



**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS SCHOOL OF COMMERCE
HUMAN RESOURCE MANAGEMNT**

**THE IMPACT OF PERFORMANCE APPRAISAL SYSTEM ON
EMPLOYEE PRODUCTIVITY: A CASE STUDY OF CBE**

BY SENAIT G/KIDAN

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MANAGEMNT**

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ADDIS ABABA ETHIOPA

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Postgraduate Program

This is to certify that the thesis prepared by Senait G/kidan entitled “The Impact of Performance Appraisal System on Employee Productivity: The Case of Commercial Bank of Ethiopia” is submitted in partial fulfillment of the requirement for the degree of Master of Human Resource Management complies with regulation of the university and meets the acceptable standards with respect to originality and quality.

Signed by Examining Committee:

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Examiner _____ Signature _____ Date _____

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DECLARATION

I the undersigned, declared that this thesis paper entitled “The Impact of Performance Appraisal System on Employee Productivity: A Case Study of Commercial Bank of Ethiopia” is my original work paper under the guidance of my advisor Abraraw Chane (PhD). To the best of my knowledge, all sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degrees.

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Signature _____

Date _____

ABSTRACT

The main objective of the study was to identify the impact of performance appraisal system on employee's productivity in CBE. Specifically, this study was intended to address the following question. How do the performance appraisal system purpose, perception, and feedback impact productivity? The study was done based on primary and secondary data source. Self-administered structured questions were designed to collect the relevant information from respondents. 372 questioners were distributed randomly to selected employees and 340 were properly filled and returned. The data were analyzed using descriptive method. The finding revealed that there is a positive relationship between employee productivity and performance appraisal. The study suggest that the employees should participate in goal setting and should make the standards of performance evaluation on the bases of mutual agreement and that a continuous fair and unbiased feedback is necessary which motivate employees to a greater productivity, also should use mitigation mechanisms such us revising the PAS.

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LIST OF ABBREVIATIONS

CBE	Commercial Bank of Ethiopia
EP	Employee Productivity
HR	Human Resource
HRM	Human Resource Management
MBO	Management by Objective
PP	Performance Perception
PF	Performance Feedback
PPA	Purpose of Performance Appraisal
PA	Performance Appraisal
SDT	Service Delivery Time
SPSS	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

An organization is a group of people with a particular purpose. In order to achieve the purpose, it intends to execute, a group needs to create various sub-groups of staffs with different tasks. It is vital that the group sets a plan and a goal which is shared by every individual within the group, which again mainly determines the goodwill and even existence of the organization.

To maintain standards and plan outputs organizations have to keep up with both emerging knowledge and technology.

In human resource management one of the most important tools is Performance Management. It gives a background to tie individual objectives with departmental targets, thus supporting and facilitating the attainment of departmental goals. It can be a very effective management tool if applied properly. It offers the staff with precision of aims and focuses on job expectation, motivates the staff to perform better, cultivates the desired culture, helps to focus on the intended results, improves communication, helps to develop the staff and as well as achieve departmental objectives. (Performance management guide, 2000).

Performance management system and performance appraisal are interlinked with each other. However, performance management system is a broader term which identifies measures, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub-set of performance management system which we use for evaluation of competence of employee. (Robert &John, 2013)

Performance appraisal is a process of evaluating the employee's duties and responsibility's based on their assigned tasks but not their personal characteristics. It is a very important tool for human resource and management because not only does it evaluate the performance of employees but also, it is good for improving employees' performance by identifying strengths and weaknesses. (S Sumumma, 2017)

As an administrative activity which improves the chances of attaining organizational goals, performance appraisal makes it obligatory for members of an organization to know what is

expected of them, and the signs by which their productivity will be measured in order to ensure organizational growth, staff progress, and goal attainment.

Performance appraisal is not just good for evaluating present job, it is also important on future duties where the employees are going to take. (Hertzell 2006)

It measures and evaluates the outcomes of the performance of workers pointing out their potential and deficiencies so that they can improve over the course of time. A good appraisal system is so fundamental to the management of employee in any organization. The success of the organization itself depends basically on a good appraisal system and makes the system vital for identifying recognizing, rewarding and promoting the right people who contributed more in achieving organization goal. (Stonner, Freeman & Gilbert, 2005).

Thus, in order the evaluation system to work well , the employees must understand it, must feel that it is fair, and must be work oriented enough to care about the results (Habibu, 1992).

One way to foster this understanding is for the employees to participate in the system design and be trained to some extent in performance appraisal. Performance appraisal has a big role for firms and industries on getting sustainable comparative advantage (Maud, 2001). Industry is a thrust area for countries in their mission for competitiveness. It must be noted that banks which have maintained the drive of continuous growth, and profitability showed better ratio of manpower effectiveness. Each element has crucial sub-components which serve as building blocks for productivity, (Rao, 1994)

Banks need to regularly improve their quality, draw more customers, and become cost oriented, which are the major issues such institutes should focus on in order to survive and succeed. Meaning, banks need to better manage their performance appraisal system and increase employee performance. Over the years, there are many practices, tools, techniques, systems, and philosophies that aim to help organizations to gain the competitive advantage of higher performance.

The underlying objective of performance appraisal in any organization is to improve the productivity of workers. Thus, performance appraisal provides adequate feedback on how staff is performing, by exposing them to knowledge and the result of their work; clear and attainable

goals of the organization; avenues for involvement in the setting of tasks and goals (Mullins, 1999).

1.2. Statement of the Problem

In a dynamic business world surveying responded by being competitive enough in the market and organizations productivity is one of the priority of organizations where employees play a vital role. Moreover, performance appraisal provides a good opportunity to formally recognize employee achievements and contributions to the organization. To ensure that a clear link is established and maintained between productivity and reward, it is necessary in an organization because it helps in clarifying goals and expectations, and also creates an environment for open communication. Furthermore, it brings about positive feedback and advice for improving employee productivity.(Solomon Sumumma, 2017)

Even though such merits and benefits of performance appraisal has been well recognized by the Commercial Bank of Ethiopia, a number of problems has been observed mainly with its execution and application.

Among them unbalanced goal and target, non-alignment of performance appraisal system with training and development programs, problem with data tracking and conducting performance evaluation, assessment of productivity has been identified as reasons or the lack effective matrix which means it only focuses on the end result and doesn't measure the progress where it creates low communication between the employees and the administration.

As per the study cited on (Belete G. et.al, 2014) Performance appraisal system has many or multidimensional problems in Ethiopian institutions context; there is no written policy about the performance appraisal system and the objective of performance appraisal & there is no standard set to which the performance appraisal result is to be compared with it. Again there is no training given for both appraisers and appraises about how to conduct performance appraisal and its objective. According to the research findings, most institutions have not been using the performance appraisal procedures and standards. Meseret Yazachew (2007, p. 77).

This study, therefore, is conducted with the aim of observing and evaluating what the real impact of performance appraisal is in the aforementioned Bank. Moreover, this research addresses

possible solutions to the problems mentioned in the previous paragraph where the bank lacks implementing and proper executing performance appraisal.

1.3. Objective of the Study

1.3.1. General Objective

In general, this study was conducted to examine the impact of performance appraisal system on employee productivity of CBE.

1.3.2. Specific Objectives

The specific objectives of this research are: -

- To determine the impact of the purpose of performance appraisal on employee's productivity in Commercial Bank of Ethiopia.
- To examine the impact of employee perception about performance appraisal
- To examine the impact of feedback process on employee productivity in Commercial Bank of Ethiopia.

1.4. Research Questions

- How does performance appraisal purpose impact employee productivity?
- How does the perception of employee on appraisal system impact productivity?
- What is the impact of feedback process on employee productivity?

