

**ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF EMPLOYEES' PERFORMANCE APPRAISAL  
PRACTICE, THE CASE OF BANK OF ABYSSINIA**

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An Assessment of Employees' Performance Appraisal, the case of Bank of Abyssinia

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**Letter of Certification**

This is to certify that this project work, **“An Assessment of Employees’ performance appraisal system ,the case of Bank of Abyssinia”**, undertaken by Eniye Dargie for the partial fulfillment of Master’s of Business Administration [MBA] at Addis Ababa University, is an original work and not submitted earlier for any degree either at this university or any other university.

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Ato Abebe Yitayew

Research advisor

## **Letter of Declaration**

I, Eniye Dargie, declare that this work titled **“An Assessment of Employees’ performance appraisal system, the case of Bank of Abyssinia”**, is my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and supervision of the research advisor.

This study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of the MA degree in Business Administration [MBA].

Eniye Dargie

Researcher

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## ***Abstract***

*Human resources are among the fundamental resources available to any organization. Performance appraisal is part of human resource management which a formal system of periodic review and evaluation of an individual's (employees) job performance. Performance Appraisal (PA) helps in measuring and evaluating performance of the employees in an organization. PA serves a two-fold objective. On one hand, it helps in identifying skill gaps present in the employees. On the other hand, it recognizes meritorious employees on the basis of their work and helps to design an effective reward system for organizations.*

*The paper examines methods, process and the responsibilities of PA and explores the relationship between PA and its purpose in the organization. The writer uses questionnaire and interview to collect the necessary data. The data gathered has been analyzed using the various statistical methods like tables, graphs, percentages. Employees are evaluated by themselves, their immediate supervisor, next in-line supervisor, review committee and finally it is approved by senior managers. The company's major problems identified from the data collected are on frequency and timing of evaluation, lack of knowledge about the purpose and objective of evaluation and absence of training and discussion about the evaluation method are the major problems identified. Based on the problems recommendations are suggested.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Back ground of the project

The history of banking in Ethiopia dates back to the turn of 20<sup>th</sup> century when the Bank of Abyssinia was established in 1905 in Addis Ababa marking the introduction of banking in the country. This bank was established with the request of the Ethiopian government for British Government support in setting up the bank. The bank was then established with the support of the British envoy through the National Bank of Egypt and was given a 50-year concession with exclusive privileges in respect of banking, coinage and issue of notes, bonded warehouses, custody of all moneys belonging to the state and a preferential right to all state loans. Ethiopian subscribers held only 6.2 percent of the bank's share while the rest belonged to an Anglo-Egypt group, a French group, an Italian group, German, Austrian and American subscribers.

However, the bank later was found to be a purely profit-making institution rather than promoting the banking habit as it was expected to. It was then needed to establish a government bank when opposition to its monopolistic position was first manifested in 1928. With the willingness of the National Bank of Egypt to abandon its concessionary rights in return for a sum of pound sterling, the transfer of ownership took place smoothly in 1931.).

The new bank, the Bank of Ethiopia, retained the offices and personnel of the old bank. The new bank differed from its predecessor in ownership and functional responsibility. The Ethiopian Government owned 60% of the shares, and all transactions were subject to scrutiny by its Minister of Finance. The bank had branches in Dire Dawa, Gore, Dessie, Harar and Gambella and was later liquidated in 1936 due to the Italian invasion.

A recent and important phase in the history of Ethiopian banking was started with the introduction of monetary and banking proclamation of 1963. With the coming into effect of this proclamation, the State Bank of Ethiopia was split into two separate bodies: The National Bank of Ethiopia and the Commercial Bank of Ethiopia. The former assumed central banking functions while the latter took up commercial banking business of the old bank.

As part of the recently launched economic reform, different financial liberalization measures and restructuring of financial institutions have been undertaken. All the measures have the aim of promoting a competitive environment and efficient banking services to the public. The Commercial Bank of Ethiopia was re-established in 1994 by proclamation No. 202 taking over the rights and obligations of the Commercial Bank of Ethiopia which was established under proclamation No. 184/1980. The bank's capital has been raised and is entrusted with engaging in all banking activities as customarily carried out by commercial banks.

According to the web-site of National Bank of Ethiopia, Following the economic reform in 1992, the number of banks in Ethiopia increased from three government

owned to 10 Banks (i.e. three government owned namely: Commercial Bank of Ethiopia (CBE), Construction and Business Bank (CBB) S.Co. and Development Bank of Ethiopia (DBE) and Eight privately owned Banks namely: Awash International Bank S.Co., Dashen Bank S.Co., Bank of Abyssinia (BOA) S.Co., Wegagen Bank S.Co., United Bank S.Co., NIB International Bank S.Co., and Cooperatives Bank of Oromia S.Co., and Anbessa Global Bank S.Co. which established its Branch recently) which is a radical change in Ethiopian banking businesses. Although this leads the industry to more competitive situation, the expansion of private companies in the country is encouraging which creates opportunities for banking business.

## **1.2 Statement of the Problem**

People are most valuable assets of the organizations. The market for talented, skilled people is competitive and expensive. Taking on new staff can be disruptive to existing employees. As organizations vary in size, aim, functions, complexity, and the physical nature of their product, so also the contribution of human resource management. Ensure that all times the business is correctly staffed by the right number of people with the skill relevant to business needs, which is neither over staffed nor under staffed.

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance. It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations

also benefit by ensuring that employees' effort and ability make contribution to organizational success.

Failure to have a care fully crafted performance appraisal, can probably lead to failure in the business process it self.

Generally, the problems associated with performance appraisal are:-

- Employees are not provided with performance feed back on time.
- It is difficult to identify employee training needs.
- There are no documented criteria used to allocate organization rewards.
- There is no formal basis for personnel decision –salary (merit) increase, disciplinary actions, etc.
- There is less communication between the employees and administration.
- Inappropriate selection techniques and human resource policies to meet equal employment opportunity requirements.
- Most of us want accurate information on how we are doing and what we need to do to improve.
- The degree of openness and trust between manager and subordinate is a problem determining the accuracy of the appraisal

### **1.3 Objective of the study**

The main objective of this project paper is to assess the performance appraisal system, process, method and the problems associated with the evaluation of employees in service providing organization, Bank of Abyssinia. At last it will recommend suggestions for the problems. The specific objectives include:-

- To find out the purpose of performance appraisal
- To identify raters in the performance appraisal process (supervisor, peers, subordinate,)

- To determine the opinion of employees as to who should assess performance appraisal.
- To see whether appraisals involve in setting performance expectations used for judging performance.
- To uncover the performance appraisal methods being used.
- To determine the performance appraisal period used for evaluating performance of employees.
- To see whether employees have access to performance appraisal.
- To see the weak spots of the performance appraisal system.
- To recommend solutions believed to resolve the pitfalls identified

## **1.4 Methodology**

### **Source of Data**

The data to be used for the study was collected from both primary and secondary sources.

The primary data is collected through questionnaires filled by employees of the organization and structured interview was prepared to interview human resource department personnel.

The secondary data was collected from relevant documents, organization reports, newspapers and magazines. When necessary, material is downloaded from most referred web sites.

### **Analysis of Data**

To fulfill the objective stated, data collected from structured interview was analyzed using description of facts. Those data collected from questionnaires were analyzed

using descriptive statistical techniques which include tables, graphs, frequency distribution and percentages.

