



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF PERFORMANCE APPRAISAL  
PRACTICE IN UNITED BANK S.C.**

**BY: FIKREGENET GETACHEW**

**JUNE, 2016**

**ADDIS ABABA, ETHIOPIA**

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**ID NO. SGS/0216/2007 A**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR MASTER  
OF BUSINESS ADMINISTRATION**

**ADVISOR: TEMESGEN BELAYNEH (PhD)**

**JUNE, 2016**

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**APPROVED BY BOARD OF EXAMINERS**

_____	_____	_____
<b>Dean, Graduate Studies</b>	<b>Signature</b>	<b>Date</b>

_____	_____	_____
<b>Research Advisor</b>	<b>Signature</b>	<b>Date</b>

_____	_____	_____
<b>Internal Examiner</b>	<b>Signature</b>	<b>Date</b>

_____	_____	_____
<b>External Examiner</b>	<b>Signature</b>	<b>Date</b>

## **DECLARATION**

I declare that this research paper entitled **Assessment of Performance Appraisal Practice in United Bank S.C.** is my original work. This study has not been presented by others for any requirements in any other university and all sources of information in the study have been appropriately acknowledged.

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**Fikregenet Getachew**

## **ENDORSEMENT**

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

**Temesgen Belayneh (PhD)**

Signature\_\_\_\_\_

Date: 07/06/2016

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## **ACKNOWLEDGEMENT**

First and foremost I would like to thank the Almighty God for helping me from the starting time of this study up to now. Then I would like to thank my whole families for supporting me throughout the study and my little princess, Julie I would like to thank you for your sympathy.

I would like to express my sincere gratitude to my advisor Dr. Temesgen Belayneh for his follow-up and useful comments throughout the preparation of this thesis work.

My heartfelt gratitude also goes to my uncle Dr. Getachew Sinishaw for his guidance and encouragement in preparing this thesis.

My special thanks are extended to the human resource management and employees of United Bank S.C. for allowing me to conduct this research at their organization and also for their cooperation in providing me essential information for this study.

Finally, I would like to thank my friends Ashenafi Kendeya, Abel Mehari, Tulu Deressa, Atalay Abebe, Solomon Getachew and Mesfin Seyoum for their heartfelt morale support to finalize my thesis.



## **List of Acronyms and Abbreviations**

HRM – Human Resource Management

HR – Human Resource

PA – Performance Appraisal

PAS – Performance Appraisal System

DHR - Division of Human Resources

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## **Abstract**

*Performance appraisal process is a key contributor to successful HRM, as it is highly related to organizational performance. The administrative purpose of performance appraisal can also be used as a motivational tool by recognizing successful performance and rewarding; whereas the developmental purpose guides on the required skills, competences and behaviors by providing trainings. In line with this, the study tried to assess the performance appraisal practice of United Bank S.C by applying descriptive research method and with specific objectives of looking in to the effectiveness, the process, problems of performance appraisal practice and investigating the employees' perception towards the fairness of performance appraisal practice of the bank. The study has used mixed research approach; in which the primary data were collected through questionnaire and unstructured interview. Sample size was determined by using 95% confidence level. The sampling technique used in this study was stratified and 10 questionnaires were distributed to special branches, 43 to Grade "A" branches, 87 to Grade "B" branches and the rest 188 to Grade "C" branches. In checking the reliability, Cronbach's alpha score was applied and found to be acceptable. The study has found out that the banks appraisal system lacks acceptability and sensitivity which is due to the subjective appraisal criteria and these criteria are not in line with the job description of employees. The Bank's appraisal system doesn't follow the six scientific steps, judgmental errors were also found in the system and the employee's perception towards the fairness of the appraisal system of the bank was negative. Therefore, United Bank S.C should revise its performance appraisal manual and criteria in order to make its appraisal system effective. Besides sufficient training must be given to the rater so as to avoid the judgmental errors and set an accurate appraisal system.*

**Key words:** *Performance appraisal process, HRM, employee*

# CHAPTER ONE

## INTRODUCTION

### *1.1 Background of the study*

Human resource is a vital for the performance of any organization. As all the objectives and goals of the organization are set as well as realized by people, positive contribution of individuals is a major input for the organizations' survival and also the source of sustainable competitive advantage (Wright, Dunford, and Snell, 2001 cited by Aleassa, 2014).

In today's competitive business world, it is becoming clear that organizations can compete in the market only by innovation which will be attained by managing their human resource in a good way. Employees are considered as a valuable asset to an organization that requires effective management. It is possible to make human resource system effective by having a valid and accurate appraisal system (Femi, 2013).

According to Dattner (2010) cited by Gichuhi, Abaja & Ochieng (2012), a well designed performance appraisal system has first to develop a criteria for successful performance; which consist of the desired outputs expected of employees , then give performance feedback and have a fair reward system. Performance appraisal is the most powerful instrument that the organizations have to mobilize the energy of every employee of the enterprise towards the achievement of strategic goals.

Performance appraisal is a method by which the immediate line manager or the supervisor evaluates the job performance of an employee in terms of quality, quantity, cost and time (Akinbowale, Jinabhai & Lourens, 2013). According to Saeed & co-workers (2013) performance appraisal is actually an evaluation and acknowledgement of an employee's performance with certain responsibilities and accountabilities. The evaluation task here is not based on the employee's personality feature instead it is based on the outcome of the employee in that specific profession.

The main intention of performance appraisal is to assess employees' performance as objectively as possible in which the results of it will be used in setting direction for the

development of the individual performance by identifying the performance strength and weakness and then developing an action plan to bring the desired development (Gichuhi, Abaja and Ochieng, 2012).

A performance appraisal which is not carefully developed and implemented can have negative repercussions for both the organization and its employees; some of them may be getting the wrong person promoted, transferred or fired; it may also cause feelings of inequality on the part of good employees who erroneously rises than bad employees. It could lead to legal suits in which the organization has a very weak defense for why a particular individual was not promoted. Also it could result dissatisfied employees who could decrease their effort on work which has a negative impact on the customers or they may look for other jobs.

According to Nurse (2005) cited by Akinbowale, Jinabhai & Lourens (2013), even if performance appraisal has many benefits to the organization, it has also an equal probability of having a bad impact to both the organization and employee performance. Mackey and Johnson (2000) have stated that as performance appraisal has the capability in improving the work performance and employee satisfaction, it is also capable of demotivating employees and creating bad impression on good employees (cited by - Akinbowale, Jinabhai & Lourens, 2013).

United Bank was established as a Share Company on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. Over the years, United Bank built itself into a progressive and modern banking institution, endowed with a strong financial structure and strong management, as well as a large and ever-increasing customers and correspondent base ([www.unitedbank.com.et](http://www.unitedbank.com.et)).

United Bank S.C. has officially began its operation on September 21, 1998 and its first branch, Beklobet Branch, was officially inaugurated and started providing domestic banking services on October 1, 1998. According to United bank annual report (2015), the total number of employees is 2,921 as at June 30, 2015 and the number of branches has reached to 124 and out of which 68 branch offices are located in Addis Ababa and the other

56 branches are in major regional towns of the country. The bank is conducting performance appraisal twice a year on January for the period covering from July up to December and July for the period covering from January to June.

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

Assessment of employees' performance is one of the common practices in almost every organization as it is an essential trend to brought better performance of employees and organizations as well. In creating better performance of the organization, satisfied employees play a crucial role (Karimi, Malik & Hussain, 2011).

Employee satisfaction with job is pleasurable or positive emotional state resulting when one's personal expectations at work are in line with the outcome (Sharma & Khanna, 2014; Khan, 2007 cited by Karimi, Malik & Hussain, 2011).

Performance appraisal practices, if performed correctly and logically are now considered as one of the key contributing factors to the success of an organization. Organizations have to put increased emphasize on performance appraisal to identify the strengths and weaknesses of their employees, to improve their productivity which in turn helps the organizations to gain competitive advantage with human resource. However, if it is abused and misused, appraisals can be a great source of dissatisfaction that obstruct employee motivation.

While conducting interview on December, 2015 with seven employees who are on non managerial positions of United Bank S.C; complaints have been presented towards the appraisal system of the bank in which current appraisal results of the employees are based on their past result and are similar to their past as the appraiser didn't see the current performance of the employee. Besides there is a significant difference in the appraisal results from branch to branch in which the highest of one's branch may be the average on the other branch and when there is transfer of employees from branch to branch this will have impact on the employee's subsequent appraisal result regardless of their performance. Moreover some of them believed that, the appraisal practice goes from end to the start point as the supervisors or managers decide the final result at first and then allocate it to the various appraising criteria and while doing it sometimes they may give contrary result for similar criteria. In addition to the above, these employees have also complained that most of the supervisor or manager gives the result based on the

employee's relation or closeness towards them. Due to these complaints, the researcher is motivated to assess the existing performance appraisal practice of United Bank S.C.

### ***1.3. Basic research questions***

- How well the performance appraisal system of United Bank S.C is effective?
- How the performance appraisal process is conducted in United Bank S.C.?
- What are the major problems in performance appraisal practice of the bank?
- How do the employees perceive the fairness of performance appraisal practice of the bank?

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

#### **1.4.1. General objective**

The study has been carried out with the general objective of assessing performance appraisal practice in United Bank S.C.

#### **1.4.2. Specific objective**

Based on the general objectives of the study the specific objectives of the study are:

- To look in to the effectiveness of performance appraisal system of United Bank S.C;
- To investigate the performance appraisal process of the bank;
- To find out the major problems in performance appraisal practice of the bank;
- To look into employees' perception towards the fairness of performance appraisal practice of the bank.

### ***1.5. Scope of the study***

From the various HRM practices of United Bank S.C., the study was targeted in assessing the performance appraisal practice of the bank. Due to time and budget constraint only the branches found in Addis Ababa have been taken in to account.



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

The findings of this research will be able to be used by the bank as an input for assessing its performance appraisal practice and its employee's perception towards the fairness of performance appraisal system so that it can identifies the areas needing improvement. The study will also be used as a basis for further researchers to conduct on this area. Besides it will serve as a reference material for both academicians and practitioners.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter contains theoretical and empirical literatures regarding the performance appraisal system and also conceptual framework developed based on the literature.

#### ***2.1. Theoretical literature review***

It deals with the concept of performance appraisal, purpose of performance appraisal, the performance appraisal process, performance appraisal methods, and performance appraisal errors. It also discusses about the requirements of effective performance appraisal system and employees' perception on performance appraisal.

##### **2.1.1. The concept of performance appraisal**

Performance appraisal can be defined as a structured formal annual or semi-annual interaction between the subordinate and supervisor to examine and discuss the work performance of the subordinate by identifying strength and weakness as well as opportunities for improvement and skill development (Bhatia & Jain, 2012).

Belete, Tariku & Assefa (2014) defined performance appraisal as a systematic evaluations of an employees' performance skill and other necessary qualities for carrying out the job successfully.

Performance appraisal is the process of obtaining, analyzing and recording information about the worth of an employee so as to evaluate the performance and understand the abilities of an employee for further growth and development (Manjunath, 2015).

Lansbury (1988) defined performance appraisal as "the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance." cited by (Seniwoliba, 2014: 601).

Deepa & Kuppusamy (2014) defines performance appraisal as a process in which the work performance of the employee is identified as strength and weakness so that the organization

could use it in providing proper training to them and improve the organization's performance.

According to Khan (2013: 66) "performance appraisal as a formal, structured system of meaning and evaluating an employee's job related behavior and outcome to discover how and why the employee is presently performing on the job and he the employee can perform more effectively in the future so that the employee, organization and society get the benefit."

### **2.1.2. Purpose of performance appraisal**

Performance appraisal is taken as the most important and crucial tools for the organization as it provides information which is very useful for decision making about different personnel aspects like promotions and merit increases (Obisi, 2011).

