



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

**ASSESSMENT OF PERFORMANCE APPRAISAL PRACTICE AND  
CHALLENGES**

**IN NIB INTERNATIONAL BANK S.C**

**(HEADQUARTERS)**

**BY  
ABEBA TIZAZU**

**JANUARY 2016**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE  
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**JANUARY 2016  
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## **List of Acronyms**

CEO	Chief Executive Officer
GDP	Gross Domestic Product
HR	Human Resource
HRD	Human Resource Department
MoFED	Ministry of Finance and Economic Department
NBE	National Bank of Ethiopia
NIB	Nib International Bank
PA	Performance Appraisal

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## ABSTRACT

*Human resource is a significant arena in the existence of any organization; organizations cannot survive without their employees. Therefore, employees are obligated to fulfill various types of tasks while they are stood to be working. This paper articulates the existing practice of performance appraisal and assesses employee's attitude towards the subject. Both primary and secondary data were collected using questionnaires, interview and written materials. Simple random samplings were used to collect primary information and accordingly descriptive statistics were used to analyze the data gathered. The finding of the study revealed that NIB is engaged in performance appraisal. However the study found out that the bank practice show shortcomings in the nature of the standard used for evaluation, capacity of supervisors/managers and subjectivity of measurement and inapplicability of the practice for salary and promotion related decisions. Moreover, employees' attitude found to be at a lower level with respect to many attributes of performance appraisal. There is also no attitude difference among the different job levels. Hence, it is suggested that the bank should maintain its strong sides, alleviate its weakness by implementing modern and up to date appraising methods, and actively participate its employees in the process. Performance evaluation helps to identify the strength and weakness of employees and some other administrative as well as developmental uses. Performance appraisal enhances employees' knowledge, skills and competencies. Especially in service giving organizations such as banks, it plays a crucial role in resulting organizational efficiency, effectiveness, and competency. The inability of organizations to install an effective performance appraisal strategy has hindered them from achieving competitive advantage. Having this in mind, this paper has tried to assess the performance appraisal practice. This study was engaged in Descriptive research type and also it used stratified random sampling technique to take a sample from the total population of 450 existed in the head quarters.*

**Key words: performance, performance appraisal**



## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tilaye Kassahun. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been subg any degree.

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Name

**St. Mary's University, Addis Ababa**

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Signature

**January 2016**

## ENDORSEMENT

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

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Advisor

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Signature

**January 2016**

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Ethiopia has begun showing a substantial economic growth in recent years after a long time of a slow economic growth and poverty history. Even though the government is giving high attention for agriculture sector in laying the base of the economy and the industrial for taking the lead in the coming years, the emerging economic growth is particularly reflected on the service sector. The service sector has shown a remarkable growth by taking over the larger percentage share, 46.6% of the GDP (MoFED, 2011).

Compared to the sectors in the country one of the strong areas where the service sector has shown growth is the banking sector. In a service giving organizations such as banks a very crucial factor, that affects competency and organizational performance is the quality of human resource. Hence, the human resource management practice, which is the major element of banks, is the main concern of this study. Therefore, in light of this important issue, this study specifically focuses on performance appraisal practices of Nib International Bank S.C, which is one of the leading private commercial banks these days. Of the 16 private and 2 public banks in Ethiopia operating under the close super vision of National Bank of Ethiopia (NBE).

Nib International Bank S.C is one of the pioneer private banks that have been providing financial services in the Ethiopian banking sector for the past 15 years. Following the promulgation of monetary and banking proclamation No-84/1994 private banks came back to existence in Ethiopia. Consecutively, Nib International Bank (NIB) was established in 1999 in accordance with the two proclamations with a paid up capital of birr 27.6 million and registered capital of birr 150 million with a few number of 27 employees. Finally, it commenced operation in October 28, 1999 (Source NIB's 2nd Five Years strategic plan 2012/13-2016).

During the last 15 years of its existence, NIB has showed remarkable achievements in various aspects pertaining to bank performance. Currently, NIB has over 3,900 Shareholders, A total capital of nearby Birr 1.8 Billion, Around 330,000 depositors and Over Birr 9.3 Billion in deposit. In addition, NIB has roughly 7,000 borrowers and above 6.8 billion in loans and advances. including 2,500 and more employees, and 105 branches currently operating in different parts of the country and uninterrupted growth of profit at increasing rate from year to year the apex of which was a gross profit of 414 in 2013/14 (ibid).

Performance appraisals have long been considered the responsibility of the human resource department, causing many employees to view the performance appraisal as merely another tool for keeping data current on all employees. Within the last decade, however the tide has changed in favor of tools that can help to retain and value current employees. The performance appraisal is one way managers can get to know their employees counsel, coach them, and work toward greater organizational efficiency (Archer, 2010).

Performance appraisal is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals. Performance appraisal serves as a motivation tool. Through evaluating performance of employees, one's efficiency can be determined if the targets are achieved. This very well motivates employees for better job and helps them to improve their performance in the future (Hodgetts, 2007).

To enhance employees' knowledge, skills and competencies it is important to properly implement human resource practices such as performance appraisal. However, vain HRD practice can bring many problems such as reduced employees' enthusiastic to learn and apply new skills, decreased employee productivity, low morale, and higher employee turnover (Edgar, 2005). In addition, it severely affects the competitiveness of an organization and its ability to fulfill its mission.

## **1.2. Statement of the problem**

No human resource practices expected to be perfect, when dealing with human beings a full range of emotions, needs, values and attitudes come into play. The performance appraisal that is handled incorrectly tends to entangle personal issues with performance issues. Many problems esteem from the fact that supervisors and managers are largely untrained in how to appraise employee performance. Even when manager are trained in planning and administering performance appraisals, they often find it difficult to objectively and effectively assess the accomplishments of their employees (Archer 2010).

According to Kohn, 1993 there are several challenges regarding the implementation and practice of performance appraisal. Performance appraisal and rewards serve more to punish and de-motivate employees, than to positively motivate them. Moreover, performance appraisal can yield erroneous results if the appraisal form was designed improperly, the standards of measuring performance are irrelevant or if the rater was biased therefore, the review may be influenced by many non-performance factors such as employee 'likeability', personal prejudices, ease of management, and/or previous mistakes or successes. Also the determination of performance based on total quality management in a sense that it is insignificant having both done simultaneously.

Grubb 2007 describes the purpose of performance appraisal from four supportive perspectives: organizational perspective, administrative, individual and control. The purpose of performance appraisal is to promote organizational efficiency and effectiveness. Performance appraisal information can provide needed input for determining both individual & organizational training & development needs which is developmental purpose. Hence, problems were encountered for the reason that the PA results and ratings are not subject to its purpose or it lacks purpose.

### **1.3. Basic Research Questions**

The following questions were raised through research process in order to incorporate the problems at hand.

01. What is the purpose of performance appraisal practice of the bank?
02. What are the challenges of performance appraisal practice of the bank?
03. What is employee's attitude towards performance appraisal practices of the bank?

### **1.4 Objectives of the study**

#### **1.4.1 The general objective**

The general objective of the study was to assess the performance appraisal challenges and practice of the bank.

#### **1.4.2. The specific objective**

The following below are the specific objectives the study attempted to show:-

- ❖ To examine the purpose of PA practice of the bank
- ❖ To assess the challenges of PA activities of the bank
- ❖ To evaluate employees attitude towards PA practice of the bank



### **1.5. Significance of the study**

Effective performance appraisal does not just happen and organizations should not assume that managers know how to conduct them effectively, even if they have many years of experience as managers. In fact, since the process can differ from organization to organization, it is important that training is provided to introduce managers to the philosophy of performance appraisal at the organization, including a review of the forms, the rating system and how the data gathered is used. Training should take place regularly as a refresher both for new and veteran managers (Archer, 2010).