### **1.5 Scope and limitation of the study**

The project paper is limited to the specific company which is found in Addis Abeba city. It covers performance appraisal system, method and the problems associated with the evaluation of employees. Due to limitation of time and resources, the report may not be detail. In addition because of inaccessibility of the required data from the company it may not cover explicitly all areas of performance appraisal. The other limitation of this project is that the findings are based on sample and thus the sample may not be representative of the total population.

### **1.6 Significance of the study**

The project paper tries to cover the performance appraisal of the organization. The paper proposes important recommendations and suggestions for inappropriate methods, if practiced. The study may serve as a spring board for researchers to conduct further study in this area. Last but not least is it serving as a partial fulfillment of the Masters Degree in Business Administration.



## **1.7 Organization of the paper**

This project has four chapters. The first chapter will deal with background information, statement of the problem, objective of the study, significance of the study, scope and limitation of the study. The second chapter will deal with review of literature. The third chapter will discuss analysis of the data gathered. The fourth chapter presents finding and analyze the data. The last chapter will make recommend and conclusion.

# CHAPTER THREE

## LITERATURE REVIEW

### 2. PERFORMANCE APPRAISAL.

#### 2.1 What is performance appraisal?

*Performance appraisal* is a formal system of periodic review and evaluation of an individual's job performance (Mondy & Noe, 1990). It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success. Moreover, performance appraisal data enables management:

*-to help with career planning, training and development, pay increases, promotion and placement decisions.*

*- to assess the success of recruitment, selection, placement, training and development programmes, and other related activities.*

#### 2.2 Uses of Performance Appraisal

The main reason for appraising performance is to enable employees to use their effort and ability so that organizations achieve their goals and consequently their own goals.

Generally the following are the main uses of performance appraisal.

- *Performance improvement.*

Performance feedback allows the employee, the manager, and personnel specialists to intervene with appropriate actions to improve performance.

- *Compensation adjustments.*

Performance evaluation help decision-makers determine who should receive pay raises. Many firms grant part or all of their pay increases and bonuses on the basis of merit, which is determined mostly through performance appraisals.

- *Placement decisions.*

Promotions transfer, and demotions are usually based on past or anticipated performance. Often promotions are a reward for past performance.

- *Training and development needs.*

- Poor performance may indicate a need for retraining. Likewise, good performance may indicate untapped potential that should be developed.

- *Career planning and development.*

Performance feedback guide career decisions about specific career paths one should investigate.

- *Staffing process deficiencies.*

Good or bad performance implies strengths or weaknesses in the personnel department's staffing procedures.

- *Informational inaccuracies.*

Poor performance may indicate errors in job analysis information, human resource plans, or other parts of the personnel management information system. Reliance on

inaccurate information may have led to inappropriate hiring, training, or counseling decision.

- *Job-design errors.*

Poor performance may be a symptom of ill-conceived job designs. Appraisals help diagnose these errors.

- *Equal employment opportunity.*

Accurate performance appraisals that actually measure job-related performance ensure that internal placement decisions are not discriminatory.

- *Feedback to human resources.*

Good or bad performance throughout the organization indicates how well the human resource function is performing (Werther & Davis, 1996).

### **2.3 The Performance Appraisal Process**

The basic purpose of performance appraisal is to make sure that employees are performing their jobs effectively. In order to realize the purpose of performance appraisal organizations should carefully plan appraisal systems and follow a sequence of steps as illustrated below:

1. Establish Performance Standard
2. Communicate Standards to Employees
3. Measure Actual Performance

4. Compare Performance with Standard

5. Discuss Appraisal with Employees

6. Initiate Corrective Action

### *1. Establishing Performance Standards*

The first step in appraising performance is to identify performance standard. A *standard* is a value or specific criterion against which actual performance can be compared (Baird, et.al, 1990). Employee job performance standards are established based on the job description. Employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employees performance is measured.

### *2. Communicating Standards to Employees*

For the appraisal system to attain its purposes, the employees must understand the criteria against which their performance is measured. As Werther and Davis (1996), stated to hold employees accountable, a written record of the standards should exist and employees should be advised of those standards before the evaluation occurs. Providing the opportunity for employees to clearly understand the performance standards will enhance their *motivation* and *commitment* towards their jobs.

### *3. Measuring Performance*

Once employees have been hired their continued performance and progress should be monitored in a systematic way. This is the responsibility of the immediate boss to observe the work performance of subordinates and evaluate it against the already

established job performance standards and requirement. The aim of performance measure is to detect departure from expected performance level.

#### *4. Comparing Performance with Standard*

After evaluating and measuring employee's job performance it is necessary to compare it with the set standard to know whether there is deviation or not. When one compare performance with the standard either performance match standards or performance does not match standards.

#### *5. Discussing Appraisal with Employees*

For the appraisal system to be effective, the employees must actively participate in the design and development of performance standards. The participation will enhance employee motivation, commitments towards their jobs, and support of the evaluation feedback. In other words, employees must understand it, must feel it is fair, and must be work oriented enough to care about the results (Glueck, 1978). After the evaluation, the rater must describe work-related progress in a manner that is mutually understandable. According to Baird et.al. (1990), feedback is the foundation upon which learning and job improvement are based in an organization. The rater must provide appraisal feedback on the results that the employee achieved that meet or exceed performance expectations. As Glueck (1978) noted, reaction to positive and negative feedback varied depending on a series of variables such as:

- the importance of the task and the motivation to perform it
- how highly the employee rates the evaluator
- the extent to which the employee has a positive self-image, and
- the expectancies the employee had prior to the evaluation; for example, did the employee expect a good evaluation or a bad one?

In sum, it is important that employees should be fully aware that the ultimate purpose of performance appraisal system is to improve employee performance, so as to enhance both organizational goal achievement and the employee's satisfaction.

#### *6. Initiating Corrective Action*

The last step of the performance appraisal is taking corrective action. The management has several alternatives after appraising performance and identifying causes of deviation from job-related standards. The alternatives are 1) take no action, 2) correct the deviation, or 3) review the standard. If problems identified are insignificant, it may be wise for the management to do nothing. On the other hand, if there are significant problems, the management must analyze and identify the reasons why standards were not met. This would help to determine what corrective action should be taken. For example, the cause for weak performance can range from the employee job misplacement to poor pay. If the cause is poor pay, corrective action would mean compensation policy reviews. If the cause is employee job misplacement, corrective action would mean assign employee to a job related to his/her work experience and qualification. Finally, it is also important to revise

the performance standard. For example, the major duties stated in the job description and the qualification required to do the job may not match. In this case corrective action would mean to conduct job analysis to effectively determine the *job description* and *job specification*. Hence, the evaluator would have a proper guide i.e., performance standards that make explicit the quality and/or quantity of performance expected in basic tasks indicated in the job description (Chatterjee, 1995).

## **2.4 Responsibility for Appraisal**

Effective appraisals can be done by those who have:

- ◆ the opportunity to observe performance;
- ◆ the ability to translate observation into useful assessments;
- ◆ the motivation to provide useful performance evaluations (Chatterjee, 1995).

This being the case, the following are responsible for employee's performance appraisal.

### ***Immediate Supervisor***

An employee's immediate supervisor is a common alternative for appraising job performance. There are several valid reasons for this approach. These are:

- the supervisor is the one most familiar with the individual's performance
- in most jobs, the supervisor has the best opportunity to observe actual performance.
- since the supervisor has the proper understanding of organizational objectives, needs and influences, he/she is best able to relate the individual's performance to departmental and organizational goals.



- since the supervisor is held accountable for the successful operation of his/her department, it is logical for him to exercise control over personnel and administrative decisions affecting his/he subordinates (Chatterjee,1995).

