



**ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES**

**EMPLOYEES' PERFORMANCE EVALUATION
PRACTICES AND CHALLENGES AT ZEMEN BANK**

**BY
MULUGETA HAILU**

**MARCH 2013
ADDIS ABABA,
ETHIOPIA**

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Ato Goitom Abraham (Asst. Prof.). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

St. Mary's University College, Addis Ababa

Signature

February, 2013

ENDORSEMENT

This thesis has been submitted to St. Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

St. Mary's University College, Addis Ababa

Signature

February, 2013

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Abstract

This project is designed to assess the Employees' Performance Evaluation Practice and challenges in Zemen Bank. On the basis of data collected through questionnaires and interview; the researcher have tried to reveal some of the real problems of performance evaluation practice based on the opinion of the respondents in this organization. The questionnaire was distributed to 75 employees of the bank working in head office and three kiosks: in which 53 were fully completed and returned. The questionnaire was distributed to the employees on the basis of simple random sampling based on respondent willingness and cooperation of the respondents. The data collected were analyzed using Microsoft Excel application software. On the basis of the data obtained from the respondents, Existence of quota system, Seniority, Subjectivity, lack of clarity of performance evaluation criteria, forms inadequacy to reflect the performance of the employees' jobs and duties, and manager related problems are the most serious problem identified at Zemen bank. In Addition, the researcher has discovered that evaluators usually do not continually record or document the performance of employees over the evaluation period. In this regard, it was identified that evaluators evaluate the performance of employees on the basis of recent behaviors'. In order to conclude, the performance evaluation system of the bank is attacked with problems. Based on the findings of the study, the researcher has forwarded some recommendations so that to give them an insight as to the practice and its associated problems of performance evaluation in the organization.

LIST OF ACRONYMS

HR	–	Human Resource
MBO	–	Management by Objective
PA	–	Performance Appraisal

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Managing performance has been a very important issue for a long period of time. It has gained more attention recently due to high competitive business environment. Financial sectors especially Banks need to give great attention to their employees' performance and evaluation since employees are the first one who represents the bank in front of those prestigious customers. In addition, employees are responsibility to create excellent image about the bank to those customers in order to make the bank to be a leader in such competitive business environment. Hence "People have become the primary source of competitive advantage" (Wellins, Bernthal, & Phelps, 2005).

According to Longenecker and Fink (1999), formal evaluations are required to justify a wide range of human resource decisions like pay raises, promotions, demotions, terminations, training needs, and etc. They also emphasize that performance evaluation is one of the top 10 vehicles for creating competitive advantage in the business environment. Moreover, they assure that performance measurement allows the organization to tell their employees something about their rate of growth, their competencies, and their potentials.

On the other hand, Somerick (1993) has proven that ineffective performance evaluation can be a cause for many problems, such as low morale, low productivity, a lessening of an employee's enthusiasm and support for the organization, high rate of skilled employee termination, high rate of customer turnover, high running costs and etc that leads the company to shrink early.

In today's competitive business world, it is understood that organizations can only compete with their rivals by innovating, and organizations can be innovative by managing their human resources well. The human resource system can become more effective by having a valid and accurate performance appraisal system used for rating employees (Armstrong, 2003; Bohlander & Snell, 2004).

Performance evaluation demands the immediate supervisors to understand the nature of the job and the sources of information, and the information needs to be collected in a systematic way, and it is provided as a feedback, and integrated into organization's performance management process for use in making compensation, job placement, and training decisions and assignments (Islam and Rasad, 2005).

As revealed by Steers and Black (1994), "performance appraisal is one of the most important and often one of the most mishandled aspects of management." It has also been said to be one of the most problematic components of human resource management and is viewed as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (Coutts and Schneider, 2004).

The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance and hence rating accuracy is a critical aspect of the appraisal process. A difficulty of getting accurate appraisals of employee job behavior is most often attributed to: faults in rating format used, deficiencies in appraisal content, rater resistance to judge others, and the implications of the specific purpose of appraisal for the rater and the ratee (Decotiis and Petit, 1978).

Therefore, the problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees, which in turn, leads to wrong administrative decisions that can highly affect the life of the employees.

Thus, this paper tried to assess the practices and challenges of employees' performance evaluation in Zemen Bank S C. Hence such study has never been conducted before and the bank is new, encompassed with skilled manpower, innovative and well technologically equipped, it is advantageous for the bank to see early the problem occurring in relation with employees' performance evaluation and helps to take remedial action to overcome the cause and consequences identified.

1.2. Statements of the problem

As mentioned in the forgoing discussion, proper performance evaluation can have a number of advantages including job satisfaction, compensation, increase motivation, clear understanding of what is expected and what needs to be done to meet expectations, opportunity to discuss aspirations and any guidance, support or training needed to fulfill these aspirations, improved working relationships with the superior, opportunity to overcome the weaknesses by way of counseling and guidance from the superior, increased sense of personal value as employees are involved in the appraisal process, time will be devoted for discussing quality of work without regard to money issues.

On the other side, as different Authors ascertain in the above discussion poor performance evaluation causes so many problems. To mention, poor performance evaluation results in managers' inconsistency, evaluators' subjectivity, job dissatisfaction/low morale of employees, high retention rate of employees, inconsistency of feedback, poor employee/managers' relationship, hinder professional development, diminishes chances for merit raises. These arise due to irrelevance of the criteria used to evaluate the performance of the employees, lack of skills and knowledge of the raters, the subjectivity, favoritism and bias of the raters, inability to provide feedback as to the results of the performance evaluation.

Since, the above mentioned problems are inherent in every organization where there is a formally designed performance evaluation system and there is murmuring about the existence of those mentioned problem at Zemen Bank, this study addressed the problem occurred at Zemen Bank Due to poor performance evaluation practice, and the consequences' arise as a result of those problems.

1.3. Research questions

Based on the data collected from both management group and permanent employees of Zemen Bank, whose were evaluated for the last three years, the study tried to analyze the existence of the above mentioned problems.

This research tried to answer the following basic research question:-

1. How performance evaluation is conducted at Zemen bank?
2. For what purpose is performance evaluation mostly conducted by the bank?
3. What are the major performance appraisal problems of the bank?
4. What are the major consequences of performance evaluation practices on the overall employees' morale and retention?
5. What method should the bank use to improve the performance evaluation system in general?

1.4. Objective of the Study

The general objective of this study is to assess the practices and challenges of employees' performance evaluations process at Zemen Bank. Specifically, the objectives of the study are to:-

1. See the performance evaluation practice of the bank.
2. Determine the purposes of performance evaluation conducted mostly.
3. Identify the major performance appraisal related problem of the bank.
4. See whether employees' morale has been decreased and employees are leaving the bank due to performance evaluation practice.
5. Recommend alternative measures that should be taken based on the finding of the study.

1.5. Significance of the study/problem

Since performance evaluation does have various advantages for both organization and employees. such as pay increases, improvement and training, transfers, compensations, counseling, promotion, employee recognition, termination, and moreover enhancing firms overall performance, the outcome of this study supports by identifying the problems of performance evaluation and give signal to the Human Resource Management of the bank to take remedial action to minimize the barriers of performance evaluation in prospecting employees for different reasons as mentioned above.

This study also serves as a piece of contribution to the current knowledge in the practice of performance evaluation in an enterprise working in Ethiopia and may help to bring behavioral change in the areas of performance evaluation both in the mind of the raters, ratees and those parties responsible in the design of the instruments of performance evaluation forms that are used to judge the performance of employees. In addition, the result of the study may initiate the academia to conduct further performance evaluation related research in the future.

1.6. Research Design and Methodology

1.6.1. Research Design

Since this study is a case study; it is conducted based on the descriptive research technique to describe the practices and challenges of employees performance evaluation in Zemen Bank S C. Because it is a descriptive research technique, questionnaires and interview have been used to collect data from employees and management group of the organization. Pilot test had been conducted among prospective employees prior to conducting the actual research in order to assure the effectiveness of the techniques.

1.6.2. Population and Sampling Techniques

Currently, Zemen bank has around 150 (One Hundred Fifty) permanent employees out of 250 (Two Hundred Fifty) total employees, who are located at Head Office around Kazanchis and in three kiosks at Mexico area, Sweden embassy compound and Ambassador Area. This research targeted permanent employees of the bank addressing both at head office and kiosks, Hence performance evaluation focus on permanent employees only.

Simple random sampling techniques has been used, since the respondents are homogeneous and do have equal contribution to the study. Thus, it is difficult to address all permanent employees of the bank due to various constraints; this research addressed 75 employees of the bank, which is 50% of the total permanent employees of the bank and interview is conducted to 5 management group of the bank.