There are several reasons to appraise a performance. Because, appraisals provide information upon which promotion and salary decisions can be made. In addition, the appraisal can be central to the firm's career planning process. The study intends to empirically inform decision makers and other bodies concerned about the problem at hand to suggest ways and means of tackling the problem and to fill in current gaps specified by the problem to shed light for further studies. It will also have practical significance for the other commercial banks operating in the banking industries as to how to manage human resource aspect of their organizations specifically by reducing high turnovers.

### **1.6. Limitation and scope of the study**

The research was delimited due to time, resource, experience, and money constraints. Specifically huge amount of data input was expected from employees of the organization to which information on subject matter could be confidential. The student researcher decided to delimit the research scope into headquarters level to make respondents available to reach and distribute the questionnaires and conduct interviews. In order to obtain quality outcome and to cope with the available time and resource, this study focuses only on the analysis of performance appraisal in NIB. The assessment of employees' attitude with respect to this HR practices is done on employees at the four job position level namely: manager, principal officers, senior officer, and officer.

## **1.8. Organization of the Paper**

The research paper were organized in the such a manner that it contains five chapters were ; chapter One contains background of the study, statement of the problem, basic research questions, objectives of the study, Research methodology, significance of the study, and delimitation/scope of the study. While Chapter Two deals with the books, journals and other research paper works relevant to the study.

Consecutively the third chapter describes the type and design of the research paper the subjects or participant of the study; the sources of data; the data collection tools or instruments employed; the procedures of data collection; and the methods of data analysis used. Chapter four summarizes the results or findings of the study, and interprets and discusses the findings. Finally, Chapter five comprises summary of findings, conclusions, limitations of the study and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This section tried to synthesize related studies, findings and significance that has been studied by many different scholars about the subject matter. According to Scholtes 1987, many employees are skeptical of the evaluation results and even more skeptical of the competence of those managers who indulge in such futilities. By this, he tried to show the significance for studying PA in a great deal of success factor of organizations.

#### **2.1. Definitions of Performance Appraisal**

Performance appraisal is a process that involves determining & communicating to employees how they are performing their jobs & establishing a plan for improvement. The performance appraisal process finds out, identifies the actual performance level of employees by distinguishing the gap between the actual and the desired performance, and strives to meet organizational objective by narrowing the gap, create employee responsiveness and avoid under performance(Grubb, 2007).

Business dictionary defined performance appraisal as a process by which a manager or consultant examines and evaluates an employee's work behavior by comparing it with preset standards and uses the results to provide feedback to the employee to show where improvements are needed and why. It is a very important process to determine training needs of employees of an organization and uses as a tool for effective execution of activities such as promotion, demotion, retention or firing of employees. Different scholars define the term performance appraisal at different times. (Www. Businessdictionary.com)

Performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. It also reflects how well an employee is fulfilling the requirements of a certain job. Therefore, how well is the job performed by employees of an organization is a success or failure factor for the organization it self. (Le.sile, 2007).

Performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses (Dessler, 2003).

Performance appraisal systems are employed "to manage and align" all of an organization's resources in order to achieve highest possible performance. "How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving performance appraisal for every staff should be among the highest priorities of contemporary organizations (ibid).

Performance appraisal contains three steps such as defining the job, appraise performance, and provide feedback. Defining the job means making sure that employees agree on their duties & job standards, apprising performance means comparing employees actual performance to the standards that have been set. Providing feedback will be based on the results of the comparisons made between the actual performance of the employees and the already settled standards that has to be met as a corrective and improvement action (Fisher, 1993).

Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Formal performance appraisals are generally conducted annually for all staff in the organization. The line manager appraises each staff members. Directors are appraised by the CEO, who is appraised by the chairperson or company owners, depending on the size and structure of the organization (Hogget's, 2003).

Performance appraisal is a process that involves determining & communicating to employees how they are performing their jobs & establishing a plan for improvement. Some of the common uses of performance appraisal are making decision, promotion, layoffs and firing. Performance appraisal information can also provide needed input for determining both individual & organizational training & development needs. For example, it can be used to identify individual strengths & weakness (Le sile, 2007).

“Performance appraisal is a widespread, very expensive, counterproductive exercise. It is typically conducted with good intentions to manage and improve the performance of individual employees, and lead to enhanced overall organizational efficiency, effectiveness, and productivity.” (Grubb T. 2007). It shows that performance appraisal is being practiced with a clear objective of bringing change on employees, i.e. improvement of their performance.

According to Fisher, 1993 performance appraisal is conducted with a specified period and it is done in comparison with already set standards of an organization. This change is also aimed to bring impact on the overall organizational efficiency, effectiveness, and productivity. “Performance appraisal is the process by which an employee’s contribution to the organization during a specific period of time is assessed. Performance feedback then lets employee know how well they have performed in comparison with the standards of the organization”.

## **2.2. Performance Management VS Performance Appraisal**

Even though there is a distinction between performance management and performance appraisal many scholars use the term performance management instead of performance appraisal in many of their books and journals that creates ambiguity. According to Grubb (2007), PA has a wider scope encompassing the creation of entire system such as a setting, a work environment and a culture bringing together all of the essential factors so all of the people are enabled to work in an aligned and coordinated manner to the best of their abilities. Whereas, performance appraisal is limited only to assessment of individual employees and finding a way to improve their job performance. Thus, the focus of this study is only on performance appraisal.

### **2.3. Purpose of Performance Appraisal**

Performance appraisal information can provide needed input for determining both individual & organizational training & development needs. For example, it can be used to identify individual strengths and weakness. In addition, Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Some of the common uses of performance appraisal are making decision, promotion, layoffs and firing (Zimmerman & Darnold, 2009).

Effective performance management is important to improve employee loyalty, moral and general productivity. Mainly due to the highly competitive business environment today, there is the need for organizations to boost the morale and loyalty of their employees in order to stand the heat of competition. Because of the high cost of selection, recruitment, training and developing new performance appraisal is important to employees and plays an important role in voluntary turnover.(ibid)

The purpose of performance appraisal is not only to provide input to employees about how they are doing, but also to provide the organization with an indication of areas of employee strength and opportunities for improvement. Unfortunately, few companies actually aggregate and use the results of performance appraisal for performance improvement efforts. By analyzing results and taking advantage of both best practices in areas where employees are performing well and opportunities for improvement in areas where they're not, organizations can receive maximum value from their performance appraisal efforts (Archer ,2010).

Furthermore, Grubb describes the purpose of performance appraisal from four supportive perspectives: those are organizational perspective, administrative, individual and control. The purpose of performance appraisal is to promote organizational efficiency and effectiveness. The cumulative effect of good performance by employees will further result good organizational performance in terms of both effectiveness and efficiency. The second reason for support of performance appraisal is to enhance individual employee performance and satisfaction.

Individuals can also be motivated through providing recognition to best performance. The third perspective is just to simplify administrative processing. Activities and decision such as award pay increases, promotion screening, career advancement, downsize/lay off decisions, legal documentation can be easily performed with implementation of performance appraisal, and the fourth perspective is to ensure management retains control of employee behaviors and attitudes. Employee compliance and proper management direction can be achieved (Grubb, 2007).

Conducting performance appraisal can help to lay the bases for taking management decisions such as provision of benefits, promotion, demotion, firing etc. it also spots out the weakness of individuals where additional training and support is required. During appraisals, organizations find out if employees are adding value to the organization or not (Grubb, 2007).

