

# **The Impact of Performance Appraisal on productivity: Case of Hamaressa Edible Oil S.C**

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# CERTIFICATE OF ORIGINALITY

*This to certify that the project titled “The impact of performance Appraisal on productivity: case of Hamaressa Edible oil Share Company” is an original work of the student and is being submitted in partial fulfillment for the award of the Master’s Degree in Business Administration of Indira Gandhi National Open University. This report has not been submitted earlier either to this University or to any other University/Intuition for the fulfillment of the requirement of a course of study.*

SIGNATURE OF SUPERVISOR

SIGNATURE OF STUDENT

*Place:*

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*Date:*

*Date:*

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## Table of Contents

1. INTRODUCTION .....	1
1.1 Background of the study .....	1
1.2 Statement of the problem .....	2
1.3 Objective of the study .....	4
1.4 Significance of the study .....	4
1.5 Scope and limitation of the study .....	4
2. LITERATURE REVIEW .....	5
2.1 Evaluate what you want — because what gets measured gets.....	5
2.2 Performance Appraisal System: Some Definitions.....	7
2.3 Efficiency and performance appraisal.....	10
2.4 Appraisal Methods .....	13
2.4.1 Rating Scale Method.....	15
2.4.2 Essay Method.....	17
2.4.3 Results Method: Management by Objectives (MBO).....	17
2.5 Factors that influence the configuration of performance appraisal.....	18
2.5 Performance appraisal and feedback .....	26
3. METHODOLOGY .....	31
3.1 Description of the study area .....	31
3.2 Sampling technique and Sample Size .....	31
3.3 Method of data collection .....	32
3.4 Method of Data analysis .....	33
4. Data presentation, Analysis and Interpretation .....	<a href="#">33</a>
4.1 Characteristics of Raters .....	<a href="#">34</a>
4.2 Response on purpose of performance appraisal.....	<a href="#">35</a>
Table 4.3 Performance evaluation system linked with motivation.....	<a href="#">39</a>
Table 4.4 Problem of performance appraisal system.....	<a href="#">43</a>
Table 4.5 Feedback in performance appraisal system .....	<a href="#">48</a>
5. SUMMARY, CONCLUSION, AND RECOMMENDATION .....	<a href="#">52</a>
5.1 Conclusion .....	<a href="#">52</a>
5.2 Recommendation .....	<a href="#">53</a>

## List of Tables.

No	Name of Table	Description	Page
1	Table 3.2	Number of size of employee	32
2	Table 4.1	Characteristics of Raters	34
3	Table 4.2	Response on purpose of performance appraisal	35
		Table 4.2.1	36
		Table 4.2.2	36
		Table 4.2.3	37
		Table 4.2.4	38
4	Table 4.3	Performance evaluation system linked with motivation	39
		Table 4.3.1	40
		Table 4.3.2	40
		Table 4.3.3	41
		chart 4.3a	42
		chart 4.3b	42
5	Table 4.4	Problems in performance appraisal system	43
		Table 4.4.1	44
		Table 4.4.2	44
		Table 4.4.3	45
		Table 4.4.4	45
		Table 4.4.5	46
		Table 4.4.6	46
		Table 4.4.7	47
		Table 4.4.8	47
6	Table 4.5	Feed back in performance appraisal system	48
		Table 4.5.1	48
		Table 4.5.2	49
		Table 4.5.3	50
		Table 4.5.4	50
		Table 4.5.5	51

# 1. INTRODUCTION

## 1.1 Background of the study

Productivity in all organization is determined by how human resources interact and combine to use all other management System resources. Human resources are often said to be the most valuable assets of an organization; and the organization successes or failure are greatly influenced by the quality of these resources. The other resources cannot be utilized effectively and efficiently for the achievement of desired organization objectively without having motivated and qualified employees.

The human resources of an organization have a lot to contribute to the organization performance. It must be built with trained, encouraged prompted and satisfied. The human resources department is responsible to undertake these tasks. In order to do those functions, the performance of employees should be evaluated based on certain criteria from time to time to see whether the employee's effort yields up the expected result.

Performance appraisal is a systematic assessment or evaluation of performance of an employee's periodically; and it is the process of evaluating how well employees do their jobs compared with a set of standards. It also involves communicating to employees how he/she is performing the job.

The information obtained from the appraisal can be used as input for managerial decision making regarding salary, promotion, transfer, termination layoff, training and so on. Other terms for performance appraisal include performance review, personnel rating merit rating performance evaluation employee appraisal, or employee evaluation.

Employee performance evaluation is one of the most important of human resource systems because it provides feedback to individuals and groups. Job feedback is a strong predictor of work behaviours and has the potential to increase work productivity and satisfaction. Performance evaluation can be a very powerful communication and management, delimiting performance levels among the employee population to send distinctive messages.

Managers can make meaningful business decisions relative to rewards allocation, retention of high performers, and consequences for poor performers.

Rater evaluation effectiveness is critically important to the performance evaluation process and performance feedback needs to be accurate. However, rater willingness to accurately evaluate performance and identify employees as high and low performers is different than rater ability to rate performance. Raters will be motivated to differentiate when it becomes an attractive option for them and when they understand the compelling reasons to do so. The values, norms, and assumptions that make up the organization's culture may play a role in both motivations. Organizational culture influences the manager-employee relationship, the overall performance evaluation process, and the rater's judgment.

In this regard, HEOSC has been using traditional methods which are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It includes knowledge, initiative, loyalty, leadership and judgment, work load, creativity. The timing of performance appraisal in HEOSC is twice a year, that is from July 1 up to December 30 and from January 1 up to June 30 according to Ethiopian calendar. The process of appraisal in this company is not a such clear but the process is like first the immediate boss fill the format according to the trait and then show to the employee if he agree he will accept and sign if not he express his idea, they discuss the issue. Finally if both side agreed they will sign otherwise the boss write on the format and sign. Based on the above premises, this research had examined the impact of appraisal on workers' productivity in HEOSC located Harar, Ethiopia.

## **1.2 Statement of the problem**

Performance appraisal is one of the basic functions of human resource management. It is a complex process that deals with human behavior. The best possible method must be utilized to uncover, examine resolve workers and organization problems; if appraisal used appropriately it can contribute to the productivity and efficiency of the workers as well as the organization. (Thomson: 1997: pp: 129).

However, at HEOSC performance appraisal has accompanied by several problem which hinder the organization to properly utilize the process. In most of the cases, the company uses non-data-based assessment. Performance appraisal processes rely 100% on the memory of those completing the assessment because pre-populating the forms with data to inform decisions would be too difficult (cynicism). In addition, most assessment criteria are “fuzzy” and subjective.

In addition, there is lack of effectiveness metrics which refers to many accept that the goals of the process are to recognize results, provide feedback to address weaknesses, determine training needs, and to identify poor performers. Unfortunately, none of the rater does ever measure their processes’ contribution to attaining any of these goals. Instead, the most common measure relating to performance appraisal is the percentage completed.

Furthermore, managers are not measured or held accountable for providing accurate feedback. While they may be chastised for completing them late, there is no penalty for doing a half-assed job or making mistakes on them, which is incredibly common. One firm attempting to remove a troublesome employee found that the manager had rated the individual the highest within the department and awarded as the employee of the year.

Finally, in this organization, getting a merit raise, bonus, or promotion is completely disconnected from an employee’s performance appraisal scores. When there is a weak link, employees and managers are not likely to take the process seriously. And it is done by a single manager. If there is a second review, it may be cursory, and therefore not ensure accuracy or fairness.

To this end, this research has addressed the following questions:

- What performance enhancement policies and incentives are put in place to encourage efficiency at HEOSC?
- Does the evaluation system have an impact on employee’s performance and linked to motivational mechanisms?
- What is the major problem that faced by the existing appraisal system? And what measures were taken by the organization to tackle the problem?
- What variables are critically considered by raters in performance evaluation?



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

General Objective:

The main objective of the study is to analyze the impact of performances appraisal on workers efficiency in HEOSC.

The Specific Objectives are:

- To examine policies and procedures of the factory on performance appraisals.
- To assess whether the system help workers to improve their efficiency, or not.
- To identify the strength and weaknesses of the appraisal system.
- To analyze performance feedback systems in the factory.
- To assess the critical variables raters' consider in performance evaluation.

### **1.4 Significance of the study**

The study creates awareness among employees, managers and other member of the factory about the need of effective performance appraisal system. It has a key role on the workers as well as the company's performance. One the basis of research findings, the study forward some constructive suggestion to reduce the harms arising from poor performance appraisal system. Finally this research may also serve as a reference for further study.

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

The scope this study includes the impact of performance appraisal on workers efficiency in HEOSC. Even though HEOSC has one branch in Addis Ababa, the study is concentrated on both the factory & its branch which is found in Addis Ababa.

The following are some of the limitation of study

- Lack of access to some information in the organization may affect the study.
- Conducting this research without having a free time to be spent on the study affects the quality of the paper. In addition to this there is also a financial constraint.
- Due to financial and time constraint the number of questionnaires that will be distributed to the employees will be very limited.

## 2. LITERATURE REVIEW

### 2.1 Evaluate what you want — because what gets measured gets produced

Appraisal of Performance is widely used across society. Parents evaluate their children, teachers evaluate their students and employers evaluate their employees. People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. Performance appraisals of Employees are necessary to understand each employee's abilities, competencies and relative merit and worth for the organization. Performance appraisal rates the employees in terms of their performance.

Performance appraisals are widely used in the society. The history of performance appraisal can be dated back to the 20th century and then to the second world war when the merit rating was used for the first time. An employer evaluating their employees is a very old concept. Performance appraisals are an indispensable part of performance measurement. The latest mantra being followed by organizations across the world being – "get paid according to what you contribute" – the focus of the organizations is turning to performance management and specifically to individual performance.

In the past there were some of the confidential reports, which were not communicated to anyone, was an autocratic approach. After this the confidential reports highlighted only the negative points of individual, but not tell the true picture to employees regarding their performance. Subsequently Performance appraisal system broadly communicated all pros and cons, strengths and weaknesses of related human resources for their development. The issue remained dissatisfied as individual's assessment was not included, which gave birth to self-appraisal, where individual is free to express his strengths and weaknesses. Still this system proved to be ineffective due to individual biasness. To overcome all above drawbacks this was a 360-degree appraisal and feedback system. It is basically a multi-rater appraisal and feedback system where individual is assessed periodically based on a well-organized system covering individual personal, professional, interpersonal, social and technical aspects.

The periodicity & frequency of evaluation varies from organisation to organisation i.e. quarterly to annually.

The process of performance management involves the identification of common goals between the appraiser and the appraisee. These goals must correlate to the overall organizational goals. If such a process is conducted effectively, it will increase productivity and quality of output (Davis, 1995). Armstrong (2001) notes that in performance appraisals, accuracy and fairness in measuring employee performance is very important. Performance management is a control measure used to determine deviations of work tasks with a view of taking corrective action. It is also used to reflect on past performance as the organization plans ahead. Provision of feedback on the required corrective action is critical in the process.