1.6.3. Sources of Data Collection

The data were collected from two sources. 1) Primary data 2) Secondary data; Hence primary data are the main sources to the study; questionnaire containing Four parts 1) demographic aspect part 2) "Yes" or "No" part 3) Likert Scale Part 4) Personal Respond and comment parts, had be developed and distributed to management members of the Bank as well as permanent employees of the Bank. Moreover open ended interview had been developed and randomly conducted to both management group and permanent employees of the bank. To this end 75 questionnaires were distributed to employees of the bank who have been evaluated for the last one year and above and working in the main branches of the Bank and kiosks. The sample was selected from the total population of 150 permanent employees of the Bank. Among these questionnaires, 53 were fully completed and returned with a return rate of 71% which is acceptable.

Moreover, Interview was conducted with evaluators (Raters), employees and the Human Resource manager of the Bank through open ended questions which is designed to elicit the practices and challenges of performance evaluation of the bank. Among them 3 out of 5 employees of the bank answered the interview question.

The research analyzed secondary data through the detailed review of related literature. To this end, books, articles, journals, magazines, bulletins, brochures, and the company's Human Resource manual has been assessed and presented in the literature review part.

1.6.4. Data Analysis method

Since, this study is descriptive research techniques; the data gathered are analyzed using SPSS computer program system to find out the overall result. In doing so Tables and percentages descriptive methods has applied to summarize and compare the final result.

1.7. Delimitation/Scope of the Study

This study tried to address both employees and management group of Zemen bank, which has only one branch and three Kiosks around Addis Ababa using questionnaires and interview. The study has focused on limited number of respondents; hence it is difficult to address all employees. The information gathered are analyzed using SPSS computer programming software, since the research is descriptive.

1.8. Limitation of the study

In addition to shortage of time and Budget, there were various reasons that limited the study. Like, among the expected number of employees, some of them were not willing to fill the questionnaires. Moreover getting access on employees' personal evaluation result of the previous year's records and unavailability of previous studies at international level on related topic had limited the research.

1.9. Organization of the study

The study is organized into four chapters. Chapter one deals with introduction, chapter two deals with the review of the related literature, chapter three deals with data analysis and interpretation and presentation and finally chapter four contains summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The main purpose of this chapter is to give a clear theoretical and practical understanding about employees' performance appraisal in business firms especially banks. Particularly, this paper focuses on ten major areas. The study starts with giving highlight on performance appraisal; based on the definition given by different scholarly. Then, necessity of performance appraisal; methods of performance appraisal; performance criteria's; benefits of performance appraisal; performance appraisal processes; effective performance appraisal are areas covered under this chapter.

2.2. Performance Appraisal an Overview

According to Lansbury (1988), performance appraisal is defined as "the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance".

On the other hand, Baron and Armstrong (1998,38) define performance management as a systematic management tool comprised of purposes, standards, objectives, measurement, feedback and reward that are agreed on to receive more effective results from the organizations, teams and individuals by motivating the individuals in a way to make them be aware of their own potentials.

Moreover performance appraisal (PA) may be defined as a structured formal interaction between a subordinate and a supervisor where the subordinate's work performance is evaluated. It is a generic term for a variety of processes whereby an individual's work performance is assessed, usually by the person's closest supervisor, and discussed with a view to solving problems, improving performance and developing the individual appraised. Performance appraisals take place at

regular intervals and are usually based on a standardized method (agreed performance criteria and or measures). In the appraisal process, either the employee's performance or the outcome of performance is evaluated (Fletcher, 2003, 116; Dreves, 2002, 138; Lawler, 1990, 86).

2.3. Necessity of Performance Appraisal

Dewakar (2009, 20) has clearly explained the objective of performance appraisal in an organization. According to him the objectives of performance appraisal are categorized in to two major perspectives, namely, employees' perspectives and organization perspective. According to him, employees perceive positive benefit from the system when it is direct towards the consideration of an employee's needs while Organizations are demanding the system with the expectation of operational and business priority of the organization.

In addition, Dewakar has generalized that good performance appraisal will help to allocate resources, to reward for performance, to create a positive feedback, bring fairness, to identify training and development and create equal opportunity to all.

Similarly, Murphy (1995), states that the purpose of performance appraisal can be categorized basically in to two major perspectives, including organization's perspective and employees' perspective. He clarifies, organization's perspective as, to improve productivity and efficiency of an organization, to provide developmental feedback to employees, to document performance levels and decisions made, to achieve information on which to base other administrative decisions, to find the best fit between employees' qualifications and organizational tasks, to distinguish the best performers from poorer performers, to motivate poor performers, to maintain the motivation of good performers, to use appraisals for performance-based pay distribution and to articulate organizational goals to the individual level. Employees' perspective can be to improve performance or qualifications, to enable developmental feedback to the upper management, to promote career development and to receive rewards based on good performance.

Rynes (2005) also asserts that Performance appraisals are usually implemented for at least for two reasons. Firstly, performance appraisals are used as a management

tool in order to develop personnel. In particular, performance evaluation is seen to improve the performance of employees through developmental feedback (i.e. mainly focused on improving performance). Secondly, appraisals are used to make administrative decisions based on the evaluation of performance, namely, allocation of rewards and punishments such as pay increases, promotions or discharge.

We can generalize from the above discussion that formal evaluations of employee work behavior helps the employer and employee build on the strengths of the employee and identify those areas the employee needs improvement to be more effective and efficient in his/her job. Moreover performance evaluations can ensure the creation of reasonable performance standards so that both supervisor and employee are aware of work that is considered "acceptable performance." Because of the active involvement of both the supervisor and the employee in performance evaluations, an important channel of two-way communication will be also opened. Obviously, communication can result in increased cooperation and understanding between supervisors and employees, which in turn will enhance work performance and work environment thus providing better customer service to the community and each other.

2.4. Methods of Performance Appraisal

There are different performance appraisal methods thus, managers can choose from these appraisal methods while appraising the performance of their subordinates. This section deals with nine commonly used performance appraisal methods categorized under traditional methods and modern methods. These appraisal methods are briefly discussed below as asserted by different authors.

Traditional methods of performance appraisal techniques includes, ranking straight, comparing by way of paired ranking, assessment of linear rating scale, evaluation on the parameter of critical incidents, evaluation by the group and appraisal by field review.

Modern methods of performance appraisal techniques includes, multi-level multi-source feedback system (360 degree feedback), evaluation on the basis of result or management by objective (MBO) and evaluation on behaviorally anchored rating scales.

2.4.1. Traditional Methods of Performance appraisal techniques

As asserted by different authors some of the traditional performance appraisal techniques are explained below.

2.4.1.1. Ranking Straight

This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance and then the performance of one is compared with the other in all parameter. This method does have lot of drawbacks since peoples are different in behavior, way of working, style and concept of perfection, straight ranking techniques do not consider these factors (Dewakar 2009, 26-27).

According to Saiyadain (2004, 211), if an employee is evaluated by more than on supervisor, each one of the supervisors will rank the employee according to their own assessment and the mean will determine the employee performance. Comparison among the employees will be done by the mean result.

2.4.1.2. Comparing by Way of Paired Ranking

As compared with ranking straight method this method is relatively better technique of comparison. Hence, the performance of one is compared with all members of the group. This method was short-lived because it was found to be quite difficult to design and it was time consuming and difficult to implement in a large number of people (Dewakar2009, 28).

The ranking techniques are determined by the number of time that the employee is superior over their co-worker. However, since this comparison is made on an overall basis and not in terms of specific job behavior or output, it may be subject to legal challenges (Casico 2004, 342).

2.4.1.3. Assessment of Linear Rating Scale

This method is also known as graphic method since the parameters are putted in a graphic forms and tick box will be put in front of each parameters to rate employees from excellent performer to poor performer. The drawback of this method is that rater subjectivity is possible, But still most organizations throughout the world are using it and it is the most popular techniques (Dewakar 2009, 29).

Graphic methods of performance appraisal techniques helps to measure the overall competencies and objectives level the employees. In relation with competencies; the employee's potential to identify and analysis problems and his/her ability to maintain harmonious and effective work relationship with co-workers and constituents will be assessed. Pre stated objective will be evaluated in the objective parts (Dessler 2005, 317).

2.4.1.4. Evaluation on the Parameter of Critical Incidents

In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behavior as and when they occur (Dewakar 2009, 32).

The objective of critical incident method of performance appraisal technique is improve the supervisors ability as an observer and helps to train supervisors in taking notes while critical incidents on outstanding example of success or failure happens (Saiyadain 2004, 213).

This method helps the supervisor to provide actual examples of good and poor performance that use to explain employees rating, also it insure that the appraisal process cover the year. But this method is not too useful for comparing employees or making benefit decision (Dessler 2005, 322).

2.4.1.5. Evaluation by the Group

As the name indicates this is a group evaluation technique. Here, the group will determine job performance standards and evaluate with the actual performances. Since the evaluation process is taken under a group it is time consuming but it eliminates the scope of any bias and it is quite simple (Dewakar 2009, 33).