Moreover, since the supervisor is in a better position, he can link effective performance with rewards such as pay and promotion.

### ***Peer Evaluation***

In work place, peer is an individual working with and at the same level as the employee. In this evaluation approach the co-workers must know the level of performance of the employee being evaluated. For the approach to work effectively, it is desirable for the peers to trust each other and evaluation should not be seen as means for pay raises and promotions rather as a means to improve work performance. Peer appraisal is reliable if work group is stable over a reasonably long period of time and performs tasks that require considerable interaction (Mondy & Noe, 1990).

### ***Self-Appraisal***

If employees understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are in the best position to appraise their own performance (Mondy & Noe, 1990). Since there is a tendency of over-exaggerating work achievement, this evaluation approach acts as inputs into supervisory appraisals or as employee development tools.

### ***Subordinate Evaluation***

In the subordinate evaluation system, it is believed that employees are in a good position to view their immediate bosses' managerial effectiveness. In academic environment:

- Students appraise the teaching performance of their instructors.
- Faculty members evaluate department heads, and deans.

### ***Group Appraisal***

Group appraisal involves the use of two or more managers who are familiar with the employee's performance to evaluate it as a team (Mondy & Noe, 1990). For example, if an individual regularly works with the administrative and financial managers, these two managers might jointly make the evaluation.

### ***Combinations***

The combination of the above appraisal approaches can provide greater insight into and employee's job performance. The section head's employee appraisal can be supplemented by peer and by the head of the department. For example, in order to minimize subjectivity, Regional Presidents' maybe rated by Bureau Heads, Woreda and Zone Administrators, and people in the regions.

## **2.5 Performance Appraisal Methods**

A number of different appraisal methods are used to assess employees' job performance. Some of the most commonly used methods are briefly discussed below.

### ***Rating Scales***

A widely used appraisal method, which rates employees according to defined factors, is called the *rating scales method* (Mondy & Noe, 1990). The method requires the evaluator to record his/her subjective assessment of the employee's on a scale as shown below.

***Employee's Name*** \_\_\_\_\_ ***Department*** \_\_\_\_\_

***Rater's Name*** \_\_\_\_\_ ***Date*** \_\_\_\_\_

	<b><i>Excellent</i></b>	<b><i>Good</i></b>	<b><i>Acceptable</i></b>	<b><i>Fair</i></b>	<b><i>Poor</i></b>	
	<b><i>5</i></b>	<b><i>4</i></b>	<b><i>3</i></b>	<b><i>2</i></b>	<b><i>1</i></b>	
<b>1. Dependability</b>	_____	_____	_____	_____	_____	
<b>2. Initiative</b>	_____	_____	_____	_____	_____	
<b>3. Quality of work</b>	_____	_____	_____	_____	_____	
<b>4. Attendance</b>	_____	_____	_____	_____	_____	
<b>5. Attitude</b>	_____	_____	_____	_____	_____	
<b>6. Cooperation</b>	_____	_____	_____	_____	_____	
<b>..</b>	<b><i>.</i></b>	<b><i>.</i></b>	<b><i>.</i></b>	<b><i>.</i></b>	<b><i>.</i></b>	
<b>20. Overall output</b>						
<b>Results</b>	_____	_____	_____	_____	_____	
<b>Totals</b>	_____	<b>+</b> _____	<b>+</b> _____	<b>+</b> _____	<b>+</b> _____	<b>=</b> _____

***Total Score***

***A Sample Rating Scale for Performance Evaluation***

The rating factors include job-related and employee's personal characteristics. Factors related to job performance are the quantity and the quality of work, whereas employee's personal factors include cooperation, initiative, and the like. The evaluator is expected to complete the appraisal form by indicating the degree of each factor that is most appropriate descriptive of employee performance.

### ***Critical Incident***

*The critical incident method* requires that written records be kept of highly favorable and unfavorable work actions. When such an action affects the department's effectiveness significantly either positively or negatively the manager writes it down. It is called a critical incident (Mondy & Noe, 1990). To be effective supervisors are required to record incidents as they occur on their logs. At the end of the valuation period, the evaluator used the log alongwith other data to assess employee job performance

### ***Essay***

The *essay method* requires the rater to write a brief narrative description of employee's performance and characteristics. To do a thorough job, the supervisor has to devote considerable time and thought to writing his analysis. This is so because essays generally have to be constructed from diaries/logs of observed critical incidents kept by the evaluator during the performance assessment period (Chatterjee, 1975)

### ***Ranking***

In the *ranking technique*, the rater is asked to assess employees in a rank order of overall performance. Hence, if an employee performance is better than the others in a department, that particular employee are ranked highest, the employee with poor performance is ranked lowest.

### ***Work Standards***

*The work standards method* compares each employee's performance to a predetermined standard or expected level of output (Mondy & Noe, 1990). This approach can be used in all types of jobs, mainly applied to production related jobs. Here since standards are used as evaluation criteria, there is no room for subjectivity

### ***Management by Objectives (MBO)***

For organization to be effective, employees must clearly understand the objective of his/her organization. Management must provide opportunities for every employee to make contribution in the attainment of objectives. This is possible through a system of establishing objectives known as management by objectives (MBO). MBO, therefore, is defined as follows:

A process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contributions of each of its members (Baird & et.al., 1990).

In the MBO technique of appraisal, objectives are set by the management and communicate it to the employees. It is a measurement of job performance in terms of objectives. If objectives are achieved, the employees are assessed to be a success. MBO is conducive to elicit employee involvement and commitment (Agarwal, 1997 ).

According to Beach (1980), the major features of MBO are as follows:

1. Superior and subordinate get together and jointly agree upon and list the principal duties and areas of responsibility of the individual's job.
2. The person sets his own short-term performance goals or targets in cooperation with his superior. The superior guides the goal-setting process to insure that it relates to the realities and needs of the organization.
3. They agree upon criteria for measuring and evaluating performance.
4. From time to time, more often than once per year, the superior and subordinate get together to evaluate progress toward the agreed-upon goals. At these meetings, new or modified goals are set for the ensuring period.
5. The superior plays a supportive role. He tries, on day-to-day basis, to help the man reach the agreed-upon goals. He counsels and coaches.
6. In the appraisal process the superior plays less the role of a judge and more the role of one who helps the person attain the goals or targets.
7. The process focuses upon results accomplished and not upon personal traits.

## **2.6 Employee Placement and Termination**

### ***Placement***

Staffing needs of an organization are met when new employees are hired from outside and a reassignment of current employees due to promotion or transfer. *Placement* refers to the assignment or reassignment of an employee to a new job. To attain organizational objectives, organizations must harness the efforts of its employees. To this effect, employees must be placed in a position related to their academic qualifications and/or work experiences. Employee placement is mainly decided jointly by both the employee's immediate supervisor and the top management. In this case, the human resource department should provide advice and counseling services regarding employee assignment or reassignment.

### ***Promotion***

A *promotion* occurs when an employee is moved from a job to another position that is higher in pay, responsibility, and/or organizational level (Werther & Davis, 1996). It is mechanism in which organization recognizes employee's past job performance and its effort to aid the organization in furthering its objectives. Promotions usually are based on merit and/or Seniority.

### ***Transfers and Demotions***

Transfers refer to reassignment of an employee from one job to another position with similar status, equal pay and/or responsibility. Demotions on the other hand, refer to

the downward movement of an employee to a position that is lower in responsibility, status, and perhaps lower pay. Transfers are beneficial to both the organization and to the employees. In this regard, transfers:

- honor employee preference for working in different jobs, training in new skills, or changing work location.
- accommodate shifts in an organization's work
- further employee development or cross trains them in new jobs.
- alleviate boredom and revive burnt-out employees (Holt, 1993 ).