## **2.4. Hindering effects of Performance Appraisal**

Despite of all the positive outcomes of performance appraisal it has its own drawbacks. Nevertheless of the good intention of conducting performance appraisal in bringing individual employees improvement and motivation and overall organizational efficiency, effectiveness and productivity (Grubb, 2007) argued that the practice does not produce the results intended and expected and it is disliked by many employees and managers alike.

Grubb (2007) also concluded that performance appraisal could reduce employee productivity, satisfaction and engagement. In addition, his suggestion is to abolish the practice and instead focus on factors such as improving organization's techno-structure. Other scholars share similar opinion too.

There is also a concern on the negative effect of extrinsic motivation on intrinsic motivation due to the application of performance appraisal. Mostly no matter how straight forwarded appraisal process was undertaken; there might be some parties that will be dissatisfied with their result. Given the feeling of employers, that honest appraisal may damage an employee's self-esteem; frank feedback is not being provided in most organizations (Beer, Spector, Lawrence, Quinn Mills, & Walton, 1985).

## **2.5. Challenges in Performance Appraisal**

Effective performance appraisal does not just happen and organizations should not assume that managers know how to conduct them effectively, even if they have many years of experience as managers. In fact, since the process can differ from organization to organization, it is important that training is provided to introduce managers to the philosophy of performance appraisal at the organization, including a review of the forms, the rating system and how the data gathered is used. Training should take place regularly as a refresher both for new and veteran managers (Archer, 2010).

There are several challenges regarding the implementation and practice of performance appraisal. Performance appraisal and rewards serve more to punish and de-motivate employees, than to positively motivate them (Kohn, 1993). The following are typical problems encountered most of the time



### **2.5.1 Subjectivity**

Performance appraisal assumes to be objective and presumes that the rational, scientific, measurement methodology will yield objective, valid, and reliable results. However, the reality is different from this. Individuals who do the appraising usually are subject in their judgment. Moreover, it is difficult to evaluate only on objective bases. In reality, evaluative processes are largely subjective and biased (Behn, 2003).

### **2.5.2 Counter effect of organizational system on individual performance**

It is not a one way that cumulative effects of individual's performance result in improvement of the overall organization. The organizational system also has a direct impact on the performance of individuals irrespective of the amount and kind of incentive given (Behn, 2003).

### **2.5.3 Attribution**

Identifying the right degree of individual performance from the whole system is not an easy task. The performance of individual is tightly linked with the surrounding system. The group effect is not easily separated from the individuals (Behn, 2003). According to Fisher (1993), other possible errors that may occur when performance appraisals are conducted are:

- Leniency and Severity errors, when most employees receive very high (low) performance ratings
- Central Tendency Error, few employees receive very high or very low ratings
- Halo Error, involves rating a single employee on several aspects of performance

Hence, the proper care should be taken in conducting performance appraisal to avoid the above stated problems and others such as strong unusual influence of recent events.

#### **2.5.4 Measurement Difficulties**

Raters usually manipulate the measurement difficulties for different reasons with a positive or negative intention. There is a deliberate attempt by individuals to enhance or protect their self-interests when conflicting courses of action are possible. Such action therefore represents a source of bias or inaccuracy of measurement in employee appraisal. Some possible for manipulating the measurement are stereotype tendencies, gender, race, and age bias, evaluators self-image etc (Behn, 2003).

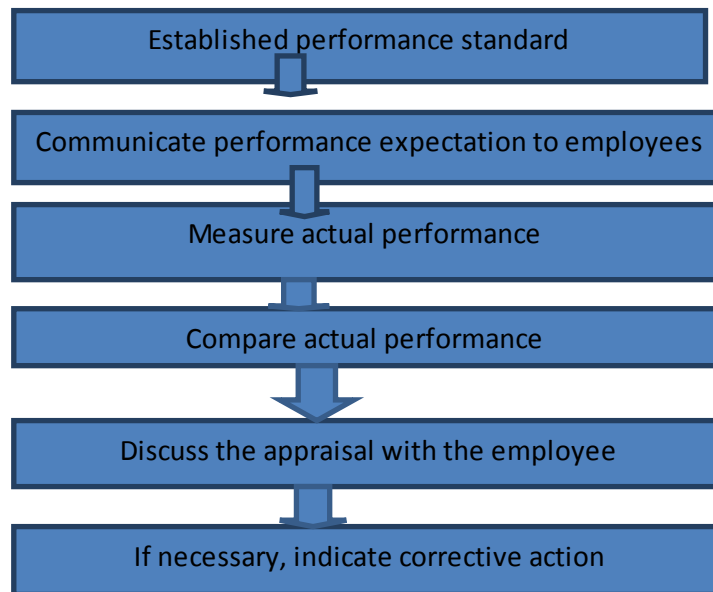
#### **2.5.5 Conflict inherent in performance appraisal**

Conflicts developed by performance appraisal systems tend to breed distrust among employees, supervisors, and within the organization; and conflicts occur at many levels (Employee Intrapersonal conflict, Employee-Employee, Employee-Supervisor, Supervisor-Leadership Employee-Organizational Supervisor-Organizational) and many other (Behn, 2003).

#### **2.6. Procedure for Evaluating Performance Appraisal**

Achieving a successful result from performance appraisal is important to develop the right procedures and follow accordingly. This will be beneficiary for both parties: the employees and the organization. An enduring procedure for evaluating employee appraisal would not be only in the interest of the individual but also to the organization (Obisi, 2011). According to Obisi, the appraisal process should follow the following major steps. The process of performance appraisal shows Employees performance Appraisal and Its Implication for Individual and Organizational Growth. Australian Journal of Business and Management Research 2011 Vol. 1 No. 9 (92-97).

**Fig 2.1: Steps in performance appraisal process**



## **2.7. Characteristics of Performance Appraisal**

Implementation of Performance appraisal differs from one organization to another in many different ways. The following are some of the major characteristics shared by all performance appraisal programs. Performance appraisal is a standardize process that is systematically applied to all employees and conducted through specific period (Typically quarterly and/or annually). As a matter of sensitivity Performance, responsible body in an organization other than the employee itself (Fisher, 1993).

## **2.8. Performance Appraisal Methods**

There are several methods and approaches to appraise the performance of employees. Here, are some of the following major methods: - Traditional Performance Appraisal, Solution Focused Rating, Pay for performance, 360 appraisal methods and others (Dessler, 2003).

### **2.8.1. Traditional performance appraisal**

Traditional performance appraisal is a one-way process where the supervisor or manager is solely engaged in the whole appraisal process from the setting of the standards to rating and giving scores to the employees with a very limited involvement (Dessler, 2003).

### **2.8.2. The Solution Focused Rating (SFR)**

The German Management Professors Steve de Shazer and Imsoo Kim Berg introduced the concept of Solution Focused Rating (SFR) in the year 2002. This rating method identifies a lot of problems in the traditional evaluation system and provides alternative approach as solutions to the problems. The traditional evaluation system puts employee evaluation at a constant level throughout the whole year. Solution Focused Rating (SFR) implies this kind of traditional rating act as misleading for both employer and employee.

The employer cannot be able to improve the employee's performance since he/she is not clearly telling the specific areas where there needs to be improvement and where good performance is observed. In response to this problem of traditional evaluation system, solution focused rating method provide a chance for employee to score in multiple performance criterion, a grade out of 100 degrees of points varying from very good, good, average, fair, to poor. It also involves a discussion with the employee. Unlike the traditional methods, this allows the employee to differentiate between the weak and strong point for further improvement. In addition, SFR method clearly puts the difference between Traditional and SFR performance meetings as showing in the following table.