2.4.1.6. Appraisal by Field Review

In this method, the expert evaluator, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias (Dewakar 2009, 34).

In general, from the above discussion we can see that in a traditional performance appraisal approach only the supervisor or management groups or external experts are involving; but different scholars have thought that involvement of employees is a necessity for a good performance appraisal.

2.4.2. Modern Methods of Performance Appraisal Techniques

As asserted by different authors some of the modern methods of performance appraisal techniques are explained below.

2.4.2.1. Multi-level Multi-source Feedback System (360 Degree Feedback)

360 degree feedback techniques can be defined as a systematic collection and feedback of performance data on an individual or group derived from a number of stakeholders (the boss, team members, peers, customers, subordinates) in their performance (Dewakar 2009, 38).

360 Degree feedback system does work first by developing questionnaires, these questionnaires could be in a mixed or grouped forms, the respondents who are the stakeholders stated above do have a choice of alternative in relation to a particular

question, in addition even they can skip the rating. Moreover the individual who is going to be evaluated do have a chance to evaluate himself. Then all the respond will be collected summarized and conduct to the individual (Dewakar 2009, 37-40).

2.4.2.2. Evaluation on the Basis of Result or Management by Objective (MBO)

Here both the boss and the subordinates will be together to set realistic objective. First the boss give chance to the subordinates to set objectives then the boss decide as to what extent the subordinates should and plans the goal for the subordinate as per his expectation. After this, both the boss and the subordinates will have a mutual discussion about the objective to come in to a common agreement which will be written and signed by both (Dewakar 2009, 43).

The subordinate will be evaluated based on the objective agreed. This system does have a lot of advantage beyond other methods. Some of the advantages are, it motivates the subordinates, it integrates the entire organization since all are setting their objective towards the organization goal, and it helps employees to achieve their individual objective. However no system can be without its negatives. The drawback of this is the time involved in the process; it lays on sole emphasis on result rather than on quality traits in the performer (Dewakar (2009, 43-48).

According to Dessler (2005, 325) In order to implement management by objective appraisal techniques, there are six major steps;

Setting the organizational goal → setting department goal → discussing department goal → define expected result → performance review → provide feedback

Management by objective performance appraisal techniques does have main positive impacts in the organization. Some of them are; it strength coordination among various unit in the organization; it becomes easy to implement hence the performer involved in setting up the goal; each employees are aware of what is expected from him/her; etc (Saiyadain 2004, 214).

In the other hand, according to Dessler (2005, 326), Management by objective performance appraisal techniques faces three major problems. 1) Setting unclear

and non measurable objective 2) It is highly time consuming 3) Setting objective with the subordinate sometimes turn in to a tug-of-war.

2.4.2.3. Evaluation on Behaviorally Anchored Rating Scales

This technique is based on the concept that one can assess an employee's performance by evaluating his behavior or action over a particular situation. The parameters used in this technique are human relation, consciousness, organizational ability, observational power, knowledge and judgments. This technique is quite time consuming and expensive. Moreover it has no clear cut advantage as compare with the other, but it is quite modern to compare the competence of an individual (Dewakar 2009, 49).

Behaviorally anchored rating scales performance appraisal techniques basically combine the benefit of critical incident methods and graphic rating scale methods by anchoring a rating scale with specific behavioral example of good or poor performance. This technique provide better, more equitable appraisal than the others (Dessler 2005, 322).

According to Dessler (2005, 323-324), behaviorally anchored rating scales techniques is implemented through five basic steps;

Generate critical incidents → developing performance dimension → reallocate incidents → scale the incidents → develop a final instruments

Even though this technique is time consuming, it has some advantages than others. Result in more accurate gauges, clearer standards, feedback, independent dimension and consistency are some of the advantage that makes the system different from the others (Dessler 2005, 324).

2.5. Setting Performance Criteria

As pointed out by Vassallo (2004, 277), the criteria (dimensions) selected in forming an evaluation system should meet seven qualifications. Some of the factors observed in this study are, **validity**: criteria should be appropriate for the project and aligned with the objectives and goals, **directness**: criteria should be stated as

clearly as possible, **objectivity**: criteria should be measurable, **adequacy**: criteria should sufficiently measure the outcome, **quantitativeness**: criteria should be quantitative whenever possible, **practicality**: criteria should be obtainable efficiently and at a reasonable cost and **reliability**: criteria should be designed to enable replicable results.

2.6. Performance Appraisal Processes / Guidelines

According to Islam and Rasad (2005), employees' performance management techniques should have to consider the following areas in order to come up with good performance appraisal techniques.

2.6.1. Employee Participation

In any case, if the employees perceive the appraisal system as biased, unfair and lacks rigors, then it is unlikely that they will accept the outcomes of the system. Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself – all can be developed with the help of employees (Islam et al 2005).

2.6.2. Developing Performance Standards

When developing standards, they must be essential to measure the job duties and responsibilities. In addition, participation of employees will make the standard reliable, valid, fair and useful performance standards (Islam et al 2005).

2.6.3. Goal Setting

Setting goal specifically performance measurement goal will motivate employees and create appraisal satisfaction, especially when the criteria's are specific, measurable, moderately challenging and acceptable (Islam et al 2005).

2.6.4. Sound Performance Appraisal Interview

The appraisal interview must be conducted properly in order to get the most out of it. The interviewer must be aware about sensitivity to employee needs for privacy and

confidentiality. It is of utmost importance to provide undivided attention during the interview and reserve adequate time for a full discussion of the issues. Moreover an open ended question increase participation of employees in the evaluation processes (Islam et al 2005).

2.6.5. Self Evaluation

Self evaluation provides employees an opportunity to systematically assess their performance. Studies have indicated that self evaluation increases employees' perceived fairness on the appraisal process. Employees can evaluate themselves by completing their own appraisal form and presenting the draft for discussion with the evaluator (Islam et al 2005).

2.6.6. Management Feedback

Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tells them to improve, they will think that the present level of performance is accepted in the organization and they may not put extra efforts to improve (Islam et al 2005).

2.6.7. Develop User-friendly Procedure

Performance criteria and rating procedures should be simple enough and they should be well understood by the raters and ratees. Performance criteria should encompass the key aspects of employee's job. If any key aspect is ignored, then it sends the message that is unimportant and can be ignored. Appraisal system will be successful only when the items appraised address the requirements and essential functions on the job. The criteria used should be specific and directly related to the job (Islam et al 2005).

2.6.8. Evaluator Training

The person who conducts the appraisal exercise should receive extensive training in goal setting, setting performance standards, conducting interviews, providing

feedback, avoiding rating biases, etc. He/she should know how to conduct appraisals accurately, consistently, fairly and objectively. In particular, top management must be aware about the competency level of the raters (Islam et al 2005).

2.6.9. Revising Performance Appraisal Process

The performance appraisal result should be revised by the responsible department in order to assure that the process and practices are in line with the rule and regulation of the organization. By revising the process any bias or subjectivity can be avoided and a good performance appraisal technique will be implemented (Islam et al 2005).

From the above discussion it is clear that good performance appraisal activities should give attention to employees participation, setting pre determined performance standards, designing well defined goal, the arrangement of sound performance appraisal interview, the implementation of self evaluation, the need of providing management feedback, development of user-friendly procedure, evaluator training and revise performance appraisal process.

2.7. Who Should Do the Appraisal

Previously most organization were doing performance appraisal by a single person. But now a day given the complexity of today's jobs, it is often unrealistic to presume that one person can fully observe and evaluate an employee's performance. The raters may include supervisors, peers, team members, self, subordinates, and customers (George B & Scott S 2009; Cascio 2004, 348).

2.7.1. Managers/Supervisor Appraisal

This method of appraisal technique is traditional. Usually supervisors evaluate the performance of an individuals and then supervisor superior review the evaluation and appraise it. The negative impact of this technique is that when the supervisors face shortage of time to observe the performance of the individual; they simply relay on the past performance records of the individual. Even if reviews by superiors generally are more objective and provide a broader perspective of employee

performance it is highly subjective to the supervisor (George et al, 2009; Cascio 2004, 348).

2.7.2. Self-Appraisal

This appraisal methods increase the involvements of the individual in the appraisal process. Hence the employee is given a chance to complete the appraisal form prior to the review process it makes the job performance discussion among them simple and helps to agree on final appraisal. This approach also works well when the manager and the employee jointly establish future performance goals or employee development plans (George et al, 2009; Cascio 2004, 348).

2.7.3. Subordinates Appraisal

This is appraisal techniques made by subordinates to their managers. Most of the time managers are hesitant to endorse such a system, particularly when it might be use as a basis for compensation decisions. However, when the information is used for developmental purposes, managers tend to be more open to the idea. These techniques will be advantageous to manager to improve their performance if they heed the advice of their subordinates (George et al, 2009; Cascio 2004, 348).