Gomez-Mejia and coworkers (2012) state that appraisals are usually performed for administrative and /or development purposes. Behn (2000) cited by Mamimine and coworkers (2015) had also stated that, Performance appraisal is used administratively when the information gathered from it is used as a basis for decision regarding the work conditions of the employee. According to Rahim (2012: 386) "One of the most common uses of performance appraisal is for making administrative decisions relating to promotions, fringes, layoff, and merit pay increases."

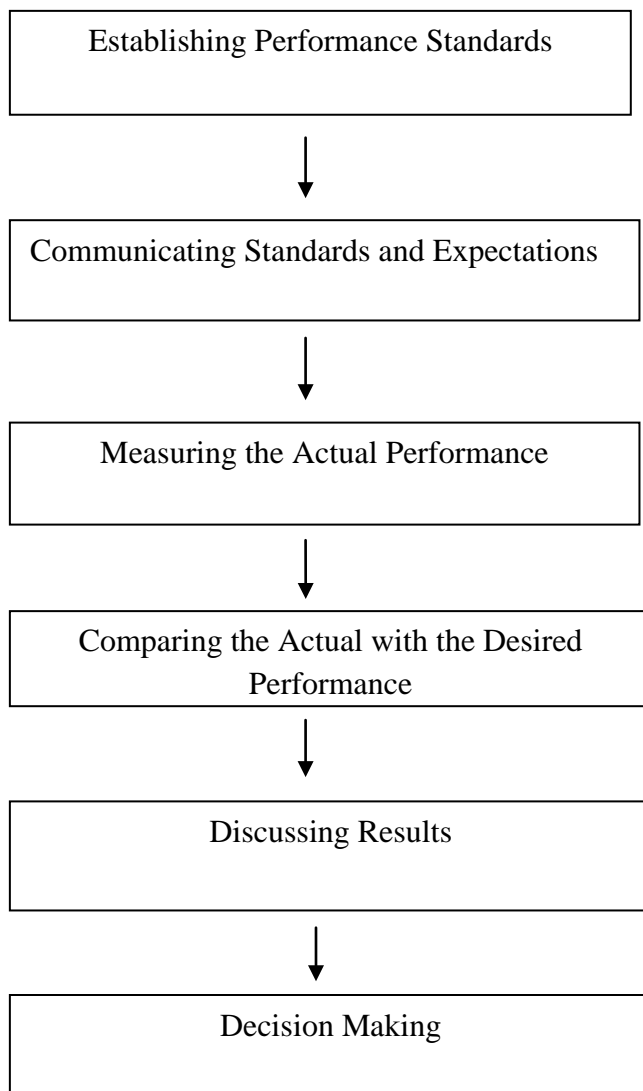
As per Kondrasuk (2011) cited by Mamimine and coworkers (2015), developmental purpose is the other major purpose of conducting performance appraisal. Providing feedback, consultation on effective work behaviors, training and other learning opportunities to employees based on their performance appraisal results so as to improve their performance and strengthening their job skills is the developmental uses of appraisal (Gomez-Mejia and coworkers, 2012). Wangithi and Muceke (2012) indicate that one of the major uses of performance appraisal is to indicate performance areas that could get improved if appropriate training is provided.

### 2.1.3. The performance appraisal process

If a systematic performance appraisal process is followed, the ability to generate accurate and reliable data will be enhanced as a result the information that can serve the organization's goals and that compiles with the law will be provided (Ivancevich, 2004). According to Rao & Rani (2014), unfair procedures of the performance appraisal create job dissatisfaction.

Manjunath (2015) has listed the following steps for developing such systematic process;

**Figure 2.1. Performance appraisal process**



**Source: Adopted from Manjunath (2015)**

### **2.1.3.1. Establishing performance standards**

It is the process of setting key performance criteria which could be used to judge the actual performance of employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives (Manjunath, 2015).

According to Khan (2013), these four dimensions of performance which are competencies, behaviors, results or outcomes and organizational citizenship behaviors should be considered in performance appraisal. Besides the performance criteria should be based on the up –to –date job description so as to ensure that the performance criteria are relevant to work practice. As Gomes (2003) cited in Subekti and Setyadi (2016) has argued that the quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative and personal qualities are some indicators which become a performance appraisal measurement.

### **2.1.3.2. Communicating the standards**

After setting the performance standards, the management should communicate it with the employees of the organization. There should be clear explanation of the standards to employees so that they could understand their roles and know what exactly is expected from them (Manjunath, 2015).

### **2.1.3.3. Measuring the actual performance**

Measuring the actual performance or the work done by the employees during the specified period of time, is the most difficult part of the performance appraisal process. It is a continuous process involving monitoring the performance all through the year which requires the watchful selection of appropriate techniques of measurement, making sure there is no individual bias, and providing support instead of interfering in employee's work (Manjunath, 2015).

### **2.1.3.4. Comparing the actual with the desired performance**

In order to know that whether there is a positive or negative deviation in the organizational performance, the actual performance of an employee will be compared with the desired

outcome or the standard performance. It includes recalling, evaluating and analysis of data related to the employees' performance (Manjunath, 2015).

#### **2.1.3.5. Discussing results**

Here the results of the appraisal will be communicated and discussed with the employees on one-to-one basis with the aim of problem solving and agreement. Feedback will also be given with a positive attitude so as to have a positive effect on employee's performance and motivation (Manjunath, 2015).

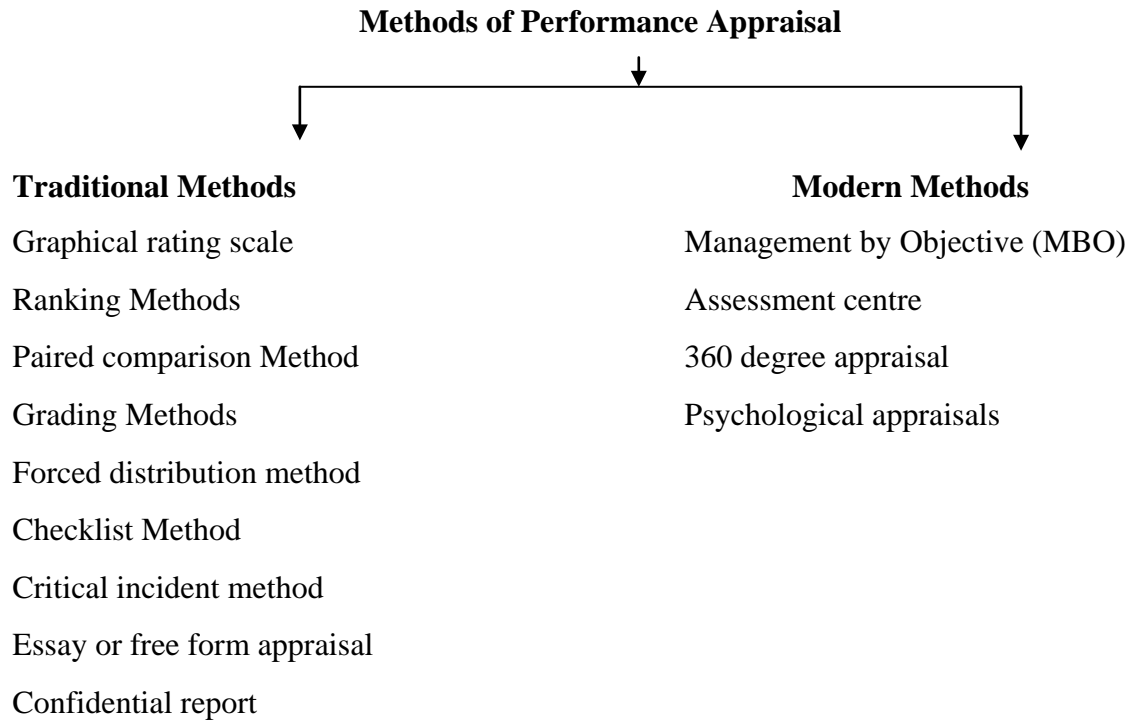
#### **2.1.3.6. Decision making**

After discussing the results, the last step is to make a decision on either to improve the performance of the employee, take the necessary corrective action or the related human resource decisions like promotion, rewards, transfers and the like (Manjunath, 2015).

#### **2.1.4. Performance appraisal methods**

Since employee's appraisal system is used as a basis for successful employee performance management and also provides valuable information to other HRM functions, it has to be properly designed and realized (Aggarwal and Thakur, 2013).

There are a number of methods available to measure the employee's performance. These methods can be broadly classified into two groups: traditional methods (past oriented) and modern methods (future oriented) (Aggarwal and Thakur, 2013; Shaout and Yousif, 2014).



**Figure 2.2. Performance appraisal methods**

#### **2.1.4.1. Traditional performance appraisal methods**

Traditional methods are relatively older methods of performance appraisals which are based on the personal qualities of the employee including the knowledge, initiative, loyalty, leadership and judgment. These methods were past oriented approaches which concentrated only on the past performance (Aggarwal and Thakur, 2013).

##### **2.1.4.1.1. Graphical rating scale**

It is a popular and simple method used to compare individual performance to an absolute standard. It is a scale which lists traits such as quality and reliability and the range of performance values from unacceptable to outstanding. The employee is then graded by identifying the score that best defines his or her level of performance for the trait (Lunenburg, 2012; Shaout and Yousif, 2014).

##### **2.1.4.1.2. Ranking method**

It is an alternative method to graphic rating scale in which the employees are ranked based on their performance effectiveness one after the other from best to worst (Shaout and

Yousif, 2014). According to Lunenburg (2012), the usual procedure in ranking method is that the rater will write the name of the best subordinate on the top of list, then the worst at the bottom and continue this sequential procedure until all the subordinates are listed.

#### **2.1.4.1.3. Pared comparison method**

This is a method where each employee is pared with every other employee in the same framework and then the raters make a two –way comparison. This is a useful method only where the number of comparisons made is less otherwise it will become ineffective when the number of employees increases (Khan, 2013; Lunenburg, 2012).

#### **2.1.4.1.4. Grading method**

In this method, certain categories of grading of performance like excellent, very good, good, average, poor, very poor etc will be defined in advance and employees are put in a particular category depending on their traits and characteristics. However, this method has one basic limitation which is the rater may give higher grades for most of the employees (Khan, 2013).

#### **2.1.4.1.5. Forced distribution method**

Under this method of performance appraisal, the rater after assigning the point to the performance of each employee has to distribute his ratings in the pattern to conform the normal frequency distribution curve. The major drawbacks of this method occurs when organizations have a tendency to organize certain key departments with good employees and some other discards and laggard because relatively good employees of key departments get poor rating and relatively poor employees of laggards' departments' get good rating (Khan, 2013).

#### **2.1.4.1.6. Checklist method**

It is a simple method of performance appraisal where the supervisors are given a list of statements or questions in the form of yes or no based questions and asked to check against employee's performance. After completing the checklist, it will be sent to HR departments for further processing. The questions in the checklist may have more or equal weight depending on their importance (Khan, 2013; Khanna and Sharma, 2014).



#### **2.1.4.1.7. Critical Incident method**

It is concentrated on certain critical behaviors of employee that makes significant difference in the performance. When such an action, a “critical incident,” affects the department’s effectiveness significantly, either positively or negatively, the manager writes it down. At the end of the appraisal period, the rater uses these records along with other data to evaluate employee performance. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the past few weeks or months (Shaout and Yousif, 2014).

#### **2.1.4.1.8. Essay or free form appraisal**

It is a method where the raters are asked to write or give a description on the employee’s performance on the job at the end of evaluation time. This method tends to focus on extreme behavior in the employee’s work rather than on routine day-to-day performance (Aggarwal and Thakur, 2013). According to Lunenburg (2012), some organizations have combined the graphic and essay methods by providing space for comments on the graphic rating scale. However, the variation in the writing skills of the rater is a major limitation.

#### **2.1.4.1.9. Confidential report**

It is highly secretive and confidential in which the employee’s performance will be presented in the form of annual confidential reports (Khan, 2013). Khanna and Sharma (2014) stated that this type of appraisal is usually used in government departments and the ratings may be with respect to attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and the like.