### **2.8.3. Performance-Pay System or Pay for Performance System**

Pay for performance is an emerging movement in health insurance (Initially in Britain and United States). Providers under this arrangement are rewarded for meeting pre-established targets for delivery of healthcare services. This is a fundamental change from fee for service payment.

Pay for performance system is aimed at increasing the efficiency and competency of public service employees by focusing on important areas such as simple, motivational, suitable and easily articulated goals, accuracy of the appraisal measurement process and defining of employee's role in achieving the organizational goal. United States of America, United Kingdom, Canada and South Korea were among the countries that employed performance appraisal system particularly aiming at the public sector to improve performance of their employees U.S. Merit Systems Protection Board (2006).The following below are prerequisites of performance pay system approach.

### **I. A culture that supports pay for performance**

Shifting to pay for performance will require careful planning, implementation, and operation to facilitate the organizational change that produces a performance-based organizational culture. Pay for performance can also serve to drive an organizational culture in the desired direction.

### **II. A rigorous performance evaluation system**

An effective performance evaluation system is a fundamental prerequisite of pay for performance. Organization must be able to communicate with employees regarding what the organization values and how it will accurately measure employee contributions to these goals. Without this information, organization would be unable to appropriately distribute performance based pay increases and bonuses.

### **III. Effective and fair supervisors**

Because supervisors play a vital role in pay for performance systems, it is essential that they be able and willing to perform the important supervisory functions inherent in performance-based pay systems in effective and fairly manner. The system includes checks and balances to ensure fairness.

### **IV. Appropriate training for supervisors and employees**

To achieve this goal, agencies must select, train, and pay supervisors based on their demonstration of qualities that are suited to a pay for performance environment.

## **V. Adequate funding**

Being able to provide high performers with meaningful pay increases is critical to operating an effective pay for performance system. Therefore, organizations need to have adequate funding to support pay increases for those who deserve them.

## **VI. A system of checks and balances to ensure fairness**

Organizations can greatly facilitate the real and perceived fairness of the pay system by building in appropriate checks and balances. Although knowledge about the organization's pay for performance plan and transparency regarding its outcomes can help supervisors and employees understand how the system should work, other mechanisms to ensure fairness are needed to further raise and maintain confidence in the system.

## **VII. Ongoing system evaluation**

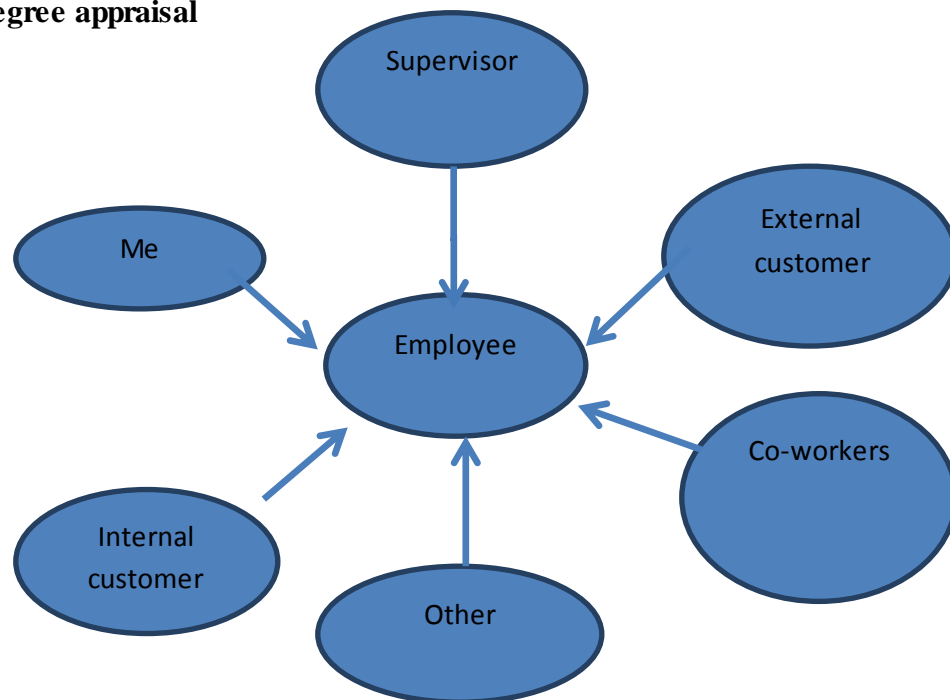
Organizations should conduct an ongoing evaluation of the compensation system to help them ascertain whether organizational goals are being met and identify ways to improve the process. In addition, organization must tailor pay for performance systems to their mission and environment. Pay for performance systems also require substantial initial and continuing investment. Therefore, it is obvious that pay for performance is important system of appraisal that needs great deal of attention and preparation at different level: employees, employer and the organization in general.

### **2.8.4. The 360<sup>0</sup> Appraisal Method**

The 360<sup>0</sup> appraisal system was first applied in one of the US factories in 1987, and then it was developed in 1990. 360-degree appraisal is a powerful method and quite different to traditional manager-subordinate appraisals. As such, a 360-degree process does not replace the traditional one-to-one process - it augments it. It involves the appraise receiving feedback from people (named or anonymous) whose views are considered helpful and relevant (De Jong, 2011).

In this method 360 degree respondents can be the appraises peers, up-line managers, subordinate staff, team members, other staff, customers, and suppliers - anyone who comes into contact with the employees and has opinions/views/reactions of and to him/her. Numerous systems and providers are available. It is advisable to develop a particular process and materials for a particular situation, preferably involving the appraises to which all the participative approaches, often works well (De Jong, 2011).

**Fig 2.2: 360 degree appraisal**



The major advantage of the 360<sup>0</sup> appraisal system is its ability of creating a fairness feeling among employees because a biased employer does not subjectively evaluate them. On the contrary the setback of this method is employees are not willing to give their genuine opinion about their colleagues and accept the opinion of others coworkers in the reverse. In addition, self-evaluation of employees is not being done properly in many cases (Obserg, 1972).

### 2.8.5. Other Methods

The above classification method is not the only type, some other scholars classify performance appraisal methods in different ways. Typical example is classification of performance appraisal method by (Obisi 2011) based on their content. Obisi, (2011) puts ten types of performance appraisal methods as follows.

**I. Essay appraisal:** - which merely requires the rater to write a series of statements concerning an individual's strengths, weaknesses, past performance and potential for promotion.

**II. Graphic rating scale:** - which the rater assess an individual on factors such as initiative, dependability, cooperativeness, attitude and quantity of work.

**III. Checklist method:** - which the rater does not evaluate performance but merely records it on a series of questions concerning the employee's behavior, the rater checks yes or no responses e.g. (a) does the individual perform his or her job, (b) shows superior ability to express himself or herself.

**IV. Critical incident appraisal:** – which the rater is asked to keep a written record on incidents that illustrate both positive and negative behavior of the individual being rated. In this method, the individual's actual behavior and not personality traits, is discussed.

**V. Ranking method:** - which is used when it becomes necessary to compare the performance of two or more individuals.

**VI. Management by objective (MBO):** - involves setting specific measurable goals with each employee and then periodically reviewing the progress made. Also it is a comprehensive, organizational goal-setting and appraisal program.

**VII. Tell and sell method:** - which the rater lets the employee know how he or she is doing, gets the employee's acceptance of the evaluation, and has the employee agree to plan of improvement. This method according to Maier is most likely to be successful with new, young employees and with employees who are in a new assignment. People in these positions are more likely to have insecurity that can result from inexperience and usually are more anxious to receive the helpful advice of a more experienced person.