2.7.4. Peer Appraisal

Peers appraisal technique is evaluation of performance of one another who are horizontal in the organization structure. This will help to see different dimension of performance hence peers can readily identify leadership and interpersonal skills along with other strengths and weakness of their co-workers. However, peer appraisals may not be advisable for administrative decisions such as salary or bonuses. Employers using peer appraisals must also be sure to safeguard confidentiality in handling the review forms. Any breach of confidentiality can create interpersonal rivalries or hurt feelings and bring about hostility among fellow employees (George et al, 2009; Cascio 2004, 348).

2.7.5. Customer Appraisal

The Customer performance appraisal system is like team appraisal, which is based on TQM concepts and seeks evaluation from both external and internal customers. For both developmental and administrative purposes, internal customers can provide extremely useful feedback about the value added by an employee or team of employees (George et al, 2009; Cascio 2004, 348).

2.8. Benefits of Performance Appraisal

As asserted by Charlie (2011), performance appraisal programs are important for the employees, supervisors who conduct appraisals, as well as companies. Brief explanation of these benefits is below.

2.8.1. Benefits for Employees

Employees are beneficiary in performance management program with many dimensions. Some of these are; It help to create clear understanding of his/her role and what is expected from her/him in the organization, helps to know his/her strength and weakness and to improve them, it is a means to get opportunities for further career development. Moreover, they get to know the way the performance appraisal process is conducted by their supervisors. Therefore, in order to take the advantage individual will focus on his work and try to deliver quality works (Charlie, 2011).

On the other hand Saiyadain (2004, 203) has asserts that employees are beneficiaries of performance appraisal through personal development, satisfaction and involvement of the individuals, and the perception of fair and just compensation.

2.8.2. Benefits for Supervisors

As employees are beneficiary in the performance management program; supervisors also do have many benefit packages. For instance; supervisors will get time to interact with the employees and understand their difficulties, helps to judge employees' confidence level and spot their difficulties, it helps to identify level of human resource and the gap and the supervisor gets to know of the training and development needs of an employee (Charlie, 2011).

2.8.3. Benefits for the Organization

Performance appraisal program do have great advantage to the organization. Through performance appraisal processes organization will get the chance to identify candidates with high potentials, helps to know the expectation of thee employees from the organization, help organizations to improve the overall workforce efficiency, skills and productivity and to build good relationships with each employee, help to decide how successful the company's induction and recruitment policies are, help to achieve organizational plan and etc (Charlie, 2011).

Moreover Saiyadain (2004, 203) has explained that organizations are benefited with performance appraisal through generating man power information, and provide a rational compensation structure.

2.9. Problems of Performance Appraisal and How to Avoid Them

John Sullivan with his magazine has explained the top 50 problems with performance appraisal. He categorized them as, most serious performance appraisal problems, process related problems, instrument (form) problems, manager/execution problems, employee/subject problems and timing issues. With his explanation he has clearly shown us that evaluating employee performance has many dimensions of difficulties which need to give serious attention. (<http://www.tlnt.com>) Some of these performance appraisal problems those related with this study are briefly discussed in the following section;

2.9.1. Most Serious Performance Appraisal Problems

According to the Author mentioned above some of the most serious performance appraisal problems include the following.

Don't assess actual performance: - Most of the time managers assess to factors that contributes to actual performance like characterizations of their personal "traits" (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance) rather than assessing the actual output.

Infrequent feedback: - feedback is given at the time of conducting performance result, but feedback need to be given at formal interval before conducting performance appraisal result.

Non-data-based assessment: - most performance appraisal processes are subjective due to not having pre populating forms with data to evaluate individuals. Decision made based on such subjectivity leads to poor performance appraisal process and creates bias among the individuals.

Lack of accountability: - most of the time managers are not accountable for their in accurate feedback or for making mistakes. If an individual keep silent with the wrong feedback given by his immediate supervisor no one will ask the supervisor his/her reason for the wrong feedback. In practice the supervisor is asked when the question is come from the individual.

2.9.2. Process Related Problems

As per Sullivan magazine process related problems includes the following.

Disconnected from rewards: - sometimes performance appraisal is not liked with employees benefit package or punishment like getting a merit raise, bonus, or promotion, demotion etc. At this time supervisors and manager may take the performance appraisal process carelessly.

Each year stands alone: - each performance appraisal by definition covers a finite period of time. However, if the goal is to assess potential and identify patterns, an employee's performance must be assessed over multiple years.

A focus on the squeaky wheel: - most performance appraisal systems focus on weak performers. There is significantly less focus on top performers and thus there is no system to capture their best practices and then to share them with others.

No second review: - in most organization performance appraisal is conducted by a single supervisor and conducted to the individuals. Since performance appraisal is conducted for the benefit of both individual and organization; to get accurate and fairness result a second review is necessary.

Cross-comparisons are not required: - most of the time performance appraisal processes are not done by comparing each member of the team with one another. A cross comparison is require in order to identify the strongest and weakest side of one another.

2.9.3. Instrument (form) Problems

As ascertained by Sullivan in his magazine, Instrument (form) related problems of performance evaluation process includes,

Doesn't address diversity: - all too often, the same appraisal form is applied to a large but not homogeneous group of employees (i.e. all hourly, all exempts, all managers etc.). As a result, the assessment form does not fit the job.

The factors are all equal: - most forms treat all assessment factors as if they are of equal importance. Instead, they should be weighted based on their relative importance in a particular job.

Disconnected from job descriptions: – in many cases, the factors on the form are completely different from the factors on an employee's job description, bonus criteria, or yearly goals. This can confuse employees and cause them to lose focus.

2.9.4. Manager/execution Problems

Managers related problems are the most briefly stated problems of performance evaluation process by the Author. Below are some of common managers' related problems explained by the Authors mentioned above.

Managers are not trained: - in most organizations, managers are not trained on how to assess and give honest feedback. If the process includes a career development component, it is even more likely that managers will not know how to enhance the career path of their employees.

Gaming the system: - often managers artificially rate individual employees to save money or to keep employees from becoming visible for promotion. Some selfishly

give a score just below that required for a pay increase, while others give scores just above the point where they would be required to take disciplinary action.

Recency errors: - managers, especially those who don't consult employee files and data, have a tendency to evaluate based primarily on events that occurred during the last few months (rather than over the entire year).

Inconsistency across managers: - some managers are naturally "easy raters" while others are not. As a result, employees working under easy managers have a better chance of promotion due to their higher scores. In firms that rely heavily on the narrative portion of the assessment, having a manager with poor writing skills may hamper an employee's career. Without "benchmark" numbers to set as a standard, inconsistency is guaranteed in large organizations.

Managers don't know the employee: - managers of large and global organizations, as well as newly hired and "transferred in" managers may be forced to do appraisals on employees they barely know. Recently promoted managers may be forced to assess their former friends and colleagues.

2.9.5. Employee/subject Problems

Employees related problems are also briefly explained by the author In addition to the above mentioned types of PA problems. Some of the problems raised in relation with employees are:-

One-way communication: - some managers simply give the employee the form to quickly sign and they don't even solicit feedback. Many employees are intimidated by managers and the process, and as a result, they say nothing during or after the appraisal.

Self-assessment is not possible: - Generally employees do not have a chance to evaluate themselves. It is possible to say that this practice is not implemented yet. But giving a chance to self assessment will create a smooth environment and end up with good performance appraisal result.

One-way process: - in most cases, employees do not have information about the factors on how they will be evaluated. Managers conduct the evaluation process in on way. There is no formal and informal communication between employees and managers prior to conducting the appraisal.

Retention issues: - employees' retention issue rose when the performance appraisal process is conducted unfairly. Top employees are turns to look for another job when they feel that the performance appraisal is unfair and no differential in recognition and rewards for their superior performance.

Many possible emotional consequences: - if performance appraisal is blotched, you can expect a decrease in employee engagement, trust employer brand strength, teamwork, and innovation contribution. Employee referrals from disgruntled employees will probably also drop.

2.9.6. Timing Issues

A time-consuming process: - most of the forms are incredibly long and time-consuming. As a result, some managers routinely recycle "last year's" evaluations. If HR is required to sit in on the sessions, the amount of wasted time increases significantly.

2.10. Effective Performance Appraisal

As asserted by Saiyadain (2003, 336) effective performance appraisal systems that are applicable in this research are:-

2.10.1. Relevance

As asserted by the author, the performance standards/criteria should be clearly linked with the organization goal and the employee's specific job duties and responsibilities. Moreover the performance standards / criteria should measure how well an employee has done the work. He has defined relevance as

"What really makes the difference between success and failure on a particular job, and according to whom?" Saiyadain (2003, 336)

From the above definition we can understand that the performance evaluation criteria in addition to linked with the goal and objective of the organization, it should have to measure the performance /achievement of employees out com.

2.10.2. Sensitivity

According to Saiyadain (2003, 336), the performance appraisal system should have to differentiate between good performer and poor performer. While doing so, employees' morale will be built and the performance appraisal result can be used for administrative purposes. If not; the process will be pointless work.