### **2.1.4.2. Modern performance appraisal methods**

Modern methods of performance appraisal were developed to improve the limitations like biasness and subjectivity of the traditional methods (Ashima and Thakur, 2013; Yousif and Shaout, 2014).

#### **2.1.4.2.1. Management by objective (MBO)**

Management by objective is a result oriented process in which first supervisor and subordinate jointly establish objectives and individual area of responsibility, then the

employee performance will be measured by examining the extent to which predetermined work objectives have been met (Khan, 2013). In management by objectives, as performance is evaluated based on the achievement of the established objectives, it can be said that this method of appraisal is mostly concerned about the results achieved or goals attained but not the ways on how the employees performed it (Khanna and Sharma, 2014).

#### ***2.1.4.2.2. Assessment center***

It is “a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Appraisees are requested to participate in in-basket exercises, work groups, computer simulations, fact finding exercises, analysis/decision making problems, role playing and oral presentation exercises” (Shaout and Yousif, 2014 : 967).

#### ***2.1.4.2.3. 360 degree appraisal***

A performance appraisal technique which comprises evaluation inputs from various sources in the firm like supervisor, colleagues, subordinates and external sources like customers, suppliers too. It provides information to people about the effect of their action on others in the work area (Shaout and Yousif, 2014). According to Khanna and Sharma (2014), 360 degree measures the manners, capacities, efficiencies of teamwork, character and leadership. Besides, it improves listening, planning and goal setting skills.

#### ***2.1.4.2.4. Psychological appraisals***

This type of appraisals are more intended to assess the employees’ potential for future performance by focusing on emotional, intellectual, motivational, and other personal characteristic which affect their performance. It is done using In-depth interview, Psychological tests, discussion with supervisors and review of others evaluation (Khan, 2013; Khanna and Sharma, 2014).

### **2.1.5. Performance appraisal errors**

Evaluating another individual’s performance accurately and fairly is not an easy thing to do; moreover, errors often result in this process. According to Rao and Rani (2014),

performance appraisals are designed for assessing the performance and potential of employees, however due a variety of limitations on their use, it may not be a valid indicator of what they are intended to asses. Performance appraisal errors affect the validity and dependability of the performance appraisal system, and they could be discussed as follows:

#### **2.1.5.1. Judgment error**

Performance appraisal is HRM activity which entails teamwork between line managers or supervisors and HR specialists. The appraiser is supposed to have detail knowledge about the job content, the contents to be appraised and standards of content. Evaluators may commit mistakes due to the biasness and inadequate training and these errors are called rater errors or judgmental errors (Rao and Rani, 2014).

##### **2.1.5.1.1. Halo effect**

It occurs when a single positive or negative dimension of a subordinate's performance influence the supervisor's rating of that subordinate on other dimensions and resulting a constant rate of high, medium or low in all the performance appraisal dimensions. The subordinate's performance is completely appraised on the basis of a perceived positive quality, feature or trait (Lunenburg, 2012).

##### **2.1.5.1.2. Stereotyping**

It is when the rater overestimates or underestimates the employee's performance based on the generalization made to the employee' s behavior on the mental picture of rater about the sex, age, religion and the like (Rao and Rani, 2014).

##### **2.1.5.1.3. Central tendency errors**

Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. It fails to discriminate between subordinates and offers a little information for HRM decision making regarding compensation, promotion, training or what should be feedback to rates and the use of evaluations (Ivancevich, 2004).

#### **2.1.5.1.4. First impression (primacy effect)**

It is an error arising when the evaluator made an assessment based on the employee's first impression which may be positive or negative and if it is positive primacy effect, the employee is considered as a good performer while in negative primacy effect, the employee is a bad performer (Rao and Rani, 2014).

#### **2.1.5.1.5. Recency of events error**

Ideally, performance appraisals should be based on the data collected about the subordinate's performance over an entire evaluation period which is usually six months to a year. However, the rater is likely to forget the past behavior and gives over emphasis on recent performance. Thus, many people are evaluated more on the results of the past several weeks than six months' average behavior which is called the "recency of events" rating error (Ivancevich, 2004; Lunenburg, 2012).

#### **2.1.5.1.6. Horn Effect**

It is when the evaluator bases on the perceived negative quality or feature of the employee in appraising performance which results a lower rating (Rao and Rani, 2014).

#### **2.1.5.1.7. Strictness or Leniency**

Some raters consider everything as bad and some consider as good which are referred as strictness and leniency errors. Leniency occurs when ratings are restricted to the high portion of the rating scale and strictness occurs when ratings are restricted to the low portion of the rating scale (Lunenburg, 2012).

#### **2.1.5.1.8. Contrast Effects**

This error occurs when evaluation of a ratee's performance is affected by comparisons with other people recently encountered. The rater lets another employee's performance influence the ratings that are given to someone else. It can also occur when a supervisor unknowingly compares employee's present performance with their past performance which could have impact on the rating (Ivancevich, 2004).

#### **2.1.5.1.9. Spill over effect**

It is a type of a rater error in which the current performance of the employee is evaluated based on the past performance by assuming the good performer employee in the distant past is good at the present and bad performers in the past are still bad in the present too (Rao and Rani, 2014).

#### **2.1.5.2. Poor appraisal forms**

The appraisal process is affected by the appraisal forms to be used. If there is ambiguity and lack of clarity in the rating scale or if the forms are too long and complex, they can cause perceptual difference in the meaning of the words used to evaluate employees. The rating form may also ignore important aspects of the job performance (Rao and Rani, 2014).

#### **2.1.5.3. Ineffective organizational policies and practices**

Most of the time, the sincere appraisal report is not suitably rewarded and this diminish the motivation to perform the job thoroughly and sincerely (Rao and Rani, 2014).

#### **2.1.6. Requirements of effective appraisal system**

Performance appraisal process is a key contributor to successful HRM as it is highly related to the organizational performance (Erdogan, 2002 cited by Rao and Rani, 2014).

According to Beardwell and Claydon, (2007) cited by Wangithi and Muceke (2012), an incorporated and effective appraisal system could increase organizational performance and employee motivation. It recognizes successful performance and guides on the required skills, competences and behaviors to meet the expectation.

In order to develop an effective performance appraisal system, the raters should be trained on the process of managing, motivating and evaluating employee performance (Goff & Longenecker, 1990 cited by Ochoti and coworkers, 2012). The key requirements for sound appraisal system will be discussed as follows:

**Relevance:** implies that there is a clear relation between the performance standards and organization's goals and also clear links among the crucial job elements and the dimensions to be rated on an appraisal form (Khan, 2013; Cascio, 2003).

**Sensitivity:** the performance appraisal system is capable of distinguishing high performers from low performers in which the high and low performers receive criterion scores that precisely represent the variation in their performance (Ivancevich, 2004; Cascio, 2003).

**Reliability** implies consistency of judgment in which appraisals for any given employee made by different raters must reach to similar conclusions about the quality of that worker's output (Ivancevich, 2004; Cascio, 2003).

**Acceptability:** is the most important requirement of all as the appraisal systems that are acceptable to those who will be affected by them guide to more favorable reactions to the process and also enhance trust for top management (Cascio, 2003).

**Practicality:** Understanding and using the appraisal instruments are easy for managers and employees that is the criterion is measurable and the data collection is efficient (Ivancevich, 2004; Cascio, 2003).

### **2.1.7. Employees' perceptions on performance appraisal**

In managing organizations effectively, it is important to any top management to set accurate performance appraisal system and meet the employees' perception of fairness. Perception of performance appraisal procedure unfairness could have an adverse effect on employee's organizational commitment, job satisfaction, trust in management, performance, work-related stress, and theft (Belete, Tariku & Assefa, 2014). According to Ochoti and coworkers (2012) employee reaction to the performance appraisal system is significant aspect to the acceptance as well as effectiveness of the system.

Hui and Qin-xuan (2009) cited by Malik & Aslam (2013) have indicated that if employees' perceive performance appraisal as unfair, it will be turned to ineffective management tool and if they perceived as fair, it can be welcomed and resulted into positive attitude of the employees.

Employees most likely perceive the performance appraisal as accurate and fair when; appraisals are conducted frequently, there is a formal system of appraisal, supervisors have high degree of job knowledge, there is opportunity for the rates' to appeal, performance

dimensions are seen highly relevant, and when there is formulating action plans to deal with present weakness (Murphy & Cleveland, 1995 cited by Belete, Tariku & Assefa, 2014; Murphy & Cleveland, 1995 and Landy et al, 1978 cited by Ochoti and coworkers, 2012).

As indicated by many scholars, employees' satisfaction on performance appraisal is very necessary, therefore in order to get the desired attitude and behavior in achieving their goals, organization should focus on employee's reaction or perception of employees about fairness and satisfaction towards performance appraisal (Ilgen and Fisher, 1979; Pearce and Porter, 1986 cited by Malik & Aslam, 2013).

## ***2.2. Empirical literature review***

Migiro and Taderera (2011) empirically evaluated the performance appraisal system in the bank of Botswana using stratified sampling to divide the sampling frame into strata and then simple random sampling was applied from each stratum. The study aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana. It has concluded that, the following issues need to be addressed for the Bank's performance appraisal system to be effective and meet its objectives: regular training for both the employees and the evaluators; transparency in the implementation of the appraisal system; provision of continuous feedback to employees on their performance and reduction of inconsistency in the system used across the bank. Based on these the study has recommended that; the bank should provide training to both the evaluators and the employees on the pay-based appraisal system, the bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of assessing performance such as multi-rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

Mishra (2013) has studied the Employee Appraisal System in Hong Kong and Shanghai banking Corporation (HSBC Bank) and concluded that the process of performance appraisal has to be a continuous activity which should be conducted on a regular basis.

Performance appraisal plays a vital role in achieving the predetermined goals of the organizations through the efforts of HR which ensures the accomplishment of tasks by judging the behavior of employees and overall performance within the organization. The performance evaluation and feedback with the employee also facilitate in gaining the organization results. The study has also suggested that the process of performance appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization.

Atta-Quartey (2015) in the research entitled “Evaluation of the annual performance appraisal system at the University of Cape Coast” has investigated staff’s perception on the effectiveness of the annual assessment system and also examined the motivation status of staff after assessment by applying convenience sampling technique and the data collection methods used were both quantitative and qualitative. The study has concluded that the current appraisal system of the university is ineffective and performance appraisal, likewise performance management at the University of Cape Coast, lacks policy direction. Without the use of guiding principles for monitoring performance and appraising staff, it is possible that many people are actually not performing and therefore assessments at University of Cape Coast suffer a variety of judgmental errors and biases due to subjective appraisals. The study has recommended that the Division of Human Resources (DHR) should review the appraisal system from start to end and introduce new appraisal system for various levels of administrative staff. It was also suggested that training has also be arranged to all supervisors in order to provide them appropriate assessment skills like communication of feedback to staff so as to make them to have a meaningful interaction which will motivate the staff in improving their work. In designing the appraisal forms, the Human resource has also recommended to include guiding principles to the appraisal form which enables the supervisors to do more objective appraisals.

