do for the organization	163	2.71	1.006
The appraisal form reflects the most important factors in my job providing feedback	163	2.60	.947
The PAP form is simple and logical to use it and related to my work	163	2.60	1.016
My organization makes sure that my rater understands the requirement and difficulties of my work	163	2.37	.875
My organization make sure that my rater understand the PAP rating procedure and rating format	163	2.53	1.085
The expectations set reflect the most important factors in my job	163	2.54	.951
<b>Appraisal form and its content over all mean</b>	163	2.5573	.82887
Valid N (list wise)	163		

(Source: Own Survey, 2019)

Regarding Appraisal form and its content, employees were asked six questions; the highest mean is 2.71(SD=1.006) that is the PA form makes sure that my performance expectations measure what I really do for the organization and the lowest mean 2.37(SD=0.875),Majority of respondent was moderately agreed with over all mean 2.56 and standard deviation 0.83. Among many factors that can determine the effectiveness of performance appraisal system are

instrument used and its content. MUDH used two forms that are for professional and for supervisor to measure their performance. Among a set of performance factors that are lists on the instrument what MUDH uses knowledge of the job, quality of work, team work and etc. Also the supervisor uses to rate employee performance using an incremental scale. The supervisor rates each subordinate by giving the score for each factor that best describes employees' performance for each trait. The assigned values for the traits are then totaled and the average point becomes the performance appraisal result of the employees. So this indicated that the Appraisal form and its content are too general and not specific work related.

**Table 4.3.4 the mean value and standard devastation of Accuracy of rating**

Descriptive Statistics			
<b>Accuracy of rating</b>	N	Mean	Std. Deviation
My performance rating is based on how well do my work	163	2.55	.924
My performance rating reflects how much work I do	163	2.79	1.451
The PAS is regularly carried by the responsible appraiser.	163	2.56	.962
I am confident because the appraiser knows enough about the PA to appraise me.	163	2.53	.945
<b>Accuracy of rating over all mean</b>	163	2.63	.93273
Valid N (list wise)	163		

(Source: Own Survey, 2019)

Regarding the accuracy of the performance appraisal system four questions were asked. The highest mean 2.79 that is the performance rating reflects how much work I do and the lowest mean 2.53 I am confident because the appraiser knows enough about the PAS to apprise me. The overall mean of the construct is 2.63, this implies employee of the organization moderately agree with the levels of accuracy in measuring their performance. From the information given by human resources department the immediate supervisor is responsible to rate the performance of employees.



**Table 4.3.5 the mean value and standard devastation of Feedback**

<b>Descriptive Statistics</b>			
<b>Feedback</b>	N	Mean	Std. Deviation
My rater regularly gives me feedback that is important to the things I do at work	163	2.67	.975
My rater lets me know how I am doing	163	2.55	.924
My rater reviews with me my progress towards my goals	163	2.58	.942
The feedback I get helps me to gain insight about my weakness and strength	163	2.57	.936
<b>Feedback overall mean</b>	163	2.592	.81884
Valid N (listwise)	163		

(Source: Own Survey, 2019)

Regarding Feedback respondent where asked four question the highest mean 2.67(SD=.975), that is rater regularly gives me feedback that is important to the things I do at work and the lowest mean where 2.55(SD=.924),In overall majority of the respondent were in disagreement with over all mean 2.592 and standard deviation 0.819 , This implies MUDH performance rater provide feedback to employee after and before appraisal process moderately.

**Table 4.3.6 the mean value and standard devastation of explaining rating decision**

<b>Descriptive Statistics</b>			
<b>Explaining rating decision</b>	N	Mean	Std. Deviation
My rater helps me to understand the process used to evaluate and rate my performance	163	2.40	.978
My rater takes the time to explain my rating result	163	2.39	.965
My rater lets me ask him or her questions about my performance rating	163	2.47	.925
My rater helps me understand what I need to do improve my performance	163	2.60	.978
<b>Explaining rating decision over all mean</b>	163	2.4663	.89646
Valid N (listwise)	163		

(Source: Own Survey, 2019)

Regarding Explaining rating decision employees were asked four questions .The majority of the respondent were disagreed with mean 2.47(SD=.896).

So providing feedback alone cannot ensure employee satisfaction and positive attitude towards the performance appraisal system the rater shall explains the performance result in a way that will help the employees and employees need to know how their performance is being measured. This implies performance evaluator of MUDH doesn't provide reasonable explanation the decision of performance appraisal result to employees how they are appraised.