1.5. Significant of the Study

This study is believed to have a significant meaning for the company in understanding as well as identifying how the implemented performance appraisal system impacts the productivity of employees of the company. Moreover, it gives an overview to whether the appraisal system is being properly executed or not. The author of this research highly believes that the methodologies, results as well as data used in this research are big assistance to other fellow researchers who would be interested in carrying out further studies particularly in similar or related topics.

1.6 Scope of the study

The scope was limited to the study of the impact of employee performance appraisal system on employee productivity in CBE with a specific focus on Addis Ababa districts branch only. The reasons why the study uses this scope are manageable by researcher capacity, respondents are relatively homogeneous in knowledge of the job, work environment, training availability... etc. Due to these and other reasons the respondents' feedback are not biased significantly. On the other hand, because of the scope, the study findings represent only Addis Ababa branches even though CBE has many branches in different area throughout the country. Meanwhile, the study excludes employees who work in head offices, the management and others because their nature of work differs from those in the branches. CBE classifies all branches in to 15 districts based on geographical area. Each district has human resource manager who reports to the corporate HR manager (HR policy guideline 2006/07).

1.7 Limitation of of the study

In spite of the fact that large number of branches operated in the various locality of the country, only the districts in Addis Ababa is selected for the case study under consideration. Hence as the case study, the findings of the study might not be entirely generalized to others, and such more research is required in order to form a more solid picture of the performance appraisal practice in CBE.

1.8 Organization of the Study

This study paper comprises five chapters. The first chapter is introductory part of the study. The second chapter deals with review of related literature where other scholar's work is reviewed and presented with proper acknowledgment. Chapter three is concerned with research design and methods where the design of the study, the sample size, instrument used, sample, and so on are discussed. Chapter four covers data presentation, analysis, and interpretation. The last chapter of this paper deals with summary of findings, conclusions, and recommendations.

1.9 Definition of Terms

Organizational goals: Refers to an organization's broad, longer-term aims or performance expectations

Employee Performance: refers to their output at a minimal cost from the use of their technical skills, raw materials in carrying out work responsibilities. (Mwanje, 2010)

Employee Productivity: it is the extent to which work done by employees bring the increase on the goal set by the organization

Feedback: helpful information or criticism that is given to an employee in respect to the work done

Perception: the process by which an individual give meaning to the environment

Performance Appraisal: is where a superior evaluates and judges the work performance of subordinates (Harter, Schmidt & Hayes, 2012).

Performance Management: is a means of getting better results from a whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements. (Armstrong, 2006)

CHAPTER TWO

REVIEW OF RELATED LITERATURES

In this chapter various literatures regarding performance appraisal and its relationship with company productivity are reviewed. To date a number of researches on the topic of interest have been conducted and literatures published among which important publications and researches are presented in this chapter.

2.1. Theoretical Foundations

2.1.1. Theory of performance management

Nini, argued (2012) that, through performance management a framework can be established which could direct, monitor, motivate and define the performance of human resources. The research added that, the chains and links in such a cycle can be readily audited. Based on the aforementioned fact Nini, kept on noting that, with its detailed consideration of the ways in which people are motivated to perform, the theoretical foundation of performance management is social psychology. Dyer and Reeves (1995) underlined that the logic in favors of bundling to be straightforward. Dyer & Reeves reason out that, because both ability and motivation affect employee performance, it is meaningful to maintain practices targeting strengthening both ability and motivation. Dyer and Reeves (1995) believed that there are a number of methods to enable employees possess the needed skills, among which are careful selection and training, multiple incentives to enhance motivation (which could be different forms of financial and non-financial rewards).

2.1.1.1 Management by Objectives Theory (MBO)

Through his question why in both the classical as well as human relations schools of management effectiveness was automatically considered to be natural and expected outcome, Ducker (1954), stated that effectiveness took upper hand to efficiency and happened to be the foundation of every organization. He further developed and popularized for the first time the Management by Objectives Theory (MBO). Drucker believes performance Appraisal involves a careful study and understanding of the goals and objectives of an organization. This requires individual employees and managers to set targets, discuss them, and reach into an agreement

before implementing them. Which therefore implies that performance appraisal is monitored, evaluated and reviewed based on the principles of management. Yet, a very important aspect of Management by Objectives Theory is the measurement and comparison of the employee's actual performance with the standards set. Theoretically, when employees have been involved in goal setting, they are more likely to carry out their responsibilities and therefore meet the expectations. Performance Appraisal therefore requires managers and individual coworkers to agree on objectives and targets throughout the year through a partnership where responsibilities are shared and expectations defined. Because such partnership enables appraisal to be more objective, transparent, its conceptual frame work includes studying and understanding the objectives of the organization, setting performance targets and agreeing upon the set targets, frequent performance reviews to monitor progress, giving feedback and rewarding. This leads to a conclusion that MBO to be the process of employers/supervisors managing their subordinates by introducing a set of specific goals that both the employee and the company want to execute. It further more takes as a principle that the employees understand their roles and responsibilities in order they understand how their activities relate to the achievement of the organization's goals.

2.1.1.2 Equity Theory

In his theory John Stacey Adams (1963) suggested that the motivation of individuals increases as their perception of equity goes higher, which holds true the other way as well. He further argued the inequities, either perceived or real, can jeopardize the motivation of employees. There will be an emotional motivation to gain equity among employees who feel they are being treated inequitably. This could be manifested through decreased input or push for more pay. Apart from that they might loss the motivation and willingness to extra work out of their jobs, which highly harm the organization. And hence Equity theory implies that the role and importance of employees' perceptions. This theory recommends that the input and output of an employee should be balanced. Whereas input might indicate hard work, skill level, acceptance and enthusiasm, while output may refer to salary, benefits and recognition. In this study, employee perception and the role it plays on employee productivity is assumed as an independent variable where it is derived from the equity theory.

2.1.1.3 Two Factor Theory

This theory which is commonly known as hygiene theory explains the fact that job satisfaction and dissatisfaction are caused by certain factors in the work place. The developer of this theory, Fredrick Herzberg, argues job satisfaction and job dissatisfaction act independently of each other. The theory further states that individuals are not content with the satisfaction of lower-order needs like salary and pleasant working conditions. somewhat, individuals look for the fulfilment of higher level psychological needs having to do with achievement, recognition, responsibility, advancement and the nature of the work itself (Herzberg 1966). He carried out a study on 200 engineers and accountants based on good and bad experiences of work and found out that, people live at two levels; the physical and psychological levels. The researcher inquired the respondents to recall their positive and negative experiences during working time. From this study, Herzberg, came to the conclusion that factors such as achievement, recognition, work itself, responsibility, advancement and growth led persistently to employee's satisfaction while other factors led to dissatisfaction such as company policy, supervision, work condition, salary, status, security among others. So as to improve job attitudes and productivity, suggested Herzber, administrators should give a recognition and watch out for the two sets of characteristics and not assume that increase in satisfaction leads to decrease in dissatisfaction. two factory theory will be used to derive the employee productivity, which is the dependent variable of this study.

2.1.2. Productivity

In the economic system the number one indicator the of economic performance is the productivity. Productivity is not an end in itself. In fact, it is a device for improving the substantial quality of life. Productivity is important to development throughout the world. It is at the heart of economic growth and development, improvement in standards of living and quality of life. Productivity is defined as the goods and service produced per unit of labor, capital or both. The ratio of output to labor and capital is a total productivity measure. In simple words, productivity is the output per unit to find put employed.