Demotions may occur due to discipline; poor performance or inappropriate behavior such as absenteeism. It can be used as an alternative to firing an employee because of inefficiency. In this case, the reason for the demotion should be beyond the control of the employee.

### ***Termination***

*Termination* is a permanent separation of an employee from an organization. It may occur when employees are fired, laid off, resign, retire or die. There are many reasons for employee terminations. Some of the major ones are:

- Some employees may find a position in an other organization that best suit their personal behavior.
- Some employees may simply want a change
- Some employee may separate from the organization for economic reasons.



Terminations may even be beneficial to employees, since retirement benefits are provided for those who have served a long period of time in an organization. *Retirement* occurs when an employee stops regular work in an organization. The retired employee may shift to another work that best suit his capability.

## **2.7 How to Manage Performance**

“Performance management is all about people, communication, dialogue and working together; not about forms or forcing employees to produce.”

“It is not just about performance appraisal. In fact, performance appraisal is only a small part of it. Performance management is about preventing and solving problems. Performance management is an ongoing process throughout the year.

### **Modernize your thinking**

Employees need to play an active role in defining and redefining their jobs.

- INVEST time and effort
- SHARE responsibility
- SEEK out employee wisdom

### **Identify the benefits**

Since performance management helps employees understand what they should be doing and why, it gives them the ability to make day to day decisions

- Keep the goal in sight
- Be patient about results
- Performance management is a year round process

## **Manage performance**

If you believe that performance appraisal is performance management, it's just not going to work.

- Ensure that employees know the difference
- Make it two way
- Make it about yourself too

## **Work with employees**

If managers look at performance management as something they do TO employees, confrontation is inevitable. If they view it as a partnership, they reduce confrontation.

- Give employees the information they need
- Use more questions than statements
- Listen, respond and act

## **Plan precisely with clear goals**

Manager and employee need to agree on what objectives are most important and less important.

- Change goals as needed
- Focus on mutual understanding
- Be practical

## **Align employee goals with corporate goals**

Many managers find it useful to set aside one day a year to meet with staff and identify what their unit needs to accomplish in the coming year.

- Begin with the big picture
- Be prepared to adjust the timing
- Reinforce during reviews

### **Be approachable all year**

Aim all communication at identifying problems and solving them – not blaming people.

- Explain what you need
- Listen to what they are saying
- Act, because you listened

### **Focus on communication**

Forms don't improve performance. People working together improve performance. (Most appraisal forms are so bad they make employees resentful and are too general to generate real benefits.)

- Use forms to summarize, not tyrannizes
- Develop better appraisal forms
- Dialogue is the key

### **Avoid the perils of rating**

Always clarify the meaning of each rating item before doing the rating. Discuss your understanding of its meaning and ask the employee how s/he understands it.

- Be open about limitations of rating
- Negotiate ratings
- Don't add up the ratings

### **Prepare for the appraisal**

Arrange not to be interrupted. Have your phone calls held. This time belongs to the employee. Make it quality time.

- Getting to the partnership mindset
- Touch base a day or two before the meeting
- Prepare in person with the employee and not by memo

### **Start reviews on the right note, and sense the atmosphere**

Keep in mind that most employees have had unpleasant experiences with performance appraisals...and might see appraisals as a conflict situation. Keep sending the message about what the meeting is for.

- Follow through during the meeting
- Share your own feelings
- Don't wait until it's too late (create a positive relationship all year round)

### **Identify causes of why things happen**

The real benefit comes from identifying why performance succeeds when it does, and why performance fails when it fails. You can then work out how to do more of the right things and less of the wrong things.

- Look at multiple causes
- Search everywhere for causes
- Your conclusions must still be addressed and might have to change

### **Recognize success**

Celebrate successes as they occur – salary alone is not enough.

- Explain the good things
- Catch employees doing something right
- Recognize with small rewards during the year

### **Use a cooperative communication style**

Fear is not a good motivator – are their things that I do or say that make you feel uncomfortable when talking to me?

- Reduce unsolicited advice
- Reduce commands

- Don't exaggerate with words like 'all the time' or 'never'

### **Focus on behavior and results**

Distinguish between what you observe and what you infer.

- Conclusions about attitude are very subjective
- Avoid attacks on personality and style
- Is there a better way to approach the issue?

### **Be specific about performance**

Employees need regular, specific feedback on job performance. They need to know where they are excelling and where they might improve. If they don't know how can they get better?

- Rely on specific examples
- Stick to facts and not inferences (eg you're not a team player)
- Make and use informal notes to jog your memory

### **Manage conflict with grace**

When confrontation happens it is often because managers have avoided dealing with a problem until it is severe. Early identification of problems helps make them easier to resolve and people who are upset do not solve problems well.

- Use power only as a last resort.
- Show that you are open minded, fairness breeds loyalty

### **Document performance**

Whilst appraisal forms should not become the focus, documentation ensures that important information does not get lost. It is important for legal reasons

- Sign off documentation

- Document the essentials, noting what is important but don't go overboard
- Allow employee to comment before the document is finalised

### **Develop employees**

You took time and money to hire them and get them up to speed. In a constantly changing workplace, the skills they need also change.

- Follow up to reinforce training      Develop a skill development plan
- Link learning to goals

### **Continuously improve your system**

A poor performance management system undermines the credibility of your management.

- Evaluate the system every year
- Understand the employee's perspective. Your system may appear to work from where you sit, but may seem like a disaster from where the employee sits.
- Aim for small improvements. Small improvements add up to better results.

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## **CHAPTER THREE**

### **3. Employees' PERFORMANCE APPRAISAL OF BoA**

#### **3.1 Over view of the Bank of Abyssinia**

The experience of banking system in Ethiopia began when the first bank was established in 1905(Bank of Abyssinia). However, the environment was not smooth for more than half of a century (invasion of Italy, the feudal system and the command economy) for banking business. According to the web-site of National Bank of Ethiopia, Following the economic reform in 1992, the number of banks in Ethiopia increased from three governments owned to 11 Banks. One of these banks was Bank of Abyssinia (BoA).

Bank of Abyssinia was established on February 15, 1996 (90 years to the day after the first bank was established) with a subscribed capital of Birr 25 million, an authorized capital of Birr 50 million and paid up capital of Birr 25 million. The bank has since registered tremendous growth. For instance, as of June 2006, its total asset reached Birr 3.0 billion, where as its subscribed, authorized and paid up capital has gone up to Birr 265 million, 530 million and 265 million, respectively. The bank now boasts 25 branches and over 900 employees and, most importantly 150,000 customers through out the country, considering the fact that it is only 10 years old.

This performance, of course, is indicative of the public confidence it enjoys and of the fact that its customers are fully satisfied with the service it is providing them with. The performance of the bank as explained above is the result of the employees.

Thus human resources are among the fundamental resources available to any organization which is critical for success of the organization. Performance appraisal is part of human resource management which a formal system of periodic review and evaluation of an individual's (employees) job performance. Performance Appraisal (PA) helps in measuring and evaluating performance of the employees in an organization. Effective performance appraisal helps the organization to meet its goals. Thus employees are the most valuable assets of the organization.