2.10.3. Reliability

This is the most important requirement of effective performance appraisal techniques. The performance evaluation result done by different parts (such as, Supervisors, Peers, Subordinates) should have to agree closely with one another. In order to do this all the evaluator need to have enough time to observe the individual. Saiyadain (2003, 337)

2.10.4. Practicality

The performance appraisal process of an organization need to be as simple as to put in to practice, Moreover the outcome of the result needs to serve its purpose. The purpose could be employees' promotion, bonus, salary increment and employee's recognition or demotion. (Saiyadain 2003, 337)

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the analysis and interpretation of the data collected from both primary and secondary sources. In the first part discusses the demographic information of the respondents and the second part discusses the information obtained from the respondents and the secondary data source consulted.

3.1. Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent Tables. These variables include age, sex, work experience and educational background.

Table 1 Respondents according to age and sex category

Age	Sex				Total	
	Male		Female			
	No.	%age	No.	%age	No.	%age
Under 25	6	11%	4	8%	10	19%
25-34	15	28%	9	17%	24	45%
35-44	7	13%	4	8%	11	21%
45-54	2	3.75%	2	3.75%	4	7.5%
>55	2	3.75%	2	3.75%	4	7.5%
Total	32	60%	21	40%	53	100%

As indicated in Table 3.1.above, about 60% of the respondents were male and the remaining 40% are female. From the total respondents, majority of them found in the age of range 25-34 years. This age group covers 45 % of the total respondents. On the other hand, 21% of the respondents belong to the age range of 35-44 years.

Quite considerable numbers of respondents, i.e., 19% were also under the age of 25, those who were above the age of 45 years counts to 16%.

As can be realized from the data, most of the respondents are young. Thus majority of the bank's employee are in the productive age, helps the bank to design a sound working system, since they can be trained, educated and developed. Easily by doing so, the bank will gain a competitive advantage in the banking industries

Table 2 Respondents According to Work Experience and Educational Background

Work Experience	Educational Qualification							
	Diploma		First Degree		Masters		Total	
	No.	%age	No.	%age	No.	%age	No.	%age
1-2 Yr	1	2%	10	19%	0	0%	11	21%
2-3 Yr	4	7.5%	8	15%	0	0%	12	22.5%
3-4 Yr	2	4%	9	17%	0	0%	11	21%
4 years and above	4	7.5%	14	26%	1	2%	19	35.5%

As can be seen from Table 3.2 above most of the respondents (26%) are first degree holders and worked for more than 4 years at the bank, whereas 19% of the respondents are first degree holder and worked for 1-2 year. Of the respondents 17% are also first degree holder worked 3-4 years in the bank. Quite considerable number of respondents i.e., 7.5% are found diploma holder worked for 2-3 years. There is only one respondent of masters holder worked for 4 years that covers 2% of the total respondents.

In general, all respondents are professional and worked at the bank for 1 year and above; this makes the responses to be valid since most performance evaluation process is conducted to permanent and professional employees of the bank worked for more than 1 year and above.

3.2. Analysis of finding of the study

This section presents the analysis of data collection in detail:-

3.2.1. The Employee Opinion on Performance Evaluation Criteria

Performance evaluation criteria need to in line with the goal and objective of the organization, it must be measurable, should be clearly stated and directly related to employees job duties and responsibilities. Since designing performance evaluation criteria is the first and core part of the evaluation process, giving serious attention to this issue will determine the effectiveness of the performance evaluation practices of the bank. In practice, many organizations use the same criteria to evaluate huge number of employees at the same weight. Using the same form with equal weight makes the output of the performance evaluation result irrelevant and employees will be dissatisfied.

In this respect, the opinion of respondents about the criteria used at Zemen Bank has been summarized and described in Table 3 below.

Table 3 Employees opinion on Performance Evaluation Criteria

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
The Criteria's are in line with the bank goal	9	17%	27	51%	8	15%	59	9%	4	8%	53	100%
All Employees are evaluated with the same forms	12	23%	14	26%	15	28%	7	13%	5	9%	53	100%
All criteria's are equally weighted	5	9%	7	13%	3	6%	27	51%	11	21%	53	100%

Based on the responses gathered from the employees of the bank, the researcher has tried to discuss the employees' attitude towards the performance evaluation criteria's. The questionnaires were designed using Likert Scale where almost all the statements were measured on a five point scale with 1 = strongly Agree; 2 = agree; 3 = neither agree nor disagree; 4 = disagree; and, 5 = strongly disagree. The information obtained from the questionnaire are summarized and discussed in this section.

As we can see from the above Table, 68% of the total respondents agreed that the criteria are in line with the bank goal; from this 17% are strongly agreed. 15 % of the total respondents are neutral to the statement. But 17% of the total respondents disagreed that the criteria are in line with the goal and objective of the bank; of which 8% of them strongly disagreed. From the responses of employees we can conclude that Zemen bank performance evaluation criteria are in line with the bank goal.

When we see the respondents' opinion regarding "All employees are evaluated with the same form/criteria", 23% of the total respondents strongly agreed and 26% agreed. 28% of the respondents are neutral. Whereas 9% strongly disagree with the statements and 13% disagree. This shows that Zemen bank performance evaluation form is same and there is no form differentiation between employees, in addition employees are evaluated with same forms. But in order to measure employee output, the criteria/form needs to be designed according to the employee's job duties and responsibilities.

According to the information gather from respondents, 9% strongly agreed that the criteria's are equally weighted whereas 13% agreed. From the respondents 6% are neutral to the item. But a total of 72% disagreed that the criteria's are equally weighted. This implies that performance evaluation criteria have given different weigh. Since the contribution of each criteria towards the performance of an employee is different, giving different value is a positive side of the bank.

In general, Zemen bank performance evaluation criteria are in line with the bank goal and objective and point given to each criteria is in accordance with the general rule of performance evaluation criteria. But, these criteria are not specific and directly

related with the employees' job and duties, they are not sufficient enough to measure the performance of an individual.

3.2.2. Employees Opinion on Performance Appraisal Process at Zemen Bank

In any organization, the performance evaluation process should include some basic guidelines. To mention, the evaluation processes should give employees awareness on how performance appraisal process is conducted, evaluators should assign time to interview employees to hear and address employees related issues, managers should give feedback during a job and at the time of conducting performance evaluation result, self evaluation should be practiced by the employee prior to conducting the final result and the final result need to be evaluate by independent party in order to assure faultlessness.

The following Table shows the summery of the total respondents about the performance appraisal process conducted at Zemen Bank.

Table 4 Employees opinion on Performance appraisal process / Guide Line

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
Awareness of employees about PA process	3	6%	16	30%	15	28%	9	17%	10	19%	53	100%
Time given to interview employees'.	5	9%	15	28%	12	23%	9	17%	12	23%	53	100%
Self Evaluation is not Allowed	7	13%	8	15%	7	13%	16	30%	15	28%	53	100%
Feedback given during a job	4	8%	10	19%	15	28%	30	19%	8	15%	53	100%
Results are revised by independent part	5	9%	8	15%	15	28%	12	23%	13	25%	53	100%
Feedback Given at Conducting PA Result	8	15%	20	38%	11	21%	6	11%	8	15%	53	100%

As we can observe from the above Table, 30% of the total respondents agreed that employees are aware of how the performance appraisal process is conducted while 6% strongly agreed. 28% of the respondents are neutral to the issue. But a total of 36% of the respondents disagree the statement; from this 19% are strongly disagreed. Even if considerable numbers of respondents disagree with the statement “Zemen bank does not create awareness among employees towards how performance appraisal process is conducted”, it is not at the required level.

According to information gathered from respondents, a total of 40% disagree that managers are giving time to hear and address employees with performance related issue, while 37% of respondents agree. 23% of the total respondents are neutral. This implies that managers are not giving time to hear and address employees' problem, since this is one of the techniques that help managers to address sensitive and confidential information about employees that hinder their performance, managers are required to give time and full attention to interview and hear their employees. Easily by doing so, employee's performance will increase as well as organization performance.

On the other hand, 28% of the total respondents agree that employees are not allowed to evaluate themselves, where as 30% agree the statements. Only 13% of the total respondents strongly agree that self evaluation is allowed in the bank. 13% are neutral. Self evaluations help employees to perceive fairness on the evaluation process. It creates a chance to discuss evaluators with employee. As the above data shows, the level of self evaluation practice at Zemen bank is poor, human resource department need to design a technique that employees will evaluate themselves.

A total of 15% of the respondents agree that feedback is not given during a job, whereas 30% of the total respondents' agree. However, 28% of the respondents are neutral to the statement “feedback is given during a job”. But 38% agree that managers give feedback during a job, of which 8% are strongly agreed. This shows that, on average managers are not giving adequate feedback to employees on their performance. Giving feedback help employees to know their strength and to improve their weakness, if managers keep silent from giving feedback, employees will think that their present level of performance is acceptable in the organization and they may not put extra efforts to improve.