Performance appraisal (PA) systems are among the most important human resource practices and also a comprehensively discussed research topic. Bretz et al. (1992) as well as Levy and Williams (2004) for instance provide extensive reviews of the huge literature on appraisals. Key topics of the contributions in academic journals include information processes, rating errors, reactions to the appraisal process, as well as rater training, appraisal feedback and group dynamics. Recent contributions for instance analyze the consequences of PA on employee job satisfaction, turnover intention and performance (Callahan et al. 2003, Poon 2004, Kuvaas 2006). But the relevant empirical studies usually examine a limited number of observations and analyse an existing system in one or only a few firms.

Surprisingly little research has been conducted about the determinants of formal performance appraisal systems. For instance, Murphy and Cleveland (1995, p. 36) point out that “there is very little empirical research on the links between environmental variables and appraisal”.

An exception is a recent study by Brown and Heywood (2005) who analyse Australian data to investigate the determinants of performance appraisal systems, which include union coverage and firm size. However, they use establishment data and therefore cannot investigate which personal characteristics of an employee influence whether she or he works on job where performance is regularly appraised.

## **2. 2 Performance Appraisal System: Some Definitions**

The term “performance appraisal” refers to the process by which an individual’s work performance is assessed. Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988). Performance appraisal is the formal process of observing and evaluating an employee’s performance (Erdogan, 2002).

According to Angelo S. DeNisi and Robert D. Pritchard (2006) “Performance appraisal” is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee’s job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated.

Performance appraisals are usually carried out annually and are used to review an employee’s performance within an organisation. They are used to maintain and assess the person’s growth and development and for promotions. Performance appraisal is the process through which an organisation gets information on how well an employee is doing his or her job (Noe, Hollenbeck, Gerhart & Wright, 2006).

Performance appraisal is the process of obtaining analyzing and recording information about the relative worth of an employee. In a performance appraisal, the HR department of a company rates performances of employees to determine their net worth to the organization. The immediate superior of the employee provides pointers on his performance during the past year. A more comprehensive definition is “Performance appraisal is a formal structure system of measuring and evaluating employee’s job related behaviour and outcomes to discover how and why the employee is presently performing on the job, how employee can perform more effectively in the future so that the employee, organization and society all benefits.

Main intention of performance appraisal system is to find out what an employee are really working all about an evaluation of every employee is based on performance appraisal system. Employees are motivated because of performance appraisal system that is been implemented in the Organization. We can identify the most efficient employee from the organization i.e. is skilled and talented employees. On this basis of assessment we can promote the employee who can be benefitted for employee himself in terms of promotion and increments and organization to get better productivity and profit where organization can also satisfy the customers if product is of better quality. Also we can get the better productivity because even employee is satisfied by the policy which is implemented by the company. On the other hand we can find out the person who is not up to the mark, where he is lagging behind how the resources are being wasted and in which terms he should be punished or developed. If we have a better performance system how it can help the employer to give a better quality product to the society through productive employee, so this better product can get converted into the organizations profitability.

In the world of globalization there is lot of competition in the market also there is competition among different organization and same organization having similar product and also within the organization. The overall success of each and every organization is depending upon the quality of employees. How successful the organization will be told by the employees on the success of or growth of that company's employees. Human beings are considered as an important asset of every organization. It is a duty of every organization to motivate the employees and influence the behaviour of the employees through performance appraisal system.

Performance appraisal is the process of obtaining analyzing and recording information about the relative worth of an employee. The focus of performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. The purpose of the performance management system is to ensure that the work performed by employees is in accordance with the established objectives of the organization. Employees should have clear understanding of the quality and quantity of work, expected from them.

Employee should also receive the information about how effectively they are standing with the expected standard. Due to effective performance management system opportunities for employee development are identified and it encourages and facilitates employee development also resolves performance pay disputes. Its aim is to measure what an employee does.

Performance appraisal system is dealing as a strategic concept because it is dealing with organizational mission, vision & goal. Key result area of all the employees will be checked if employees are achieving its performance up to the mark. In a country like India which is developing economy, it is essential to evaluate every individual's talent & achievement with sensible consistency and accuracy. Performance management cycle begins by performance monitor, review, Performance plan (Agreement), Act.

Performance management is a means of getting better result from the organization, team & individuals within an agreed framework of planned goals, objectives and standards –by Armstrong & Murlis. According to Flippo a prominent personality in the field of HR Performance Appraisal is the systematic, periodic and an impartial rating of employee's excellence in the matters pertaining to his present job and his potential for better job. Performance appraisal is systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. Performance is our reality.

It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his contribution towards the achievement of the overall organizational goals. Performance appraisal is a formal system that evaluates the quality of employee performance In simple terms, appraisal may be measured against a factors as job knowledge, quality of output, initiative leadership abilities, supervision dependability, cooperation, judgment, versatility, and health etc. Formal definition of Performance appraisal is “It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development.

### **2.3 Efficiency and performance appraisal**

Effectiveness and efficiency are exclusive performance measures, which entities can use to assess their performance. Efficiency is oriented towards successful input transformation into outputs, where effectiveness measures how outputs interact with the economic and social environment.

In some cases effectiveness concept is being used to reflect overall performance of the organization, since it is a broader concept compared to the efficiency. It gets challenging to explore the efficiency factor if it is included under effectiveness assessment. The assessment of the organizational performance helps companies to improve their reports, assures smoother competition in the global market and creates a sustainable competitive advantage.

There are various opinions regarding valuation of the organization. Mouzas (2006) emphasized two indicators to assess the performance: the efficiency and the effectiveness. For managers, suppliers and investors these two terms might be synonymous; yet, each of these terms has their own distinct meaning. The findings revealed that efficiency information provides different data compared to effectiveness one.

Effectiveness oriented companies are concerned with output, sales, quality, creation of value added, innovation, cost reduction. It measures the degree to which a business achieves its goals or the way outputs interact with the economic and social environment. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010). Meyer and Herscovitch (2001) analyzed organizational effectiveness through organizational commitment. Commitment in the workplace may take various forms, such as relationship between leader and staff, employee's identification with the organization, involvement in the decision making process, psychological attachment felt by an individual. Shiva and Suar (2010) agree that superior performance is possible by transforming staff attitudes towards organization from lower to a higher plane of maturity, therefore human capital management should be closely binded with the concepts of the effectiveness.

According to Heilman and Kennedy – Philips (2011) organizational effectiveness helps to assess the progress towards mission fulfilment and goal achievement. To improve organizational effectiveness management should strive for better communication, interaction, leadership, direction, adaptability and positive environment.

Back in 1988, Seiichi Nakajima has introduced the concept of Total Productive Maintenance, which has been widely applied in the plants and covered the entire life of the equipment in every department including planning, manufacturing, and maintenance. The system allowed assessing overall performance of the plant, since it covered:

1. Total effectiveness (productivity, quality delivery, safety, social responsibility and morals);
2. Total maintenance system (maintenance prevention system, maintainability improvement);
3. Total participation of the employees (the increase of the effectiveness of the plant depends on the involvement of the staff, regardless of the department they belong to).

According to Porter (1996), Total Productive Maintenance system could be applied as a tool not the strategy for managers to ensure operational effectiveness. The author stressed out the fact that effectiveness management tools and techniques such as benchmarking, time based competition, outsourcing, partnering are slowly taking the place of the strategy. It is a result of organizations' frustration of their inability to translate goals into sustainable profitability.

Efficiency measures relationship between inputs and outputs or how successfully the inputs have been transformed into outputs (Low, 2000). To maximize the output Porter's Total Productive Maintenance system suggests the elimination of six losses, which are:

- (1) Reduced yield – from start up to stable production;
- (2) Process defects;
- (3) Reduced speed;
- (4) Idling and minor stoppages;
- (5) Set-up and adjustment; and
- (6) Equipment failure. The fewer the inputs used to generate outputs, the greater the efficiency.



According to Pinprayong and Siengthai (2012) there is a difference between business efficiency and organizational efficiency. Business efficiency reveals the performance of input and output ratio, while organizational efficiency reflects the improvement of internal processes of the organization, such as organizational structure, culture and community. Excellent organizational efficiency could improve entities performance in terms of management, productivity, quality and profitability. The Pinprayong and Siengthai (2012) introduced seven dimensions, for the measurement of organizational efficiency:

- Organizational strategy;
- Corporate structure design;
- Management and business system building;
- Development of corporate and employee styles;
- Motivation of staff commitment;
- Development of employee's skills;
- Subordinate goals.

Effectiveness and efficiency are exclusive, yet, at the same time, they influence each other; therefore it is important for management to assure the success in both areas. Pinprayong and Siengthai (2012) suggest that ROA is a suitable measure of overall company performance, since it reveals how profitable organizations assets are in generating revenues.

Organizational performance = effectiveness x efficiency;

Total asset turnover ratio measures the ability of a company to use its assets to efficiently generate sales; therefore it can be treated as efficiency. Profit margin ratio is an indicator of a company's pricing strategies and how well it controls the costs, also it is a good measure for benchmarking purposes; therefore it could be treated as effectiveness. As a result, overall performance can be measured by quantifying the efficiency and the effectiveness.

Efficiency is all about resource allocation across alternative uses (Kumar and Gulati, 2010). It is important to understand that efficiency doesn't mean that the organization is achieving excellent performance in the market, although it reveals its operational excellence in the source of utilization process.

Organizations can be managed effectively, yet, due to the poor operational management, the entity will be performing inefficiently (Karlaftis, 2004). Inefficient and ineffective organization is set for an expensive failure. In such case there is no proper resources allocation policy and there is no organizational perspective of their future.

Organization has leadership issues, high employee turnover rate and no clear vision where the organization will be standing tomorrow. If the organization is able to manage its resources effectively, yet it does not realize its long term goals, it will bankrupt slowly. This strategy is cost efficient but it is not innovative and creates no value. Management has no clear customer oriented policy set in place, which leads to constant focus on efficiency. Such organization uses all its efforts to implement strict resource allocation policy, which translates into strict staff cost control, training cost reduction or even elimination. These actions lead to low morale of the organization high turnover rate of the employees and low customer satisfaction. Efficient but ineffective organization cannot be competitive and it will bankrupt eventually.

## **2.4 Appraisal Methods**

In a landmark study, Locker & Teel (1977) found that the three most common appraisal methods in general use are Rating Scales Method (56%), the Essay Methods (25%) and Results- oriented or MBO methods (13%). Certain techniques in performance appraisal have been thoroughly investigated, and some have been found to yield better results than others.

- I. **Encourage Discussion:** Research studies show that employees are likely to feel more satisfied with their appraisal result if they have the chance to talk freely and discuss their performance. It is also more likely that such employees will be better able to meet future performance goals (Nemeroff & Wexley, 1979). Employees are also more likely to feel that the appraisal process is fair if they are given a chance to talk about their performance. This is especially so when they are permitted to challenge and appeal against their evaluation. (Greenberg, 1986).
  