2.1.3. Concept of Productivity in banks

Because of the fact that banking is primarily a service industry, the concept and definition of productivity as used in manufacturing industries cannot be applied in the banking industry. The various products in the banking sector are, accounts, drafts, exchange remittances, cheques, travelers cheques, debit cards, services for guarantees, various kinds of loans like housing loan, car loan etc. and hence it makes it very difficult to bring various services to measure output. Yet as banking is a crucial economic player the concept of productivity cannot be ignored. The industry of the bank becomes more difficult, as it gets linked with such diverse aspects like operational cost effectiveness, profitability, customer services, priority sector lending, mobilization of deposits, and deployment of credit in rural and backward regions. But it is understandable that banks are the mirror of an economy. This implies that a healthy performance of the banking sector is highly likely to lead to an overall enhancement of the economy.

2.1.4. Performance appraisal system

Performance appraisal is a formal, structured system that compares employee performance to established standards. Valuation of job performance is shared with employees being appraised through one of the several primary methods of performance appraisal. Elements in performance appraisal methods are associated to the organization's employees, jobs, and structure. They include objective criteria with the purpose of scaling employee performance and ratings that summarize good the performance of employee is. Mahapatro (2010) showed that for an appraisal method to be successful, it should have a clearly defined and explicitly communicated standards or expectations of employee performance on the job.

He further indicted that performance appraisal includes encouraging risk taking, demanding innovation, generating or adopting new tasks, peer evaluation, frequent evaluations, and auditing innovation processes. He believes, this strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. It is also important to consider, which tasks should be appraised and who should assess employees' performance.

Similarly, Cleveland, Murphy, & William, (1989) believe Performance appraisal establishes reward system that will combine the effort of leaders and the worker of organization to the common goals of their organizations. They indicated, performance appraisal is very important

component of human resource management in order to attain high performance goal of organization.

2.1.5. Types of performance appraisal system

Traditional and non-traditional forms are the different techniques that are used for performance appraisal. IJBMR (2012) reported that the traditional form of appraisal is involved in overseeing and description of employee performance by the boss or superior. Since last few years the non-traditional form of appraisal is becoming more common in practices (Coens and Jenkins, 2000; Lawler, 2000). Assessment center involves the informal events, tests and assignment that are given to the group of employees to evaluate their competencies (Ijbmr, 2012). On the other hand, Dargham (2000) defined that Anchored Rating Scales is new method that comprises predetermine critical areas of performance or it is set of behavior statements that describe important job qualities what is good and what is bad. Furthermore, in Human resource accounting method the performance of employee is evaluated based on the contribution and cost of employees (Ijbmr, 2012). According to Sharma (2012) 360 degree involves the feedback of employee's performance by anyone who has contact with employee in the organization. In 360-degree Self-appraisal, Superior appraisal, Subordinate appraisal, Peer appraisals are included. This method is less structured compared to the traditional method which focuses on the rankings and ratings less, and more on arranging meetings between employees and supervisors (Sharma, 2012).

2.1.6. Purposes of performance appraisal

A study carried out by MigiroS.&Taderera M. (2010) shows that Performance appraisals have administrative and motivational purposes. They are intended to serve several purposes. These purposes include:

- (1) Let subordinates know formally how their current performance is being rated;
- (2) Identify subordinates who deserve merit raises;
- (3) Locate individuals who need additional training;
- (4) Identify candidates for promotion;
- (5) identify the scope for performance improvement and the means to achieve it;

- (6) Serve as a source of information for management to make decisions about promotions, salaries, training needs, and training support
- (7) as a means of managerial control, through the setting of objectives; and
- (8) Facilitate personal improvement and development.

However, Becker et al. (2001) argues that performance appraisal systems are incoherent in terms of what is measured and what is important. Human resource managers need the knowledge of how people contribute to a company's results by being valuable and how to measure this contribution.

2.1.7. Challenges involved in Performance Appraisal

Robinson and Fink (2006) explain that there are a number of flaws in the evaluation process, even though evaluating employees on relevant job criteria sounds reasonable and logical. Yet a number of literatures show that in practice formal performance appraisal programs have often resulted unsatisfactory and disappointing results (McGregor, 1957; Thompson and Dalton, 1970; Schrader, 1969). Until a better technique comes along, organizations should use some form of appraisal to cover any potential risks. Most managers should be familiar with obstacles to the success of formal performance appraisal programs which can be gained from either a personal experiences or from the available literatures on the matter. One cause for a failure is that companies often select indiscriminately from the available performance appraisal techniques without figuring out which particular technique is best suited to a particular appraisal objective.

2.1.8. Performance appraisal and employee productivity

According to Wellins, Bernthal, Phelps (2006), engagement is defined as a level to which people enjoy and believe in what they do and feel valued for doing it. Attitudes or climate in an organization can be used to assess employee engagement. Scores from a survey are correlating with various business metrics including staff turnover, absenteeism, productivity and sales. Performance appraisal enables the right employees are placed in the right jobs, exceptional leadership and organizational systems and strategies are the key drivers of employee engagement Wellins, Bernthal and Phelps (2006). Three sources of influence for change that includes the employees, leaders and organizational systems and strategies can be used to drive employee engagement in an organization. Hiring, promotion, performance management, recognition,

compensation, training and career development can be adopted in such systems. Jackson &Schuller, (2012) indicated that, business results are highly related to performance appraisal on employee engagement. The more positive a working environment is, the higher drive employees have to do their best from which the organization gains a high level of productivity and profitability.

2.1.9. Impact of Performance Feedback on Employee Productivity

2.1.9.1 Performance Feedback

The key for successful organization productivity depends on Effective performance feedback between employees and supervisors. Consistent feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals (Solmon&Podgursky, 2010). It shapes accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, feedback is failed by some organization provided (Jackson &Schuller, 2012). Although employee feedback mayhold back deliberately by a few managers, many are overwhelmed with other management tasks that take up their valuable time. The good employees left out unrecognized because of luck feedback. Even poor performance may not be given adequate feedback (Solmon and Podgursky, 2010). Many managers often are uncomfortable giving negative feedback to employees. This leads to significant problems where the organization finds itself at a crisis point. Further exacerbating the feedback dilemma is the lack of an organized feedback system in many organizations (Salau, Oludayo&Omoniy, 2014). Hinkin and Schriesheim (2012) has discovered that there are three types of managers from those who look for good performance, those who look for poor performance, and those who do very little to reinforce either type of behavior and those managers who provide the least feedback will have the least satisfied employees.

2.1.9.2 Feedback and Productivity

The performance appraisal feedback plays an important role in employee productivity. This gives an opportunity for feedback on the past performance against objectives set earlier as well as to identify any performance gap. Current performance level, discuss strengths and weaknesses and future opportunities are identified by the feedback processfor managers and supervisors (Jackson &Schuller, 2012). Performance feedback does a good job to make people aware of the objectives and outcomes of the performance appraisal process. Prevailing number of employees

believe that their appraisal is fair and stimulates their performance. There is also a belief that managers and supervisors are handling relatively well the process of feedback (Mone& London, 2010). One of the most important conditions for enhancing employee productivity is to provide clear, performance based feedback to employees (Caroll&Schneier, 2002). The acceptance of the process is one of the success of the feedback depends. Feedback reactions are usually very different. The fulfilment with the performance appraisal is asuggestion of the degree to which subordinates are satisfied with the process and the feedback they have received. It serves as a report of the accuracy and fair evaluations of the performance (Mone& London, 2010). The product is that satisfied individuals after the performance feedback will improve further working relationships with supervisors and colleagues (Jackson &Schuller, 2012). The feedback can also bring negative reactions from employees. If perceived unfair, the feedback can cause behavioral changes such as absenteeism, lack of cooperation, lack of focus on priorities, unhealthy competition and even can cause staff turnover (Dechev, 2010).