A study made by Aschalew (2015) has assessed employee performance appraisal practice of Dashen Bank S.C. by applying purposive sampling technique with a sample size of 300. This study has founded that the there is no written policy which can guide performance appraisal system of the bank as a result the system lacks uniformity and consistency. Moreover, the employees of the bank have no awareness about the purpose of the



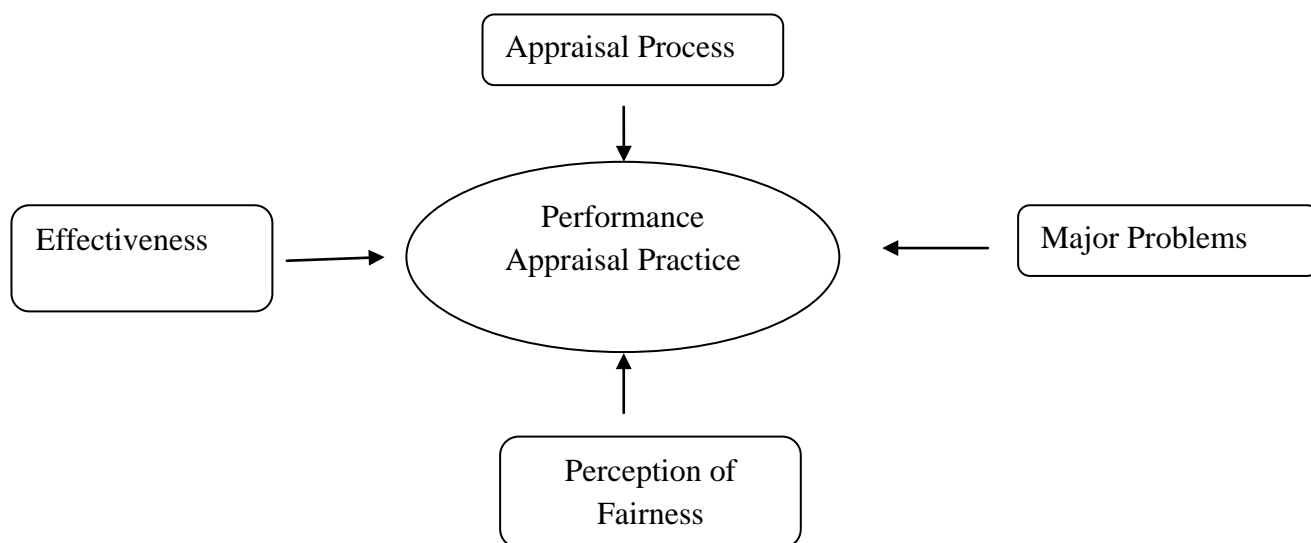
performance and they are not a participant in setting performance criteria. It has been observed that there is no training for the rater about the ways of conducting performance appraisal. The study has mainly recommended that Dashen Bank S.C is better if it establish a written policy and guideline about performance appraisal process and system. The study has also suggested that appraisal criteria of the bank must be developed from job analysis by letting the employees to participate on it and also the objective of performance appraisal should be clear to all employee of the bank. In addition, the study has also recommended that it would be better if training is provided for the rates or supervisors.

### **2.3. Conceptual Framework**

Effective performance appraisal strategy is crucial in making sure that the business is operating effectively and also on a truck to achieve strategic goals as a result organizations must be capable of installing it so as to achieve competitive advantage (Femi, 2013).

Performance appraisal is not a still evaluation activity but a dynamic process in which organizations can identify the strength and weaknesses of an employee and address how to improve the performance of the employee Femi (2013).

**Figure 2.3. Conceptual framework of the study**



**Source: Own Work, (2016)**

The above Figure 2.3 shows that the effectiveness, process, appraisal errors, and employees' perception towards the fairness of the appraisal system are taken in to consideration in performance appraisal practice of an organization. This is because if organizations failed to have effective performance appraisal system, it couldn't increase organizational performance and employee motivation. The process of performance appraisal is taken in to consideration as accurate and reliable data will be generated when the systematic performance appraisal process is followed. In the same manner, the problems which may be judgmental error, or poor appraisal forms or ineffective organizational policies and practices affect the validity and dependability of the performance appraisal system. Employees' perception towards the fairness of performance appraisal system is also a significant aspect to the acceptance of the system.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

In this section the methodology which the researcher employed in assessing performance appraisal practice of United Bank S.C. will be discussed. It includes the research approach & method, source of information, population of the study, sampling techniques and procedures, sample size determination, methods of data collection, validity and reliability, methods of data analysis and research ethical consideration.

#### ***3.1. Research approach & methods***

The research approach used in this study is mixed or a combination of qualitative and quantitative research approaches and as the objective of this study was to assess the performance appraisal practice of United Bank S.C., descriptive research has been applied. According to Williams (2007), descriptive research method examines the situation as it exists in its current state. It looks at individuals, groups, institutions, methods and materials in order to describe, compare, contrast, classify, analyze and interpret the entities and the events that constitute the various fields of inquiry.

#### ***3.2. Sources of Information***

The two sources of information used for research purpose are primary and secondary. Primary sources are those in which we need to conduct a new survey for gathering information at different levels with regard to the inquiry whereas secondary sources are those which are made available or have been collected for other research purposes (Adams & co-workers, 2007).

Both primary and secondary sources of information have been used so as to achieve the objectives of the study. Structured Questionnaires including open ended questions were distributed and unstructured interviews were also held to gather data from primary source where as the secondary sources used were journals, reference books, performance appraisal manual of the bank and annual reports of the bank.

### ***3.3. Population of the study***

The study is targeted on the employees of the bank working in Addis Ababa branches. As of June 30, 2015, the total number of employees working in Addis Ababa city branches of the bank has reached 1,801. Hence, the target population of this study was 1,801.

### ***3.4. Sampling techniques and procedures***

Adams & Co-workers (2007) defined sampling as a procedure of selecting a proper unit or participant which determines the characteristics of the whole population.

The target population of the study was employees working in Addis Ababa branches and in the banking industry each branch will be categorized to different grades depending on the performance of the branch. Stratified random sampling technique was being applied to obtain a representative sample therefore, the population was divided in to strata which are the four types of branch grades then a simple random sample was taken from each stratum so that every employee working in the different branch grades had equal chance to be included in the sample. From the 68 city branches of United Bank S.C., two of them are special branches, 9 of them are grade A, 18 of them are grade B and the remaining 39 are grade C branches, therefore the sample drawn proportionally was as follows:

<b>Grade of Branches</b>	<b>Number of branches</b>	<b>Sample proportion</b>
Special Branches	2	0.029412
Grade A branches	9	0.132353
Grade B branches	18	0.264706
Grade C branches	39	0.573529
<b>Total</b>	<b>68</b>	<b>1</b>

**Table 3.1. Sample proportion**

### ***3.5. Sample size determination***

The sample size of the study was determined by a mathematical formula using confidence level as parameter which assumes 95 times out of 100, the estimate from sample will include the population parameter.

The mathematical formula with 95% confidence level as most social science researches is:

$$n = \frac{N}{1 + e^2 N}$$

Where,

N=Population size

n=sample size

e=acceptable magnitude of error with 95% confidence level

$$\begin{aligned} n &= \frac{1,801}{1+(0.05)^2*1,801} \\ &= 328 \end{aligned}$$

The sample size of the study was 328

### ***3.6. Methods of data collection***

Primary data has been collected using a structured questionnaire which was quantitatively measured on a five point Likert scale. This method was selected due to its nature of anonymity and cost effectiveness. The researcher has adopted many of the questions from studies made on 2014 and 2015 as attached in the appendix by selecting only the particulars that address the research questions of this paper and few questions were also developed by the researcher. Besides for qualitative data, open ended questions have been included in the questionnaire and unstructured interview was also conducted to support the quantitative analysis.

### ***3.7. Validity & Reliability***

Validity means that correct procedures have been applied to find answers to a question. Reliability refers to the quality of a measurement procedure that provides repeatability and accuracy.

To ensure validity, the questionnaire was evaluated by the research advisor before distribution and necessary amendments have been made. Regarding reliability, Cronbach's alpha scores was being applied to check the reliability of the measurement instruments

under each variable and the results had fell within the acceptable range of .651 to .874 as follows:

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>No. of Items</b>
Effectiveness	.651	7
Process	.707	7
Problems	.774	8
Perception of fairness	.874	9

**Table 3.2. Reliability Statistics**

### ***3.8. Methods of data analysis***

Statistical Package for Social Sciences (SPSS) version 20 program had been applied for data analysis using the descriptive statistical method specifically frequency distribution which is simply a compute list of all possible values or scores for a particular variable, along with the number of times (frequency) that each value or score appears in the data set.

### ***3.9. Research ethical considerations***

The study was conducted by taking various ethical issues under consideration. Every employee in the selected branches had the right to choose or determine whether or not to participate in the research project. The research participants had the right to be informed all aspects of the research task. Besides, ethical and confidentiality concerns was observed in a way that individual respondents should never be identified in reporting survey findings and their names had never been given to the bank or other outsiders.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### ***4.1. Introduction***

In this chapter, the data which was collected through questionnaire and interview is presented, analyzed and discussed. It consists of five parts the first is about demographic Information, the second about effectiveness of performance appraisal practices, the third part on process of performance appraisal, the fourth regarding problems of performance appraisal practices and the last on perception of fairness on performance appraisal practices.

328 questionnaires were distributed to the employees of United Bank S.C. working in various branches based on the stratum made under Table 3.1. As a result, 10 questionnaires were distributed to Beklobet Branch as it was randomly selected from the special branches. Bole Branch, Lideta Branch and Wollosefer Branch were selected randomly from grade “A” branches and 43 questionnaires were distributed to these branches. To grade “B” branches 87 questionnaires were distributed and the randomly selected branches were; Teklehaimanot, Bisrate Gabriel, Mehal Arada, Meskel Squire, Kality, Mesalemia, Cathedral and Africa Avenue. As the greater part of the questionnaire fall in grade “C” branches, 19 branches were randomly selected; namely, Yoseph, Itegue Taitu, Gullele, Kolfe, Old Airport, Urael, Ghandi, Kality Salo, Abune Petros, Aba Koran, Kera, Sholla Gebeya, Gofa Matoria, Shalla, Summit, Ayat, Alem Bank, Medhanit, Ferensay Legasion and 188 questionnaires were distributed to these branches. From 328 questionnaires distributed, 284 were collected and properly filled which makes the response rate 86.59%.

#### ***4.2. Demographic information***

Under this part, gender, age, educational background, job experience and work status of the respondents is analyzed and discussed.

**Table 4.1. Demographic information of the respondents**

			Frequency	Percent	Cumulative Percent
<b>Gender of the respondents</b>	Valid	Male	153	53.9	53.9
		Female	131	46.1	100.0
		Total	284	100.0	
<b>Age of the Respondents</b>	Valid	Below 25	51	18.0	18.0
		From 26 to 35	193	68.0	85.9
		From 36 to 45	35	12.3	98.2
		From 46 to 55	5	1.8	100.0
		Total	284	100.0	
<b>Educational Background of the respondents</b>	Valid	Diploma	56	19.7	19.7
		First Degree	205	72.2	91.9
		Masters and above	23	8.1	100.0
		Total	284	100.0	
<b>Job experience of the respondents (In years)</b>	Valid	From 1 to 2	64	22.5	22.5
		From 3 to 4	72	25.4	47.9
		From 5 to 7	73	25.7	73.6
		From 8 to 10	53	18.7	92.3
		Above 10	22	7.7	100.0
		Total	284	100.0	
<b>Work status of the respondents</b>	Valid	Managerial	45	15.8	15.8
		Non-Managerial	239	84.2	100.0
		Total	284	100.0	

**Source: Sample survey April, 2016**

As can be seen in the above table, from the 284 respondents; 153 (53.9%) are males and the rest 131 (46.1%) are female implying that most of the participants of this survey are males. Looking at the age of the respondents, the majority of them 193 (68%) fall in the age range of 26 to 35, while 51 (18%) are below 25, 35 (12.3%) are from 36 to 45 and the rest 5 (1.8%) are from 46 to 55. From these it can be concluded that most of the employees of United bank S.C working in City branches are youngsters.



Table 4.1. clearly shows that the majority of the respondents which are 205 (72.2%) first degree holders while 56 (19.7%) are diploma and the rest 23 (8.1%) have Masters and above. Regarding the job experience; 64 (22.5%) of the respondents have work experience of 1 to 2 years in United Bank S.C., 72 (25.4%) have from 3 to 4, participants who have worked for 5 to 7 years are 73(25.7%) and the rest 53(18.7%) and 22(7.7%) of the respondents have a work experience of 8 to 10 years and more than 10 years respectively. Therefore, all of the respondents have been appraised more than two times as the bank is conducting performance appraisal twice a year.