- II. **Constructive Intention:** It is very important that employees recognize that negative appraisal feedback is provided with a constructive intention, i.e., to help them overcome present difficulties and to improve their future performance. Employees will be less anxious about criticism, and more likely to find it useful, when they believe that the appraiser's intentions are helpful and constructive. (Fedor et al, 1989). In contrast, other studies, Baron (1988) reported that "destructive criticism" - which is vague, ill-informed, unfair or harshly presented - will lead to problems such as anger, resentment, tension and workplace conflict, as well as increased resistance to improvement, denial of problems, and poorer performance.
  
- III. **Set Performance Goals:** It has been shown in numerous studies that goal-setting is an important element in employee motivation. Goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work (Locke et al, 1981). The use of goals as a stimulus to human motivation is one of the best supported theories in management. It is also quite clear that goals which are "...specific, difficult and accepted by employees will lead to higher levels of performance than easy, vague goals (such as do your best) or no goals at all."(Harris & Disimone, 1994).
  
- IV. **Appraiser Credibility:** It is important that the appraiser be well-informed and credible. Appraisers should feel comfortable with the techniques of appraisal, and should be knowledgeable about the employee's job and performance. When these conditions exist, employees are more likely to view the appraisal process as accurate and fair.

They also express more acceptance of the appraiser's feedback and a greater willingness to change (Bannister, 1986).

### **2.4.1 Rating Scale Method**

The rating scale method offers a high degree of structure for appraisals. Each employee trait or characteristic is rated on a bipolar scale that usually has several points ranging from "poor" to "excellent" (or some similar arrangement). The traits assessed on these scales include employee attributes such as cooperation, communications ability, initiative, punctuality and technical (work skills) competence. The nature and scope of the traits selected for inclusion is limited only by the imagination of the scale's designer or by the organization's need to know (Source: [www.performance-appraisal.com](http://www.performance-appraisal.com)).

#### **2.4.1.1 Advantages of Rating Scale**

The greatest advantage of rating scales is that they are structured and standardized. This allows ratings to be easily compared and contrasted - even for entire work forces. Each employee is subjected to the same basic appraisal process and rating criteria, with the same range of responses. This encourages equality in treatment for all appraisees and imposes standard measures of performance across all parts of the organization. Rating scale methods are easy to use and understand.

#### **2.4.1.2 Disadvantages of Rating Scale**

Trait Relevance: - Are the selected rating-scale traits clearly relevant to the jobs of all the appraisees? It is inevitable that with a standardized and fixed system of appraisal, certain traits will have a greater relevance in some jobs than in others. For example, the 23 trait "initiative" might not be very important in a job that is tightly defined and rigidly structured. In such cases, a low appraisal rating for initiative may not mean that an employee lacks initiative. Rather, it may reflect that fact that an employee has few opportunities to use and display that particular trait. The relevance of rating scales is therefore said to be context-sensitive. Job and workplace circumstances must be taken into account.

## **Perceptual Errors**

This includes various well-known problems of selective perception (such as the horns and halos effect) as well as problems of perceived meaning. Selective perception is the human tendency to make private and highly subjective assessments of what a person is "really like", and then seek evidence to support that view (while ignoring or downplaying evidence that might contradict it). An example is the supervisor who believes that an employee is inherently good (halo effect) and so ignores evidence that might suggest otherwise. Instead of correcting the slackening employee, the supervisor covers them and may even offer excuses for their declining performance. On the other hand, a supervisor may have formed the impression that an employee is bad (horns effect). The supervisor becomes unreasonably harsh in their assessment of the employee, and always ready to criticize and undermine them. The horns and halo effect is rarely seen in its extreme and obvious forms. But in its more subtle manifestations, it can be a significant threat to the effectiveness and credibility of performance appraisal (Source; [www.performance-appraisal.com](http://www.performance-appraisal.com)).

## **Perceived Meaning**

Problems of perceived meaning occur when appraisers do not share the same opinion about the meaning of the selected traits and the language used on the rating scales. For example, to one appraiser, an employee may demonstrate the trait of initiative by reporting work problems to a supervisor. To another appraiser, this might suggest an excessive dependence on supervisory assistance - and thus a lack of initiative ([www.performance-appraisal.com](http://www.performance-appraisal.com)).

## **Rating Errors**

The problem here is not so much that of errors in perception as errors in appraiser judgement and motive. Unlike perceptual errors, these errors may be (at times) deliberate. The most common rating error is central tendency. Busy appraisers, or those wary of confrontations and repercussions, may be tempted to dole out too many passive, middle-of-the-road ratings (e.g., "satisfactory" or "adequate"), regardless of the actual performance of a subordinate (Source; [www.performance-appraisal.com](http://www.performance-appraisal.com)).

## **2.4.2 Essay Method**

In the essay method approach, the appraiser prepares a written statement about the employee being appraised. The statement usually concentrates on describing specific strengths and weaknesses in job performance. It also suggests courses of action to remedy the identified problem areas. The statement may be written and edited by the appraiser alone, or it be composed in collaboration with the appraisee.

### **2.4.2.1 Advantages of Essay Method**

The essay method is far less structured and confining than the rating scale method. It permits the appraiser to examine almost any relevant issue or attribute of performance. This contrasts sharply with methods where the appraisal criteria are rigidly defined. Appraisers may place whatever degree of emphasis on issues or attributes that they feel appropriate. Thus the process is open-ended and very flexible. The appraiser is not locked into an appraisal system that limits expression or assumes that employee traits can be neatly dissected and scaled.

### **2.4.2.2 Disadvantages of Essay method**

Essay methods are time-consuming and difficult to administer. Appraisers often find the essay technique more demanding than methods such as rating scales. The technique's greatest advantage - freedom of expression - is also its greatest handicap. The varying writing skills of appraisers can upset and distort the whole process. The process is subjective and, in consequence, it is difficult to compare and contrast the results of individuals or to draw any broad conclusions about organizational needs.

## **2.4.3 Results Method: Management by Objectives (MBO)**

The use of management by objectives was first widely advocated in the 1950s by the noted management theorist Peter Drucker. MBO methods of performance appraisal are results-oriented. That is, they seek to measure employee performance by examining the extent to which predetermined work objectives have been met. Usually the objectives are established jointly by the supervisor and subordinate. Once an objective is agreed on, the employee is usually expected to self-audit; that is, to identify the skills needed to achieve the objective.

Typically, they do not rely on others to locate and specify their strengths and weaknesses. They are expected to monitor their own development and progress.

#### **2.4.3.1 Advantages of MBO**

The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured. Instead of assuming traits, the MBO method concentrates on actual outcomes. If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities. The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred. The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.

#### **2.4.3.2 Disadvantages of MBO**

MBO methods of performance appraisal can lead to unrealistic expectations about what can and cannot be reasonably accomplished. Supervisors and subordinates must have very good "reality checking" skills to use MBO appraisal methods. They will need these skills during the initial stage of objective setting, and for the purposes of self-auditing and self-monitoring. One of the strengths of the MBO method is the clarity of purpose that flows from a set of well-articulated objectives. But this can be a source of weakness also. It has become very apparent that the modern organization must be flexible to survive. Objectives, by their very nature, tend to impose certain rigidity. Of course, the obvious answer is to make the objectives more fluid and yielding. But the penalty for fluidity is loss of clarity. Variable objectives may cause employee confusion. It is also possible that fluid objectives may be distorted to disguise or justify failures in performance.

### **2.5 Factors that influence the configuration of performance appraisal**

Following Brown and Heywood (2005) and Addison and Belfield (2008), a number of variables that may contribute to explaining the configuration of performance appraisal systems are identified. These variables can be classified into four categories: workforce characteristics, level

of job control, related human resource management practices and structural features of the establishment. In what follows, the variables included in each of these four groups are listed, as well as their expected influence on the adoption of a system of performance evaluation and the dimensions of the practice.

### **Workforce Characteristics**

Brown and Heywood (2005) state that the expected tenure of the workforce may influence the probability of adopting a formal system of performance appraisal. In particular, the authors argue that the proportion of casual workers, women and long-tenured employees, as well as the turnover rate of the establishment, are related to the use of a formal system of evaluation. According to these authors, if performance appraisal is used as a tool for monitoring worker effort and set compensation, establishments with short-tenured employees are more likely to implement a formal system of performance evaluation. Moreover, establishments with short-tenured employees are more likely to use appraisal in order to assign workers to jobs and take dismissal or retention decisions. By contrast, Brown and Heywood (2005) point out that if the purpose of appraisal is to promote worker identification with organisational objectives and develop human capital, a long-tenured work force will have a positive influence on the adoption of performance appraisal.

Following the arguments presented by Brown and Heywood (2005), we expect that workforce characteristics to be related to the measures used to evaluate performance. As stated in the previous paragraph, those establishments with a high proportion of short-tenured workers use performance appraisal to monitor employee output and reward them accordingly. Milkovich and Widgor (1991) mention that a system of appraisal that pursues this goal is characterised by an “emphasis on standardisation, objective measurement, psychometric properties (validity, reliability, bias, etc.)”.

Moreover, short-tenured workers are frequently assigned to simple jobs for which it is easier to implement routine monitoring processes based on objective criteria. Hence, we hypothesise that, in establishments with a large proportion of short-tenured workers, it is more likely that performance appraisal will be based on objective criteria.



This expected correlation is supported by an additional argument in the case of women. Women are believed to sort into establishments that adopt employment practices which leave less scope for discrimination. Using German data, Jirjahn and Stephan (2004) find support for the hypothesis that women prefer piece-rate remuneration schemes because the use of objective measures of performance avoids wage discrimination.

However, there are other arguments that could help to explain the relationship between the proportion of casual and female employees in the measures used to evaluate performance. In Spain, employees frequently work on temporary contracts before they get permanent jobs. In other words, temporary work is used by employers as a probationary period before offering workers a permanent position within the organisation. During this probationary period, the employee will be appraised comprehensively in order to decide if (she) he is to be retained. If the employer wants to evaluate various dimensions of a worker's performance in order to take this decision, it may not be useful to employ an objective measure. An alternative idea that could help to support these arguments is the following.

Workers tend to favour the use of objective measures of performance because they are easily verifiable and, consequently, are regarded as more equitable. Both casual and female workers are frequently subject to discrimination, poorer employment conditions and lower employment protection in comparison with other employees. As a result, it may be that, in contrast to workers with a higher influence over management decisions, they cannot insist on appraisal using objective criteria and are more frequently subject to subjective assessment.

The person who evaluates performance may also be influenced by the average tenure of the workforce at the establishment. As we have pointed out, the immediate superior is the figure that most frequently rates worker performance, whereas other supervisors with more specific abilities are in charge of the appraisal when the evaluation is complex or when there are specific appraisal needs.

Hence, for workers with a long-expected tenure, performance appraisal is intended to provide feedback, communicate organisational objectives and develop human capital, so the process of appraisal needs to be more detailed and complex.

Thus, we argue that, in establishments with a high proportion of short-tenured workers, supervision will be carried out by an immediate superior. However, when the proportion of long-tenured employees is high, it is more likely that such appraisal will be carried out by a person at a higher level who is able to identify worker strengths and weaknesses and communicate effectively with employees.