**Table 4.3.7 the mean value and standard devastation of linking performance appraisal with benefit**

<b>Descriptive Statistics</b>			
<b>Linking performance appraisal with benefit</b>	N	Mean	Std. Deviation
My organization provide salary increment according to my performance	163	2.26	.798
May organization provide education education chance based on my performance	163	3.10	1.120
My organization promotion is based on the performance of employee	163	3.45	1.090
<b>Linking performance appraisal with benefit overall mean</b>	163	2.9387	.71457
Valid N (listwise)	163		

(Source: Own Survey, 2019)

Regarding linking performance appraisal with benefit, under this construct employee where asked three basic question, the highest mean may organization provide promotion to employees is based on the performance of employee that is 3.45(12.090) and lowest mean 2.26(SD=.798) that is my organization provide salary increment according to my performance and the overall mean 2.94 (SD=.715) this implies MUDH doesn't provide salary increment to their employee based on the performance result, but the organization link performance appraisal with education chance and promotion system.

**Table 4.3.9 Descriptive Statistics of the Study Variable**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Performance appraisal Standard setting	163	3.4025	.89304
Performance Appraisal methods	163	2.9891	1.10865
Appraisal form and its content	163	2.5573	.82887
Accuracy of rating	163	2.6339	.93273
Providing Feedback	163	2.5920	.81884
Explaining Rating decision	163	2.4663	.89646
Linking performance appraisal with benefit	163	2.9387	.71457
Valid N (listwise)	163		

(Source: Own Survey, 2019)

The above descriptive statistics clearly indicates the corresponding arithmetic mean and standard deviation of every construct totals (total of every individual categorical construct). Thus, Standard setting categorical total has a mean of 3.4025(SD=.89304), Appraisal method and process categorical total has a mean of 2.9891 (1.10865),Appraisal form and content categorical total has a mean of 2.5573 (SD=.82887), Accuracy of rating categorical total has a mean of 2.6339 (SD= .93273), providing feedback over all has a mean of 2.5920 (SD= .81884),Explaining rating decision categorical total has a mean of 2.4663 (SD= .89646) and finally linking performance appraisal result with benefit categorical total has a mean of 2.9387 and a (SD=.71457)which shows that majority of the respondents have good perception on Standard setting of performance appraisal compare to other items. This analysis of mean of categorical constructs showed that with the exception of Standard setting, Rater assurance or confidence , Providing feedback , linking performance appraisal all other constructs such us, Appraisal form and content; Accuracy of rating, Explaining rating decision has a mean value less than the average standard. This implies that the Appraisal form and content; Accuracy of rating, Explaining rating decision is weak and employees are moderately satisfied with.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter summarizes the findings of the study and the conclusions drawn from the analysis. This chapter presents, major findings, conclusions and recommendations based on the analysis and interpretations made at the pervious chapter.

#### 5.2 Summary of Findings

The data gathered from the respondents analyzed with the purpose of assessing performance appraisal practices in MUDH. Standard questioner developed by different scholars is used. In order to undertake the study, 177 questionnaires were distributed and 163 (92%) has been filled and returned. A stratified random sampling was used to sample the respondents. The study used quantitative approaches.

The demographic background of the respondents revealed that,

- ✓ The demographic characteristics of respondents show that 71.20% of the respondents were male employees while the remaining 28.80% are female.
- ✓ Among the respondents the age of majority were between 28 and 38 years 51.50% and above 49 years old that accounts 25.80%. Employees who were between 39 and 48 years are 6.70% and from 18 to 27 years old are 6.70%
- ✓ In regards to educational level of the respondents 2.50% of the respondents had holding Technical and vocational diploma 26.40% had a first university degree, 71.20% of the awarded masters & above.
- ✓ Among the total respondents 70% of the respondents have been serving the company for more than a year but less than five years, 23.8% of respondents have been working six to ten years and 6.3% of the respondents have served for 11 years and above.

- The empirical results from descriptive statistics clearly indicates the corresponding arithmetic mean and standard deviation of every construct totals analysis show that, Standard setting categorical total has a mean of 3.4025(SD=.89304), Appraisal method and process categorical total has a mean of 2.9891 (1.10865),Appraisal form and content categorical total has a mean of 2.5573 (SD=.82887), Accuracy of rating categorical total has a mean of 2.6339 (SD= .93273), providing feedback over all has a mean of 2.5920 (SD= .81884),Explaining rating decision categorical total has a mean of 2.4663 (SD= .89646) and finally linking performance appraisal result with benefit categorical total has a mean of 2.9387 and a (SD=.71457)
- Based on the employee administrative manual of the organization and the information from human resource department there is a formal appraisal system twice a year for professional workers and supervisor.
- In relation to performance appraisal practice many responses are moderate levels of response rate. However, low responses are also observed on one construct: explaining rating decision with mean value 2.463.