Looking in to the work status of the respondents, 45 (15.8%) are from managerial level and 239 (84.2%) are non-managerial. The researcher have analyzed the responses of 284 participants who are on managerial level and non-managerial as a whole and also have separately analyzed the 45 responses from the managerial level employees so as to see the major areas of differences between them. However for making the research more straightforward the responses for both have been displayed only for the questions where their responses have difference. Besides, the researcher has made interview on April 2016 with six employees three from managerial level and the rest three from non-managerial so as to gather justification for the areas of differences.

As per United Bank's employee performance appraisal manual (2008), the banks is using a combination of modern and traditional methods of performance appraisal, however, looking at the performance appraisal format of the bank, the methods selected to be used in the performance appraisal is a combination of the graphic rating scale and essay or free form appraisal method.

### ***4.3. Effectiveness of performance appraisal practices***

Here the respondents were requested to reflect their level of agreement for the questions which are formulated based on the key requirements for effective performance appraisal system indicated in chapter two of this paper and the results will be disclosed in the following table:

**Table 4.2. Responses on the effectiveness of performance appraisal practices**

<b>No.</b>	<b>Questions</b>	<b>Level of Agreement</b>	<b>Frequ ency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>1.1</b>	<b>The bank makes sure that my rater understands and knows well the performance Appraisal procedures and rating format</b>	1 Strongly Disagree	22	7.7	7.7
		2 Disagree	62	21.8	29.6
		3 Neutral	63	22.2	51.8
		4 Agree	118	41.5	93.3
		5 Strongly Agree	19	6.7	100.0
		Total	284	100.0	
<b>1.2</b>	<b>The standards for appraising employees' performance are aligned to the bank's goal and also reflect the most important factors in my job (Relevance)</b>	1 Strongly Disagree	11	3.9	3.9
		2 Disagree	58	20.4	24.3
		3 Neutral	58	20.4	44.7
		4 Agree	133	46.8	91.5
		5 Strongly Agree	24	8.5	100.0
		Total	284	100.0	
<b>1.3</b>	<b>The performance appraisal system of the bank is capable of distinguishing high performer from low performers (Sensitivity)</b>	1 Strongly Disagree	15	5.3	5.3
		2 Disagree	66	23.2	28.5
		3 Neutral	78	27.5	56.0
		4 Agree	108	38.0	94.0
		5 Strongly Agree	17	6.0	100.0
		Total	284	100.0	
<b>1.4</b>	<b>The performance appraisal of the bank has consistency of judgment in which individuals tend to maintain a certain level of performance over time (reliability).</b>	1 Strongly Disagree	11	3.9	3.9
		2 Disagree	51	18.0	21.8
		3 Neutral	73	25.7	47.5
		4 Agree	124	43.7	91.2
		5 Strongly Agree	25	8.8	100.0
		Total	284	100.0	

<b>1.5</b>	<b>The performance appraisal system of the bank is acceptable by me (Acceptability)</b>	1 Strongly Disagree	27	9.5	9.5
		2 Disagree	90	31.7	41.2
		3 Neutral	55	19.4	60.6
		4 Agree	91	32.0	92.6
		5 Strongly Agree	21	7.4	100.0
		Total	284	100.0	
<b>1.6</b>	<b>I think the bank needs to make certain adjustments to the existing Performance Appraisal system</b>	1 Strongly Disagree	9	3.2	3.2
		2 Disagree	28	9.9	13.0
		3 Neutral	62	21.8	34.9
		4 Agree	112	39.4	74.3
		5 Strongly Agree	73	25.7	100.0
		Total	284	100.0	
<b>1.7</b>	<b>The performance appraisal formats are simple and practicable (practicality)</b>	1 Strongly Disagree	9	3.2	3.2
		2 Disagree	40	14.1	17.3
		3 Neutral	61	21.5	38.7
		4 Agree	132	46.5	85.2
		5 Strongly Agree	42	14.8	100.0
		Total	284	100.0	

**Source: Sample survey April, 2016**

The findings of this survey revealed that 84 (29.6%) of the respondents have disagreed to the statement “the bank makes sure that my rater understands and knows well the performance appraisal procedures and rating format” while 63(22.2%) are neutral and 137(48.2%) have agreed implying that United Bank S.C. had fulfilled one of the requirements of effective performance appraisal by making sure that the rater understands and knows well the performance appraisal procedures and rating format.

Regarding the relevance, the respondents were asked to show their level of agreement on the statement “The standards for appraising employees' performance are aligned to the bank’s goal and also reflect the most important factors in my job” and 69 (24.3%) have disagreed, 58 (20.4%) are neutral and 157(55.3%) have agreed with it. This implies that the

bank's standards for appraising employees' performance are aligned to its goal which is indicative of relevance.

As per the data presented in the above Table 4.2, 81 (28.5%) have disagreed on the capability of the bank's appraisal system in distinguishing high performer from low performer which is called sensitivity, while 78 (27.5%) neutral and the majority 125 (44%) have agreed to it. On the contrary, while looking the managerial level respondents separately, the majority of them 18 (40%) have disagreed to it, 14 (31.1%) of the respondents who are on managerial level are neutral and the rest 13 (28.8%) have agreed on it.

Further interview results showed that the non-managerial respondents have confirmed that the bank's performance appraisal system is capable in distinguishing high performers from low because, in the bank's performance appraisal manual the criteria are stated in detail with the rating guidelines in line with their description so that the supervisors can distinguish the hard worker from the poor ones if they implemented fairly however as there is a problem in the implementation, the supervisors may give similar results either good or poor throughout the branch so as to avert complain. The managerial level respondents have also brought a justifications on their disagreement, the first one is the criteria in the performance appraisal are more behavioral like the property usage, protocol, cooperativeness which are more related to the working environment instead of technical like the analytical, job knowledge, or the criteria related to the actual output. The second justification of the managerial level respondents is that, all the clerical employees are evaluated with the same criteria irrespective of their job position. Therefore, as the managerial responses are found to be more persuasive, the researcher has found the performance appraisal system of the bank as incapable in distinguishing high performer from low performer.

The response for the reliability of the performance appraisal system indicated that, 62 (21.8%) of the respondents have disagreed to the statement saying "The performance appraisal of the bank has consistency of judgment in which individuals tend to maintain a certain level of performance over time", 73 (25.7%) are neutral and most of them 149

(52.5%) have agreed to it. This reveals that United Bank’s performance appraisal system is reliable.

Table 4.2 also shows that, 117 (41.2%) of the respondents have disagreed to the statement “the performance appraisal system of the bank is acceptable by me”, 55 (19.4%) neutral and 112(39.4%) of the participants have agreed to it. This indicates that, the performance appraisal system is not acceptable by employees.

From the 328 respondents 37(13%) have disagreed to the need to make certain adjustments to the existing performance appraisal system of the bank, 62 (21.8%) neutral and the majority 185(65.1%) have agreed on it. This result has indicated that the bank needs to make certain adjustment on the performance appraisal system.

As indicated on the literature review part of this paper, practicality is one of the criteria in having effective performance appraisal system as a result 49 (17.3%) of the respondents have disagreed to the practicability of performance appraisal formats and 61 (21.5%) became neutral, 174 (61.3%) of them have agreed that the bank’s performance appraisal formats are simple and practicable.

#### ***4.4. Process of performance appraisal***

In assessing the processes used in performance appraisal practice of United Bank S.C. the following listed questions were brought to the employees of the bank and their response is summarized as follows:

**Table 4.3. Responses for questions related to the process of performance appraisal**

No.	Questions	Level of Agreement	Frequency	Percent	Cumulative Percent
2.1	The performance appraisal process begins with setting of performance expectations or standards	1 Strongly Disagree	16	5.6	5.6
		2 Disagree	66	23.2	28.9
		3 Neutral	99	34.9	63.7
		4 Agree	85	29.9	93.7
		5 Strongly Agree	18	6.3	100.0
		Total	284	100.0	

2.2	<b>The criteria's for evaluation is based on observable and measurable characteristics of the behavior of the employee</b>	1 Strongly Disagree	24	8.5	8.5
		2 Disagree	62	21.8	30.3
		3 Neutral	48	16.9	47.2
		4 Agree	129	45.4	92.6
		5 Strongly Agree	21	7.4	100.0
		Total	284	100.0	
2.3	<b>My rater clearly explains to me the standards that will be used to evaluate my work</b>	1 Strongly Disagree	29	10.2	10.2
		2 Disagree	104	36.6	46.8
		3 Neutral	51	18.0	64.8
		4 Agree	80	28.2	93.0
		5 Strongly Agree	20	7.0	100.0
		Total	284	100.0	
2.4	<b>The most recent performance rating I received is based on job-related requirements derived from my job description</b>	1 Strongly Disagree	35	12.3	12.3
		2 Disagree	75	26.4	38.7
		3 Neutral	70	24.6	63.4
		4 Agree	87	30.6	94.0
		5 Strongly Agree	17	6.0	100.0
		Total	284	100.0	
2.5	<b>My performance was measured based on the established performance standards</b>	1 Strongly Disagree	30	10.6	10.6
		2 Disagree	73	25.7	36.3
		3 Neutral	54	19.0	55.3
		4 Agree	114	40.1	95.4
		5 Strongly Agree	13	4.6	100.0
		Total	284	100.0	
2.6	<b>The result of the appraisal is communicated and discussed with the employees on one to one basis</b>	1 Strongly Disagree	29	10.2	10.2
		2 Disagree	76	26.8	37.0
		3 Neutral	41	14.4	51.4
		4 Agree	108	38.0	89.4
		5 Strongly Agree	30	10.6	100.0
		Total	284	100.0	
2.7	<b>Decisions will be made on either to improve the</b>	1 Strongly Disagree	33	11.6	11.6
		2 Disagree	69	24.3	35.9
		3 Neutral	85	29.9	65.8

<b>future performance of employee or taking actions like promotion, rewards, demotions and the like</b>	4 Agree	74	26.1	91.9
	5 Strongly Agree	23	8.1	100.0
	Total	284	100.0	

**Source: Sample survey April, 2016**

The level of agreement of the respondents to the statement “the performance appraisal process begins with setting performance expectations or standards” is 82(28.9%) disagreed, 99 (34.9%) neutral and 103 (36.2%) agreed. However, separating the respondents with the managerial status; the majority 23 (51.1%) disagreed, 11 (24.4%) neutral and 11 (24.5%) agreed. Coming to the interview results; the non-managerial employees have justified that at the time of placement, every employee will get the job description which is clearly stating what the bank expects from the employee and they have taken this as a performance standard. However, the managerial level respondents have justified their disagreement by raising the vague and general performance appraisal criteria which are not based on the job description of the employee and also not related to the output of the employee for instance; the health condition of employees are evaluated by taking the sick leaves into account which can’t be a standard. Besides in the bank’s performance appraisal manual, the first step in performance appraisal process is planning for performance appraisal by reviewing the previous performance evaluation form of employee so as to use it as a spring board for revising the strengths and weaknesses indicated previously. This shows that the process starts with revising the previous appraisal result of the employee in order to use it as a base instead of the setting the performance expectation of that employee. Therefore, the researcher has resided to the management side as their reason is found to be convincing and reached to a conclusion that the bank’s appraisal process doesn’t begin with setting performance expectation or standards.

Regarding the criteria’s for evaluation, 86 (30.3%) of the respondents have disagreed, 48 (16.9%) neutral and the rest 150 (52.8%) have agreed that the criteria’s are based on the observable and measurable characteristics of the behavior of the employee. This implies

that the bank's performance appraisal criteria's are based on the observable and measurable characteristics of the behavior of the employee.

The second step of the performance appraisal process is communicating standards and expectations and the majority of the respondents 133 (46.8%) have disagreed, 51 (18%) neutral and 100 (35.2%) have agrees that the rater clearly explains the standards to be used in evaluation to employees. Therefore the results showed that in United Bank, the raters don't communicate the standards and expectations to the employees.