Most of the respondents (25%) strongly disagree that the evaluation result is revised by responsible department, where 23% of the total respondents disagree with the statement. Only 9% of the total respondents strongly agree that the evaluation result is revised by responsible department and 15% agree the statements. 28% of the respondents are neutral to the item. In order to assure that the performance evaluation process is in accordance with the rule and regulation of the bank and to avoid and bias and subjectivity, independent department need to evaluate the performance evaluation result of employee prior to conducting to employees. The above summary shows that Zemen bank is at early stage to revise performance evaluation result by independent department.

As it is possible to observe from the above Table, 15% of the total respondents strongly agree that feedback is give at the time of conducting performance result only, 15% of the respondents also agree with this statement, whereas a total of 26% disagree the item. Moreover, 21% of the total respondents are neutral. From the data we can see that feedback is given only the time of conducting performance evaluation result. Even if giving feedback at the time of conducting appraisal is in accordance with the general rule, giving at that time only will affect employees as well as organizational performance since employee will not have a chance to improve their weakness at the right time.

In order to summarize, Zemen bank need to improve the performance evaluation processes. Since employees are not aware of how performance appraisal is conducted, managers do not give time to hear and interview employee about performance related issues, there is no independent department who revise the performance appraisal processes and one of the most required processes which are self assessment is not practiced yet. Moreover, the frequency of feedback given during a job is not significant. In addition feedback is mostly given only at the time of performance appraisal conducted.

3.2.3. Employees Opinion on Performance Evaluation Problem

3.2.3.1. Employees opinion on the most serious performance appraisal problem

Most serious performance appraisal problem mainly focus on giving feedback and accountability. In performance appraisal processes managers are expected to give positive feedback about employees' good performance and constructive feedback to improve poor performance of employees. Beside, managers need to be accountable for their wrong feedback and subjectivity.

The following Table shows us that to what extent these problems exist at Zemen Bank.

Table 5 Respondents opinion on the most serious Performance appraisal problem

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
Feedback given to employee'.	8	15%	6	11%	13	25%	5	9%	21	40%	53	100%
Managers are not accountable.	10	19%	14	26%	15	28%	10	19%	4	8%	53	100%

The above Table indicates that the majority of the respondents (49%) disagree with the statement "Feedback given to employee so that they know where they stand" and only 26% of the respondents' agree. 25% of the respondents are neutral with the statement. Giving feedback is one of the core techniques that helps o improve employees' performance and helps employees to know their strength and improve their weakness, Managers should give feedback at frequent interval. Moreover two way communication between employees and managers will be practiced. If managers are not at the required level to give feedback, employees will consider that their performance level is acceptable and enough to the achievement organization

goal. The above Table indicates that Zemen bank managers are not at the required level to giving feedback. In order to improve employees' performance managers need to increase frequency of giving feedback.

Since managers are not accountable for their wrong practice of performance evaluation process and feedback is not given to employees to strengthen employees' performance and to give flash to their weak performance, we can conclude that Zemen bank is attacked with most serious performance related problems.

3.2.3.2. Employees Opinion on Process Related Problem

In order to avoid process related problems, employees need to be evaluated by comparing with their co-workers, the evaluator need to focus on employees' whole year performance rather than a few day performances and employees performance appraisal process should be conducted based on multiple result.

The following Table shows summary of to what extent Zemen Bank is facing with process related problem of performance evaluation practice.

Table 6 Respondents opinion on Process Related problem

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
employees evaluation with co-worker	6	11%	17	32%	15	28%	11	21%	4	8%	53	100%
Evaluation focus on the whole year performance	9	17%	6	11%	12	23%	14	26%	12	23%	53	100%
Evaluation conducted based on multiple year result.	10	19%	5	9%	12	23%	6	11%	20	38%	53	100%

As we can observe from the above Table, trend of Zemen bank evaluating employees by comparing with their co-workers is good. Most employees (43%) agree the point, while insignificant amount of respondents strongly disagree. 28% of the total respondents are neutral to the statement. Employees' evaluation done by comparing with one another will helps to identify the strongest and weakest side of one another moreover it create competitive environment among employee.

On the other hand, 49% of the total respondent disagree that evaluation focus on the whole year performance where 28% agree. 23% of the total respondents are neutral to the statement. This implies that most evaluators focus on few day performances of employees. Since evaluation is done based on a fixed time interval, considering employee performance within the time frame will bring fairness to the output.

Moreover, employee performance appraisal process need to be conducted based on a multiple year results. This will help to see the progress of employees; moreover it helps to identify once strength and weakness. With regard to this statements, most respondents (49%) disagree that employee are evaluated based on a multi year comparison. Whereas 28% agree the point and 23% keep neutral. This shows that Zemen bank is not conducting performance appraisal process based on multiple year of performance.

In order to summarize, employees are evaluated based on comparing with their co-worker. But employees are not evaluated based on multiple year of performance results and it focus only a few days of performance, we can say that there is process related problem at Zemen bank,

3.2.3.3. Respondent Opinion on Instrument/Form Problem

Instrument / form related problems are mainly related with the quality of the criteria to address employees' diversity, their capability to measure the employees' job duties and responsibilities specifically and weight differentiation given to each criterion.

The following Table shows that the level of instrument/form related problem of performance evaluation process at Zemen bank.

Table 7 Respondent opinion on instrument/form problem

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
There is no Weight Differentiation to the factors	11	21%	7	13%	4	8%	26	49%	5	9%	53	100%
It address diversity	5	9%	7	13%	3	6%	27	51%	11	21%	53	100%
The criteria's measures the employees' job duties and responsibility specifically.	7	13%	11	21%	14	26%	9	17%	12	23%	53	100%

Analysis of the opinion revealed out that majority of the respondents (58%) disagree that the performance criteria are weighted equally, (i.e. there is weight differentiation), whereas 34% of the total respondents agree and 8% keep neutral. This implies that there is weight differentiation at Zemen bank. This is a positive parts of the bank performance evaluation criteria, since weight should be given based on their relative importance in a particular job.

A significant amount of respondents (72%) disagree that the criteria address employee diversity. Insignificant amount of respondents agree the statement. Criteria should be directly related with employee job duties and responsibility. Zemen bank evaluation criteria forms should be designed based on employees' job duties and responsibility. Since employees are doing different job, the evaluation criteria need to address employees' diversity.

In addition the criteria do not measure the employees' job duties and responsibility. They are not specific ad directly related with the job. According to the respondents,

40% of the total respondents agree the above statement. 34% of the total respondents disagree and 26% are neutral with the item. Therefore, Zemen bank performance evaluation criteria do not address employees' job duties and responsibilities specifically.

In general, there is weight differentiation on performance evaluation criteria; this is a positive side of the evaluation criteria of the bank. But those criteria's do not address diversity of the employees. Since all employees are not doing the same job and they are not in the same position; performance evaluation criteria's need to addresses such diversities. Moreover the criteria's are not specific and directly related to the job.

3.2.3.4. Employees' Opinion on Employees Related Problem

Some of the factors categorized under employees' related problems of performance evaluation are; decrease of employees' morale due to unfair performance evaluation practices, retention of employees due to unfair performance result and unwillingness of managers to hear from their employees (i.e. Existence of one way communication only).

Below is a summary of employees' related problem of performance evaluation process at Zemen bank.

Table 8 Respondents opinion on Employees / Subject Related problem

Items	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
Employees are allowed to give feedback	7	13%	12	23%	11	21%	17	32%	6	11%	53	100%
Employees Morale has been decreases.	10	19%	16	30%	14	26%	7	13%	6	11%	53	100%
Employees are leaving the bank.	10	19%	14	26%	17	32%	7	13%	5	9%	53	100%

As can be seen from the above Table, 11% of the total respondents strongly disagree that employees do have a chance to give feedback at the time of evaluation (i.e. there is only one way communication). While 32% disagree the statement. On the other hand, 13% strongly agree and 23% agree the statement. But 21% are neutral to the item. In order to put two way communications in to practice, managers are responsible to give time to hear employees' feedback about evaluation process. From the above Table, it is clear that number of percent of respondents oppose the existence of two way communication.

In addition, 49% of the respondents agree that employees' morale has been decreased due to unfair performance evaluation practice by the bank; moreover 45% of the total respondents agree that employees are leaving the bank due to unfair performance evaluation result. Whereas 24% Of the respondents disagree that employees morale decrease due to unfair performance evaluation result and 22% of them agree that employees are not leaving the bank due to unfair result. Insignificant amount of respondents are neutral to the statements. This implies that employee retention rate due to unfair performance result at Zemen bank is high. As a result of this, Zemen bank losses potential employees and second recruitment and training cost will be high.