**VIII. Tell and listen method:** - the general approach with the tell and listen method is for the rater to communicate the evaluation and then wait for a response from the employee. The valuation is conducted in two parts. During the first part, the employee's strong and weak points are covered, during the second, the employee is encouraged to disagree and express his or her feelings about the appraisal.

**XV. Problem solving method:** - according to Maier, the first two methods tell and sell and tell and listen methods place the rater in the position of being a judge and force the individual being evaluated into a defensive position. However, the problem method is to take the reviewer out of the role of a judge and make or help him/her.

## **2.9 Empirical framework**

In their research of comparative study on Indian's employee's perception towards performance appraisal, Mahalawat and Sharmaz found out that the perception level of public banking sector was comparatively low and suggested that there is an urgent need to redesign the appraisal system. They recommend the Change in design/appraisal format such as introduction of 360-degree feedback, BSC, or online appraisal. Another area where they think improvements can be carried out is on providing of training to the raters regarding conductance of fair appraisal by making them realize the importance of setting clear-cut goals, giving accurate ratings, and providing clear and constructive feedback to the rates. Moreover, building up strong appeal system to bring in more transparency in the public banks and training of raters by private banks to minimize appraisal-related politics and introduction of post-appraisal counseling sessions in the both banking sector in India to reduce appraisal-related anxieties of the employees were the other important points concluded from the study.

Tassew (2010) in his paper entitled "Performance Appraisal and Its Significance as a Human Resource Management Tool" conducted a study on seven cities in US and found out that all of them follow adequate performance appraisal (PA) practices. The contents of their PA guidelines and evaluation forms are analogous to the evaluation methods and procedures, which are commonly known in human resource management (HRM). The PA process in one of the cities is not tied to merit pay and the other six cities maintain the pass/fail PA based on performance upon which salary increments and bonuses awarded during good economic times. However, the result of the study reveals that the existing economic shortfall at the time of the research has negatively affected the customary pass/fail merit pay practices, particularly blocking salary increases of better performing employees of these cities. The study shows how the economic downturn impedes rewarding performance, and the major focus is how layoffs and furloughs balance the budget. In the existing bad condition of the economy performance appraisal could possibly result in demotivation and less productivity.

## **CHAPTER THREE**

### **METHODS OF THE STUDY**

#### **3.1. Characteristics of the Study Population**

Currently NIB has over employees and 171 branches rendering banking services for its clients. Having this psyche, it is difficult trying to take the whole population as area of study. For that matter, the researcher curtailed the study only on the basis of headquarters. The structure NIB is divided in to 14 departments and managers. In general, there are 279 males and 171 females, which are 450 in total.

#### **3.2. Research Design and methodology**

The overall purpose of the study was to get a higher degree of understanding of the practice and challenges of performance appraisal. Accordingly, this study employed mixed approach; both numerical and non-numerical data was gathered from officers, managers and professionals in the organization. By using quantitative method, it is easier to analyze the data and come up with the findings. On the other hand, since qualitative research is fundamentally interpretative, this approach is the most appropriate for serving the purpose of this research. Moreover, it is preferable to use a method that makes it possible to understand, describe, and discover meaning as at the same time as it is flexible and evolving method, (Creswell, 2003).

The student researcher used descriptive type of research so that it would clearly describe and specify the practices, purpose and challenges that would come up with the issues of performance appraisal undertook descriptive type of research. The type of study is a case study to which it catches to be useful to investigate the performance appraisal practice profoundly and easily from primary sources of data that is employees of the organization.

By quoting Creswell, 2003 it further states that case study research explores in depth a program, and event, and activity, a process, or one or more individuals. Hence, this study is a case study, by which it explores in depth about the practice and challenges of performance appraisal system, using variety of data collection procedures as stated below.

### **3.2.2 Sample and sampling techniques**

Researchers usually draw conclusions about large groups by taking a sample. Ideally, the sample should be representative and allow the researcher to make accurate estimates of the thoughts and the behavior of large population (Leedey and Ormond, 2005).

To conduct this study the researcher disseminated the questionnaires in a selected number of employees in each department and the interview was held with division managers in HR department. The student researcher utilized stratified sampling technique, consequently, by creating a stratum and that is the existing 14 departments. Hence, the total sample size came to be 450 out of the whole employees of the organization as a representative. randomly distribute 10 questionnaires for each department and Of the 140questionnaires distributed, 78 filled questionnaires were collected representing around 56 % response rate, and 62of the remaining questionnaires were not usable because, they were not filled properly and unreturned and since the returned questionnaires acquire above 50%. Therefore, the researcher has excluded these responses lowering the number of filled questionnaire to 78, which gives a response rate of 56%.

### **3.2.3 Types of data and instruments of data collection**

In this study, both primary and secondary data was used through questionnaire and interview. Where questionnaire was distributed to all department managers, principal officers, senior officers and officers. In order to seize the idea of performance appraisal in the different job position perspectives. While the interview was held with the HR manager who is currently in charge.

### **3.2.4 Methods of data analysis**

Descriptive research method was used to the fact that the practice of performance appraisal could be analyzed and presented as they appear. Following, questionnaire was summarized and presented using the SPSS software version 20. In line with it, percentages and frequencies were computed; tabulation and graphical presentations were also used.

### **3.3. Ethical Consideration**

The ethical issues were considered in the study: informed consent (by informing the respondents regarding the background of the study, including the importance of the data was gathered from them) and issues of confidentiality (by ensuring the respondents that all of the information in this study was solely used for academic purposes only).

# CHAPTER FOUR

## PRESENTATION, ANALYSIS AND INTERPRIATION OF DATA

This chapter deals with the analysis and interpretation of data collected from the questionnaire and interview taken from employees of the bank. Responses for the measures on the questionnaire are summarized and presented using the SPSS software version 20. The questionnaires were distributed in each department of the bank, as the study was limited to headquarters in the first place with a response rate of 56%. Accordingly, tables, graphs and charts are demonstrated to facilitate easy understanding. While the open-ended questions and interviews are analyzed in such undemanding conduct.

### 4.1 Demographic Characteristics of Respondents

In this section, the personal profile of respondents are presented. This includes gender, age, total banking experience, current work experience, educational qualification, field of specialization, and job position of (respondents) employees of the bank in accordance with the department they are working in.

*Table4.1. Demographic data presentation of respondents.*

S.N	Variables	Type	Frequency	(%)
1	Gender	male	60	76.9
		female	18	23.1
Total			78	100
2	Age (in Years)	Less than 25	15	19.2
		26 - 30	23	29.5
		31 - 35	28	35.9
		36 - 40	9	11.5
		More than 41	3	3.8
Total			78	100

3	Total banking experience (in years)	0 - 4	32	41
		5 - 10	26	33.3
		11- 14	14	17.9
		15 -19	5	6.4
		20 and more	1	1.3
Total			78	100
4	How long have you worked in your current job? (in Years)	0-2	38	48.7
		3-6	26	33.3
		7-9	11	14.1
		10 more	3	3.8
Total			78	100
5	Educational qualification	College diploma	6	7.7
		Master's degree	9	11.5
		Technical school graduate	2	2.6
		BA/ BSC degree	61	78.2
Total			78	100
6	Field of specialization in highest educational status	Business administration	4	5.1
		Economics	14	17.9
		Management	13	16.7
		Banking & insurance	9	11.5
Total			78	100

**Source: Own Survey, 2015**

The researcher in Table 4.1 , shows that out of 78 respondents, 60 of them are male and 18 female and most of the respondents age category lies between 31 up to 35 which is about (38.9%) also (29.5%), and (19.2%), of respondents are aged between 26-30 and under 25 while the rest are above 41 (11.5%). Total banking experience of the respondents implies that (41%), of them have work experience of 0 up to 4 years followed by 5 up to 9 years which constitutes (33.3%), and 10 up to 14 years worked respondents tend to be (17.9%), and the remaining fall under 15 years and above.