The majority of the respondents 110 (38.7%) shown their disagreement to the statement "The most recent performance rating I received is based on job-related requirements derived from my job description" while 70 (24.6%) neutral and 104 (36.6%) agreed to it. Furthermore, the open ended question results revealed that; the criteria used for appraising employees do not reflect the specific job requirements of employee as a result most of the times the evaluators are influenced by their personal relationships, position and seniority of employees and give good result to the senior staffs and poor for the new employees irrespective of their actual performance. This reveals that the bank's performance rating practice is not based on the job related requirements derived from the job description.

The above table 4.3., clearly shows that 103 (36.3%) of the participants of this study have disagreed, 54 (19%) neutral and 127(44.7%) have agreed that their performance is measured based on the established performance standards. This indicates that the performance was measured on the established performance criteria. While analyzing open ended questions despite the performance is measured on the performance appraisal criteria of the bank, as the criteria used for appraisal are more subjective and uniform for all employees regardless of their job grade, the evaluators use their power to practice on the bases of seniority and personal relationship or employees past performance history.

Discussing results is one of the processes of performance appraisal and with this regard, 105 (37%) disagreed, 41 (14.4%) neutral, the majority 138 (48.6%) agreed that the result of the appraisal is communicated and discussed with the employees on one to one basis. In the bank's manual also, after the completion of the appraisal, the employees are allowed to see the rating given to him or her and should sign the form. This reveals that



discussing results of the performance appraisal is practiced in United Bank S.C. However, while analyzing the open ended questions' response, even if there is discussion of performance results, it is only one way because once the appraisal result is given, there will not be any change irrespective of the complain as the appraiser couldn't agree to receive feedback from the employees and also the top managers or the human resource management will not take the written feedback given from the employee and take corrective action. They also indicated that the discussion is not also timely.

The greater part of the respondents 102 (35.9%) have shown their disagreement on the existence of decisions on corrective actions after the performance appraisal of employees while 85 (29.9%) neutral and 97 (34.2%) agreed to it. On the contrary from the responses of the management staff, only 14 (31.1%) disagreed, 14 (31.1%) neutral and the rest 17 (37.8%) have agreed that decisions will be made on either to improve the future performance of employee or taking actions. In the bank's manual, it is stated that the supervisor must approve the training and development needs. Interview results show that, the non managerial respondents have disagreed on the above statement because as the performance appraisal system of the bank is not designed well, they didn't saw any performance based actions like promotion, demotions or training except the bonus. The open ended question result showed that the performance appraisal system of the bank is not for staff development in which instead of providing the necessary training to the poor performers, the bank is only penalizing them from their bonus. They have clearly indicated that only the bonus is based on the performance appraisal while training, promotion and demotion are not. As per the interview made with the managerial employees, it has been clear that only the bonus is based on the performance appraisal result.

Therefore, the researcher have reached to a conclusion that there is no decision on either to improve the future performance of the employee or to take corrective action like promotion, rewards, and the like.

#### **4.5. Major problems in performance appraisal**

Based on the complaints raised in statement of the problem part of this paper, some of the common judgmental errors and presence of poor appraisal forms were checked in United bank S.C and the results are summarized as follows:

**Table 4.4. Major problems in performance appraisal practice of United Bank**

<b>No.</b>	<b>Questions</b>	<b>Level of Agreement</b>	<b>Frequ ency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>3.1</b>	<b>I observe that the rater most of the time is influenced by specific dimension of performance (halo/horns).</b>	1 Strongly Disagree	6	2.1	2.1
		2 Disagree	48	16.9	19.0
		3 Neutral	68	23.9	43.0
		4 Agree	115	40.5	83.5
		5 Strongly Agree	47	16.5	100.0
		Total	284	100.0	
<b>3.2</b>	<b>The evaluator made an assessment based on the employee's first impression which may be positive or negative (First Impression or Primacy Effect)</b>	1 Strongly Disagree	17	6.0	6.0
		2 Disagree	49	17.3	23.2
		3 Neutral	77	27.1	50.4
		4 Agree	94	33.1	83.5
		5 Strongly Agree	47	16.5	100.0
		Total	284	100.0	
<b>3.3</b>	<b>Evaluators give the same results to all their subordinates as medium in order to avoid opposition and rivalries among them (Central Tendency)</b>	1 Strongly Disagree	20	7.0	7.0
		2 Disagree	77	27.1	34.2
		3 Neutral	62	21.8	56.0
		4 Agree	99	34.9	90.8
		5 Strongly Agree	26	9.2	100.0
		Total	284	100.0	
<b>3.4</b>	<b>The rater gives high or low rating time after time to peoples based on certain characteristics such as gender,</b>	1 Strongly Disagree	42	14.8	14.8
		2 Disagree	81	28.5	43.3
		3 Neutral	81	28.5	71.8
		4 Agree	59	20.8	92.6
		5 Strongly Agree	21	7.4	100.0

	<b>religion and the like (Stereotyping)</b>	Total	284	100.0	
<b>3.5</b>	<b>Current performance of the employee is evaluated based on the past performance by assuming good performer in the past are still good and the bad employee in the past are still bad performer (Spill over effect)</b>	1 Strongly Disagree	27	9.5	9.5
		2 Disagree	51	18.0	27.5
		3 Neutral	51	18.0	45.4
		4 Agree	93	32.7	78.2
		5 Strongly Agree	62	21.8	100.0
		Total	284	100.0	
<b>3.6</b>	<b>In some branches performance appraisal rating is restricted to either high or low portion of the rating scale and resulting in high or low rates in that specific branch (strictness or Leniency)</b>	1 Strongly Disagree	8	2.8	2.8
		2 disagree	29	10.2	13.0
		3 Neutral	93	32.7	45.8
		4 Agree	98	34.5	80.3
		5 Strongly Agree	56	19.7	100.0
		Total	284	100.0	
<b>3.7</b>	<b>Interpersonal relationships influence the evaluation and the decisions in the performance appraisal process</b>	1 Strongly Disagree	10	3.5	3.5
		2 Disagree	34	12.0	15.5
		3 Neutral	39	13.7	29.2
		4 Agree	107	37.7	66.9
		5 Strongly Agree	94	33.1	100.0
		Total	284	100.0	
<b>3.8</b>	<b>The performance appraisal formats are simple and practicable</b>	1 Strongly Disagree	9	3.2	3.2
		2 Disagree	34	12.0	15.1
		3 Neutral	59	20.8	35.9
		4 Agree	133	46.8	82.7
		5 Strongly Agree	49	17.3	100.0
		Total	284	100.0	

Source: Sample survey April, 2016

The respondent level of agreement regarding the influence of specific dimension of performance on the rater is 54 (19%) disagreement, 68 (23.9%) neutral and 162 (57%) have shown their agreement. This indicates that the raters most of the time are influenced by specific dimension of the performance.

About the first impression or primacy effect, 66 (23.2%) of the respondents have disagreed, 77(27.1%) neutral and the mass 141 (49.6%) have agreed that the evaluator makes an assessment based of the employee's first impression which may be positive or negative. This reveals that there is first impression or primacy effect in United Bank S.C.

Out of the total 284 respondents, 97(34.2%) have shown their disagreement to the statement "Evaluators give the same results to all their subordinates as medium in order to avoid opposition and rivalries among them", while 62 (21.8%) neutral, 125 (44.1%) shown their agreement indicating that in United Bank S.C, employees are given same result among them as medium so as to avoid opposition between them.

The majority of the participants of this study 123 (43.3%) have disagreed, 81 (28.5%) neutral and the minority 80 (28.2%) agreed that based on some characteristics of the employee, the raters give high or low rating time after time. This reveals that there is no practice of giving high or low rating time after time to people based on certain characteristics like gender and religion.

Regarding the spill over effect, 78 (27.5%) of the respondents have shown their disagreement, 51 (18%) neutral, and 155 (54.5%) agreed that their current performance is evaluated based on their past by assuming the good performer in the past is still good and the bad employee in the past are still bad performer implying that the bank's performance appraisal system has spill over effect.

The minority 37 (13%) have disagreed to the statement "In some branches performance appraisal rating is restricted to either high or low portion of the rating scale and resulting in high or low rates in that specific branch" while 93(32.7%) neutral and the majority 154 (54.2%) have agreed. This can clearly indicate that there is strictness or Leniency in the performance appraisal system of the bank.

The participants of this study were also asked that if the performance appraisal process of the bank is influenced by interpersonal relationships and 44 (15.5%) disagreed, 39 (13.7%) neutral while 201 (70.8%) agreed to it. This result reveals that in United Bank S.C, interpersonal relationships influence the evaluation and the decisions in the performance appraisal process.

In checking whether the performance appraisal process problem is due to the poor appraisal form, the participants were asked about it and 43 (15.1%) disagree, 59 (20.8%) neutral and 182 (64.1%) have agreed that the performance appraisal formats are simple and practicable. This indicates that the bank is using simple and practicable performance appraisal formats.

From the analysis of the open ended questions and interview results, it is found that the employees are not clear on the performance appraisal process of the bank in which their result is not based on their actual work and they are getting the same results year to year. They have indicated that, this is due to decision of the rater on what to give to them and allocate the result to the criteria for instance they may get poor in protecting the office equipments of the organization while they didn't broke anything.

#### ***4.6. Employees' Perception towards the fairness of performance appraisal practice in United Bank***

As it discussed above in Chapter Two, one of the condition which made employees to perceive the performance appraisal as fair or accurate is its frequency and with regard to United Bank S.C. as common in most organizations, all employees are appraised twice a year in January and July. Considering the other conditions; the participants were asked to questions related to the formality of system of the appraisal, supervisors' knowledge, ways of appeal and their response is summarized in Table 4.5.

**Table 4.5. Responses on fairness of performance appraisal practice of United bank S.C**

<b>No.</b>	<b>Questions</b>	<b>Level of Agreement</b>	<b>Frequ ency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>4.1</b>	<b>My performance appraisal is based on the quality and quantity of my work not my personality and position</b>	1 Strongly Disagree	43	15.1	15.1
		2 Disagree	74	26.1	41.2
		3 Neutral	55	19.4	60.6
		4 Agree	90	31.7	92.3
		5 Strongly Agree	22	7.7	100.0
		Total	284	100.0	
<b>4.2</b>	<b>My performance rating is based on how well I do my work and also reflects how much work I do</b>	1 Strongly Disagree	42	14.8	14.8
		2 Disagree	83	29.2	44.0
		3 Neutral	61	21.5	65.5
		4 Agree	79	27.8	93.3
		5 Strongly Agree	19	6.7	100.0
		Total	284	100.0	
<b>4.3</b>	<b>The bank makes sure that I am assigned to a rater who have deep knowledge and know how to evaluate my performance</b>	1 Strongly Disagree	44	15.5	15.5
		2 Disagree	85	29.9	45.4
		3 Neutral	79	27.8	73.2
		4 Agree	66	23.2	96.5
		5 Strongly Agree	10	3.5	100.0
		Total	284	100.0	
<b>4.4</b>	<b>The bank makes sure that I am assigned to a rater who recognize the requirements and difficulties of my work</b>	1 Strongly Disagree	42	14.8	14.8
		2 Disagree	78	27.5	42.3
		3 Neutral	89	31.3	73.6
		4 Agree	62	21.8	95.4
		5 Strongly Agree	13	4.6	100.0
		Total	284	100.0	
<b>4.5</b>	<b>I have ways to appeal a performance rating that I think is biased or inaccurate</b>	1 Strongly Disagree	32	11.3	11.3
		2 Disagree	71	25.0	36.3
		3 Neutral	81	28.5	64.8
		4 Agree	87	30.6	95.4
		5 Strongly Agree	13	4.6	100.0
		Total	284	100.0	

<b>4.6</b>	<b>My performance rating can be changed if I can show that it is incorrect or unfair</b>	1 Strongly Disagree	62	21.8	21.8
		2 Disagree	91	32.0	53.9
		3 Neutral	61	21.5	75.4
		4 Agree	62	21.8	97.2
		5 Strongly Agree	8	2.8	100.0
		Total	284	100.0	
<b>4.7</b>	<b>The performance rating I get is a result of my rater applying performance-rating standards consistently across employees</b>	1 Strongly Disagree	38	13.4	13.4
		2 Disagree	69	24.3	37.7
		3 Neutral	87	30.6	68.3
		4 Agree	81	28.5	96.8
		5 Strongly Agree	9	3.2	100.0
		Total	284	100.0	
<b>4.8</b>	<b>My rater clearly explains to me the standards that will be used to evaluate me</b>	1 Strongly Disagree	34	12.0	12.0
		2 Disagree	89	31.3	43.3
		3 Neutral	57	20.1	63.4
		4 Agree	84	29.6	93.0
		5 Strongly Agree	20	7.0	100.0
		Total	284	100.0	
<b>4.9</b>	<b>My most recent performance rating was fair</b>	1 Strongly Disagree	53	18.7	18.7
		2 Disagree	64	22.5	41.2
		3 Neutral	53	18.7	59.9
		4 Agree	90	31.7	91.5
		5 Strongly Agree	24	8.5	100.0
		Total	284	100.0	

**Source: Sample survey April, 2016**

According to Table 4.5, the majority of the respondents 117 (41.2%) have disagreed when they are asked for their performance appraisal is based on the quality and quantity of their work instead of their personality while 55 (19.4%) neutral and 112 (39.4%) have agreed on it. This reveals that the performance appraisal of employees is based their personality and position instead of the quality and quantity of their work.