### **3.2 Objective of Performance Appraisal in BoA**

The primary objective of staff appraisal is to show how staff may be effectively managed and encouraged, to show enthusiasm and efficiency at work assigned. The appraisal result may also be used to identify employee needs, ultimately creating a satisfied employee which is major determinant of the organizational success. The main objectives of performance appraisal at the BoA are:-

- ❖ To know the strength and weakness of the staff at their job and in general to the BoA's objective.
- ❖ To help the supervisors know more about their progress in their activities and assignments made by both the lower levels (employees under the supervisor) and by them selves.
- ❖ To appreciate staff at the level of their performance and reward, encourage or motivate them to prepare for future eventualities.
- ❖ To respond to employee self-development questions like opportunities for promotion, salary increments, training, bonus and etc.



- ❖ To identify the harmony between the appraisee and the appraiser.
- ❖ It is also used as feedback of employees' performance

### **3.3 The process of performance appraisal (PA) in BoA**

#### **3.2.1 Who evaluates performance?**

PA is a common practice in the life of any organization. Although there is no written policy as to the system of performance evaluation, according to the response obtained through the questionnaire and the interview from concerned personnel in BoA employees are evaluated based on the job analysis and job description described to them. An employee is evaluated and appraised by the following participant.

1. Employee him/her self
2. Immediate supervisor
3. Next in-line supervisor
4. Review committee
5. Senior managers

1. **Employee evaluation by him/her self:** - is made by requesting the employee to explain the major activities and tasks he/she has performed during the appraisal period. In this regard employees are also given the opportunity to describe about if there is any impediment faced in discharging their responsibility. There is a space prepared to list out the impediments clearly in the first page of the performance appraisal format. Employees are free to describe any opinion regarding their needs, requirement, problems and any technical aid or material required to properly perform their task.
2. **Evaluation by Immediate supervisor:** -employees are evaluated by their immediate supervisor how well they accomplish a specific set of objectives that have been determined critical for the successful completion of their job. The immediate supervisor is the most common choice for evaluating performance because she/he is in a good position to observe employees' performance as mentioned by HRM department, knowledge & proximity also make access to evaluate the subordinate by its immediate supervisor

The evaluation criteria for the immediate supervisor are divided in to nine categories which will be explained in the appraisal technique used by BoA section

The immediate supervisor rates the employee based on the given criteria form one to five. Besides rating the employees he/she gives suggestion regarding the employees' strength and weakness in the space provided from the appraisal format. It is given next to the employee her/him self explanation. The supervisor includes recommendation about salary increment, grade promotion the training requirement, or about if the employee contributes more in other position if

- transferred, which is called promotion. The appraisee is allowed to see the suggestion given by his/her immediate supervisor. Thus appraisee will express his/her idea whether he/she has agreed or disagreed about the performance evaluation result.
3. **The next in-line-supervisor:** - the performance evaluation format provides space next to the immediate supervisor to in-line-supervisor. This invites the next in-line supervisor to express his or her suggestion about the information filled by the immediate supervisor and the employee him/her self.
  4. **The review committed:** - this body will review all the evaluations suggestions and recommendations give by all raters from one to three above. The review committee will descried its suggestion and lead it to the senior management for final approval.
  5. **The senior management:** - is the final upper top body in the evaluation ladder that will approve or disprove by signing the performance evaluation format and kept it as a complete document.

### **3.3.2 Methods of Performance appraisal Used by BoA**

The graphic rating method is used by the immediate supervisor. The evaluating criteria are categorized in to nine classes each evaluating the employee performance from different perspectives. The nine criteria described to evaluate the appraise are

1. **Professional competence:** - this is to measure the appraisees full understanding of job requirement, capability to meet objective and commitment. The weight assigned to this evaluation criterion is 15%.
2. **Responsibility & accountability of the appraisee:-** it is the reliability over the full range of the job , and how far the employees get the work done under normal supervision. The weight assigned is 15%
3. **Initiative:** - is capacity of the appraisees for taking actions with out awaiting instructions including the employees' ability to search for new ideas, resource full in solving problems. weight given is 15%
4. **Quality of work:** - how the work done is accurate, complete & manifests good Judgment. The weight is 10%
5. **Communication capability:** - the ability to analyze, reason out speak persuasively & to write precisely. The coefficient to this evaluation criteria is 10 %.
6. **Efficiency:** - the capacity of the appraiser to fast & accurately get things done in minimum time given. The weight is 10%
7. **Customer relation:** - as Bank of Abyssinia is service rendering firm the employees are rated based on customer service. The relation ship with colleagues is also included under this section. The weight assigned is 10%.
8. **Punctuality and attendance to work:** - theses are with respect to work hours, presenting at working area during working hours. The weight assigned is 10%.

9. **Personal appearance:** - shows neat ness, appropriate dressing and other personal traits which enable to express the individual's status with the organization. The weight assigned is 5%.

The given nine criteria are rated from one to five as explained below. All measurement criterions will be calculated from 100 %.

The rater has to encircle one out the five grades given that best measures the employee performance. The levels of the grades have the following meanings;

5- Outstanding performance

4- Exceeds requirement

3- Meets requirement

2- Fair performance

1- Poor performance

The performance evaluation format is three type with slight difference one from the other. Each format is prepared to include activities of the respective divisions of employees. The first division comprises the non clericals which include drivers, messengers, janitors, guards, reception workers and lower class of employees. These groups of employees are with no direct contact with paper works at office. The second class of appraisee are the clericals who perform activities and tasks that have direct relations with customers and paper works in the office. These are secretaries, subordinates, lower level managers. The last class of appraise are supervisor who are higher rank than clericals and are immediate or next in-line supervisor of the clericals. This composes of middle manager, department heads and supervisors. As the interview

conducted to the concerned HRM personnel's the president and the upper top manages are not evaluated.

Since the HRM personnel are not volunteer to give the copy of each PA format I can't attach it at the back of the project paper.

### **3.4 When and how often to Appraise?**

Performance evaluation is prepared at specific interval while there is nothing magic about the interval. In Bank of Abyssinia evaluations are made annually. Individuals are often evaluated, just before the end of the probation period. Evaluating new employees several times during their first year of employment is common practice in BoA.

According to the interview held with the HRM department personnel and the information from the questionnaire, employee performance appraisal is done once every year. Since there is no written document as to when and how to conduct performance appraisal, it is difficult to believe that a standardized and uniform performance appraisal will be conduct in the organization. The period an employee appraisal conducted is at the end of the fiscal year. All parties involved should conduct appraisal from May to June 30. The company's fiscal year is from July 1 to June 30 according to the Ethiopian calendar. June 30 is the last date for submission of the appraisal result.

### **3.5 Uses of Performance appraisal**

Employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job. Thus the primary goal of an appraisal system is to improve performance. However other goals may be sought as mentioned in the literature review.

The performance appraisal result is used for different HRM activities. As explicitly written in the performance appraisal format BoA uses the PA result for:-

- ❖ Salary increment
- ❖ Grade promotion
- ❖ Transfer to another post
- ❖ Demotion or termination

As the interview held with concerned personnel besides the PA result employees should fulfill the service year's requirement set by the organization to get the above mentioned advantages or rewards.

### **3.6 Profile of Respondents**

In order to get a representative data 60 questionnaires were prepared and distributed to employees of the company for those who are found in Addis Ababa city. Out of these 51 questionnaires were collected back. From these only 48 were properly filled. Thus the analysis is based on the valid 48 questionnaire responses.