Educational qualifications of respondent's looks like 6 respondents (7.7%), are Diploma holders, 61 respondents (78.2%), have a Bachelor degree and 9 respondents (11.5%), have Masters Degree. This shows that majority of the respondents are educated to a level of Bachelor degree which may be due to the fact that the target population of the study does include those who are working in officer and above positions that means it doesn't include those who are working in junior and secretarial and non-clerical positions. The other reason as to why most of the respondents have Bachelor Degree could be the bank under this study covers educational fee for its employees only to the level of first degree.

With regard to current position of respondents, 17.9% and 3.8% are working at managerial and supervisory level, whereas 23.1% are at senior positions and 43% are at officer level. From this, it can be noted that proportionate number of respondents have participated in the study from each job category however, most of them are officers. In addition, the respondent's field of specialization in their highest educational background could be demonstrated as Accounting (9.7%), Business and Administration (5.1%), Economics (14%), Management (13%), Banking and Insurance (11.5%) respectively. Current working department of respondents assesses all the departments that have to be emphasized and executed on the sample of the research paper.

#### **4.2. The Existing practice of performance appraisal of the Bank**

For a clear understanding of the analysis part of the study the following five Likert scale measures became precisely three as strongly agree and agree are called agreement where as strongly disagree and disagree are considered disagreement while undecided remain as it is.



S.N	Variables	Type	Frequency	(%)
1	Employees are well informed about how performance is evaluated. I.e. you know all the aspects and standards that are used to evaluate your performance.	Agree	6	7.7
		Strongly agree	46	59
		undecided	6	7.7
		Strongly disagree	18	23.1
		Disagree	2	2.6
Total			78	100
2	I receive formal appraisal twice a year.	Agree	28	35.9
		Strongly agree	38	48.7
		undecided	12	15.4
Total			78	100
3	Formal trainings are given as per performance need of employees.	Agree	7	9
		Strongly agree	9	11.5
		undecided	16	20.5
		Strongly disagree	28	35.9
		Disagree	18	23.1
Total			78	100
4	I am given a chance to review my performance ratings.	Agree	30	39.2
		Strongly agree	35	44.1
		undecided	13	16.7
Total			78	100
5	The raters identify the actual performance gap of employees and suggest feedbacks	Agree	5	6.3
		Strongly agree	31	40.5
		undecided	17	21.5
		Strongly disagree	21	26.6
		Disagree	4	5.1
Total			78	100
6	The performance appraisal goals of the bank are settled between supervisors and subordinates.	Agree	1	1.3
		Strongly agree	24	30.8
		undecided	18	23.1
		Strongly disagree	32	41
Total			78	100
7	The rater who monitor and evaluates employees have adequate knowledge and potential to apprise performance.	Agree	4	5.1
		Strongly agree	41	52.6
		undecided	12	15.4
		Strongly disagree	17	21.8
		Disagree	4	5.1
Total			78	100

Source: Own Survey, 2015

Table 4.2 .Existing practice and ratings of performance appraisal

Table 4.2 discloses that employees are well informed about how performance is evaluated. Which means that they are aware of all aspects and standards that are used to evaluate their performance, containing 52 (66.7%), agreed to the idea that the other 20 (25.7%), of respondents doesn't show their agreement as well. in addition to this 66(84.7%), and 65 (83.4%), of respondents agreed that they receive formal appraisal twice a year and they are given a chance to review their ratings while 46(59%), disagreed towards it and the rest were undecided. From the above demonstration, it is a good quality for the bank to implement PA twice a year and to have employees well informed about how their performance is evaluated and give them the chance to review their ratings.



**Fig 4.1 Employee's attitude towards performance ratings.**

What is more 46 (59%), of the respondents disagreed about the formal trainings given as per the performance need of employees at the same time as 16(20.6%), of them agreed and the remaining were indifferent. The aim of appraising employee's performance is also to identify their deficiencies and suggest trainings and developmental actions. Although it can be observed that formal trainings are based on PA results of employees. In assessing the details of involvement 30 (38.5%), of respondents disagreed that the performance appraisal goals are set between supervisor and subordinates while 25 (32.1%), agreed as both parties are doing it while others remain undecided.

As the result shows 45 (57.7%), agreed that the raters who monitors and evaluates their performance have adequate knowledge as well as potential and 21 (26.9%), were disagreed. as well 36 (46.8%), also agreed that the raters identify the actual gap of their performance and suggest feedbacks. Whereas 25 (32.1%), disagreed. Thus, the researcher summarized that PA goals are not setter between supervisors and subordinates. While rates are neither good enough in identifying the actual, gap of their performance nor suggest feedback.

#### 4.3. The purpose of performance appraisal practice of the Bank

S.N	Variables	Type	Frequency	(%)
1	The Performance appraisal practices of the bank motivate employees of the organization.	Agree	7	9
		Strongly agree	20	25.6
		Undecided	3	3.8
		Strongly disagree	45	57.7
		Disagree	3	3.8
Total			78	100
2	The performance appraisal system identifies performance deficiencies and performance gap.	Agree	16	20.3
		Strongly agree	29	37.9
		Undecided	14	17.7
		Strongly disagree	15	19
		Disagree	4	5.1
Total			78	100
3	The appraisal is in support with the aspects of organizational and corporate goals	Agree	8	10.3
		Strongly agree	33	42.3
		Undecided	19	24.4
		Strongly disagree	13	16.7
		Disagree	5	6.4
Total			78	100
4	The bank gives enough recognition for well-done work. (Non-monetary)	Agree	1	1.3
		Strongly agree	13	16.7
		Undecided	7	9
		Strongly disagree	47	60.3
		Disagree	10	12.8
Total			78	100

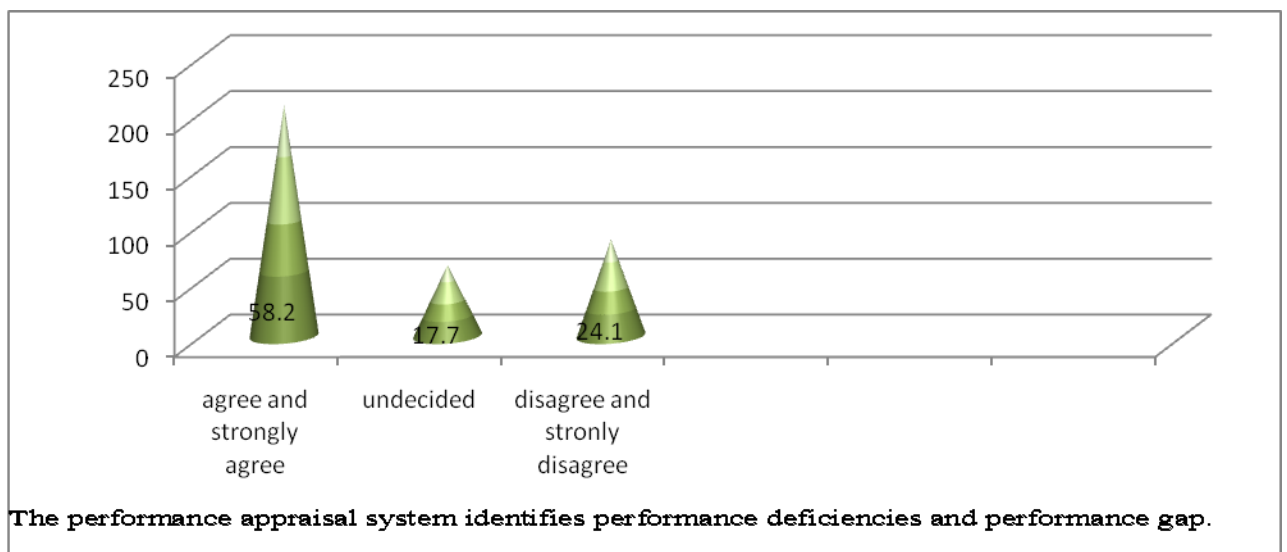
5	The performance appraisal system helps to identify the strength and the weakness of the employee.	Agree	3	3.8
		Strongly agree	13	16.7
		Undecided	8	10.3
		Strongly disagree	52	66.7
		Disagree	2	2.6
Total			78	100
6	Monitoring and performance evaluation are esteemed at all levels of the bank as a means of improving performance.	Agree	2	2.6
		Strongly agree	42	53.8
		Undecided	11	14.1
		Strongly disagree	20	25.6
		Disagree	3	3.8
Total			78	100