2.1.10. Impact of Employees' perception on performance appraisal system

For the employment of acceptance and satisfaction of performance appraisal, employee perception of fairness of performance appraisal has been studied as a significant factor.

For the achievement of the PA, determining how employees responsible for participating in the appraisal process perceive the PA is crucial. According to Boswell & Boudreau (1997), the purpose of PA affects rating processes and results and they conceived that employee attitudes may vary depending on perceptions of how the PA is used. It has been shown in a study carried out by Levey and William (1998) that there is a gained knowledge in predicting appraisal reaction in terms of job satisfaction and organizational commitment. The authors concluded the employees who believe they understand the appraisal systems used in the organization are most likely to favor important organizational variables in the future and also have the following characteristics: -

- a. They are more accepting and largely favor the appraisal system and its feedback,
- b. They have more satisfaction on their job,
- c. They are highly committed to the organization,
- d. They are most likely to rate the PA as fair.

Awosanya and Ademola (2012) believed that in order to have a constructive attitude of employee towards performance appraisal a number of points such those listed below should be taken in to consideration.

- a. There should be a system of formal Appraisal,
- b. It should be conducted frequently,
- c. Supervisors should have more knowledge about the appraisal process,
- d. Employees should have an opportunity to appeal their ratings,
- e. The organizational environment should be cooperative rather than competitive and
- f. The plan of the organization should also deal with weakness rather than only acknowledge strength

In this study the dependent and independent variables are employee’s productivity and the performance appraisal system respectively.

2.2. Conceptual Frame Work

Based on the literature and theoretical model reviewed by the researcher the below conceptual framework is developed. This framework attempts to determine the impact of performance appraisal system on employee productivity in the case of CBE.

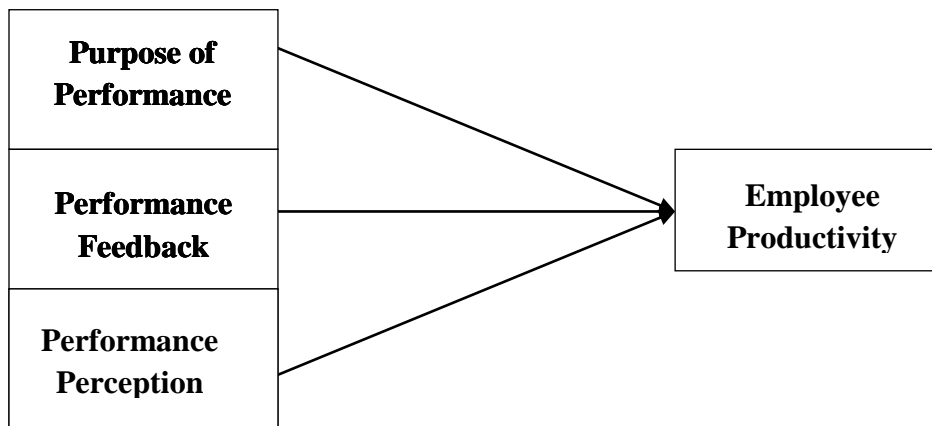


Figure 2.1 Performance Appraisal Systems and Employee Productivity

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter the methods, the sources of the data, sampling techniques, data collection instruments and procedures, and data analysis methods undertaken by the study are presented.

3.1. Research Design

Research design is blueprint for fulfilling research objectives and answering research questions. It is the general plan of how the research questions would be answered and it is the conceptual structure with which research is conducted (Saunders et al., 2007). In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study is relevant to the problem and that it uses economical procedures. The types of research design, namely exploratory (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships).

The purpose of this study is to examine the impact of performance appraisal system on employee productivity. For this study, the researcher has applied descriptive research using the fact that a descriptive research emphasis on determining the frequency with which something occurs or the extent to which two variables correlate. Descriptive research design method is used because it helps to understand and summarize the data. The summary statistics can either be represented by tabular form or graphically. Descriptive analysis enables to obtain the current information, it is also used in fact finding studies and helps to formulate certain principles and give solutions to the problems concerning local or national issues.

In addition, using descriptive research method is believed be easy to use various forms of data as well as incorporating human experience which enabled the researcher to look the study in so many various aspects and provide bigger overview about the subject matter.

3.2. Research approach

According to Kothari,2004, there are two basic approaches to research, quantitative approach and qualitative approach. The former involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigor fashion.

3.3. Procedure for data collection

The questionnaire was administered using a drop and pick method to the sampled respondents. Care and control has been taken to ensure all questionnaires issued to the respondents were received back. For collecting primary data structured questionnaire, containing close ended questions, were used. Self-administered questionnaire, a method that is reliable in a descriptive study, was administered. Because it is believed to be useful to enhance quality of respondents' response, as it gives respondents enough time on items which needed consulting and clarification. An extensive literature review was carried out to develop the constructive study in the form of questionnaire.

3.4. Population and Sampling

3.4.1. Population

Bryman et al (2003), describe a study population as the whole group that the research focuses on. The population for this study consists of staff of all the selected branches of commercial bank of Ethiopia under the domain of Addis Ababa districts as indicated in Table 3.1 below, the total population for the entire number of employees will be 5289

3.4.2. Target population

As per half year report as of December, 2018, CBE has 33000 employees who are working in 1324 branches which are managed by 15 districts all over Ethiopia. So, the target population for the study consisted of 5289 employees, who are working in AA in four district

3.4.3. Sample frame

The sampling frame sets of sources of materials from which the sample is selected and its purpose is to provide a means for choosing the particular members of the target population that are to be included in the survey (Anthony 2003). However, sampling location is a place where a research is conducted. In this research, source of materials consisted of all business customers' officers of CBE who are working in Addis Ababa city Administration.

3.4.4. Sampling technique and Sample Size

For this study non probability sampling technique was used i.e., both purposive (through deliberate selection of participants) and convenience sampling (i.e., ease of access & on the basis of their willingness) technique to distribute the questionnaires and collect the data. The study used non-probability sampling to select participants, due to similarity of work categories and homogeneity of the respondent and direct relations with the issue of the study.

The bank has 15 districts country wide which have 33000 employees and 14,112 of them are business customer officers. The reason why this study has focused only on business officers is that they are the main actors on proving the bank value, deliverer of the most important output and that is where chief grievances reported according to the researcher observation. Also this study has focused on four districts which are found in Addis Ababa. According to this the target population of the study was 5289 business customer service officers. Using convenience sampling, which is one of the types of non-probability sampling, the researcher selected and distribute questionnaires to (372) participants from the (5289) employee of the bank. Employees were selected according to their convenience accessibility and proximity to the researcher on the time of distributing the questionnaire. The sample size is calculated by using (Yamane, 1967) sample size determination formula with 95% confidence level which is presented as follows.

Table 3.1 Proportion of sample distribution and collection.

Districts	Total population	Sample size
North	1445	102
West	1390	98
East	1249	87
South	1205	85

(Source: Districts' Human Resource)

Where: n = sample size requires N = number of people in the population e = allowable error (%)
 $n = 5289 / 1 + 5289(0.05)^2$ $n = 371.81019$ $n \approx 372$

According to Kothari, (1990), proportional allocation was used to distribute the questioners based on the determined sample size to 4 district branches .

3.5 Data Source and Type

Data are gathered from both primary and secondary data sources. Structured questionnaires were distributed to employees of (CBE). The questionnaire was adapted from the study conducted by Odhiambo, (2015) and amendments were made to some of the questions, book and related researches were used as secondary data source.