The tenure of the workforce could have a bearing on the timing of the evaluation process. Hence, employees at an early stage in their careers will be subject to more frequent evaluations in order to assess if they fit a specific job position, to identify abilities and training needs, or to take promotion decisions (see Lazear, 1998). In contrast, as a worker's career develops, evaluations become less frequent and usually stabilise. Hence, the percentage of short-tenured workers in an establishment may be positively related to the frequency of evaluation. On the other hand, a negative correlation is expected between the proportion of workers with high tenure and the periodicity of performance appraisal.

### **Job Control**

As Brown and Heywood (2005) point out, an establishment is more likely to implement a system of performance evaluation when workers have control over their work and, consequently, when they can alter their performance according to the results the appraisal yields. Moreover, in order to take full advantage of a system of performance evaluation, an establishment requires a considerable amount of supervisory force.

It may also be the case that performance appraisal is implemented jointly with other forms of monitoring so that a high number of supervisors is needed (see Brown and Heywood, 2005). Building on these arguments, we predict that job autonomy and the number of supervisors per employee will be positively related to the implementation of a formal system of performance appraisal.

Regarding performance measurement, Brown and Heywood (2005) point out that “formal appraisal will yield benefits when each worker has substantial scope in determining their tasks and effort levels and the results of these choices are not immediately obvious”.

Under these circumstances, it may be difficult to measure worker performance using a standardised objective measure, since it prevents the adaptation of the evaluation to different circumstances and fails to account for the different dimensions of a worker's job. Consequently, we predict that the degree of autonomy that employees have in their work will be negatively related to the use of formal appraisal based solely on objective criteria.

In addition, subjective criteria are applied when a job is complex or when the identification and measurement of output are difficult. Hence, the use of subjective appraisal cannot be based on the implementation of a standardised process; rather, it relies on the judgements of the supervisors in charge of the practice.

As a result, we hypothesise that the number of supervisors in the workplace will be positively associated with the use of performance appraisal based on subjective measures of performance or on a combination of subjective and objective measures. When workers have substantive autonomy in their work, the appraisal process is more complex and it may be difficult for an immediate superior to evaluate performance. According to Murphy and Cleveland (1995), the immediate superior is well-suited to rate general performance, whereas a supervisor at a higher level is able to determine the particular dimensions of performance that are most important to the organisation and the behaviours required to improve worker performance. Hence, it is plausible to think that when worker autonomy is high, performance appraisal will be carried out by professionals at a high level in the organisation or by a person from the HRM department who is formally trained in HRM. Finally, the presence of a high number of supervisors may indicate that worker supervision is valuable to the organisation, so that formal performance appraisal is part of a more general system of monitoring. If monitoring is considered to be beneficial for the establishment, a higher frequency of performance appraisal may be anticipated.

In other words, it may be the case that in establishments that devote extensive resources to supervision (such as a large number of supervisors), performance appraisal is carried out with a higher frequency.

## **HRM Practices**

Certain HRM practices are implemented in conjunction with performance appraisal due to the existence of complementarities and a joint impact on the organisation's performance (see Huselid, 1995; Becker and Gerhart, 1996; Ichniowski et al., 1997). One such practice is the provision of training. According to Brown and Heywood (2005), monitoring worker performance may be desirable when training is provided, since employers could use performance appraisal as an instrument to determine training needs and evaluate training results. Another complementary practice considered in the literature is pay based on individual performance. One of the main purposes of an appraisal system is to measure worker performance, which in turn is essential to establishing an incentive system based on individual output. Consequently, the provision of training and pay for individual performance maybe expected to exert a positive influence on the probability of adopting a formal performance appraisal system.

We acknowledge that complementary HRM practices may have an impact on the measures used to evaluate performance. According to Brown and Heywood (2005), pay for individual performance may be used as an incentive system for workers who are not motivated by deferred payments. Since performance appraisal might also accomplish this objective, both practices could be jointly implemented as part of a system aimed at motivating employees (see Drago and Heywood, 1995; Heywood et al., 1997; and Shields, 2002). We have already noted that a system of appraisal whose objectives are to monitor performance and reward workers is characterised by a standardisation of processes and the use of objective measures.

Hence, we expect to observe a positive correlation between the use of individual pay for performance and the adoption of formal performance appraisal based on objective criteria. Second, formal performance appraisal may serve as an instrument to determine training needs, evaluate training results, provide feedback to workers and guide their development according to the results of evaluation. In other words, if training is provided, formal performance appraisal could be used for a developmental purpose (see Boswell and Boudreau, 2002).When formal evaluation has a developmental goal, the supervisor needs to assess worker performance in a comprehensive way, paying attention to various aspects of the job. This exhaustive evaluation might be more difficult if an objective measure of performance is used.

On the contrary, when appraisal is used to provide feedback to workers, it may be valuable to measure performance using objective criteria so that workers can understand the results of evaluation and use them to improve future performance. In light of these arguments, no precise effect of the provision of training on the measures used to evaluate performance can be predicted. Therefore, the empirical analysis carried out here may enable significant clarification of the correlation between this complementary practice and performance measurement.

Regarding the person that conducts the evaluation, we have pointed out that establishments may adopt both formal performance appraisal and individual pay for performance as part of a monitoring and compensation scheme. An appraisal system that pursues this objective is expected to be less complex than developmental performance appraisal, so it may be carried out by the workers' immediate superior.

Consequently, we anticipate that the use of pay for individual performance will be positively related to the probability that an immediate superior performs the evaluation. Finally, we also expect to find a correlation between the provision of individual incentives and frequency of appraisal. Pay for individual performance is an administrative decision that requires an evaluation process. Evaluations whose objective is to take administrative decisions will be less frequent than those aimed at developing human capital (see Murphy and Cleveland, 1995). Consequently, a negative correlation may be expected between the provision of pay for individual performance to workers and the frequency of performance appraisal.

### **Structural Factors**

Brown and Heywood (2005) point to the existence of a correlation between some structural factors and the use of performance appraisal. First, they predict a positive influence of establishment size due to both economies of scale and the difficulty of monitoring workers' effort in large organisations. Second, labour costs have also been identified as a potential positive influence in the use of a formal system of evaluation. The abovementioned authors also argue that this is due to the fact that "the scale economies are more likely to be overcome when labour cost is important for firms of the same size". In addition, they state that the presence of human resource professionals may favour the use of performance appraisal, since it is related to the adoption of more sophisticated employment practices.

Finally, they make reference to union influence as a circumstance that may cause difficulties when trying to implement a system of appraisal.

Following these arguments, positive effects of establishment size, the proportion of labour costs in total production costs and the presence of a HRM department are to be expected in relation to the use of performance appraisal, and a negative effect of the influence exerted by trade unions at the establishment.

Regarding performance measures, several possible relationships with the structural factors may be predicted. First, as the size of the establishment increases, monitoring difficulties emerge because it is more complicated to observe the performance of workers directly (see Grund and Sliwka, 2009). This leads us to believe that employers in large establishments may choose to overcome the monitoring difficulties through the implementation of a formal and more standardised system of appraisal based on objective criteria. Moreover, Grund and Sliwka (2009) point out that large firms need to compare worker performance in order to take promotion decisions, so the adoption of a standard system of appraisal becomes useful. On the other hand, large establishments may devote a higher amount of resources to the appraisal process. In addition, it is more likely that they have a higher number of supervisors and, more generally, a higher number of professionals qualified to carry out a formal process of appraisal.

Although subjective monitoring is less straightforward than objective supervision and requires the use of a higher amount of resources, large establishment may find it easier to implement a system of appraisal based on subjective measures. Hence, no precise relationship between firm size and the measures of performance appraisal is anticipated. Second, unions tend to oppose the use of practices that discriminate against workers. As far as performance appraisal is concerned, unions may be expected to promote evaluations that are carried out with fairness and objectivity.

Moreover, unions tend to promote a standardisation of human resource practices in order to avoid differences among workers. Consequently, we predict a positive relationship between union influence and the use of performance appraisal based on objective criteria. As noted earlier, managers and workers in small firms work closely together, so performance may be easily determined.

However, when the size of the establishment increases, the degree of hierarchy also rises (see Drago and Heywood, 1995). As a result, the distance between workers and decision-makers is extended, and it becomes more difficult for decision-makers to monitor worker performance (see Brown and Heywood, 2005).

In order to reduce the monitoring difficulties caused by such extensive chains of command, large establishments may rely on the immediate supervisor as a figure that closely observes worker performance. As a result, a positive influence of the size variable on the probability that the appraisal is conducted by an immediate superior may be expected. As far as the frequency of appraisal is concerned, our hypothesis is that the size of the establishment and the proportion of labour costs will contribute to overcoming the fixed costs of implementing performance appraisal. Consequently, we think that the frequency of appraisal rises in relation to establishment size and as the proportion of labour costs in total production costs increases.

On the other hand, the existence of a HRM department within the establishment means that human resources are assumed to be key to business success. If human resources constitute an important asset for the organisation, it is expected that the process of appraisal will be exhaustive and, therefore, time consuming.

In addition, we have already pointed out that the presence of a HRM department is associated with the adoption of complex practices. If the system of appraisal adopted by an organisation is very sophisticated, it will take considerable time to collect information about worker performance and the periodicity of evaluation will be low. These concerns prompt the hypothesis that the existence of a HRM department will be negatively related to the frequency of performance appraisal.

## **2.5 Performance appraisal and feedback**

Effective and timely feedback is a critical component of a successful performance management program and should be used in conjunction with setting performance goals. If effective feedback is given to employees on their progress towards their goals, employee performance will improve. People need to know in a timely manner how they're doing, what's working, and what's not.

Feedback can come from many different sources: managers and supervisors, measurement systems, peers, and customers just to name a few. However feedback occurs, certain elements are needed to ensure its effectiveness. To feedback to the employee generally aims at improving performance effectiveness through stimulating behavioral change. Thus is the manner in which employees receive feedback on their job performance a major factor in determining the success of the performance appraisal system (Harris, 1988).

Hearing information about the self-discrepant from ones self-image is often difficult and painful. Thus, because feedback may strike at the core of a person's personal belief system it is crucial to set conditions of feedback so that the ratee is able to tolerate, hear, and own discrepant information (Dalton, 1996).

Only if conditions facilitate the acceptance of feedback information then the likelihood of change increases. Dalton (1996) further specifies these conditions: The feedback event should be a confidential interaction between a qualified and credible feedback giver and ratee to avoid denial, venting of emotions, and behavioural and mental disengagement. In such an atmosphere discrepancies in evaluations can be discussed and the session can be used as a catalyst to reduce the discrepancies (Jacobs et al., 1980).

Because employees and their supervisors often find appraisal both painful and demotivating Davis and Landa (1999) argue that practice of informal, regular communication between supervisor and employee are far more desirable and effective than formal performance appraisal process. Kondrasuk et al. (2002) also propose to integrate the process of feedback into the daily interactions of supervisors and subordinate in a way that more frequent but less formal meetings. So called achievement updates on a weekly basis then touch upon good and bad issues, while so called achievement assessments take place bimonthly, are more formal and aim at getting a more clear depiction of issues troubling both sides.