Source: Own Survey, 2015

**Table 4.3 Purpose of performance appraisal practice of the bank.**

As Table 4.3 demonstrates 48(61.6%), of the respondents are in disagreement with the idea that the banks performance appraisal practice motivates employees while 27(34.7%), agreed. Among the other purposes it could be used, PA output can be used as salary adjustment (monetary), promotion and recognition for well-done work (non-monetary) or demotion. Keeping this in mind the banks performance appraisal practice is not playing a motivating role for it employees.

**Fig 4.2 Bar Chart of Tenure of respondents'**



Source: Own Survey, 2015

According to Grub 2007, the major purpose of performance appraisal is developmental purpose and this could be achieved in due process of identifying the performance deficiencies and performance gap of employees throughout the system of PA. Apparently, 45(57.7%), of the respondents agreed that the banks PA system identifies their performance deficiencies as well as gaps were as 21(27%), of them disagreed and 12 (15.4%), are indifferent to the idea. On the other hand respondents show their 54(69.3%), of disagreement on performance system of the bank being helpful to identify their strength and weakness. despite that 16(20.6%), showed their agreement. From this shoes that the developmental purpose of PA were not given enough emphasis while implementing the PA activities. Even though, effective performance management was supposed to improve employee loyalty, moral and productivity.

In addition, Grub,2007 synthesized the strategic purpose of PA should be aimed at linking the organizations goals with department, team and individual goals. In fact 41(52.6%), of the respondents agreed on the PA of the bank is in support of organizational and corporate goals and 18 (23.1%), disagreed while 19(24.4%), are indifferent towards it. As the respondents have shown it, we can say that the bank has successfully implemented its PA strategic purpose. It has been argued that the results of performance appraisal of all employees provide insight into the effectiveness of the HR system, the developmental and training needs for the whole organization, and the setting and articulating of organizational goals for the employees (Dessler, 2006).

The fact that, 57(73.1%), of the respondents disagreed to the idea that the bank gives enough recognition for well-done work were as 14(17.8%), agreed that they have been given enough recognition for their well-done work .as majority of the respondents disagreed the bank currently is not giving enough recognition for well-done work. Finally, 44 (56.5%), agrees on the monitoring and performance evaluation being esteemed at all levels of the banks as a means of improving performance even though 23 (29.5%), of the respondents disagreed.

#### 4.4 The attitude of employees on performance appraisal practice of the Bank

S.N	Variables	Type	Frequency	(%)
1	Assessments of my performance are consistent, fair & unbiased.	Agree	11	13.9
		Strongly agree	42	54.4
		undecided	13	16.5
		Strongly disagree	11	13.9
		Disagree	1	1.3
Total			78	100
2	I entertain adequate feedback and lessons of performance evaluation results.	Agree	2	2.6
		Strongly agree	14	17.5
		undecided	23	29.5
		Strongly disagree	35	44.9
		Disagree	3	3.8
Total			78	100
3	Performance appraisal results are objective.	Agree	2	2.6
		Strongly agree	18	23.1
		undecided	17	21.8
		Strongly disagree	31	39.7
		Disagree	10	12.8
Total			78	100
4	Existing performance appraisal system is participatory and satisfactory.	Agree	3	3.8
		Strongly agree	13	16.7
		undecided	8	10.3
		Strongly disagree	52	66.7
		Disagree	2	2.6
Total			78	100

*Source: Own Survey, 2015*

**Table 4.4** Attitude of respondents on the performance appraisal practice of the bank.

On contrary, 53 (68%), of the respondents attitude towards the assessment of their performance being consistent, fair and unbiased were agreement and 12(15.4%), were disagreement the rest remain undecided. In addition to that 31(39.8%),of the respondents agrees that they entertain adequate feedback and lessons from PA results and 24(30.8%), disagreed despite the fact that 23(29.5%),were indifferent. this indicates that even though the number of indifferent respondents are insignificant it may indicate that there is still some gap which need to be figured out.

According to Dessler 2003, it has been said that PA activities should be objective in a sense that it could be consistent, fair and unbiased. However, if the PA is subjective to the raters or to the rate's the reverse will come true. Having said that 31(39.8%), of the respondents disagreed that PA results (ratings) are objective while 20 (25.7%), agreed on its objectivity thus, the rest were undecided.

Even though 54 (69.3%), of respondent disagreed that the existing PA system in the bank has been or still is participatory and satisfactory 16 (20.6%), agreed to it. In general terms, PA results are to be said subjective and respondents attitude seems to be dissatisfied and never been participated in the system.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Summary

The study attempted to assess the existing practice of performance appraisal in Nib International Bank S.C. In addition, it was aimed to describe the current phenomena and tried to reveal the real problems related to performance appraisal practice. Furthermore, the paper tried to look at what is the attitude of employees of the bank with respect to performance appraisal practices ratings and purpose falls. The study employed both interview and questionnaires to collect primary data. The interview was held with the Human Resource Manager of the bank to collect accurate information on the actual practice of performance appraisal and related issues. The information gathered was further analyzed Descriptive method by comparing it with the theoretical aspects gained from secondary sources in the subject matter. Thus based on such analysis the following conclusions are drawn:

- The PA practice of the bank does not motivate employees of the bank and does not give recommendations for well-done work. In other scenario, the PA practice helps employees to spot their performance deficiencies and gaps; on the other hand, the practice is not helpful to identify their strength and weakness, which shows contradiction of ideas on the result of the practice in to the respondents.
- Regarding the strategic purpose of PA, appraisal goals are linked or are in harmony with its organizational and corporate goals. In addition, it could be fair enough to say that the banks monitoring and performance evaluation is being esteemed at all levels of the bank as a means of improving performance.
- Employees are aware of all the aspects and standards that are used to evaluate their performance. Besides, employees receive formal performance appraisal twice a year and given chance to review performance rating.



- Moreover, there has not been any formal training given to the employees as per their performance results, which was clearly supposed to show their deficiencies and performance gaps. Therefore, we can understand that the developmental purpose of the PA is not being implemented well.
- The raters who monitor and evaluate employee's performance have adequate knowledge as well as potential. On the contrary, the respondents disagreed that the raters did not identify actual performance gap of and suggest feedbacks to the ratee's. From this the researcher summarized that even though they are good enough for apprising performance proper feedback consideration has not been given at all.
- Consequently, respondents not entertain setting appraisal goals with their subordinates or they do not feel as part of it. the respondent's attitudes towards the assessment of their performance being consistent, fair and unbiased were positive despite the fact that respondents also disagreed with the current PA system of the bank has neither been participatory nor satisfactory as well as it suffers from subjectivity. The PA practice depends on the personal sentiment of the rater that leads to inability to identify employee's strength and weakness somehow.
- Nevertheless, it does not give enough attention to employees and it is not linked to work motivation. Lack of right performance measures for the right job also encounters a great deal of problem of standardization. What is more it is dependent on the rating quality of the evaluators which makes the employees passive participant. In addition, others like not being able to deem quality of work processed and resources taken.