Likert five point Scales in questionnaire used to obtain and measure the performance appraisal system of the bank i.e., '1' For Strongly DisAgree,'2' Disagree,'3' Neutral, '4 'For Agree and '5' For Strongly Agree. Even though there are issues and concerns about the limitation of such scales, the use of this method appears to have been accepted in behavioral and attitudinal research, for social science studies including employees 'performance. Quantitative research describes behavior in the form of models, correlations, and numerical forms as accurately as possible and makes it predictable (Fossey et.al, 2002).

3.6. Data analysis:

Descriptive and inferential statistics were employed for the data analysis processes.

Descriptive: The descriptive statistics includes frequencies, percentages and correlation analysis) The descriptive study is aimed at obtaining information which can be subjected to analysis, extraction of patterns and drawing comparisons for clarification purposes and provision of making decisions platforms. A five-point Liker scale were used and the data are collected from respondents were analyzed by using descriptive statistical analysis SPSS version 20.00. Since the data which was acquired using Likert scales were ordinal data types, mode of frequencies and percentage have been used to measure the central tendency of the data in the data set and to describe about the majority of or the average levels of agreement of the respondents about the subject matter respectively

3.7. Measuring Reliability and Validity

3.7.1. Reliability

The reliability measures to which extent the instrument is without bias (error free) and offers consistent measurement across time and across the various in the instrument (Cavana 2001) Inter item consistency is a test of consistency of respondents answers to all the items in a measure. According to Cavana et al., (2001) the most popular test of inter item consistency

reliability is the Cronbach's coefficient alpha, which is used for multipoint scaled items. Several authors such as Alwadaei (2010), Filed (2005), and Kothari (2004), state that even though, there is no predetermined standard; an instrument that provides a reliability coefficient of 0.70 is usually considered as a reliable instrument. Hence, in this study internal consistency for all items of the instrument was tested using **Cronbach's alpha test** using SPSS software. Reliability test was conducted for the total elements and the Cronbach alpha test score is hereunder.

Table 3.2. Reliability statistics

No	Items	Cronbach alpha	No of Items
1	Purpose of performance appraisal system	0.748	4
2	Performance feedback	0.874	8
3	Performance perception	0.729	7
4	Performance appraisal	0.843	8
5	Employee productivity	0.699	3

The score supports the presence of good internal constancy among the items and promise the reliability and acceptance of the study items.

3.7.2. Validity

Validity refers to the extent to which the measurement instrument actually measures what it intended to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account (JOHN W. CRESWELL, 2014). In order to ensure the quality of this research design content validity of the research questioners were checked. The questioners were verified by the advisor of this research, who looks into the appropriateness of questions and the scales of measurement. This is done to find out whether the developed questions measures what it is meant to measure and also to check the clarity, length, structure and wording of the questions. This test helps the researcher to get valuable comments to modify some questions.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

The main objective of the study is to investigate the impact of performance appraisal on employee productivity in the case of CBE; therefore, this chapter will present a discussion of the final results and the process through which the result was obtained. The statistical methods of analysis included a descriptive analysis such as (frequency and percentage) and the inferential statistics (correlation and regression analysis).

A total of 372 questionnaires were administered for the employee of the bank and 340 were collected and analyzed. Some of the questionnaires were left with the respondents to fill but were never returned in another case the respondents were unavailable during collection of the questionnaires therefore the analysis is made based on the 340 respondents. As result, response rate was 91.40% which is assumed to be acceptable.

4. Descriptive Statistics and Respondent Profile

This section contains two basic parts such as the general characteristics of respondents and analysis and interpretation of data collected through questionnaires. A total of 372 questionnaires were administered for the CBE employees and 340 Were properly filled and returned. The discussion of the data analysis begins with the profiles of the respondents.

4.1 Characteristic of Respondents

Respondent's characteristics include their age, educational level and overall work experience. The responses of the respondents and the implications are illustrated hereunder.

Table .4.1. Characteristic of respondents

		Count	Column N%
Gender	Male	182	53
	Female	158	46
Age (years)	21-25	64	18.8
	26-35	220	64.4
	36-45	38	11.2
	46 and above	18	5.3

Educational level	Diploma	18	5.3
	First Degree	226	66.5
	Master's Degree	96	28.2
Working experience	Below 1 year	24	7.1
	1-5 years	218	64.1
	6 years and above	98	28.8

Majority of the respondent were male which are 182 in number (53.5%) and female total respondents were 158 (46.5%).

Out of 340 respondents 18% of respondents are aged between 21-25 years 64% of the respondents aged 26-35, 11.2% of respondents aged 36-45 and the rest of 5.3% of respondents are above 46 years old. The highest proportion of CBE employees ground in the age between 26-35 followed by the age between 21-25.

Respondents profile regarding their educational background revealed that majority (66.5%) of respondents were first degree holders and the remaining (28.2%) and (5.3%) were masters and diploma holders respectively.

Respondents working experiences shows that the majority of respondents which is 64.1% of the total respondents were 1-5 years, 28.8 % of total respondents are above 6 years of experience and the remaining 7.1% below 1 year.

4.2 Purpose of Performance Appraisal System

Table 4.2. The impact of purpose of performance appraisal system on employee productivity

Item		Frequency	Percentage
The PA report in CBE is used for developmental purpose (training workshop etc.).	SD	82	24.1
	D	180	52.9
	N	68	20.0
	A	4	1.2

	SA	6	1.8
Performance appraisal system of CBE helps in identifying systematic barriers to effective performance.	SD	48	14.1
	D	250	73.5
	N	20	5.9
	A	22	6.5
	SA	0	0
IS PA used to create sense of computation among performers?	SD	24	7.1
	D	220	64.7
	N	64	18.8
	A	30	8.8
	SA	2	6
IS PA used for salary and reward payment?	SD	18	5.3
	D	240	70.6
	N	60	17.6
	A	22	6.5
	SA	0	0

The respondents were asked if PA report in CBE is used for developmental purposes (like training and workshop etc.) and 52% of the respondents disagreed followed by 24.1% strongly disagreed, 20% neutral and the rest 1.2% and 1.8% agreed and strongly agreed respectively. Generally, the results lead the study to the conclusion that the bank does not use the appraisal system for developmental purpose such identifying training workshop etc. This may affect the employees 'productivity, in relation to this the respondents were asked whether the performance appraisal system of the bank helps to identify systematic barriers for effective performance. Majority of the respondents 73.5% disagreed followed by 14.1% strongly disagreed only 6.5% of the respondents agreed the rest of 5.9% non-aligned the result indicate that performance appraisal system of the bank does not help to identify the systematic barriers that could hold them from effectively performing tasks, which may affect their productivity. Coming to the question that has been asked to the respondents if performance appraisal creates a sense of computation among performers, 6% strongly agreed that it gave them a sense of computation, 8.8% agreed and 18.8% have no say on this and the rest 64.7% and 7.1% disagreed and strongly

disagreed respectively, therefore the study concludes that performance appraisal system of the bank is not creating a sense of computation among employees. Regarding whether performance appraisal is used for salary and reward payment 70.6% of the respondents disagreed 5.3% strongly disagreed 17.6%neutral about it and 6.5% agreed. This indicates that currently implemented performance appraisal system of the bank is not used for salary and other reward payment.