Roberts (2003) instead concludes that effective feedback is timely, specific, and behavioural in nature and presented by a credible source. Tziner et al. (1992) were able to prove that when performance feedback is precise and timely it may result in behaviour change, even though job behaviours are generally difficult to modify.



And if during the interview is adequate time for a full discussion of the issues and counselling it will enhance perceived system fairness, system satisfaction, acceptance and supervisory support (Roberts, 2003). Furthermore performance feedback alone generates improvements to rates' organisational commitment, and particularly to work satisfaction (Tziner and Kopelman, 2002).

But performance feedback combined with goal-setting contributes the most strongly to rates' work satisfaction; possibly since goal-setting fosters feelings of participation in work related issues and meaningfulness at work. Tziner and Kopelman (1992) also found that the process of goal-setting gives the appraise a broader picture of the work unit and the organisations' objectives. Harris (1988) supports the findings about the positive effects of goal-setting. She recommends an evaluative interview for providing feedback which focuses on problem-solving and goal-setting and which has high employee involvement. Done this way it is more likely to be satisfying to employees than retrospective, subjective interviews.

Roberts (2003) analyzed why goal-setting is so effective and proposed that its effectiveness derives from its ability to focus employees' effort and attention on the critical task at hand, enhancing employee persistence and reducing the likelihood of being distracted.

It thus focuses attention and effort on the future which can still be changed. The judgemental performance appraisal process emphasizes past behaviour which cannot be altered anymore. Roberts (2003) also gives instructions how to set goals effectively so that employee performance and satisfaction are enhanced. According to these rules performance goals must be specific, moderately difficult and accepted.

Beside this focus on the future, two more things need to be taken into account. First, according to Wise (1998) it is very risky to give too complex feedback. The more complex the feedback, the more likely recipients will distort it by focusing on results that match their self-perceptions and ignore contradictory ones. Second, Roberts (2003) states that, to be maximally effective, there must be an ongoing formal and informal performance feedback.

In summary, it can be concluded that giving feedback in an appropriate manner is a key factor in determining the employee's willingness to adapt behaviour. First, it is important that the feedback is given in a confidential atmosphere and that the appraiser is perceived as being in state to give useful feedback. Second, the feedback should be precise and detailed and if possible contain examples of the behaviour at hand. Third, feedback giving should leave room for discussion of important aspects, thus involving the ratee in giving opportunity to state his opinion and referring to his problems. Fourth, goal-setting should be part of the feedback. Goals should be clear, as well as the way how to achieve these goals, relevant, specific and moderately difficult. Furthermore, both parties should accept the goals. Fifth, it might be useful to give beside the annual performance review regular informal performance feedback. If all these conditions are met, the acceptance of the feedback will be enhanced and behaviour change will be more likely.

### **Multi source feedback**

In recent years multi-source feedback systems (MSFS) also known as 360 Degree Appraisal became very popular. It became popular as it has been felt for long years that one person's assessment of another individual cannot be free of biases. In addition, with the focus on customers (both internal and external) and emphasis on softer dimensions of performance (leadership, innovation, team work, initiative, emotional intelligence, entrepreneurship etc.) it has become necessary to get multiple assessments for a more objective assessment.

360 Degree Appraisal is Multi- Rater Appraisal and Feedback System. Almost every Fortune 500 Company is using this in some form or the other. In this system, the candidate is assessed periodically (once in a year and sometimes even half yearly) by a number of assessors including his boss, immediate subordinates, colleagues, internal customers and external customers. The assessment is made on a questionnaire specially designed to measure behaviours.

Typically, performance appraisals have been limited to a feedback process between employees & superiors. With the increased focus on teamwork, employee development & customer service, the emphasis has shifted to employee feedback from the full circle of sources.

This system is a holistic approach incorporating views from many angles, multi level & multi source appraisal. Now by changing focus from industry to academia, sources in the circle will change. Different methods are available to assess the performance. Proper questionnaire has to be designed. For a teaching staff member, feedback from principal, students, colleagues, HOD & lab assistant will play an important role. Different methods are available to assess the performance.

Subject results should be compared with the university results. While taking feedback from students, rating of students should also be decided. Following aspects are important for teaching staff member: Subject matter Mastery Contribution to curriculum development, Instructional designs & delivery, establishing a positive learning environment completing related administrative requirements, Community partnership includes developing partnerships with individuals, groups, social organizations outside the Institution.

### **3. METHODOLOGY**

#### **3.1 Description of the study area**

HEOSC was found in 1987 E.C and established as share company/public Enterprise in 1992 E.C. with initial capital worth of 81,490,000 Birr. The Company has a vision to be worldwide competitive edible oil producer and seller by fulfilling quality standards of edible oil in 2020 and it uses peanut, ground nut, rapeseed, and Niger seed, cotton seed and so on to produce and refine edible oil. The Company is located 510 km away from the capital city Addis Ababa to the Eastern part of the country and more specifically, it is located in Harar city. Currently, the Company has a total of 137 permanent employees in its six different departments among which 31 employees are female and majority of the employees are under the department of production and technique. In addition, it employs 36 contract and daily labourers.

#### **3.2 Sampling technique and Sample Size**

Sampling technique to be used in order to select employees in this study will be simple random sampling method. One of the best things about simple random sampling is the ease of assembling the sample. It is also considered as a fair way of selecting a sample from a given population since every member is given equal opportunities of being selected. Another key feature of simple random sampling is its representativeness of the population. Due to the representativeness of a sample obtained by simple random sampling, it is reasonable to make generalizations from the results of the sample back to the population.

For simplicity and representativeness of the sample, first employees have been be categorized in to six major departments, and then proportional number of employees have been selected using simple random sampling technique. In this case the total number of size for employees is 49 and the following table summarizes the calculation.

**Table 3.2 number of size of employees**

No.	Department	Number of employees	Proportion	Number of sample respondents
1	Manager Office	7	7/137	2
2	Administration	39	39/137	11
3	Finance	7	7/137	2
4	Production and Techniques	64	64/137	29
5	Commercial	16	16/137	4
6	Quality Control	4	4/137	1
	<b>Total</b>	<b>137</b>		<b>49</b>

### **3.3 Method of data collection**

The study has used both primary and secondary sources of data. To collect primary data with regard to accomplishing the research's objectives, this research has used structured questionnaire, key informant interview, and focus group discussion. The structured questionnaire was used to collect data from operating level employees, trade unions, and line managers with regard to variables used in performance appraisal, the feedback system, weaknesses and strength of the current performance appraisal systems and so on. In addition, key informant interview was made with trade union managers, employee representatives, unit heads, and higher level manager. Moreover, to cross check and justify the validity and reliability of respondents' response a focus group discussion was conducted. The focus groups include operating level employee from different departments, line managers, trade union representatives, and top level managers.

On the other hand, secondary data has been collected from different literatures. Literature explaining performance appraisal definition, concept, methods, and issues; performance appraisal policy; efficiency: definition, concept, organization and efficiency, performance factors determining efficiency; relationship between performance appraisal and efficiency; variables to be considered in performance appraisal and how they affect efficiency; methods of performance appraisal and efficiency; performance appraisal and feedback system amongst others was collected from brochures, books, journals, company profile, websites and any other published and unpublished documents.

### **3.4 Method of Data analysis**

The data collected using questionnaire has been coded and entered into the appropriate statistical software and analyzed using simple descriptive statistics specifically, means, percentages, frequency distribution, range and standard deviation. The qualitative data collected using group discussion and key informant interviews have been analyzed using SWOT analysis, narrative explanation and argument.

## **4. Data presentation, Analysis and Interpretation**

### **4.1 Characteristics of Raters**

From table 1, we can see that 73.47% of Raters are male and 26.53% are females whereas age distribution of the Raters about 34.68% are between 20-30 and 26.53% are between 31-40% while between 41-50 is 22.45 then 16.33% are between 51-60 when we look academic qualification 10th or 12th grade complete are 38.78% and equally diploma holder are 38.78% and higher diploma is 4.08% while degree is 18.37%.

Take works experience employee working less than 1 year 2.04% and 1-5 year 28.57% while 5-10 years are 12.24% and 10-15 year 8.16% and 48.98% are that of 15-20 years. Regarding marital status married employees compose of 58.18% Unmarried composed of 38.78% while widowed employees are 2.04%.

**Table 4.1 Characteristics of Raters**

No		Description	Respondents	
			No	%
1	Sex	Male	36	73.47
		Female	13	26.53
2	Age	20-30	17	34.69
		31-40	13	26.53
		41-50	11	22.45
		51-60	8	16.33
3	Academic Qualification	10 <sup>th</sup> or 12 Complete	19	38.78
		Diploma	19	38.78
		Higher Diploma	2	4.08
		Degree	9	18.36
		Master above	0	0
4	Work experience	1 year	1	2.04
		1-5 year	14	28.58
		5-10 year	6	12.24
		10-15 year	4	8.16
		15-20 year	24	48.98
		20 year above	0	0

#### **4.2 Response on purpose of performance appraisal**

The main purpose of performance evaluation is to direct the effort of all employees for the achievements of persons and organizational objectives and goals. As it was mentioned in the statement of the problem part of the study, performance enhancement policy and incentives put in place to encourage efficiency at Hamaressa Edible oil S.C. The table below describes the response of respondents regarding the purpose of performance appraisal in five dimensions.

**Table 4.2 Response on purpose of performance appraisal**

No	Purpose of performance Appraisal	RANK				
		Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
1	Performance review techniques have more impact on my performance, insensitive & morale	20.4%	14.3%	26.5%	24.5%	14.3%
2	Performance managements does not help to develop careers, only improve work performance	20.4%	4.1%	18.4%	26.5%	30.6%
3	I feel that a higher level of participate on in the appraisal process would improve your performance.	0	0	8.2%	22.5%	69.3%
4	I think that some appraisals are manipulated in order to hold back effective workers from promotions/transfer	2.04%	4.08%	24.5%	26.5%	42.88%
5	I think that self- evaluation would improve the level of accuracy in performance appraisal.	26.5%	14.3%	16.3%	10.2%	32.7%

As we can see from table 4.2, the first question raised to employees is “performance review techniques have more impact on performance, insensitive & morale”. 20.4% rate as strongly disagrees, 14.3% disagree and 26.5 are indifferent but 38.8% are agreed. So, majority of employees agree performance review techniques have impact on their incentive & moral.



Let us examine table 4.2's first question by gender

Table 4.2.1 gender based

Gender	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
Male	22.2%	13.8%	25%	22.3%	16.7%
Female	15.4%	15.4%	30.7%	30.7%	7.8%
Total	20.4%	14.3%	26.5%	24.5%	14.3%

Raters in table 4.2.1 are evaluating that 34.7% don't agree where as 26.5% of employees are indifferent, and only 38.8% agree with it. In other way round by age almost the same result registered.