Most of the participants of this study 125 (44%) of the participants of this study have disagreed to the statement “My performance rating is based on how well I do my work and also reflects how much work I do” while 61 (21.5%) neutral and 98 (34.5%) agreed to

it. This indicates that the performance result of the employee of the bank is not based on the work they do and it doesn't reflect how much work they do.

The participants response towards the bank in making sure that their rater have deep knowledge and know how to evaluate the performance of the subordinates; 129 (45.4%) disagreement, 79 (27.8%) neutral and 76 (26.7%) agreement. Interview results also reveal that, the loan officers and the foreign banking officers are directly supervised by the branch manager however their performance is appraised by the assistant manager, who have no deep knowledge of the job content of the credit and foreign department of the branch, as a result these employees get poor result. But if it is the manager who appraises them, they can be tolerated for the time or the expected discrepancies and get a good result. This implies that the bank doesn't make sure whether the employees have been assigned to a rater who have deep knowledge and know how to evaluate their performance or not.

The results of the study revealed that 120 (42.3%) of the respondents have disagreed to the statement which states United Bank makes sure that they are assigned to a rater who recognize the requirements and difficulties of their work while 89 (31.3%) neutral and the rest 75 (26.4%) agreed on it. This result shows that the bank doesn't make sure that its employees are assigned to a rater who recognizes the requirements and difficulties of their work.

As indicated in Table 4.5; most of the respondent 103 (36.3%) disagreed, 81 (28.5%) neutral and 100 (35.2%) have agreed that they have a ways to appeal a performance rating that they think is biased or inaccurate. Furthermore, interview results showed that, even though there is a chance of checking the performance result, there is no way of acceptance of appeal by the raters also there is no clear information to the employees on where to complain as the rater block the way by making them to sign on the performance appraisal report. This infers that, the bank doesn't allow employees to appeal a performance rating that they think is biased or inaccurate.

The majority of the participants of this study 153 (53.9%) have shown their disagreement on the possibility that their performance rating can be changed if they can verify that it is incorrect or unfair while 61(21.5%) of the respondents are neutral to this and 70 (24.6%)



have agreed to it, which indicates in United Bank S.C, once the performance rating is made, it will not be changed even if the employee under evaluation proves that it has some error or unfairness.

As shown in Table 4.5., 107 (37.7%) have expressed their disagreement to the statement 'The performance rating I get is a result of my rater applying performance-rating standards consistently across employees', 87 (30.6%) neutral and 90 (31.7%) have agreed to it, implying that there is a confusion in the bank's performance appraisal system. The interview results revealed that the result of performance appraisal is not based on the standards instead it depends on the rater's attitude or perception towards the employees.

In communicating the performance appraisal standards to employees; 123 (43.3%) have disagreed, 57 (20.1%) neutral and 104 (36.6%) agreed that their rater clearly explains the performance appraisal standards which will be used to evaluate their performance, entailing that that the rater in United Bank doesn't clearly explain the standards which will be used in evaluating.

Most of the respondents 117 (41.2%) of the respondents have disagreed to the statement 'My most recent performance rating was fair' while 53 (18.7%) neutral and the second most 114 (40.2%) of the respondents have agreed to it. However, looking only the managerial side, 12 (26.7%) have disagreed, 13 (28.9%) neutral and the majority 20 (44.4%) have agreed that their recent performance rating was fair. With the interview, the justification brought by the non-managerial participants of this study for confirming the unfairness of their performance result is that the appraisal criteria are not derived from the job description instead are more behavioral which doesn't indicate how much work they do, besides the rater doesn't have deep knowledge about their work content, there is no way to appeal and with this condition, their bonus is paid by the result of this appraisal system of the bank. On the managerial level respondents they have agreed with respect of their performance result only not with the general employees and they have indicated that for non-managers, the overall appraisal process is not fair. From these it can be seen that the performance rating of employees is found as unfair.

#### ***4.7. Discussion of results***

Saiyadain (2003) have indicated that as performance appraisal is the basic part of supervisors' duties, training has to be given to them on writing performance reports and handling performance interview so as to improve the effectiveness of the performance appraisal system. Coming to United Bank S.C., it has been observed that the raters understand and know well the performance appraisal procedures and rating formats. According to Cascio (2003), Relevance, sensitivity, reliability, acceptability and practicality are the key requirements for effective performance appraisal system. The results of the study have showed that the bank's appraisal system have fulfilled some of the criteria for effective performance appraisal system which are relevance, reliability and practicality, however it lacks sensitivity and acceptability. As Cascio (2003) indicated that among the five key requirements of effective performance appraisal system, acceptability is the most important requirement of all. This indicates that United bank's appraisal system seems ineffective.

Obisi (2011), have pointed out that the performance appraisal process begins with the establishment of performance standards, followed by communicating these standards to employees so that they can know what is expected from them. After these measuring the actual performance is the next step followed by comparing the actual performance with the standards. Then discussing the appraisal results is next followed by indicating corrective action if necessary. However the results of the study revealed that, even if the actual performance of the employee is measured and discussed, the appraisal practice of United Bank S.C doesn't follow the six step systematic process of performance appraisal as it doesn't begin with establishing performance standards, there is no communication of standards to employees, no comparison of the actual performance with standards and also there is no action taken to improve the future performance of the employee.

According to Saiyadain (2003), there are a number of human errors that weaken the appraisal process unconsciously, and Halo Effect, central tendency errors and primacy effect as listed some of them. From the data collected, it is found that all these three types of errors have been found in United Bank's appraisal system. Rao and Rani (2014) have

also stated Spill over effect and Strictness or Leniency are some of the judgmental errors that affect the performance appraisal system. Coming to the results of the study, judgmental errors are found in the performance appraisal system of the bank.

Murphy & Cleveland (1995) have stated that employees' perception towards the fairness of performance appraisal will arise when there is formal appraisal system, when supervisors have high degree of job knowledge, when there is ways to appeal and when performance dimensions are seen highly relevant as cited by Ochoti and coworkers (2012). Checking the presence of these in United Bank's appraisal system; it is found that the performance dimensions are not seen highly relevant, there is no formal system of performance appraisal, supervisors have low degree of job knowledge, there is no way to appeal entailing that the employees have negative perception towards the fairness of the performance appraisal system of the bank.

## CHAPTER FIVE

### SUMMARY OF THE MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

From the data analysis made in the previous chapter, the major findings will be summarized, conclusion will be drawn and further recommendation will be forwarded in this chapter.

#### *5.1. Summary of the major findings*

The major findings of the study are summarized based on the specific objectives of the research as follows:

1. On the effectiveness of the performance appraisal practice of the bank :
  - The majority of the respondents have confirmed that United Bank makes sure that the rater understands and knows well the performance appraisal procedures and rating format.
  - The respondents of this study have indicated that the bank's criteria of performance appraisal are aligned to its goal.
  - The research result revealed that the performance appraisal system of the bank is not capable of distinguishing high performer from low performers.
  - The criteria used to evaluate the clerical employees of the bank are the same irrespective of the position and job description of the employee besides it is more behavioral and general instead of technical requirements.
  - The majority of the respondents have agreed that the performance appraisal of the bank has consistency of judgment in which individuals tend to maintain a certain level of performance over time which is called reliability.
  - However, most of the respondents have also expressed their rejection of the performance appraisal system of the bank and expressed their agreement on

the need to make certain adjustments to the existing performance appraisal system of the bank.

- Majority of the respondents of this study have agreed that the bank's performance appraisal formats are simple and practicable.

## 2. On the process of the bank's performance appraisal

- In United Bank S.C there is no practice of setting the performance expectations or standards at the beginning of performance appraisal process.
- The majority of the respondents have agreed that the performance evaluation criteria of the bank are based on the observable and measurable characteristics of the employee; however, the respondents have confirmed that the raters don't communicate the standards and expectations to the employees.
- The study has indicated that the performance rating practice of the bank is not based on the requirements derived from the job description of the employee.
- The majority of the respondents have agreed that their performance is measured based on the criteria. However they have also indicated that as these criteria is subjective which result biasness and there is no way to justify that their appraisal result was incorrect.
- The respondents have also confirmed there is a practice of discussing performance results on one to one basis but not timely and doesn't took the feedback given from the employee.
- From this study it has been found that, except bonus payment there is no performance appraisal based decision on either to improve the future performance of the employee or for promotion of employee.

### 3. On the problems of performance appraisal

- The majority of the participants of this study confirmed that most of the time the rater is influenced by specific dimension of performance.
- Most of the respondents have indicated the presence of the first impression or primacy effect in which the evaluator makes an assessment based on the employee's first impression which may be negative or positive.
- The study results revealed that the presence of central tendency errors in United Bank's appraisal system in which the appraiser rate all employees as average performers so as to avoid discrimination.
- The majority of the respondents have confirmed the presence of the spill over effect in which the good performers in the past gets good in the present and the poor performers are still poor irrespective of their current performance.
- The results of the research have shown that there is strictness or leniency in the performance appraisal system of the bank.
- The responses from the majority of the respondents indicated that interpersonal relationships influence the evaluation and decision in the performance appraisal process of the bank.
- Most of the respondents have agreed on the simplicity and practicability of the performance appraisal formats of the bank.

### 4. On the perception of fairness of performance appraisal system of the bank

- The majority of the respondents have indicated that their performance appraisal result is not based on the quality and quantity of their work instead it is on their personality and position.

- The performance rating of the bank doesn't reflect how much work the employee under evaluation done since it is not based on the job requirement criteria.
- The respondents indicated that the bank doesn't make sure that the employees are assigned to a rater who has deep knowledge about the job content and who can recognize the requirements and difficulties of their work.
- There is no way to appeal a performance rating which the employees think is biased or inaccurate and also once the evaluation result is given there is no option to change it even if the employee can prove that the result was wrong.
- The performance rating is not made based on the performance rating standards and the rater doesn't clearly explain the standards to the employees.
- The majority of the respondents also confirmed that the performance rating in United Bank is not fair.

## ***5.2. Conclusion***

The main objective of this study was to assess the performance appraisal practice of United Bank S.C. by checking the its effectiveness, investigating the process, looking the major problems and employees' perception towards the fairness of the performance appraisal practice of the bank. While looking the performance appraisal format of the bank, United Bank is using a combination of graphic rating scale and essay or free form performance appraisal method.

Coming to the appraisal system of United Bank S.C., even if the system has relevance, reliability and the practicality, it lacks sensitivity and acceptability. Besides it is found that all the clerical employees are evaluated with the same criteria irrespective of their position. Also the criteria are found to be more general and behavioral which can't measure the technical knowledge of the employee as a result it is found that the performance appraisal

system of the bank is ineffective and requires making certain adjustments on the existing performance appraisal system.