In general, employees are not given enough time to give feedback at the time of conducting performance appraisal, moreover employees' morale has been decrease due to unfair performance evaluation result and they are leaving the bank.

3.2.3.5. Employees Opinion on Managers/Execution Problem

Managers related problems of performance appraisal are the most serious parts of performance appraisal processes. Most of the time employees are blaming their managers for their poor performance results. Practically there are many dimensions that managers can be a cause for ineffective performance appraisal practices. Some of them are, Lack of managers training, managers do not know whom they evaluate, being managers the only person in the evaluation process and improper documentation of employees' performance record are some of the problem related with managers.

The following Table shows the degree of managers related problem existence at Zemen bank (see Table 3.6. below).

Table 9 Respondents opinion on Manager/Execution Related problem

Criteria's	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total	
	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age	No.	% age
Manager avoid giving result which has a negative effect	6	11%	12	23%	22	42%	10	19%	3	6%	53	100%
Manager gives equal result to all	1	2%	13	25%	13	25%	19	36%	7	13%	53	100%
Different evaluation result among different dept	22	42%	16	30%	7	13%	5	9%	3	6%	53	100%
manager evaluate employee who do not know them	7	13%	15	28%	15	28%	10	19%	6	11%	53	100%
supervisors are the only person in the evaluation	7	13%	17	32%	12	23%	13	25%	4	8%	53	100%
Manager are well trained	4	8%	12	23%	14	26%	13	25%	10	18%	53	100%
Managers keep file on employees work to evaluate	3	6%	11	21%	12	23%	17	32%	10	19%	53	100%

As the Table indicates above, most respondents agree that supervisors are the only persons in the evaluation process. Almost 13% of the respondents' strongly agree and 32% agree this statement. Whereas a total of 33% disagree the point and 23%

are neutral to the item. In real world it is often unrealistic to presume that one person can fully observe and evaluate employees' performance. Therefore, Zemen bank needs to improve the practice of one person performance appraisal strategy. If this strategy continuous, Zemen bank performance appraisal strategy will be high attacked by subjectivity and bias.

On the basis of managers training, also 43% of the total respondents disagreed that managers are well trained to evaluate employees' performance. Whereas 31% agree the issue and 26% are neutral to the statement. This indicates that managers training and development program based on performance assessment of employees is not satisfactory. If managers/evaluators are not well trained, they will face difficulties on how to enhance the career path of their employees and potential employees start to look for other opportunities in the market.

Analysis of the opinion of the respondents revealed out that managers do not have trended of filing employees' performance record. Large amount of respondents (51%) agree this point. Relatively insignificant amount of respondents oppose this issue. 23% of the respondents are neutral to the item. From this, we can conclude that managers are not filing employees' performance record properly. This shows that managers are evaluating employees based on events that occur during last few months rather that the entire year.

Moreover, the study shows that there is significant deviation among departments in evaluating employees. Respondents agree that there is different evaluation result among departments. 72% of the respondents agree this statement. 15% only disagree and 13 keep silent. This indicates that there is inconsistency across managers. The evaluation result of employees is highly dependent on managers' behavior.

On the contrary, respondents agree that managers avoid giving result which has a negative effect on employees. 34 of the respondents agree this statement. While 25 disagree and 42% keep silent. Since one of the main objectives of performance evaluation is to encourage employees, managers are protecting their employees from being discourage to some extent. This can be seen as a good part on managers.

In order to summarize, there is high rate of manager's related problem at Zemen bank. In view of the fact that, managers are the only evaluator, Managers skill of evaluating employees is not supported by training or development program, managers do not keep employees performance record, moreover existence of inconsistency across managers are core reasons to managers related problem.

3.3. Respondents/Managers Opinion towards the Core Reason Performance Appraisal is Conducted at Zemen Bank

Managers have agree that the core reasons to conduct performance evaluation at Zemen Bank are; to reward and promote employees; to encourage employees strong side and to improve their weakness; to create positive competitive environment among employees; for bonus and salary increments; to give feedback about employees performance; to improve work efficiency; to identify employees training and development needs; and to increase overall productivity of the organization.

According to the information gathered from the respondents/employees, the reasons that performance evaluation conducted at Zemen Bank are directly in line with thoughts of different authors explained in the literature parts of this research. Therefore Zemen Bank is practicing performance evaluation processes reason in accordance with the rule and regulation of the bank and general guide lines. Moreover, both managers and employees respond towards the core reason of conducting PA are parallel.

3.4. Respondents/Managers Opinion about the Real Problem Zemen Bank is facing in Relation with Performance Appraisal.

According to the respondents/employees the most serious problems Zemen Bank is facing with performance appraisal are, subjectivity, recency error, senior gives priority in the evaluation result, the criteria's are not related with the employees job duties and responsibility, the existence of quota system, lack of evaluators training, highly influenced by friendship, few mistakes affect employees performance result, lack of two way communication, inconsistency among managers, some managers do not know whom they evaluate, discrimination among employees, and evaluators are

not accountable for their wrong performance evaluation practice are some of highly mention problems exists at Zemen Bank. Whereas insignificant number of respondents among managers group on the contrary says that there is no problem related with performance evaluation practice. Performance evaluation practice problems are inherent in every organization that it will be beyond the reality to say that there is no PA related problems.

To summarize, Zemen Bank is facing very serious problems related with performance appraisal. Almost all problems explained in the literature review part have existed in Zemen bank. If these problems persist, Zemen bank is in a position to loss the main objectives of performance appraisal, employees' morale will decrease due to unfair performance evaluation practices done by the bank, employees' retention will increase, due to this Zemen bank training and development costs will increase at significant amount, moreover Zemen Bank will loss industries competitive power since employees are the core reasons to gain competitive advantage in the banking industry.

3.5. Respondents/Managers Suggestion about Performance Appraisal Practices at Zemen Bank

Some of the solutions provided by the respondents about performance appraisal practice of Zemen Banks are, the performance evaluation practice should consider employees whole year performance rather than a specific day performance, employees morale should be given priority at the time of giving feedback and conducting performance evaluation result, there should be mechanism that employees also evaluate their managers, two way communication need to be implemented, there should be independent part whom revise the evaluation result given by the evaluator in order to avoid subjectivity and bias, the criteria need to be in line with the employees job duties and responsibility, the quota system should be avoided and the evaluator should take training.

The comments give by respondents are goods and directly related with the problem exists at Zemen Bank; Moreover they are simple and can be implemented by the bank. Zemen Bank is required to do so in order to avoid the above mentioned problems at early stage.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study obtained through the questionnaire distributed to 53 employees of Zemen Bank and the interview conducted with the human resource manager and some evaluators, the following Major findings, Conclusions and recommendations are made.

4.1. Summary of Major Findings

Below are summary of findings gathered from the respondents about performance appraisal at Zemen bank.

According to the HR Manual and information gathered from respondents, the MAIN reasons that performance appraisal is conducted at Zemen Bank are, for bonus and salary increments, to reward and promote employees, to encourage employees strong side and to improve their weakness, to create positive competitive environment among employees, , to give feedback about employees performance, to improve work efficiency, to identify employees training and development needs, and to increase overall productivity of the organization.

According to the information gathered from the respondents', performance evaluation criteria are in line with the bank goal and objective and point given to each criteria are in accordance with the general rule of performance evaluation criteria. But, these criteria are not specific and directly related with the employees' job and duties, they are not sufficient enough to measure the performance of an individual.

Employees are not aware of how the performance appraisal process is conducted. Managers do not give time to hear and address employees' problem. There is no practice of revising the performance appraisal by independent committee. Self assessment is not allowed. Moreover, the frequency of feedback given during a job is not consistent. In addition, feedback is given mostly at the time of performance appraisal only.

In relation with most serious performance appraisal problems, respondents' opinion confirms that managers are not accountable and employees are not getting feedback frequently.

There is a good sign that employees are evaluated by comparing with their co-workers. But respondents have assured that performance appraisal do not focus on the whole year performance as well as performance appraisal is not conducted based on multiple year result.

One of the positive sides in relation with instrument/form related problem of the bank is that weight differentiation is given to each criteria. But the criteria's do not address employees' diversity.

As respondents asserted through interview and secondary data review (employees' record), employees' morale has decrease and employees are forced to leave the bank due to unfair performance appraisal practices. Moreover, employees are not allowed to give feedback during performance appraisal.

In order to summarize, there is high rate of manager's related problem at Zemen bank. In view of the fact that, managers are the only evaluator, Managers skill of evaluating employees is not supported by training or development program, managers do not keep employees performance record, moreover existence of inconsistency across managers are core reasons to managers related problem.

4.2. Conclusions

On the basis of major findings the following conclusions are forwarded.

As asserted by Longenecker et al (1999), bonus and salary increments are under the main purpose of performance appraisal of the bank. The next highly rated purposes of performance appraisal are to promote and to give recognition to employee. In general, almost all mentioned purposes of performance appraisal in the literature parts of the research are noticed by respondents.