But if we see this the same question (table 4.2) based on age as below,

Table 4.2.2 age based

Age	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
<b>20-30</b>	17.6%	23.6%	17.6%	23.6%	17.6%
<b>31-40</b>	23%	0	38.5%	23%	15.5
<b>41-50</b>	9%	27.3%	36.4%	9%	18.3%
<b>51-60</b>	37.5%	0	12.5%	50%	0
<b>Total</b>	20.4%	14.3%	26.5%	24.5%	14.3%

From 20-30 age worker 41.2% disagree that Performance review techniques have more impact on my performance, insensitive & morale and 17.6% are indifferent & 41.2% of workers agree. So in this age range disagree and agree rate the same %age.

From 31-40 age workers only 23% are disagree about their performance review and 38.5% indifferent but 38.5% agree that Performance review techniques have more impact on my performance, insensitive & morale. So majority of this age range agree about their performance review technique.

From 41-50 age worker 36.3% disagree that Performance review techniques have more impact on my performance, insensitive & morale and 36.4% are indifferent but only 27.3% agree. So in this age group more of employees disagree about the performance review technique.

From 51-60 age worker 37.5% disagree that Performance review techniques have more impact on my performance, insensitive & morale and 12.5% are indifferent but only 50% agree. So in this age group half of the employees agree about this question.

The second question is Performance managements do not help to develop careers, only improve work performance. From table 4.2.2 we can see that 57.2% of employees agree that performance appraisal does not help them to develop their career but 24.4% disagree where as 18.4% of employees are in different. So only 24.5% agree that Hamaressa Edible oil S.C's appraisal is connected to the development of their career.

Table 4.2.3

<b>Gender</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Male</b>	25%	5.6%	16.7%	27.7%	25%
<b>Female</b>	7.7%	0	23%	23%	46.3%
<b>Total</b>	20.4%	4%	18.4%	26.5%	30.7%

Let us see the third question that is a higher level of participate on in the appraisal process would improve performance. As per the raters evaluation in table 4.2 that 8.2% are indifferent but 91.8% agree that higher level of participation on the appraisal process would improve performance. But from table 4.2.3 we can see that majority i.e. 69.3% of female agree but only 52.7% male agree.

The forth question in table 4.2 raised was some appraisals are manipulated in order to hold back effective workers from promotions/transfer and 6.12% disagree about manipulation of performance appraisal and 24.5% are indifferent but 69.38% agree some appraisals are manipulated in order to hold back effective workers from promotion/transfer.

The last question raised in table 4.2 to employees about purpose of performance appraisal is that self- evaluation would improve the level of accuracy in performance appraisal.

Let us evaluate this question from workers experience character shown as the following

Table 4.2.4

<b>Work experience</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Less than 1 year</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1-5</b>	<b>41.7%</b>	<b>8.3%</b>	<b>25%</b>	<b>16.7%</b>	<b>8.3%</b>
<b>6-10</b>	<b>25%</b>	<b>0</b>	<b>0</b>	<b>25%</b>	<b>50%</b>
<b>11-15</b>	<b>0</b>	<b>0</b>	<b>12.5%</b>	<b>50%</b>	<b>37.5%</b>
<b>16-20 and above</b>	<b>11.1%</b>	<b>3.7%</b>	<b>18.5%</b>	<b>29.6%</b>	<b>37.1%</b>
<b>Total</b>	<b>26.5%</b>	<b>14.3%</b>	<b>16.3%</b>	<b>10.2%</b>	<b>32.7%</b>

From table 4.2.4 employees less than one year work experience 100% strongly disagree but worker from 1-5 years employees 50% disagree 25% are indifferent but only 25% agree that self- evaluation would improve the level of accuracy in performance appraisal but when we see workers from 6-10 years' experience only 25% disagree that self- evaluation would improve the level of accuracy in performance appraisal but more of employees i.e. 75% agree. No workers disagree in 11-15 years' experience.

Generally from all question raised in table 4.2 and raters view performance appraisal doesn't meet its purpose. We can see this from the following analysis:

1. Only 38.8% agree Performance review techniques have more impact on my performance, insensitive & morale 61.2% are either disagree or indifferent.
2. 24.5% agree Performance managements is helpful to their careers development, only improve work performance but 75.5% either disagree or indifferent.
3. 69.38% agree that some appraisals are manipulated in order to hold back effective workers from promotions/transfer only 30.62% either disagree or indifferent.

**Table 4.3 Performance evaluation system linked with motivation.**

Performance evaluation system linked with motivation		Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
1	I feel that I am sufficiently qualified to make a meaningful assessment of my true abilities.	2.04%	2.04%	2.04%	16,3%	77.58%
2	I am satisfied with the way in which the results of performance appraisals are utilized	16.3%	8.2%	16.3%	32.7%	26.5%
3	I am not satisfied with the way my manager/team leader conducts my performance review	20.4%	14.3%	20.4%	20.4%	24.5%
4	Performance management helps me to develop my skill & potential.	12.5%	8.2%	6.1%	24.5%	48.7%
5	I feel my supervisor is objective in his/her judgment of my performance.	0	0	12.3%	28.5%	59.2%

Let us take the first question (from table 4.3) related to motivation; the question raised was the feeling that they are sufficiently qualified to make a meaningful assessment of my true abilities. 4.08% are disagreeing and 2.04% are indifferent but 93.88% agree that they are sufficiently qualified to make a meaningful assessment of my true abilities.

If we see this question in terms of gender (shown as table 4.3.1) majority of male employees that are 97.2% felt they are sufficiently qualified to make meaningful assessment of their true ability & 2.8% is indifferent but 15.4% females disagreed and 84.6% agree.

**Table 4.3.1**

<b>Gender</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Male</b>	0	0	2.8%	16.7%	80.5%
<b>Female</b>	7.7%	7.7%	0	15.4%	69.2%
<b>Total</b>	2.04%	2.04%	2.04%	16.3%	77.58%

The second question raised about motivation said that I am satisfied with the way in which the results of performance appraisals are utilized and the result was 24.5% disagree, 16.3% indifferent but 59.2% raters agree that they are satisfied the way in which the result of their performance appraisal are utilized.

We can analyze this second question based on academic qualification as follows:

**Table 4.3.2 based on academic qualification**

<b>Academic qualification</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>10<sup>th</sup> or 12<sup>th</sup> complete</b>	21%	10.5%	15.8%	42.2%	10.5%
<b>Diploma</b>	15.7%	5.2%	21.1%	15.8%	42.2%
<b>Higher diploma</b>	0	0	0	100%	0
<b>Degree</b>	11.1%	11.1%	11.1%	33.4%	33.3%
<b>Total</b>	16.3%	8.2%	16.3%	32.7%	26.5%

From 10<sup>th</sup> or 12<sup>th</sup> grade complete workers 31.5% disagree, 15.8% are indifferent but 52.7% agree whereas diploma holders 20.9% agree and 21.1% are indifferent but 58% disagree.

when we see qualification of higher diploma, they are 100% agree that they are satisfied with the way in which the results of performance appraisals are utilized.

Finally the degree academic qualified employees 22.2% disagree, 11.1% are indifferent but 66.7% raters agree they are satisfied with the way in which the results of performance appraisals are utilized.

The employees were rate the third question about their manger/team leader how conducted their performance appraisal based on work experience

**Table 4.3.3**

<b>Years of service</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Less than 1 year</b>	100%	0	0	0	0
<b>1-5 years</b>	21.4%	14.3%	14,3%	14.3%	35.7%
<b>5-10 years</b>	16.7%	0	50%	0	33.3%
<b>10-15 years</b>	0	0	25%	25%	50%
<b>15-20 years</b>	20.8%	20.8%	16.7%	29.2%	12.5
<b>Total</b>	20.4%	14.3%	20.4%	20.4%	24.5%

Generally 44.9% of employees are not satisfied the way their leader conduct appraisal, 20.4% are indifferent & only 34.7% agree that they are satisfied. Specifically less than one year experience worker 100% agrees but 10-15 years employees 100% disagree or indifferent but 15-20 years majority agree.

If we see this question based on age, from age 20-40 about 22.5% agree that they are satisfied with the way their manager/team leader conducts their performance but age from 40-60 only 12.5% agree. From age 20-40 about 26.5% disagree that they are not satisfied the way their manager /team leader conduct their performance and from age 40-60 only 18.4% disagree. Generally from years of service only 34.8% & from age group respondents only 35% are satisfied with the way their manager conduct performance appraisal respectively.

The fourth question raised for Hamaressa’s Edible Oil S.C employees is “how performance management helps to develop skill & potential?” Let us see the how respondents rates.

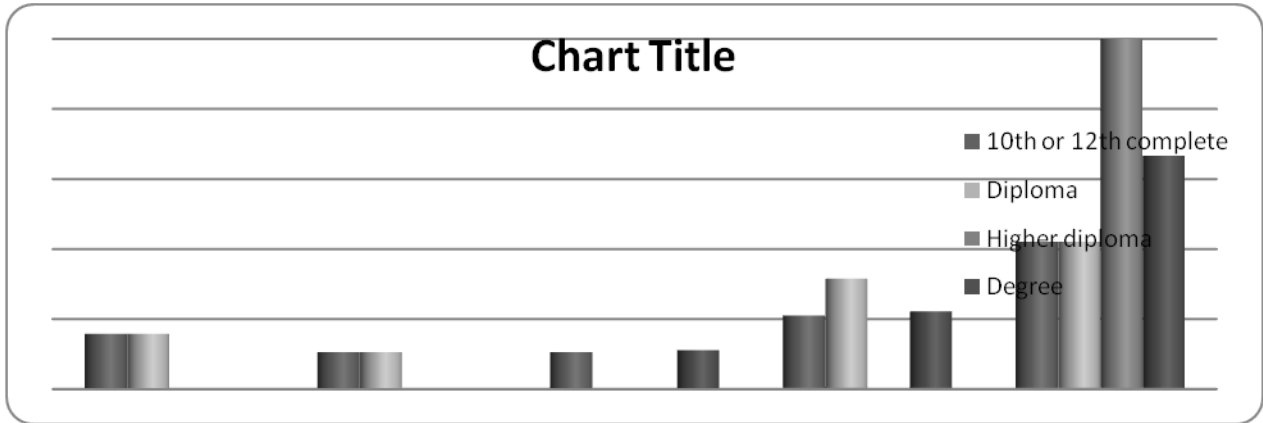


Chart 4.3a

They think performance management helped them to develop their skill & potential because 73.5% agree & 20.4% disagree where as 6.1% is indifferent.

The last question raised about motivation is “I feel my supervisor is objective in his/her judgment of my performance.” Let us see raters response based on work experience as follows chart 4.3b.