## **5.2 Conclusion**

The main purpose of this study was to assess the performance appraisal practice of MUDH. To this end, the current performance management practice in this organization was examined in view of the performance management conceptual framework and literature. In order to explore all the necessary information that best describes the practice of the current performance management, descriptive survey research design was applied using qualitative and quantitative approach.

Performance appraisal comes with a lot of reward for both the employee and the organization as a whole. However, it should not be overlooked that performance appraisal also has its shortcomings or negative effects towards the employees and the organization as a whole, though it seems that the positive effects outweigh the negative effects.

From the summary of the findings and based on the objectives of the study the researcher draws the following conclusion.

The performance management system is formally performed two times annually Based on the assessment result, there exists knowledge of the prerequisites in terms of understanding the mission, strategy, objectives and alignment with that of individual goals. In addition, it can be concluded that staff are provided with orientation and managers also assist them to easily understand performance management process. There is involvement of employees in performance planning stage; however, there is skill gap in goal setting process. On the overall, there exists participatory performance management environment and staffs are satisfied with the practice.

The same appraisal format/rating standard is used across all process and to all employees irrespective of the type of task they are accomplishing, Performance appraisal criteria is not measuring quantitatively and qualitatively, lack of providing accurate performance appraisal decision and the performance appraisal is not linked with financial Due to these the employees are not satisfied with their jobs. In general employee moderately agrees on the practices of performance appraisal of the organization except in one construct.

### 5.3 Recommendation

The findings have revealed numerous potential weaknesses on the practices of performance appraisal system in MUDH. The organization needs to improve the performance appraisal system accordingly if it is to be successful in carrying out its objective. Based on the results of the study, the following recommendations have been drawn for the organization to make their appraisal system more satisfied their employees.

The researcher has recommended that, in order to increase satisfied employees, the organization has to improve the existing performance appraisal practices. Performance appraisal practices which needs general improvement are discussed as follows

- ✓ Effective appraisal practice requires that the supervisor set performance standards and it also requires that employees receive it, thus MUDH should create participative performance standard setting.
- ✓ The Performance appraisal form that is being used by the organization requires major change concerning to the content it should be according to performance expectation measures and job what the employee perform since the scales in the form are, subjective and lack specific work relatedness. In addition the organization needs to adjust the appraisal forms and its content in such a way that is reflects the work related behavior of employees.
- ✓ There is also a need to customize the rating formats by considering the difference among jobs in the organization. To ensure rating accuracy MUDH need to rate the performance of its employee on regular basis at least twice a year. Regarding employee performance it's desirable to give the employee immediate feedback rather than waiting for Appraisal review date.
- ✓ No matter how accurate the performance appraisal instrument is there must be qualified raters with necessary knowledge, skill, ability, and experience to rate their subordinate it is one of major factors that can determine satisfaction towards the performance appraisal system and can affect the job satisfaction of employees.
- ✓ Feedback is one of the major component of performance appraisal after rating the performance of employees it is necessary to let them know there progress in this regard

- ✓ The performance appraisal discussion should be an interactive process, giving to employees the chance to participate, ask question, respond feedback and offer suggestions for further carrier development. And also MUDH needs to train more raters in order to enhance their capability towards performance appraisal aspects particularly in appraisal discussion, communicating and forwarding constructive criticisms and performance appraisal rating result.
- ✓ The study recommends that Even if, MUDH provide educational chance and promotion based on the Appraisal result it has also link with salaries increment and bonus opportunities have an effect on employees' job related attitudes. This will invariably help organizations achieve their goals because employees' job related attitudes, and by extension the organization's performances, will be improved.



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**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**SCHOOL OF COMMERCE**  
**Department Of Business Administration and Information Systems**  
**Masters of Human Resource Management (MHRM)**

**Questionnaire to be filled by Employees**

**Dear Respondents,**

The purpose of this study is to assess the performance appraisal system in MUDH.

The collected data from this questionnaire will all be used only for the purpose of the research.