### 3.6.1 The respondents' profile

**Table 3.6.1 Profile of the respondents**

<b>Sex</b>	<b>Number</b>	<b>Percentage</b>
M	34	70.83%
F	14	29.1%
<b>Total</b>	<b>48</b>	<b>100%</b>
<b>Age group</b>		
Less than 25	10	20.83%
35-45	24	50%
Greater than 45	12	<u>25%</u>
<b>Total</b>	<b>48</b>	<b>100%</b>

**Source; Questionnaire**

From the above information about 70.83% employees are male the least amount 29.17% are females. The age majority of the employees are less than 35 years old This is an important potential that, majority of which are young employees. Employees who are greater than 45 years old account for 25%. Academic background of the respondent is presented as below



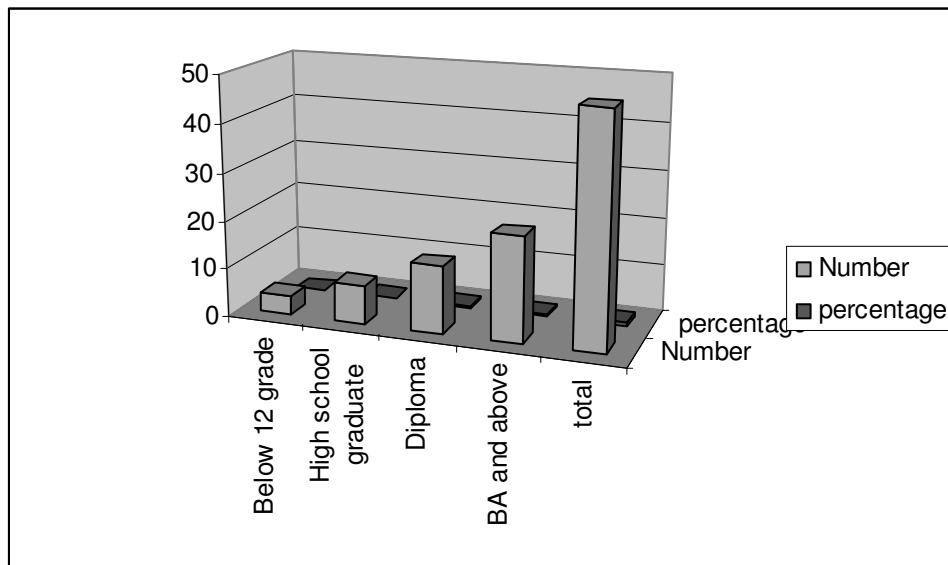
**Table 3.6.2 Academic background of the respondent**

Academic qualification	Number	Percentage
Below 12 Grade	4	8.33%
High school/graduate	8	16.67%
Diploma	14	29.17%
First degree above	22	45.83%
<b>Total</b>	<b>48</b>	<b>100%</b>

Source; Questionnaire

Graphically the academic background of the employees will be presented as below.

**Graph 3.6.1 Academic background of the respondent**



Source; Table 3.6.2

From the above table given 45.83% of employees are with BA degree and above. This gives the organizations a competitive advantage having qualified and skilled employee. Since the banking industry is in the competitive market. Diploma holders are 29.17% The following data shows the number of years the employees has served the company.

**Table 3.6.3 Years of Experience of employees**

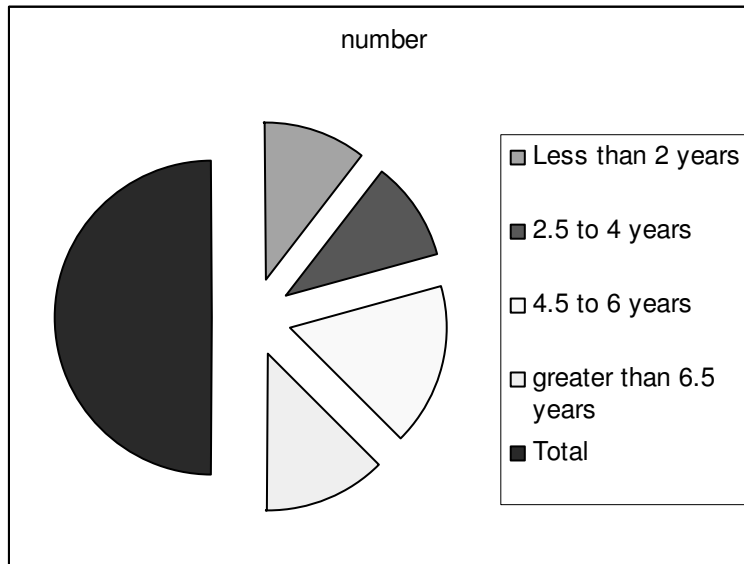
Years of Experience	Number	Percentage
Less than 2 years	10	20.83
2.5-4 Years	10	20.83
4.5-6 Year	16	33.33%
Greater than 6.5 years	12	25%
<b>Total</b>	<b>48</b>	<b>100%</b>

**Source; Questionnaire**

Longer years of experience shows that there is relatively lower employee turn over. This benefits the organization, by keeping employees loyal to the company and reduces cost of hiring new employees. 58.33% of the employees serve the organization for greater than 4.5 years .This is a satisfactory figure as the company is only 10 years old.

It is presented below; the following picture

**Picture 3.6.1 Employees service year in the organization**



### **3.6 Respondents opinion towards the PA system**

The respondent response and answers are presented below based on the sequence of the questions written in the questionnaire. It is prepared in English & Amharic with the same content to collect the necessary data from all levels of employees.

1. The first question asked to them was how often the organization evaluate performance since this is the fact of the reorganization practice all employees respondent that it is conducted annually.
2. Employee's answer as follows for the questions that says: In your opinion how often do you think appraisal should be conducted?

**Table 3.6.4 about frequency of performance appraisal**

How often should PA conducted	Number	Percentage
Annually	4	8.33%
Semiannually	44	91.67%
Total	<b>48</b>	<b>100</b>

**Source; Questionnaire**

About 8.33% respond it showed be once annually. The majority of the respondents (about 91.67%) respond that is should be conducted semiannually. The reasons why it should be conducted semiannually is that a year is long period to remember and measure an employee's performance for the past period.

3. Different employees have different attitude as to who has to evaluate employee's performance. For this employees are given five choices: - Immediate supervisor, Collogue, Sub ordinate, Employees him/her self. The results from the respondents are as follows.

**Table 3.6.5 about who evaluates employees**

<b>Who should evaluate employee's</b>	<b><u>Number</u></b>	<b><u>percentage</u></b>
Immediate supervisor	8	16.63%
Collogue	5	10.41%
S ub ordinate	6	12.5%
Employee them selves	2	4.17%
Both Immediate supervisor & Collogue	27	56.25%
Total	48	<u>100%</u>

**Source; Questionnaire**

Majority of employees (56.25%) agree that evaluation should be conducted by both immediate supervisor & Collogue together. The others present their idea as given in the above table. The others who respond that evaluation should be conducted by immediate supervisor are 16.63%.The rest of the employees response is insignificant amount as given in the Table 3.6.5 above.