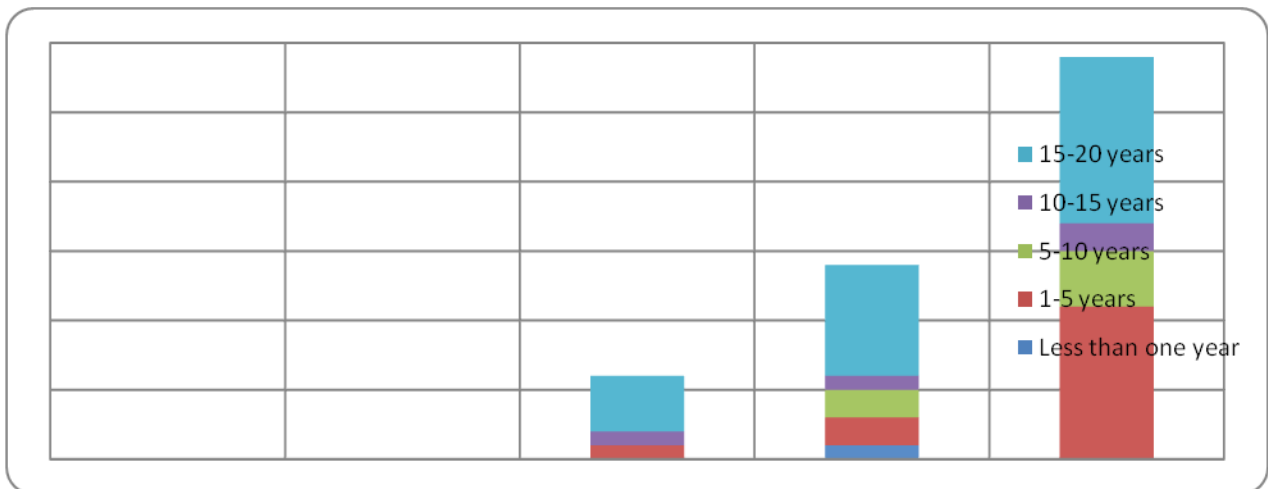


Chart 4.3b

From the above work experience chart 4.3b, 12.3% employees are indifferent, 28.6% agree and 59.1 strongly agree that their supervisor is objective in their judgment of performance.

**Table 4.4 Problem of performance appraisal system**

<b>Problem of Appraisal system</b>	<b>Absolutely Disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely Agree</b>
The system of performance management used here works well and does not need to change	22.4%	39%	8%	14.3%	16.3%
I feel that performance appraisal sessions can be described as a superficial process, carried out merely because it has been prescribed by higher authority.	18.2%	2.1%	22.5%	39%	18.2%
Assessments of my performance are consistent, fair & unbiased	22.5%	4%	14%	20.5%	39%
Performance management has no value for individuals only for organization.	30.6%	12.2%	4.1%	8.2%	44.9%
I feel that performance has been judged in terms of general impressions rather than actual achievement	8.2%	12.3%	26.5%	24.5%	28.5%
I think that evaluation of performance is influenced by one of employee's stronger or weaker traits.	12.24%	22.45%	20.41%	22.45%	22.45%
I find it difficult to discuss work problem with my line manager	16.3%	12.2%	16.3%	22.4%	32.8%

In table 4.4 the first question raised was whether performance management used well & doesn't need to change; as table 4.4.1 shows, the gender raters evaluate that 61.4% of employees agree it need change, 30.6% disagree & 8% are indifferent.



Table 4.4.1

<b>Gender</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Male</b>	22.2%	41.7%	2.8%	19.4%	13.9%
<b>Female</b>	23.1%	30.7%	23.1%	0	23.1%
<b>Total</b>	22.4%	39%	8%	14.3%	16.3%

Specifically 63.9% of male and 53.8% of female agree that performance management of Hamaressa Edible Oil S.C need change, but 33.3% of male and 23.1% of female disagree by saying it does not need change.

The second question is performance appraisal sessions can be described as a superficial process, carried out merely because it has been prescribed by higher authority & majority of interviewed employee agree that (57.2%) describes as it is superficial process & carried out merely because it has been prescribed by higher authority.

Table 4.4.2

<b>Years of service</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Less than one year</b>	0	0	0	100%	0
<b>1-5 years</b>	21.4%	0	21.4%	35.8%	21.4%
<b>6-10 years</b>	0	0	50%	0	50%
<b>11-15 years</b>	0	0	0	66.7%	33.3%
<b>16-20 years &amp; more</b>	25%	4.1%	20.8%	37.5%	3
<b>Total</b>	18.2%	2.1%	22.5%	39%	18.2%

When we analyzed this question based on work experience (Table 4.4.2) newly joined employee (that is less 1 year) believe that is 100% it is superficial and used only because it is prescribed by higher authority, but as the experience of employees increasing may be comfortable or adjust

themselves with the situation diplomatically because their rates of agreement is not like that of newly joined employees.

In table 4.4 question number 3, workers raters that their assessment of performance appraisal is not consistent, fair & unbiased and only 26.5% agree that it is consistent, fair & unbiased where as 14% are indifferent.

Let us see the 4<sup>th</sup> question “Performance management has no value for individuals only for organization” based on Gender as follows:

Table 4.4.3

<b>Gender</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Male</b>	38.9%	11.1%	5.7%	8.3%	36%
<b>Female</b>	7.7%	15.4%	0	7.7%	69.2%
<b>Total</b>	30.6%	12.2%	4.1%	8.2%	44.9%

From the above table 4.4.3 we can understand that 53.1% of respondents agree that performance management has no value for individual but for organization where as 42.8% said performance input has value for both individual & organization but 4.1% are in different.

Even academic qualification wise the same result registered as follows:

Table 4.4.4

<b>Academic qualification</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>10<sup>th</sup> or 12<sup>th</sup> complete</b>	31.6%	5.3%	5.3%	10.6%	47.2%
<b>Diploma</b>	26.3%	15.6%	0	10.9%	47.2%
<b>Higher diploma</b>	50%	0	50%	0	0
<b>Degree</b>	33.3%	22.3%	0	0	44.4%
<b>Total</b>	30.6%	12.2%	4.1%	8.2%	44.9%

If we compare only agree and disagree; 42.8% agree that performance management has value for individual and organization but 53.1% disagree.

Another question based on table 4.4 rose for raters is question number 5 that is about the feeling they have performance appraisal has been judged in terms of general impression rather than actual achievements.

Let us see their response based on gender.

Table 4.4.5

<b>Gender</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Male</b>	5.7%	8.5%	31.4%	28.6%	25.8%
<b>Female</b>	7.7%	23.1%	15.4%	15.4%	38.4%
<b>Total</b>	8.2%	12.3%	26.5%	24.5%	28.5%

In the above table 53% agree that performance has been judged in terms of general impression rather than actual achievement where as 26.5% is indifferent but 20.5% disagreed that it is they are not judged in terms of general impression rather than it is in actual achievement.

If we analyze the same question in terms of age as follows:

Table 4.4.6

<b>Age</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>20-30</b>	0	11.7%	35.3%	35.3%	17.7%
<b>31-40</b>	15.4%	7.7%	30.5%	23.2%	23.2%
<b>41-50</b>	0	9.1%	27.3%	27.3%	36.3%
<b>51-60</b>	50%	50%	0	0	0
<b>Total</b>	8.2%	12.3%	26.5%	24.5%	28.5%

From age 50-60 totally disagree that they are not judged in terms of general impression rather than it is in actual achievement but from 20-50 age majority agree that (44.9%) they are judged by general impression rather than actual achievement.

The sixth question raised for raters in problem of performance system is “performance is influenced by one of employee’s stronger or weaker traits.”

Let us see based on work experience table.

Table 4.4.7

Work experience	No	%
<b>Strongly disagree</b>	6	12.24
<b>Disagree</b>	11	22.45
<b>Indifferent</b>	10	20.41
<b>Agree</b>	11	22.45
<b>Strongly agree</b>	11	22.45

So from the above table 44.9% agree & strongly agree that performance is influenced by one of employee’s stronger or weaker traits but 34.69% disagree.

Final question raised to raters concerning problem of appraisal system is about difficulty to discuss work problem with their line manager.

Table 4.4.8

Gender	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
<b>Male</b>	19.4%	13.9%	16.7%	22.2%	27.8%
<b>Female</b>	7.7%	7.7%	15.4%	23%	46.2%
<b>Total</b>	16.3%	12.2%	16.3%	22.4%	32.8%

From this table we can see that 28.5% disagree & 16.3% are indifferent but 55.1% agree that it is difficult to discuss problem with their line managers. But if we see sex wise, male 33.3% disagree but 50% agree that it is difficult to discuss work problem with their line manager. Female 15.4% disagree but 69.2% agree that it is difficult to discuss work problem with their line manager. In any case either male or female majority agree that it is difficult to discuss work problem with their line manager.

**Table 4.5 Feedback in performance appraisal system**

Feedback in performance management system		Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
1	Feedback given on my performance appraisal is meaningful enough to make a marked difference in improving performance.	4.1%	6.1%	8.2%	34.7%	46.9%
2	Feedback is regular enough to enable to improve performance.	2%	0	0	20.4%	77.6%
3	Positive feedback is linked to motivate better performance levels.	0	0	0	24.5%	75.5%
4	I perceive that feedback is more positive when it is given sooner than later, after having been appraised.	0	2%	0	10.2%	87.8%
5	I get useful feedback from my performance management review	0	4.1%	2%	10.2%	83.7%

The first question from table 4.5 is “Feedback given on my performance appraisal is meaningful enough to make a marked difference in improving performance.” Accordingly 81.6% agree that feedback given on my performance appraisal is meaningful enough to make a marked difference in improving performance and 10.2% disagree but 8.2% are indifferent.

The second questioner on table 4.5 based on genders

Table 4.5.1

Gender	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
Male	2.8%	0	0	19.4%	77.8%
Female	0	0	0	23.1%	76.9
<b>Total</b>	2%	0	0	20.4%	77.6%

From table 4.5.1 we can see that 98% of sample respondents pointed out the Feedback of Hamaressa Edible Oil S.C is regular enough to enable to improve performance though 2% strongly disagree about this.

We can see this result based on work experience as follows:

Table 4.5.2

<b>Work experience</b>	<b>Absolutely disagree</b>	<b>Disagree</b>	<b>Indifferent</b>	<b>Agree</b>	<b>Absolutely agree</b>
<b>Less than 1 year</b>	0	0	0	0	100%
<b>1-5</b>	0	0	0	14.3%	85.7%
<b>6-10</b>	0	0	0	33.3%	66.7%
<b>11-15</b>	0	0	0	0	100%
<b>16-20</b>	4.2%	0	0	25%	70.8%
<b>Total</b>	2%	0	0	20.4%	77.6%

The result is the same 2% disagree but 98% agree & even out of this strongly agree is 77.6%.

Let us see the detailed result:

- ✿ From less than 1 year up to 15 years that is 51.02% totally agree that feedback is regular enough to enable to improve performance.
- ✿ From 16-20 years 4.2% strongly disagree but 95.8% agree feedback is regular enough to enable to improve performance.
- ✿ Generally from all work experience raters 98% agree that feedback is regular enough to enable to improve performance.

In question no 3 table 4.5 say positive feedback is linked to motivate better performance level.