## **5.2 Conclusion**

Performance appraisal has many potential benefits to the organization as well as to the employees. On the other hand, it has many potential drawbacks, so it is helpful to identify performance gaps and deficiencies of employees and minimize that gap. The PA practices of the bank are being implemented twice a year, where employees are well informed about the standards of measurement in the appraisal process, and they were given a chance to review their ratings. However, the practice is currently outdated and the appraisal results were not helpful for factors like recognition for well-done work or motivation, and training, whereas the standards for appraisal are to be said subjective somehow.

The Assessments of employees performance was consistent, fair & unbiased while some of the employees argued on that. Moreover, PA process does not involve subordinates in goal setting actions even though the PA were linked to organizational as well as corporate goals. In due effect, employees faced challenges such as they are unable to identify their strength and weaknesses throughout the development. Hence, the above conclusions drawn shows how significant the study is.

### **5.3 Recommendations**

As the research is aimed at assessing the various challenges and practices of the performance appraisal, system of the bank the following conclusive recommendations were forwarded from the finding of the study. Thus, this study could be seen as the first step in improving the ongoing practice. To this regards,

- Raters potential and capabilities that monitor and evaluate employee's performance should also be improved and built through several HR skills and training in order to have up-to-date and adequate knowledge on appraising employee and to avoid biasness and unfair judgments that might lead to employee's dissatisfaction and also reduced work quality. Perhaps, the vague understanding of employees on identifying the performance deficiencies and gaps and letting them to discover their strength and weakness has to be cleared through the most suitable way of awareness creation.
- Since the existing performance appraisal format is not up to date and does not consider the current situation. As we are operating in a very dynamic environment we must review the system and the format the bank is using now.
- Meanwhile, raters or evaluators are expected to give feedbacks after completion of the evaluation process to the ratee's and forward possible suggestions to their performance in which the PA results will be helpful both ways. Therefore, a lot has to be done to utilize employees PA results to be useful for developmental as well as administrative purposes (promotional, salary increment or other non-monetary recognition) of the bank. In short, we can say it should be revised purpose wise.
- To avoid the challenges of subjectivity and standardization in the existing PA system, the standards for evaluation has to be either work (job) related or specifically esteemed for each department. Subsequently the quality and quantity of work expected should be analyzed independently for each division of labor or work category while, keeping the basic ethical values and behavioral codes as it is.

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# APPENDIX

## **APPENDEX I**

### **St. Marry University**

#### **Masters of Business Administration (MBA) program**

#### **Questionnaire to be filled by Staff members of Nib International Bank S.C**

Dear Respondents, First I would like to express my sincere appreciation for your precious time, genuine and quick responses in advance.

This questionnaire is designed to collect information about performance appraisal practice and challenges of Nib International Bank S.C. The information will be used as a primary data to the research I am conducting as a partial requirement of my study at St. Mary's University for completing my Master's Degree in Business Administration (MBA). I also want to assure you that this research is only for academic purpose authorized by the St Mary's University only and your answers will be kept confidential.

#### **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 briefly explain as per the questions on the space provided.

**N:B. If you have any enquiries or need further assistance you can contact me in the following address AbebaTizazu Tel. 0912 690383.**

*Thank you in advance!*

*AbebaTizazu*

**Section I: Participant Information**

1. Gender: Male  Female

2. Which of the following age categories describes you?

Under 25  26-30  31-35  36-40  41 and above

3. Total banking experience you have worked for (in years):

0-4  5-9  10-14  15-19  20 years and more

4. How long have you worked in your current job? (In years)

0-2  3-6  7-9  10 years or more

5. Educational Qualification:

High school graduate  Technical school graduate

College Diploma  BA/ BSc Degree

Master's Degree

Other (please state) \_\_\_\_\_

6. Field of specialization in your highest educational status \_\_\_\_\_

7. What is your current position (job) in the bank? \_\_\_\_\_

8. In which department are you currently working? \_\_\_\_\_



## Section II: Questions related to performance appraisal practices

Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess your attitude towards the performance appraisal purpose, practices and challenges in your bank.

Q.No	Questions	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
<b>Questions related to the practice of performance appraisal and ratings of employees.</b>						
1	Employees are well informed about how performance is evaluated. I.e. you know all the aspects and standards that are used to evaluate your performance.					
2	I receive formal appraisal twice a year.					
3	Formal trainings are given as per performance need of employees.					
4	I am given a chance to review my performance ratings.					
5	The raters identify the actual performance gap of employees and suggest feedbacks					
6	The performance appraisal goals of the bank are setted between supervisors and subordinates.					
7	The raters who monitors and evaluates employees have adequate knowledge and potential to apprise performance.					

**Questions related to the purpose of performance appraisal.**

1	The Performance appraisal practices of the bank motivate employees of the organization.					
2	The performance appraisal system identifies performance deficiencies and performance gap.					
3	Monitoring and performance evaluation are esteemed at all levels of the bank as a means of improving performance.					
4	The bank gives enough recognition for well done work. (Non-monetary)					
5	The performance appraisal system helps to identify the strength and the weakness of the employee.					
6	The appraisal is in support with the aspects of organizational and corporate goals.					

**Questions related to the performance appraisal attitudes of employees.**

1	Assessments of my performance are consistent, fair & unbiased.					
2	I entertain adequate feedback and lessons of performance evaluation results.					
3	Performance appraisal results are objective.					
4	Existing performance appraisal system is participatory and satisfactory.					

**Section III- Essay Questions**

1. What challenges have you faced through the process of performance appraisal practice of the bank?

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2. What do you think is the problem for subjective performance evaluation and appraisal system?

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3. Do you think the performance appraisal activities of the bank assess the training and developmental needs of employees?

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4. Have you encountered any biased or misinterpreted results of your performance towards the job in the appraisal process? If any, how does it happen and due to what reasons?

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5. What recommendations could you suggest in the evaluation, appraisal and implementation, process of performance appraisal practices of the bank in the future?

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6. Other additional comments

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*Thanks for your cooperation!!*

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## APPENDIX II

### INTERVIEW QUESTIONS

This interview question is aimed to collect information about performance appraisal practice of Nib International Bank S.C. The information shall be used as a primary data to the research I am conducting at St' Mary's University for completing my master's degree in Business Administration (MBA).Therefore, this research is to be evaluated in terms of its contribution to the understanding of the practices and its contribution to future improvements.

I want to assure you that this research is only for academic purpose authorized by the St Mary's University. No other person will have access to the data collected in any sort of report I might publish, I will not include any information that will make it possible to identify any respondent. Thank you for your cooperation in advance.

01. Position of the manager

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02. How long have you worked in your current position

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03. Do you think the performance appraisal practice of the bank suffers from subjectivity?

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04. Are the policies and procedures of PA being implemented well?

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05. Do the forms of PA differ when it goes to one work unit to the other?

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06. Do you think the existing performance appraisal format is up to date and considers current situations?

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07. Do you concur that all the standards for evaluating performance are relevant?

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08. For how frequent do you suggest PA should be implemented?

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09. Are PA results being used for developmental purposes currently?

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10. Are the raters in PA practice of the bank subject to biasness? if yes explain

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