In addition, note that all the collected data will be kept only in the hands of the researcher.

I hereby kindly request you to be open and honest while responding so that the research could succeed and achieve its intended goal. It will take no longer than 10-15 minutes of your time.

Your response is of the Utmost importance to me. Thus, you're genuine, honest, and prompt response is a valuable input for the quality and Successful completion of my study.

For further information please use my Tel: +251-935148686,email derejeleyew0726@gmail.com

***General Instructions***

✓ There is no need of writing your name

✓ Please express your views by ticking the box appropriate to your response



**Thank you in advance for your cooperation**

## Section I: Background Information

INSTRUCTION: This section of the questionnaire refers to general information about the respondents. The Information will allow me to compare groups of respondents. Once again, your cooperation is appreciated.

1. Sex

Female  Male

2. Age

18 – 27  28 –38  39-48  49 and above

3. Your education level

Secondary school Technical and vocational Diploma   
First Degree Masters  Doctor and Above

4. How many total years of experience do you have?

0-5yrs  6-10yrs  11-20yrs  21-30yrs   
above 30 years

5. In which business process/work unit are you currently working?

Supervisory level   
Level IV professional staff   
Level III professional staff   
Level II professional staff   
Level I professional staff

**II – Please indicate the level of your agreement with the statement below  
(Please put (√) to indicate your answer)**

**PA-**Performance Appraisal

**PAP-** Performance Appraisal Process

No	Item	Levels of Agreement				
		Strongly disagree	Disagree	Natural	Agree	Strongly agree
	Standard setting	1	2	3	4	4
1	The PAP requires that performance expectations set for me at the start of a rating period					
2	My rater clearly and regularly explains to me what he or she expects from my performance					
3	The PAP allows me to help set the performance standards that my supervisor will use to rate my performance					
4	I personally involved in the process of setting objectives and targets of my future Performance.					
5	There are clear performance criteria (standards) set for my job					
	Appraisal methods and process	Strongly disagree	Disagree	Natural	Agree	Strongly agree
1	The rater rank employees within their departments from highest performers to poorest performers					
2	The rater keep record of specific examples of effective and ineffective performance on the part of each employee					
3	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance(BA					
4	Do managers and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems.					

5	The rater keep record of specific examples of effective and ineffective performance on the part of each employee					
6	I clearly understand the purpose of performance appraisal process					
7	The most recent ratings I received are based on my activities I am responsible for at work and that motivates me to do more					
8	The performance appraisal system allows me to receive feedback about my job performance					
9	The performance appraisal system has helped to improve my job performance					
	<b>Appraisal form and its content</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Natural</b>	<b>Agree</b>	<b>Strongly agree</b>
1	The PA form makes sure that my performance expectations measure what I really do for the organization					
2	The appraisal form reflects the most important factors in my job providing feedback					
3	The PAP form is simple and logical to use it and related to my work					
4	My organization makes sure that my rater understands the requirement and difficulties of my work					
5	My organization make sure that my rater understand the PAP rating procedure and rating format					
6	The expectations set reflect the most important factors in my job					
	<b>Accuracy of rating</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Natural</b>	<b>Agree</b>	<b>Strongly agree</b>
1	My performance rating is based on how well do my work					
2	My performance rating reflects how much work I do					
3	The PAS is regularly carried by the responsible appraiser.					
4	I am confident because the appraiser knows enough about the PA to appraise me.					

	Providing feedback	Strongly disagree	Disagree	Natural	Agree	Strongly agree
1	My rater regularly gives me feedback that is important to the things I do at work					
2	My rater lets me know how I am doing					
3	My rater reviews with me my progress towards my goals					
4	The feedback I get helps me to gain insight about my weakness and strength					
	Explaining rating decision	Strongly disagree	Disagree	Natural	Agree	Strongly agree
1	My rater helps me to understand the process used to evaluate and rate my performance					
2	My rater takes the time to explain my rating result					
3	My rater lets me ask him or her questions about my performance rating					
4	My rater helps me understand what I need to do improve my performance					
	Linking performance appraisal with benefit	Strongly disagree	Disagree	Natural	Agree	Strongly agree
1	My organization provide salary increment according to performance Appraisal results					
2	May organization provide Foreign education chance based on PA system					
3	My organization promotion system is based on the performance of employee					

**III– If you would like to add any comments about your answers, or the PA system, please would you write them below.**

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**Source: Adopted from Victoria .M (2012), Patrick .K (2014)**