4. Performance evaluation result has been used for many Human Resource Management activities, as it is explained in the literature review organizations may use performance appraisal result for different purpose. Regarding BoA the questionnaire requests employees for what purpose performance appraisal result is used in their company. The response is given below

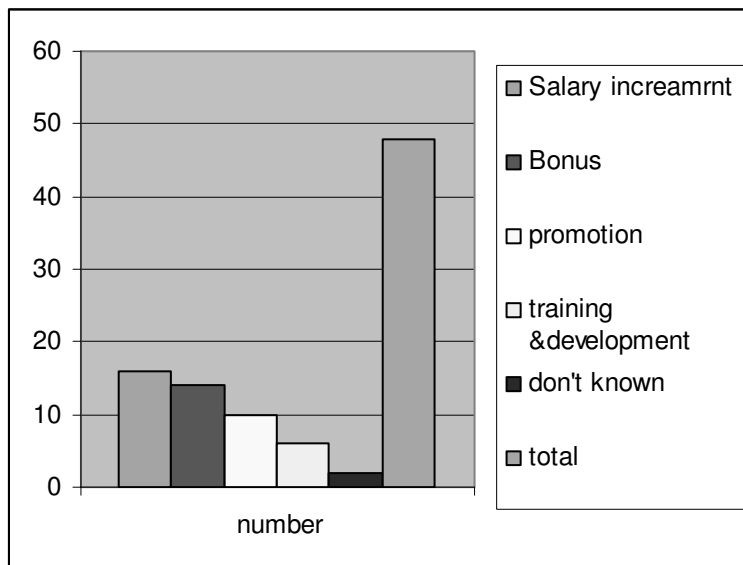
**Table 3.6.6 Purpose of performance appraisal**

Purpose of performance appraisal	number	percentage
salary increment	16	33.33%
bonus	14	29.17
training and development	6	12.5%
Promotion	10	20.83%
do not known	2	4.17%
Total	48	100%

**Source; Questionnaire**

Graphically it is presented below for the above table 3.6.6

**Graph 3.6.2 about use of evaluation result**



The employees' response was 33.33% or about sixteen employees describe that it is used for salary increment. Fourteen employees or 29.17% respond that it is used for bonus. Bonus is made at BoA once every year end, when the organization makes better profit. Six respondents that account for about 12.54% answer it is for training and development while the remaining two employees respond they don't know for what purpose PA is conducted. This is major problem in PA system

### **3.7 Performance Appraisal Feed back and communication**

6. After the appraiser has completed the appraisal, it should be communicated to the employee. Feedback helps employees realize their potentials. In addition providing feedback is believed to be the subordinate rights to know. Even though employees of BoA are not made clear about conducting of performance appraisal in their organization they are allowed of look in to their PA result. By doing so, they will express their opinion towards the suggestion and recommendation given by different raters. Their opinion is to show their agreement or disagreement towards the given result. Thus the response from the questionnaire shows that 100% of the respondents answered they are allowed to see their performance appraisal result. The problem as employee mentioned is that the results can not be altered even if they have complaints made.

7. The other part of the questionnaire was asking whether employees' discuss about the performance appraisal result with their appraisers or not.

For this questions 40 out of 48 employees said yes we discuss the result with our appraisers, while the remaining eight said no we don't discuss it with our appraisers. The figure shows about 83% say yes and the rest 16.71% say no.

8. The following questions asked to the respondents whether they can appeal to a higher official in case when they perceive that the performance appraisal result is not fair. The response is presented in the following table.

**Table 3.6.7 about appeal to higher official**

Do you appeal to higher officials when you feel the PA result is unfair	Yes	No	I don't know	Total
Number of respondents	32	10	6	48
Percentage of respondents	66.7%	20.83%	12.5%	100%

**Source: - Questionnaire**

About 12.5% employees answered they don't know the existence of such opportunity so far. When appraisee feels that performance appraisal result is unfair. The other 32 employees who accounted about 67.7% of the total respondents said they can appeal to the designated higher official. The other groups which account about 20.83% or ten respondents answered that they felt impossible to appeal for the higher officials.

As it is explained from the interview Bank of Abyssinia has no written policy regarding the performance appraisal process. This create information gap between employees who



are responding differently to the same question. There is no common understanding among employees about the same issue of appealing.

10. Employees who respond that I can appeal to higher official were requested to answer whether their grievance will be fairly examined by higher authority. The response is presented as follows:

**Table 3.6.8 about fair examination of grievance**

Do you believe that your grievance will be fairly examined	Yes	No	I don't know	Total
Number of respondents	13	17	2	32
Percentage of respondents	40.6%	53.15%	6.25%	100%

**Source: - Questionnaire**

40.6% of them describe that it will be properly examined and adjusted accordingly. The other 53.15% which is a greater number of employees say that even though we appeal to the higher officials we don't expect it will be fairly examined. 6.25% of the respondents' response that they don't know what will happen after appealing the grievance.

Employees have doubt as to the examination of the grievance. 53.15% of the respondents explained they don't believe their grievance will be fairly examined once the result has been set. But about significant amount which accounts 40.6% respond that their grievance will be fairly examined and get fair response if they appeal to the higher officials.

Insignificant number of respondents doesn't know what will happen to their grievance ones they appealed to the officials assigned. The probability of getting negative response is higher than the probability of getting positive result.

11. The other question employees were asked was about the content of the performance appraisal format. It says do you think that the criteria used to evaluate your performance appraisal are appropriate. The response are organized and presented in the following table.

**Table 3.6.9 about the criteria used to evaluate employees**

Do you think that the criteria used to evaluate your performance appraisal are appropriate	yes	No	Total
Number of respondents	36	12	48
Percentage of respondents	75%	25%	100%

**Source: - Questionnaire**

75% of the respondents answered the criteria used are appropriate to measure employee performances, but 25% respond that it is not appropriate to measure their performance. Those respondents who disagree about the appropriateness of the evaluation criteria are asked to describe those criteria that should be included and that requires to be adjusted or removed from the format of evaluation.

Employees extend their opinion regarding the criteria that must be include in the appraisal evaluation are mentioned as follows

- The criteria should be clear and related to the objective

- There must be standard to which their performance is compared
- It should be done continuous successively twice a year (at least) not ones a year because conducting performance appraisal ones a year is too long to evaluate and measure all employees actual past performance. The raters may suffer from the regency error, the error that is affected by the recent performance.
- It should be specific that measures the tasks and activities performed by respective departments.

As employees suggestion the evaluating criteria that should be removed from the performance format is “generalization”.

12. Regarding the weights assigned to measurement criteria employees propose their ideas in the following table.

**Table 3.6.10 about the weight assigned to evaluation criteria**

Do you think that the weights assigned to the evaluation criteria are fair	Yes	No	Total
number	37	11	48
percentages	77%	23%	100%

**Source: - Questionnaire**

About 77% of the respondents agree with the weights assigned to evaluation criteria while the remaining 23% suggest that the weight assigned is not fair.

13. The last but not least question forwarded to employees was to express their view regarding the problem that applies to the appraisal system of their organization.

This information is collected from employees who suggest that there is problem in their organization with performance appraisal. The problem they believe it is apparent to their organization

1. There is no link between some valuation criteria and employees tasks. The percentage of employees who suggest this idea are about 20.8%
2. The percentage of respondents who response that the performance appraisal system doesn't allow participation of employees in setting performance evaluation criteria are about 20.8%
3. Those employees who answered that there is biases in evaluating performance was about 20.8%.
4. The other 37.5%respondents answer that there is lack of ability to evaluate performance.

## **CHAPTER FOUR**

### **4. CONCLUSIONS AND RECOMMENDATIONS**

#### **4.1 Conclusion**

Individual performance is the foundation of organizational performance. Improving individual performance there fore is critical for the success of every organization. Performance evaluation is a common practice in the life of the organization. Failure to

have a proper employee performance appraisal system may lead to failure of the business organization itself.

The aim of performance appraisal is to evaluate the job performance of employees so as to improve their performance and consequently the organization's performance. In order to do so performance appraisal system should use job related criteria, appropriate method of appraisal for each purpose, qualified and well trained appraiser and participation of employees in one way or the other.