Since the performance evaluation criteria are not specific and directly related with the employees' job duties and responsibility, it is difficult to say that employees are

evaluated properly. The performance evaluation criteria are not capable enough to measure employees output since the evaluation forms are the same to all ratees.

As per the respondents' opinion, we can conclude that the performance appraisal process is not in accordance with the general guide lines stated in the literature parts. As asserted by Islam et al (2005), we can say that the performance appraisal process is subject to bias, subjectivity and lack rigors. Moreover, employees are thinking that their current level of performance is acceptable in the organization and they are not putting extra effort to improve, since the frequency of feedback is poor.

Since managers are not accountable to their wrong feedback, employees' morale will decrease and forced to leave the organization. Moreover the overall performances of the organization will decreases. In addition, if feedback is not given at the right time, the bank losses the benefit to get the most out employees.

Performance appraisal process is conducted based on events that occur during a few period of time and each year performance appraisal process stands alone. Therefore, we can conclude that employees' performance improvement is not in to consideration while evaluating employees.

Since employees' job duties and responsibilities are different according to their profession, it is good that weight given to each criteria is in accordance with their relative importance to a particular job. Whereas, the same appraisal forms are applied to large but not homogeneous group of employees, the assessment form do not fit to measure employees jobs.

According to the information gathered from employees through interview and secondary data review (Employees record), Zemen bank is losing industries competitive power, Since employees' morale has decreased and employees are leaving the bank due to unfair performance appraisal practice. Moreover, employees' involvement in performance appraisal is not at the required level, hence employees are not allowed to give feedback during performance appraisal.

Further, Zemen bank is highly attacked with managers' related problem. The evaluation processes is subject to bias and subjectivity, since performance appraisal

is done by managers only. Employees' enhancement towards career path is less because managers are not well trained. Inconsistencies among managers reflect that there is wrong competition among departments. Moreover, two way communications is not implemented well; hence managers do not know their employees.

4.3. Recommendations

On the basis of the findings and conclusions reached, the following recommendations are forwarded in order to improve the performance evaluation practice of Zemen Bank.

1. In order to improve the performance evaluation criteria, the human resource department needs to design specific and directly related criteria that can measure employees' job duties and responsibility specifically.
2. The human resource department needs to create awareness among employees about how the performance evaluation process is conducted. Time need to be given to hear and address employees related problems. The departments should implement mechanism (Such as, Suggestion Box, Employees interview, Developing and distributing questionnaires' etc) to address employees to hear performance related issues. Moreover the existence of quota system and giving priority to senior in the performance result to award/promote employee should be avoided hence such system create bias among evaluators to evaluate properly and will be difficult to differentiate good performer with weak performer.
3. There should be a way that allows employees to evaluate themselves; thus the bank should introduce self evaluation. This could be done by giving a chance to employees to fill the evaluation form with their arguments prior to conducting the final result. These will help the bank to consider forgotten performance of employees.
4. The department needs to implement a system that will help to evaluate the performance result prior to conducting the final result to employees. This will

help to avoid subjectivity and any bias. Moreover managers will be accountable for their performance evaluation practices.

5. The performance evaluation system of the bank should be designed in a way that feedback is given during the course of performing a job; the bank should avoid giving feedback at the time of conducting performance evaluation only. Feedback should be continuous. This will improve employees' performance as well as help them to know their strength and weakness. Moreover, feedback given at the time of conducting the performance appraisal needs to be constructive to employees and two ways communication system should be implemented.
6. In order to minimize managers related problems; managers need to be well trained in evaluating and giving feedback, Managers do not have to evaluate alone. There should be independent department that control evaluators for their evaluation practice.
7. Managers should keep file on employees' performance record, and there should be "benchmark" numbers to avoid managers' inconsistency. By doing this, the bank can easily avoid managers related problem of performance evaluation process.

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Annex I

St. Mary's University College
School Of Graduate Studies
MBA Program
To be filled by Employees

Dear respondents, this questionnaire is designed to collect information about employees' performance evaluation practice and challenges at Zemen Bank. The information shall be used as a primary data in my research which I am conducting as a partial requirement of my study at St. Mary's university college school of graduate studies for completing my MBA.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the research.

General Instructions

- ✓ There is no need of writing your name
- ✓ In all cases where answer options are available please tick (✓) in the appropriate box.
- ✓ For questions that demand your opinion, please try to honestly describe as per the questions on the space provided

Thank you, for your cooperation and timely response in advance

Mulugeta Hailu Workneh

PART I: Participant Information

1. Number of years you have worked for this organization (in years) _____
2. Number of years working on this job (in years):
 4 years or more 3-4 2-3 1- 2 <1
3. Age (in years): 55 and above 45-54 35-44 25-34 under 25
4. Sex: Female Male
5. Educational Qualification:
 High school graduate
 Technical school graduate
 College Diploma
 BA/BSc Degree
 Masters Degree
 PhD other (please state _____)
6. Have you been evaluated for the last one or two year?
 Yes No
7. If your answer to question number 7 is **yes**, please complete part II

PART II: Questions related to the practices of performance Evaluation

Listed below are statements about the practices and challenges of Employee performance evaluation in your organization. Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the practices and challenges of performance evaluation in your organization

		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
1.	The criteria provided under performance evaluation are aligned with the objective and goal of the bank.					
2	Feedback is given to employees about their performance evaluation so that they know where they are.					

		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
3	Employees are aware of how performance appraisal processes is to be conducted. Employees are well informed with performance appraisal criteria.					
4	The standards/criteria's under performance evaluation help to measures the employees' job duties and responsibility. (I.e. they are specific and directly related to the job.)					
5	Information provided through performance evaluation process helps to strengthen the relationship between superiors and subordinates					
6	While conducting the evaluation result there is enough time to interview to hear and address employees' problems/needs.					
7	Employees do have chance to evaluate themselves using proper formats. i.e. Self assessment is allowed prior to conduction the final result.					
8	Employees are given positive feedback when they do good job and constructive feedback which tell them to improve for poor performance during a job.					
9	The performance results are revised by the responsible department to avoid any bias or subjectivity.					
10	Employees are getting further career development or promotion as a result of their good performance. I.e. Performance evaluation is linked with n=benefit package.					
11	Employees let to know their strength and weakness during performance appraisal process.					
12	Employees are given feedback/comment at the time of conducting performance appraisal result only.					
13	Employees are evaluated based on their supervisor subjectivities. Supervisor/manger is influenced by his/her personal liking and disliking when evaluating employees performance.					

		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
14	Supervisors are not accountable/ responsible for their wrong feedback/comments.					
15	The performance evaluation process used as punishment for poor performance.					
16	Employees' performance appraisal process is conducted based on comparing multiple years result. I.e. while evaluating employees past year's performance are used as reference.					
17	Supervisors are the only persons involved in the performance appraisal process.					
18	Employees are evaluated by comparing with their co workers.					
19	All employees are evaluated with the same forms/criteria					
20	Supervisors/managers are well trained in assessing and giving feedback.					
21	All criteria's are equally weighted.					
22	My supervisor usually keeps a file on what I have done during the appraisal period to evaluate my performance					
23	Employees are evaluated based on the last few months' performance prior to conducting the performance appraisal instead of entire year performance.					
24	My Supervisor avoids giving performance ratings which may have negative consequences for his/her subordinates.					
25	My supervisor gives equivalent performance ratings to all my colleagues in order to avoid resentment and rivalries among us					
26	There is difference in evaluation result among different department manger due to managers' behavior.					
27	Employees are evaluated with their managers who do not know their employees very well.					
28	Employees do not have the chance to give feedback while conducting the result. There is one way communication only.					

		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
29	There is formal and informal communication about the evaluation process between supervisors and employees.					
30	Employees' are leaving the bank due to unfair performance result.					
31	Employees' morale has been decreased due to unfair performance result.					

Part III. Additional Questions

1. In your opinion, what are the core reasons to conduct performance evaluation?

3. In your opinion, what are the real problems that you observe regarding performance evolutions practices of your organization?

4. Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization?

Thank you again for completing the questionnaire!

Annex II

**St. Mary's University College
School Of Graduate Studies
MBA Program**

To be answered by HRD manager and Department Managers /Evaluators

This interview is designed to collect information about employees' performance evaluation practice and challenges at Zemen Bank. The information shall be used as a primary data in my research which I am conducting as a partial requirement of my study at St. Mary's university college school of graduate studies for completing my MBA.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the project.

List of interview questions:

1. How is performance appraisal conducted at Bank?
2. What are the reasons/Purposes to conduct performance evaluation at Zemen Bank?
3. What are the major problems and there consequences that your department is facing with respect to performance evaluation?
4. What measurements are taken in order to overcome the problems?
5. How are employees involved in the performance appraisal processes?
6. Finally, is there anything that you want to comment about the performance appraisal system of your organization?

Mulugeta Hailu Workneh