As indicated in Chapter Two of this study, six steps were listed down for developing a systematic performance appraisal process. While checking the presence of these steps in United Bank S.C, it is found that the bank's appraisal system doesn't follow these steps in which there are no practice of setting performance standards or expectations at the beginning of the appraisal process. However, the bank is using the same performance appraisal criteria (which are more behavioral) to all clerical employees for several years without making adjustment. Besides the raters doesn't also communicate these criteria before appraising the employees. Moreover, since these criteria are subjective they will lead to a biased judgment. Even if the results of the appraisal are discussed, there is no action is taken based on the performance appraisal result like improving the future performance of the employees' or motivating employees by promoting except bonus payment.

United Bank S.C 's performance appraisal system is found to have judgmental errors like Halo/Horn effect, first impression or primacy effect, central tendency, spill over effect, strictness or leniency. Moreover, the performance evaluation and decision of the bank are highly influenced by interpersonal relationships. In addition, there is no clear performance appraising practice which is done by comparing the employees' performance with the criteria.

Though the employees of United Bank S.C have the opportunity to see their performance result, it can't prove that the bank has a formal appraisal system. This is because the rater fails to explain the rating standard to the employees and also fails to apply the performance rating standards constantly across employees instead they are appraising employees with informal standards based on their perception or attitude towards the employees. The raters also don't have high degree of knowledge, there is no opportunity for the ratees' to appeal, no revision of the performance result if it found inaccurate and there is no formulation of action plan to deal with the present weakness. All these points lead us to a conclusion that the employees of the United Bank S.C perceived that the performance appraisal practice of the bank is unfair.



### **5.3. Recommendation**

These days, the banking industry in Ethiopia is becoming more dynamic due to the new banking directive and restriction brought by the National Bank of Ethiopia like rising paid up capital to 2 billion birr, and the traits of new entrants in the industry and challenges from the microfinance offices. In addition to this private banks like United Bank also have a shareholder pressure in maximizing their dividend. Therefore, to overcome all these and be a good competent in the industry effective performance appraisal system is required so as to motivate, retain employees and maximize their performance. As the goals of the organizations are set and also objectives realized through employees, the performance of the organization is dependent on the total performance of its members.

Based on the conclusion drawn above; the following recommendations are forwarded:

- Though the rater knows the performance appraisal procedures and format, the bank has to revise its performance appraisal manual which was designed eight years back and appraisal criteria by adding more technical requirements and make to be aligned with the job description of employees so as to get acceptance on the employees as well as to ensure the effectiveness of the performance appraisal system of the bank.
- One of the most critical elements of performance appraisal is the development of an employee where ways or methods to bring improvement will be recognized after identifying the weakness of an employee. In order to generate accurate and reliable data United Bank is recommended to use proper steps in performance appraisal system in which performance standards will be established at the beginning, and communicated to employees, then the actual performance will be measured and compared with the standards, lastly the results will be discussed on time and corrective actions will be taken.
- In addition to making the criteria of performance appraisal based on the job description, it will also be better to avoid the subjective criteria so that the performance appraisal will be based on the quality and quantity of the employees' work and will also minimize the influence of interpersonal relationship on performance appraisal.

- Sufficient training must be provided to rater on the job content of the employee under evaluation so as to understand the job requirements of the employee, avoid judgmental errors and giving a fair result.
- It will be better if the bank arranges clear and proper ways to appeal a performance rating which the employees think is biased, also it will be better if the complaints of the employees are given feedback and if there is a way to revise the performance appraisal of the employee which proved incorrect so as to meet the employees' perception of fairness.
- Training need assessment practice of the bank must be linked to the performance appraisal system in which the poor performer of bank gets the necessary training.
- As the bank industry is customer based, it will be better to use 360 degree appraisal method where inputs will be taken from customers so as to measure the manners, capacities, efficiencies of teamwork, and character of leadership of the employee.

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# Appendix

## Appendix one - Questionnaire

St. Mary University

School of Graduate Studies

Questionnaire to be filled by respondents

### Dear Respondent;

The purpose of this questionnaire is to collect primary data for conducting a study on the topic: "*Assessment of performance Appraisal practice in United Bank S.C.*" for the partial fulfillment of Masters Degree in Business Administration. In this regard I kindly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study will meet the intended purpose.

I strongly assure you that the information you provide will be used only for academic purpose and will be kept confidential. I would like to extend my deep appreciation in advance for being a volunteer to devote your valuable time in filling this form.

Sincerely, Fikregenet Getachew

### Directions:

- No need to write your name and put your opinion by making a (✓) mark
- **Rater refers to the evaluator of your performance in your respective branch**
- Please fill this questionnaire if your work experience in united bank S.C is **more than one year**

### Part I. Personal Profile:

1. Gender: Male \_\_\_\_\_ Female \_\_\_\_\_
2. Age: Below 25 \_\_\_\_\_ 26-35 \_\_\_\_\_ 36-45 \_\_\_\_\_ 46-55 \_\_\_\_\_ 56 & above \_\_\_\_\_
3. Educational Background: Diploma \_\_\_\_\_ First Degree \_\_\_\_\_ Master & above \_\_\_\_\_
4. Job experience: 1 - 2 years \_\_\_\_\_ 3 - 4 years \_\_\_\_\_ 5 - 7 years \_\_\_\_\_  
8 - 10 years \_\_\_\_\_ above 10 years \_\_\_\_\_
5. Status: Managerial \_\_\_\_\_ Non- Managerial \_\_\_\_\_

**Part II. Dear respondents, here are possible statements for the study; in this case I kindly request you to show the extent of your agreement by putting "√" mark using the following rating scale; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree**

S.N	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.1	The bank makes sure that my rater understands and knows well the performance Appraisal procedures and rating format					
1.2	The standards for appraising employees' performance are aligned to the bank's goal and also reflect the most important factors in my job (Relevance)					
1.3	The performance appraisal system of the bank is capable of distinguishing high performer from low performers (Sensitivity)					
1.4	The performance appraisal of the bank has consistency of judgment in which individuals tend to maintain a certain level of performance over time (reliability).					
1.5	The performance appraisal system of the bank is acceptable by me (Acceptability)					
1.6	I think the bank needs to make certain adjustments to the existing Performance Appraisal system					
1.7	The performance appraisal formats are simple and practicable (practicality)					
2.1	The performance appraisal process begins with setting of performance expectations or standards					
2.2	The criteria's for evaluation is based on observable and measurable characteristics of the behavior of the employee					
2.3	My rater clearly explains to me the standards that will be used to evaluate my work.					
2.4	The most recent performance rating I received is based on job-related requirements derived from my job description					
2.5	My performance was measured based on the established performance standards					

S.N	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
2.6	The result of the appraisal is communicated and discussed with the employees on one to one basis					
2.7	Decisions will be made on either to improve the future performance of employee or taking actions like promotion, rewards, demotions and the like					
3.1	I observe that the rater most of the time is influenced by specific dimension of performance (halo/horns).					
3.2	The evaluator made an assessment based on the employee's first impression which may be positive or negative (First Impression or Primacy Effect)					
3.3	Evaluators give the same results to all their subordinates as medium in order to avoid opposition and rivalries among them (Central Tendency)					
3.4	The rater gives high or low rating time after time to peoples based on certain characteristics such as gender, religion and the like (Stereotyping)					
3.5	Current performance of the employee is evaluated based on the past performance by assuming good performer in the past are still good and the bad employee in the past are still bad performer (Spill over effect)					
3.6	In some branches performance appraisal rating is restricted to either high or low portion of the rating scale and resulting in high or low rates in that specific branch (strictness or Leniency)					
3.7	Interpersonal relationships influence the evaluation and the decisions in the performance appraisal process					
3.8	The performance appraisal formats are simple and practicable					
4.1	My performance appraisal is based on the quality and quantity of my work not my personality and position					
4.2	My performance rating is based on how well I do my work and also reflects how much work I do					
4.3	The bank makes sure that I am assigned to a rater who have deep knowledge and know how to evaluate my performance					
4.4	The bank makes sure that I am assigned to a rater who recognize the requirements and difficulties of my work					

S.N	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
4.5	I have ways to appeal a performance rating that I think is biased or inaccurate					
4.6	My performance ratings can be changed if I can show that it is incorrect or unfair					
4.7	The performance rating I get is a result of my rater applying performance-rating standards consistently across employees					
4.8	My rater clearly explains to me the standards that will be used to evaluate me					
4.9	My most recent performance rating was fair					

**Please state any ideas which you think important for effectiveness of Performance Appraisal.**\_\_\_\_\_

\_\_\_\_\_

**Please state any ideas which you think important with regard to the process of performance appraisal**

\_\_\_\_\_

**Please indicate any ideas which you think important regarding problems of performance appraisal practice**

\_\_\_\_\_

**Please state any ideas which you think important for fairness of performance appraisal**\_\_\_\_\_

\_\_\_\_\_

## Appendix Two - Summary of the adopted questions

S.N.	Questions	Adopted from
1.1	The bank makes sure that my rater understands and knows well the performance Appraisal process rating procedures and rating format	Yordanos Belay (2015)
1.2	The standards for appraising employees' performance are aligned to the bank's goal and reflect the most important factors in my job (Relevance)	Belete, Tariku & Assefa (2014)
1.3	The performance appraisal system of the bank is capable of distinguishing high performer from low performers (Sensitivity)	Yidnekachew Girma (2015)
1.5	The performance appraisal system of the bank is acceptable by me (Acceptability)	Belete, Tariku & Assefa (2014)
1.6	I think the bank needs to make certain adjustments to the existing PA system	Yordanos Belay (2015)
1.7	The performance appraisal formats are simple and practicable (practicality)	Yemisrach Mihret (2015)
2.1	The performance appraisal process begins with setting of performance expectations or standards	Yordanos Belay (2015)
2.2	The criteria's for evaluation is based on observable and measurable characteristics of the behavior of the employee	Yemisrach Mihret (2015)
2.3	My rater clearly explains to me the standards that will be used to evaluate my work.	Yemisrach Mihret (2015)
2.4	The most recent performance rating I received is based on the many effects I am responsible for my work	Belete, Tariku & Assefa (2014)
2.5	My performance was measured based on the established performance standards	Yemisrach Mihret (2015)
2.6	The result of the appraisal is communicated and discussed with the employees on one to one basis	Yemisrach Mihret (2015)
2.7	Decisions will be made on either to improve the performance of employee or taking actions like promotion, rewards, demotions and the like	Yemisrach Mihret (2015)
3.3	Supervisors give the same results to all their subordinates as midium in order to avoid opposition and rivalries among them (Central Tendency)	Belete, Tariku & Assefa (2014)
3.7	Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process	Yemisrach Mihret (2015)
3.8	The performance appraisal formats are simple and practicable	Yemisrach Mihret

		(2015)
4.1.	My performance appraisal is based on the quality and quantity of my work not my personality and position	Belete, Tariku & Assefa (2014)
4.2.	My performance rating is based on how well I do my work and also reflects how much work I do	Belete, Tariku & Assefa (2014)
4.3.	The bank makes sure that I am assigned to a rater who have deep knowledge and know how to evaluate my performance	Belete, Tariku & Assefa (2014)
4.4	The bank makes sure that I am assigned to a rater who recognize the requirements and difficulties of my work	Belete, Tariku & Assefa (2014)
4.5	I have ways to appeal a performance rating that I think is biased or inaccurate	Yordanos Belay (2015)
4.6	My performance ratings can be changed if I can show that it is incorrect or unfair	Belete, Tariku & Assefa (2014)
4.7	The performance rating I get is a result of my rater applying performance-rating standards consistently across employees	Belete, Tariku & Assefa (2014)
4.8	My rater clearly explains to me the standards that will be used to evaluate me	Belete, Tariku & Assefa (2014)
4.9	My most recent performance rating was fair	Belete, Tariku & Assefa (2014)