4.3 Performance Feedback

Table 4.3 The impact of performance feedback on employee productivity

Items		Frequency	Percentage
My Manager gives me a fair feedback.	SD	28	8.2
	D	202	59.4
	N	90	26.5
	A	16	4.7
	SA	4	1.2
The Bank seems more engaged in providing positive feedback for good performance then criticizing the poor one.	SD	26	7.6
	D	244	71.8
	N	68	20.
	A	2	6
	SA	0	0
The feedback that I received agreed with what I have actually achieved.	SD	74	21.8
	D	212	62.4
	N	32	9.4
	A	18	5.3
	SA	4	1.2
My Manager communicates with me frequently about my performance.	SD	46	13.5
	D	254	74.7
	N	14	4.1
	A	20	5.9
	SA	6	1.8
The feedback that I receive on how to	SD	48	14.1

Items		Frequency	Percentage
do my job highly relevant and affect my productivity positively.	D	204	60.0
	N	66	19.4
	A	16	4.7
	SA	6	1.8
I always get adequate feedback on my performance that motivates me to be timely in completing my duty	SD	48	14.1
	D	182	53.5
	N	90	26.5
	A	20	5.9
	SA	0	0
Current performance feedback in my organization is fair and unbiased	SA	36	10.6
	D	186	54.7
	N	88	25.9
	A	28	8.2
	SA	2	6
The feedback provided by my supervisor frequently motivates me to give my best sometimes serve to improve productivity	SD	28	8.2
	D	236	69.4
	N	58	17.1
	A	14	4.1
	SA	4	1.2

The respondents were asked if their manager gives them a fair feedback and 59.9% of them disagreed followed by 26.5% neutral, 8.2% of them strongly disagreed 4.7% agreed and 1.2% strongly agreed therefore this data shows that majority of the employees of the bank are not getting fair performance feedback from their managers. This may impact their productivity since getting adequate feedback motivates employees to work harder, the absence of which, affects productivity. Regarding bank engagement in providing positive feedback for good performance than criticizing the poor one's question, 71.8% of respondents disagreed 20% neutral 7.6% strongly disagreed only 6% of the respondents agreed this implies that the bank engage in criticizing the poor performance than focus on positive one, criticism demotivate employees that can lead to decrease in productivity.

Question asked to the respondents whether the feedback they receive agrees with what they actually achieve majority of respondents 62.4% disagreed followed by 21.4% strongly disagreed 9.4% neutral 5.3% agreed and 1.2 % strongly agreed therefore the study concludes that majority of the employees are don't agree with the feedback they received for what they actually achieved which in turn possibly impacts their productivity.

For the question whether managers communicate with them frequently about their performance 74.7% respondents disagreed 13.5%strongly agreed 4.1%neutral and the rest 5.1% and 1.8% agreed and strongly agreed respectively therefore the study concludes that managers of the bank are not communicate with their employees frequently based on their performance. Not getting frequent follow up on performance possibly impacts employees' productivity. Respondents were asked if the feedback they received on how they do their job is highly relevant and affect their productivity positively 60%of the respondents disagreed 14.1% strongly disagreed and 19.4% are neutral about it 4.7% agreed and 6% of them strongly agreed which implies that the employees of the bank are not getting relevant feedback, which can affect their productivity negatively. The respondents were asked if they always get adequate feedback on their performance that motivate them to be timely in completing their duty 53.5% of them disagreed followed by 26.5% neutral 14.1%strongly disagreed 5.9 % agreed. Therefore, the study concludes that the bank does not provide adequate feedback to the employees for completing their duty that affect the employee's energy to be productive.

Respondents were asked if the current performance feedback in their organization is fair and unbiased 54.7% disagreed followed by 25.9% neutral, strongly disagreed 10.6% and 8.2%,6% agreed and strongly agreed respectively therefore this study concludes that the bank performance feedback is unfair and biased. The respondents were asked about the feedback provided by the supervisors frequently motivate them to give their best and sometimes serve to improve productivity and 71.8% of them disagreed 17.1% neutral about it 5.3%are do strongly disagree and 5.1% agreed therefore the study concludes that even if there is a feedback process in the organization due to the mentioned gaps in the above questions the feedback that employees received form their managers are not motivating them to be productive.

4.4 Performance Appraisal Perception

Table.4.4. The impact of employee's perception toward performance appraisal on employee productivity

Item		Frequency	Percentage
I am satisfied with the way the performance appraisal system used to evaluate the rate my performance	SD	28	8.2
	D	236	69.4
	N	58	17.1
	A	14	4.1
	SA	4	1.2
Current performance appraisal is fair and unbiased	SD	26	7.6
	D	220	64.7
	N	78	22.9
	A	2	6
	SA	14	4.1
If I don't agree with the performance appraisal score there is an appeal process	SD	74	21.8
	D	242	71.2
	N	16	4.7
	A	2	6
	SA	6	1.8
I feel that my performance is reflective of my ability	SD	18	5.3
	D	214	62.9
	N	102	30
	A	6	1.8
	SA	0	0
Performance appraisal process help me find out about my level of performance	SD	46	13.5
	D	134	39.4
	N	152	44.7
	A	4	1.2
	SA	4	1.2
Performance appraisal is valuable to me as well to my organization	SD	26	7.6
	D	218	64.1
	N	80	23.5
	A	14	4.1
	SA	2	0.6
The Bank attempt to conduct performance appraisal the best possible ways	SD	54	15.9
	D	270	79.4
	N	10	2.9
	A	6	1.8
	SA	0	0

the respondents were asked if they are satisfied with the way the performance appraisal system is used to evaluate the rate of their performance and 69.4% disagreed 17.1% neutral 8.2% have strongly disagreed and the rest 4.1 %and 1.2% agreed and strongly agreed this implies that the

employees of the bank are not satisfied with the way the performance appraisal system evaluates the rate of their performance that could possibly affect their productivity in relation to this the respondents were asked if they believe the current appraisal is fair and unbiased and 64.7% of the respondents do not agree with the statement 7.6% strongly disagreed, 22.9% are neutral, 6% and 4.1% agreed and strongly agreed respectively therefore the employee of the bank do not perceives the current performance appraisal as fair and unbiased. On the other hand, respondents were asked if there is an appealing process when they don't agree with the performance scores and majority of the respondents 71.2% disagreed 21.8% strongly disagreed ,4.7%neutral 6% agreed and 1.8%strongly agreed therefore the study concludes that even if there is a grievance process in the bank the employees do believe it failed to corresponds this perception of employees may affect their productivity.

In yet another question whether they feel their performance reflect their ability 62.9% disagreed 5.3% strongly disagreed and 30% are neutral about it and only 1.8% agreed therefore the study concludes that the employees of the bank do not believes their performance is reflecting their ability that possibly affect productivity of employees.

The respondents were asked if their performance appraisal process help them to find the level of their performance and 44.7% were neutral 39.4% disagreed 13.5% strongly disagreed and 1.2% agreed and another 1.2% strongly agreed respectively, therefore the study concludes the employees of the bank doesn't know whether their performance appraisal help them to find out the level of their performance.

The respondents were asked if they think performance appraisal is valuable to them as well to their organization 64.1% of them disagreed 23.5%are neutral about it 7.6% strongly disagreed 4.1% of them agreed and 0.6% of strongly agreed this implies that employees of the bank do not believe performance appraisal is valuable to them and to their organization. The respondents were asked if they think the bank conduct the performance appraisal the best possible way and majority of the respondents 79.4% disagreed followed by 15.9%strongly agreed 2.9%were neutral about it only 1.8% agreed on this therefore the study concludes that employee of the bank has a perception that performance appraisal is not conducted to the best possible way that can hide the energy of employees to work hard and possibly affect productive.