Table 4.5.3

<b>Work experience</b>	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
<b>Less than 1 year</b>	0	0	0	0	100%
<b>1-5 years</b>	0	0	0	21.3%	78.8%
<b>6-10 years</b>	0	0	0	16.7%	83.3%
<b>101-15 years</b>	0	0	0	25%	75%
<b>16-20 years</b>	0	0	0	29.2%	70.8
<b>Total</b>	0	0	0	24.5%	75.5%

From the above table 24.5% agree that feedback is linked to motivate better performance level & 75.5% strongly agree with this point that is 100% raters totally agree about feedback.

In table 4.5 questions No 4 looks like this by academically qualification.

Table 4.5.4

<b>Academic qualification</b>	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
<b>10<sup>th</sup> or 12<sup>th</sup> complete</b>	0	0	0	15.8%	84.2%
<b>Diploma</b>	0	10.5%	0	0	89.5%
<b>Higher diploma</b>	0	0	0	0	100%
<b>Degree</b>	0	0	0	33.3%	66.7%
<b>Total</b>	0	2%	0	10.2%	87.8%

From this 2% disagree that feedback is more positive when it is given sooner than later, after having been appraised but 98% agree by saying I perceive that feedback is more positive when it is given sooner than later, after having been appraised.

If we see deeper this rating of question no 4:

- ✿ 100% of 10<sup>th</sup> or 12<sup>th</sup> complete, 89.5% of diploma, 100% higher diploma and 100% of degree agree that feedback is more positive when it is given sooner than later, after having been appraised.
- ✿ 10.5% of diploma disagree that feedback is more positive when it is given sooner than later, after having been appraised.

The last question in table no 4.5 is “I get useful feedback from my performance management review”

Let us see this question based on work experience.

Table 4.5.5

Work experience	Absolutely disagree	Disagree	Indifferent	Agree	Absolutely agree
<b>Less than 1 year</b>	0	0	0	0	1
<b>1-5 years</b>	0	7.1%	7.1%	0	85.8%
<b>5-10 years</b>	0	0	0	0	100%
<b>10-15 years</b>	0	0	0	25%	75%
<b>15-20 years</b>	0	4.2%	0	16.7%	79.1%
<b>Total</b>	0	4.1%	2%	10.2%	83.7%

4.1% disagree that they are not getting usefully feedback from their performance management review whereas 2% are indifferent but 93.9% agree that they are getting usefully feedback from their performance review.



## 5. SUMMARY, CONCLUSION, AND RECOMMENDATION

### 5.1 Conclusion

Hamaressa Edible Oil S.C has designed policy & system to review and evaluate employee's performance against personnel traits and specific goals. Majority of employees perceived that the criteria of current evaluate system of Hamaressa Edible Oil S.C are not valid, clear & job related. And it is not helpful and most of them have complained on the objective of the appraisers during evaluation time. It was confirmed by majority of rates that employee performance evaluation criteria's are communicated of employees before the evaluation is undertaken.

According to response from majority of rates Hamaressa Edible Oil S.C does not give any training or support on their weak performance but used for organization purpose only and there is no formal procedure for promotions/transfer. Majority of rates agree that performance evaluation system is not linked with motivation and they believe it didn't help them to develop their skill & potential. Respondents also clearly state the problem of performance appraisal system of Hamaressa Edible Oil S.C, i.e.

- A. Performance is carried out generally because it has been prescribed by higher authority.
- B. Their assessments are not consistent, fair & unbiased.
- C. It has value only for organization not for individual most critically it has been judged by general impression and influenced by one of employee's stronger or weaker traits.

Respondent rates the feedback system of performance appraisal that is almost all believe that they had been getting their feedback on time & useful for their purpose. According to the response obtained from employees (both rates and raters) the main purpose of performance evaluation is to provide information on human resource decision like salary, promotion, compensation, transfer etc. Almost all respondents, state that they are evaluated by their immediate supervisors and also state that the rater should be an immediate supervisor of an employee.

Most of the respondents of ratees believe that the rater used the criteria mentioned on the evaluation form for the evaluation. While a considerable percentage of them believe that rater use personal judgment as a criterion for the evaluation.

In general, from this research we can conclude the following:

1. The major purpose of performance is to enhance policies of incentives and at large to encourage efficiency at Hamaressa Edible Oil S.C. And the next purpose is to provide information on human resource decision; to identify employee training needs & to measure quality of performance.
2. The feedback on performance in Hamaressa Edible Oil S.C in majority rates eye it is acceptable & helpful though it doesn't give any support to improve their performance.
  - ❖ The criteria against which employees' performance has been measured have some relation with the job, but it is characterized by some level of subjectivity.
  - ❖ Most of the rates mentioned the problem of lack of skilled appraisers to perform the task of appraisal. There is also lack of flexibility and raters also use personal feeling which may be lead to some wrong conclusion about employee performance evaluation results and the employees may have less trust on the process. So the evaluation may not be reliable and valid.
  - ❖ Most of employees believe that post appraisal discussion helps them to improve future performance, but most of employees are not clarified of what is expected from them.
  - ❖ The performance appraisal system has some impact to employee's performance, so we can say that performance appraisal system of the organization help employees to improve their performance in the future.

## **5.2 Recommendation**

1. The purpose of appraisal should be communicated to employees, and employees should participate in the process. Communication will be effective when the transfer of information has been taken place and has been received and understood by employees.
2. The performance criterion of the current system of Hamaressa Edible Oil S.C needs to be encouraged in conformity with the purpose designed. To this end, the criteria should be more accurate, specific and job related to generate objective employees performance data.

However, it should not be forgotten that employees should meaningfully participate in the process of establishing the criteria.

3. To reduce the subjective nature of the appraisal system Hamaressa Edible Oil S.C has to replace some of the subjective criterions by job related criteria's. And raters should get more training on how to evaluate employees to avoid bias and subjective judgments. The rates should also use the standard format for the evaluation and should be free from any bias or problems.
4. Raters should develop a habit of recording favorable or unfavorable deeds of workers to reduce recent behavior bias.
5. In order to avoid the problem associated with the appraisal system, a revision program should be established in which employees would meaningfully participate.
6. With the discussion of Hamaressa Edible Oil S.C management it has been agreed that since most employees are not satisfied with the current performance appraisal system IPMS should be implemented starting from July & they ready finalize the study of it.

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## Annex

### 3. Financial Budget and time schedule

#### 3.1 Financial Requirement (in Ethiopian birr)

No	Description of cost items	unit	Quantity	Unit cost	Total cost	Remark
1.	<b>Material</b>					
	Stationeries				400	
	<b>Subtotal cost</b>				<b>400</b>	
2.	<b>Labour cost</b>					
	Data Collector	person	3	400	1200	
	<b>Subtotal cost</b>				<b>1200</b>	
3.	<b>Periderm</b>					
	Researchers	Days	30	500	15,000	
	Evaluator	Days	12	500	6000	
	<b>Subtotal cost</b>				<b>21,000</b>	
	Transportation Cost	Trips	6	265	1590	
	<b>Subtotal cost</b>				<b>1590</b>	
	<b>Total cost</b>				<b>24190</b>	
	<b>Contingency (5%)</b>				<b>1209.5</b>	
	<b>Grand Total</b>				<b>25399.5</b>	

### 3.2 Work plan (Gantt Chartt)

Activities	Year 2014/15					
	Oct	Nov	Dec	Jan	Feb	Mar
Prepare project proposal						
Library reading						
Preparation of questionnaire & checklists						
Submission of questionnaire & checklists to supervisor						
Collection of comments from supervisor						
Preparation for field						
Field work & field stay						
Cleaning, designing and entering data into SPSS Software						
Analyses of the quantitative data and summarizing the qualitative data						
Write up of dissertation						
Submission of first draft to the Supervisor						
Incorporation of comments from the supervisor and submission of final draft						

# QUESTIONNAIRE

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## Dear Respondent

This questionnaire is prepared to collect data for a research to be undertaken for the partial fulfillment of an MA Degree in the field of Business Administration. The overall objective of the questionnaire is to investigate the perceptions of Hamaressa Edible oil S.C's employees with regard to current performance appraisal system and how it is related to enhancing productivity of employees. Since the purpose of the study is an academic, your responses will be kept absolutely confidential and will be used only for the same.

Please follow the instruction provided at the beginning of each of the two sections and read each item carefully. The questionnaire should take approximately 15 minutes to complete,

Your co-operation and support in making this study possible are greatly appreciated;

Yours faithfully

Dereje Abebe

## SECTION A: DEMOGRAPHICS

Please provide your response to each question on the space provided.

1. What is your gender?

Male

Female

2. What is your age?

20 – 30

30 – 40

40 – 50

50 – 60

60 +

3. What is your marital status?

Unmarried	
Married	
Divorced	
Widowed	

What is your present rank/grade in the organization? \_\_\_\_\_



4. What is your highest academic qualification?

10<sup>th</sup> or 12  
complete
  Diploma
  Higher  
diploma
  Degree
  Masters  
and  
above

5. How many years did you serve the organization?

Less than  
1 year
  1 – 5  
years
  5 – 10  
years
  10 – 15  
years
  15 – 20  
years
  20 years  
above

### SECTION B: Perception of Employees

- 🌟 5: Absolutely agree
- 🌟 4: Agree
- 🌟 3: Indifferent
- 🌟 2: Disagree
- 🌟 1: Absolutely disagree

NO	Purpose of performance Appraisal	No	RANK				
			1	2	3	4	5
1	Performance review techniques have more impact on my performance, insensitive & morale						
2	Performance managements does not help to develop careers, only improve work performance						
3	I feel that a higher level of participate on in the appraisal process would improve your performance.						
4	I think that some appraisals are manipulated in order to hold back effective workers from promotions/transfer						
5	I think that self- evaluation would improve the level of accuracy in performance appraisal.						

NO	Performance evaluation system linked with motivation	No	RANK				
			1	2	3	4	5
1	I feel that I am sufficiently qualified to make a meaningful assessment of my true abilities.						
2	I am satisfied with the way in which the results of performance appraisals are utilized						
3	I am not satisfied with the way my manager/team leader conducts my performance review						
4	Performance management helps me to develop my skill & potential.						
5	I feel my supervisor is objective in his/her judgment of my performance.						

NO	Problem of Appraisal system	No	RANK				
			1	2	3	4	5
1	The system of performance management used here works well and does not need to change						
2	I feel that performance appraisal sessions can be described as a superficial process, carried out merely because it has been prescribed by higher authority.						
3	Assessments of my performance are consistent, fair & unbiased						
4	Performance management has no value for individuals only for organization.						
5	I feel that performance has been judged in terms of general impressions rather than actual achievement						
6	I think that evaluation of performance is influenced by one of employee's stronger or weaker traits.						
7	I find it difficult to discuss work problem with my line manager						

NO	Feedback in performance management system	No	RANK				
			1	2	3	4	5
1	Feedback given on my performance appraisal is meaningful enough to make a marked difference in improving performance.						
2	Feedback is regular enough to enable to improve performance.						
3	Positive feedback is linked to motivate better performance levels.						
4	I perceive that feedback is more positive when it is given sooner than later, after having been appraised.						
5	I get useful feedback from my performance management review						