The objective of the study is to find out the process and system of performance appraisal on improving employee moral and performance by making a through assessment of performance appraisal system in BoA. In doing so the study tries to analyze data that have been gathered through primary and secondary sources. In investigating the performance appraisal system of Bank of Abyssinia, it has been found that rating scale method is used by the immediate supervisors. While the other raters including the employee themselves, the next in-line supervisor, review committee and the senior managers uses an essay method of evaluation. In this respect they write a brief narrative description of employee's performance and characteristics. This includes the major task he or she has performed, weakness and strength of the appraisee, transfer to another post, promotion and other personal traits are described here.

Bank of Abyssinia performance appraisal format explicitly describe the following objectives:-

- ❖ Salary increment

- ❖ Grade promotion
- ❖ Transfer to another post.
- ❖ Demotion or termination

Although almost all of the respondents suggest that evaluation be conducted semi annually, performance evaluation is conducted ones every year.

## **4.2. Problems of Performance Appraisal in BOA**

Problems in performance appraisal may arise from the improper design of the system, process of conducting and implementing the performance appraisal, problems from the appraiser and the appraisee and difficulty of the job to evaluate....Organizational culture also affects the performance evaluation process through employees attitude and perception, working atmosphere and group and individual behaviors of employees with in the company.

Based on the information gathered through the questionnaire & interview conducted in BoA the problems of the performance appraisal system in general include:-

- ❖ 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.
- ❖ Performance evaluation is made once a year, which is long period to remember and evaluate employee's one full year past performance.

- ❖ Even though employees are given opportunity to express their feeling about their performance appraisal results in case if they have grievance, it may not be fairly examined and given solution.
- ❖ Lack of uniformity and consistency in applying the whole performance appraisal system which is influenced by subjective judgments rather than by guided by written policy and principle.
- ❖ Employees are not clear about the purpose of performance appraisal and the timing of performance appraisal.
- ❖ There is no training given for both appraisers and appraises about how to conduct performance appraisal and its objective.
- ❖ Employees are not participated in setting the performance criteria and the weight assigned to performance measurement criteria.
- ❖ The performance measurement criteria are general rather than being specific to include the major tasks and activities of each department. The format of performance appraisal of the company is prepared in to three divisions each with minor difference one from the other. One for clerical the other for non clericals and the rest for supervisors.
- ❖ The criteria of evaluation are not developed from the job analysis. Job analysis is a systematic process of determining the skill and knowledge required for performing jobs. It reveals the major tasks, duties and responsibilities, the relationship of a job to other jobs, the skill and knowledge required for each job, the outcomes that are expected and working conditions.

- ❖ The objective of evaluation has not been communicated to the employees in advance.
- ❖ The performance appraisal system fails to communicate the feed back on time.

If all the above mentioned problems are corrected the appraisal system of the Bank will contribute to the success of the organization. There fore based on the problems the following recommendations are suggested as helpful to improve the system.

### **4.3 Recommendation**

In view of the findings and the problems mentioned above coupled with the review of related literature the following recommendations are suggested

- ❖ The first step the company has to do is establish a written policy regarding the responsibility of appraisals frequency of appraisal in general guide lines used in performance appraisal process and system.
- ❖ The criteria of appraisal should be developed from the job analysis. The more the criteria of evaluation are related to the job analysis the more it will be objective. Thus, developing the criteria from job analysis and evaluating is far better.
- ❖ The objective of appraisal should be made clear to all employees before appraisal takes place and employees should accept it.
- ❖ Employees should participate in the designing of the appraisal system and criteria.
- ❖ Besides, employees should be given training that lets them know how to conduct evaluation and the purpose of evaluation.



- ❖ Feed back should be given to employees on time. After all the main objective of evaluation is improving employees' performance. But employees could not perform better with out feed back given to them on time.
- ❖ The performance appraisal criteria should be specific to reduce subjective judgment that comes from generalization.
- ❖ Grievances should be fairly examined.
- ❖ By participating employees in the design of the performance appraisal process the weight assigned to the criteria should be revised based on the participants' idea.
- ❖ Since the evaluation is long ratters should develop the habit of recording the favorable and unfavorable deeds of workers to lessen recent behavior bias.
- ❖ A revision program should be established to compare the appraisal process prevailed in the past years with the current system and make sure that if past problems are avoided currently.
- ❖ There must be a pre and post appraisal discussion and communication that enable appraisers and appraisee to have a clear understanding of the nature, purpose, methods and problems of the appraisal. Thus employees must be informed of such things before appraisal so that they will not develop a negative attitude towards it. Discussion after the appraisal and acquiring information concerning the process helps appraisers to identify problem areas in both the employee performance as well as the system.
- ❖ The forms of appraisal must incorporate items that measure performance effectively. Different weights as per employees' agreement should be given to measuring criteria in the evaluation form of BoA. It is better also to include

explanation of those criteria in the evaluation form so that employees and appraisers will be in a position to understand them without considerable effort.

In general the over-all view of management should advocate the accuracy of measurement and take corrective action in case of unfair ratings. With this context the management effort to the betterment of the appraisal system will result in reliable performance measurement. This in turn enables BoA to attach high value to the system. The final result is there fore the enhancement of employee performance and the advancement of the organizational objectives and goals.

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**Addis Ababa University**  
**Faculty of Business and Economics**  
**MBA program**

**Dear respondents**

This questionnaire is prepared to employees of Abyssinia Bank. The objective of the questionnaire is to collect information about to effectiveness of the Bank of Abyssinia performance appraisal system. The information you provide will be valuable for the successes of the research project. Please be honest and objective while filling the questionnaire. The information you give is used only for academic purpose and will be kept confidential.

**Part I Personal Details**

1. Sex                                      Male                                       Female
2. Age Below 25                                       25-35                                       35-45                                       45-55                                       above 55
3. Academic qualification  
12 grade complete                                       high school graduate                                        
Diploma                                       first degree and above
4. Title of your job \_\_\_\_\_
5. Years of experience \_\_\_\_\_

**Part II Regarding Performance Appraisal**

1. How often is your performance evaluated is a year \_\_\_\_\_
2. How often do you think performance appraisal should be conducted \_\_\_\_\_
3. In your opinion who should evaluate employees performance (you may thick more than one)  
a) immediate supervisor                                      b) college                                      c) subordinate  
d) employee themselves                                      e) others (specify) \_\_\_\_\_
4. For what purpose is performance evaluation result used in your company (you may thick more than one.  
a) salary increment                                      b) bonus                                      c) promotion  
d) training and development                                      e) others (specify) \_\_\_\_\_                                      f) don't known
5. For what other purposes do you think the evaluation result should be used  
\_\_\_\_\_
6. Are you allowed to see your performance appraisal result  
Yes                                       No                                       I don't know
7. Do you discuss performance appraisal results with the appraiser  
Yes                                       No
8. Can you appeal to a higher officer of your organization when you perceive your performance appraisal result is un fair  
Yes                                       No                                       I don't know

9. If your answer to question no 8 is yes do you think the grievance will be fairly examined

Yes  No  I don't know

10. Do you think the criteria used to evaluate your performance appraisal are appropriate

Yes  No  I don't know

11. If your answer is "No" answer the following questions.

a) mention any criteria that should be included

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b) mention any criteria that must be removed

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12. Do you think that the weights assigned to the evaluation criteria are fair?

Yes  No  I don't know

13. Which of the following problems apply to the appraisal system of your organization (Tick)

a) No link between same evaluation criteria and employee job

b) Lack of ability to evaluate performance

c) Bias in evaluating performance

d) Non participation in setting performance evaluation criteria

e) Others (mention) \_\_\_\_\_