4.5 Performance Appraisal

Table.4.5. The impact of performance appraisal system on employee productivity

Items	Count	Frequency	Percentage
Performance appraisal make me work harder than expected	SD	48	14.1
	D	222	65.3
	N	46	13.5
	A	20	5.9
	SA	4	1.2
Performance appraisal makes me work at my normal peace	SD	26	7.6
	D	272	80.0
	N	40	11.8
	A	2	6
	SA	0	0
Performance appraisal make me work above expectation due to how it conducted	SD	46	13.5
	D	242	71.2
	N	30	8.8
	A	18	5.3
	SA	4	1.2
Performance appraisal used as decision-making tool for increasing my performance	SD	46	13.5
	D	256	75.3
	N	12	3.5
	A	20	5.9
	SA	6	1.8
Performance appraisal impact positively individual performance	SD	90	26.5
	D	216	63.5
	N	26	7.6
	A	2	.6
	SA	6	1.8
I often perform better with performance appraisal than without appraisal	SD	78	22.9
	D	192	56.5

Items	Count	Frequency	Percentage
	N	50	4.7
	A	20	5.9
	SA	0	0
Performance appraisal is valuable to perform In my organization	SD	56	16.5
	D	158	46.5
	N	96	28.2
	A	28	8.2
	SA	2	0.6
I am satisfied with the current performance appraisal system in the organization	SD	18	5.3
	D	270	79.4
	N	46	13.5
	A	6	1.8
	SA	0	0

The respondents were asked if performance appraisal system makes them work harder than expected and 65.3% respondents disagreed, 14.1% strongly disagreed and 13.5% neutral about it 5.9% agreed and 1.2% of them strongly agreed, therefore the study concludes that the current appraisal system of the bank does not make employees to work harder than expected that may affect productivity. In relation to this the respondents were asked if performance appraisal make them work at their normal peace and majority of respondent 80% of them disagreed followed by 7.6% strongly disagreed and 11.8% of them neutral about it only 0.6% of them agreed this implies that performance appraisal system that currently implemented by the bank does not even lets the employees to give there minimum this could impact their productivity. The respondents were asked whether performance appraisal makes them work above expectation due to how it conducted and 71.2% disagreed 13.5% strongly disagreed 8.8% neutral 5.3% agreed and 1.2% strongly agreed therefore the performance appraisal system currently implemented by the bank is not letting the employee of the bank to perform above expectation that decrease their productivity. The respondents asked whether performance appraisal is used as decision making tool to increase their performance and 75.3% of them disagreed 13.5% strongly disagreed and

3.5% neutral about the statement 5.9% of agreed and 1.8% strongly agreed. Therefore, the study concludes that performance appraisal system of the bank is not used as decision- making tool to increase the performance of the employees that may impact their productivity. The respondents asked whether performance appraisal impact positively individual performance respondents 63.5% of respondents react with disagreement 26.5% strongly disagreed with the statement 7.6% turned out to be neutral and the rest 0.6% and 1.8% of the respondents agreed and strongly agreed respectively therefore this implies that the performance appraisal system the bank currently using is not affecting employees be productive positively. Also the respondents were asked if they often work better with appraisal then without and 56.5% of respondents disagreed 22.9% strongly disagreed 14.7% of them are neutral only 5.9% agreed therefore this data implies that current performance appraisal system of the bank is not making employees to perform better and that could perhaps impact productivity negatively. Respondent were asked whether they think performance appraisal is valuable to perform in their organization and 46.5% disagreed 16.8% of them strongly disagreed 28.2% of them neutral about it 8.2% agreed and 0.6% of them strongly agreed therefore the study concludes that the employees do not believe performance appraisal is valuable to their productivity. The respondents were asked if they are satisfied with the current performance appraisal system of the organization and 79.4 % disagreed, 5.3% of the respondents strongly disagreed 13.5% neutral only 1.8% agreed therefore the study concludes that employees of the bank are not satisfied with the current performance appraisal system of the organization and that can impact employee productivity.

4.6 Employee productivity

Table.4.6. Employee productivity

Items	Count	Frequency	Percentage
I meet my work target as per SDT	SD	62	18.2
	D	236	69.4
	N	38	11.2
	A	4	1.2
	SA	0	0
My Performance is higher than average branch performance	SD	58	17.1
	D	258	75.9

	N	12	3.5
	A	12	3.5
	SA	0	0
I exceed my work target	SA	86	25.3
	D	214	62.9
	N	22	6.5
	A	14	4.1
	SA	4	1.2

The respondents were asked if they meet their target as per SDT and 69.4% of the respondents disagreed 18.2% strongly agreed 11.2% of them are neutral and only 1.2% agreed with the statement therefore because of poor performance appraisal goal sitting of the company employees are not meeting their target as per SDT regarding the question if the respondents performance is higher than the average branch performance 75.9% disagreed,17.1% of them strongly disagreed 3.5%of them neutral about it only 3.5 % agreed therefore the study concludes that the performance of employees of the bank are not higher than their average branch performance the respondents were asked if they exceed their work target and 62.9%of them disagreed 25.3% strongly disagreed 6.5% are neutral about it 4.1%of them agreed and 1.2% strongly agreed this implies that majority of the employees of the bank did not exceed their work target.

4.7 Correlation Analysis

The correlation between all variables of the study was analyzed using statistical package for social science (SPSS). The following matrix shows correlation between variable in the questioner with person correlation coefficient to show the strength of relationship among the variable consider in the questionnaires.

Table 4.7. Summary of Pearson Correlation Coefficient' Result

		Purpose of performance	Feedback	perception	performance appraisal	Employee productivity
Purpose of performance appraisal	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	340				
Feedback	Pearson Correlation	.791**	1			
	Sig. (2-tailed)	.000				
	N	340	340			
Perception	Pearson Correlation	.775**	.831**	1		
	Sig. (2-tailed)	.000	.000			
	N	340	340	340		
Performance appraisal	Pearson Correlation	.734**	.922**	.809**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	340	340	340	340	
Employee Productivity	Pearson Correlation	.580**	.712**	.685**	.741**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	340	340	340	340	340
**. Correlation is significant at the 0.01 level (2-tailed).						

The above correlation matrix indicates that there are significant and positive correlations between the employee productivity with purpose of performance appraisal system, performance feedback, and performance perception and performance appraisal.

The highest coefficient of correlation in this research is located on between employee productivity and performance appraisal system 0.741. Significant positive relationship between employee productivity and performance appraisal ($r = 0.741$, $n = 340$, $p \leq 0.01$). The second highest coefficient of correlation is with employee productivity and performance feedback,

which is 0.712($r = 0.712$, $n=340$, $p \leq 0.01$.) Followed by employee productivity and performance perception which shows a positive and significant coloration 0.685($r = 0.685$, $n=340$, $p \leq 0.01$) the last one is between purpose of performance appraisal system with employee productivity 0.580($r=0.580$, $n=340$, $p \leq 0.01$) The above correlation matrix positively and significantly correlates with the dependent variable.

4.8. Summary of Finding

Under the general characteristics of the respondents the data indicates that the number of male (53.5%) respondent is higher than that of female (46.5%) respondents, aged between 26-35 and half of the employees are degree level. This suggested that most of the employees have university education. Majority of the employees had an experience in the range of 1-5 years.

The performance appraisal system has different purposes such as to make a decision for developmental, motivational or administrative purposes based on evidences the study revealed that CBE's has not used performance appraisal system for none of the above mentioned purposes.

Feedback is an important part of appraisal process design. Effective evaluation system should give positive feedback. This is provided to employees in order to improve the performance of each individual for the coming period. Nonetheless, feedback is not a one-time task it is a process for the evaluation period. In this regard, CBE's appraisal process was unsuccessful. The study revealed that continuous feedback did not provided by the managers and immediate supervisors about the performance of employees. In relation to this the study revealed that there is a positive relation between performance feedback and employee productivity but insignificant one. This finding collaborates with the study of Gichuhi, Abaja & Ochieng (2015) who conclude that performance appraisal criteria, feedback and frequency positively influence employee productivity.

Employees' perception towards performance appraisal plays a significant role for the effectiveness of the system. When employees don't perceive the system is effective they have no sense of belongingness to the organization, have no further motive to give their best. This affects the overall performance of the bank. As the study revealed, CBE's PA system was totally ineffective in the perception of employees, in relation to this the study find out there is a positive and significant relationship between performance perception and employee productivity. This

finding is similar with Moses Wayma and Dr Geoffray Kimutai (August 2015) there study conclude that the employees 'perception appraisal system can be an effective tool for employee performance if it is perceived to be objective and fair.

Performance appraisal should have to encourage performance improvement but majority of the respondents do not agree that performance appraisal system of the bank help them to work hard or affect their productivity positively even though the study find out that performance appraisal has a positive and significant relationship with employee productivity.

Such outcome is supported by Fankhary an, Jalivand, Dini and Dehafarin (2012) who confirmed that there is a relationship between performance appraisal and employee productivity.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

The research was carried out with a main purpose of finding out the impact of performance appraisal on employee productivity in the case of Commercial Bank of Ethiopia. The specific research objective that guided the study was; to determine the impact of performance appraisal purpose on employee's productivity. To examine the impact of employee perception toward performance appraisal on employee productivity. To examine the impact of performance feedback on employee productivity. There hence this chapter contains conclusion and recommendation made at the end of the study.

5.1. Conclusion

The primary objective of the study was to assess the impact of performance appraisal system on employee productivity, considering performance appraisal has become the major concern with its long lasting impact on employees work outcome. The study has been accomplished its three research objectives. Thus based on the finding the following conclusion has been made

First in the part of descriptive finding regarding performance appraisal purpose the employees of CBE has been revealed that the bank did not use performance appraisal for developmental and motivational purposes that may affect productivity of employees. Out of eight items used to assess the employee performance feedback process the response from the employees disclosed that there is a substandard feedback given by the company for performance in accordance with fairness of feedback, positivity of feedback, frequency of feedback, adequacy of feedback and biasedness of feedback. In general, even if feedback is the most important aspect of performance appraisal system it has not been used by the managers to improve productivity of employees in CBE. In regard to perception of employees toward performance appraisal system the study can conclude that employee of CBE has a negative perception on performance appraisal system. They don't believe it's fair and unbiased, or show their actual performance. Employees assume that the bank conduct the appraisal system in the worst possible way.

Second the research tried to present the relationship between employee productivity and performance appraisal in the form of purpose of performance, performance feedback, perception toward performance and performance appraisal. Thus, based on the correlation analysis result employee productivity has relation with performance appraisal.

5.2. Recommendation

The study recommends that CBE performance appraisal system should have to give more attention to the result of appraisal link with the purpose of appraisal system and use them for development, career structure of the bank, and motivational decisions, in a way that increases employee's productivity.

The study suggest that in order to boost employee productivity, effective feedback should be provided to employees also managers and supervisors should give frequent and continues positive feedback which can be translated into improving employee productivity.

The study suggest the bank to create participatory environment for employees to involve in performance goal setting and the standards of evaluation so that employees feel a sense of belongingness to the system and carry responsibility that can be a motivation to increase the effort to be productive.

For effective productivity the study recommends that the organization should use mitigation mechanisms such us revising the PMS.

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Appendix 1: Questionnaire

Addis Ababa university school of commerce

Human Resource Management Post Graduate Program

Questioner to be filled by

Dear sir/madam

I, the undersigned am student of masters of art in human resource management program at Addis Ababa University, school of commerce. Currently, I am doing my final thesis title” The Impact of Performance Appraisal on Employee Productivity. The questioner is developed to gather data for the thesis. Your valuable and genuine information and cooperation very important to establish a clear picture of issue under study and for it successful completion. Your participation in the study is simply a matter of chance and random. The information you provide will be employed only for academic purpose and your response will be treated with utmost confidentiality for the purpose of the study only. I kindly request your assistance to take a few mints to respond to every question as per the instruction .in advance, I would like to thank you for your cooperation and relevant response

SECTION ONE

RESPONDETS GENERAL INFORMATION

Kindly respond to the following questions by filling in the blanks where space is provided or by ticking

1. Kindly indicate your gender?

Male

female

2. What is your age group?

Between 21-25 years

between 26-35 years

Between 36-45years

46 years and above

3. What is your highest level of education?

Diploma

First degree

Master's degree

PHD

4. For how long have you been working on CBE?

Below 1 year

1-5 years

6years and above

SECTION TWO

PURPOSE OF PERFORMANCE APPRAISAL SYSTEM

Please indicate the extent to which you agree with the following statement by using scale of 1 to 5

Where 1 =strongly disagree 2= disagree 3= neutral 4=agree and 5= strongly agree

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. The PA report in CBE is used for developmental purposes (training workshop etc)					
2. Performance appraisal system of CBE helps in identifying systemic factors that are barriers to effective performance?					
3.Is PA used to create a sense of computation among performers' /employees					
4.Is PA used for salary and reward payment					

SECTION THREE

THE IMPACT PERFORMANCE FEEDBACK ON EMPLOYEE PRODUCTIVITY

Please indicate the extent to which you agree with the following statement by using scale of 1 to 5

Where 1 =strongly disagree 2= disagree 3= neutral 4= agree and 5= strongly agree

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
5. My manger give me a fair feedback.					
6.The bank seems more engaged in providing positive feedback for good performance than criticizing the poor ones.					
7.The feedback that I received agrees with what I have actually achieved.					
8.My manager communicates with me frequently about my performance.					
9.The feedback that I receive on how to do my job highly relevant and affect my productivity positively					
11. Current performance feedback in my organization is fair and unbiased.					
12.The feedback provided by my supervisor frequently motivate me to give my best and sometimes serve to improve productivity.					

SECTION FOUR

IMPACT OF EMPLOYEES PERFORMANCE PERCEPTION ON PERFORMANCE APPRAISAL SYSTEM

Please indicate the extent to which you agree with the following statement by using scale of 1 to 5

Where 1 =strongly disagree 2= disagree 3= neutral 4= agree and 5= strongly agree

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
13. I am satisfied with the way the performance appraisal system is used to evaluate the rate of my performance.					
14.Current performance appraisal is fair and unbiased.					
15. Performance appraisal process help me find out about my level of performance.					
16.If I don't agree with the performance appraisal scored there is an appeal process.					
17.The bank attempt to conduct performance appraisal the best possible way.					
18. Performance appraisal is valuable to me as well to my organization.					
19. I feel that my performance is reflective of my ability.					

SECTION FIVE

IMPACT OF PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEE PRODUCTIVITY

Please indicate the extent to which you agree with the following statement by using scale of 1 to 5

Where 1 =strongly disagree 2= disagree 3= neutral 4= agree and 5= strongly agree

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
20. Performance appraisal make me work harder than expected.					
21. Performance appraisal makes me work at my normal peace.					
22. Performance appraisal makes me work above expectation due to how it conducts.					
23. Performance appraisal is used as decisions making tool for increasing my performance.					
24. Performance appraisal impact positively individual performance.					
25.I often perform better with performance appraisal than without appraisal.					
26.Performance appraisal is valuable to perform in my organization					
27.I am satisfied with the current performance appraisal system in the organization					

SECTION SIX

EMPLOYEE PRODUCTIVITY

Please indicate the extent to which you agree with the following statement by using scale of 1 to 5

Where 1 =strongly disagree 2= disagree 3= neutral 4= agree and 5= strongly agree

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
28.I meet all my work target as per SDT.					
29. My performance is higher than average branch performance.					
30.I exceed my work target .					