ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

PERCEPTION OF EMPLOYEES TOWARDS PERFORMANCE

APPRAISAL IN COMMERCIAL BANK OF ETHIOPIA

BY

KALKIDAN MULUGETA

July 2018 / 2010

ADDIS ABABA, ETHIOPIA

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PERCEPTION OF EMPLOYEES TOWARDS PERFORMANCE APPRAISAL IN COMMERCIAL BANK OF ETHIOPIA NORTH DISTRICT OFFICE

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KALKIDAN MULUGETA

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

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

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Name

St.Mary's University, Addis Ababa

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ACKNOWLEDGEMENT

LIST OF ABBREVIATIONS

PA: Performance Appraisal

CBE: Commercial Bank of Ethiopia

SA: Strongly Agree

A: Agree

N: neutral

DA: Disagree

SDA: Strongly Disagree

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ABSTRACT

Performance appraisal seems to be one of the most important tools in Human Resource Management. Organizations design appraisal systems to assess and enhance employee's performance, develop their competence and distribute rewards. Because of this, it is now viewed as a mechanism for developing and motivating people hence the general consensus among performance appraisal researchers and practitioners that assessment of appraisal reactions is important. The study has the objective to assess the perception of employees towards the problems and practices of performance evaluation On the basis of data collected through questionnaires and interview which are founded on the theoretical assessment of related literatures; the researcher tried to unearth some of the real problems of appraisals based on the opinion of the rates in that particular organization. The questionnaire was distributed to 84 employees of the bank, which only 70 were fully completed and returned. The questionnaire was distributed to the employees on the basis of census based on the willingness and cooperation of the respondents. The data collected were analyzed using SPSS software. On the basis of the data obtained from the respondents, the study identified the lack of transparency both during the evaluation and after evaluation as its major findings. Almost all the participants vented out that they are not allowed to see the result of their ratings. The subjectivity involved in the evaluation which resulted in role ambiguity and bias among the employees were identified to be the other problem of performance. The performance evaluation forms do not reflect the performance of the employees as they can be irrelevant for some jobs. Moreover, the researcher discovered that raters do not have adequate knowledge of how the systems work. Based on the findings of the study, the researcher forwarded some recommendations so that if they are used it will give them an insight as to the practice and its associated problems of performance appraisal in the organization

Key words: performance appraisal, Perception, performance, reward, rating

CHAPTER ONE

INTRODUCTION

1.1   Background of the Study

In this world of competition as organizations effort to remain competitive and sustainable, human resource (HR) professionals and strategic planners should collaborate strongly in designing strategies, which are more productive and useful. Based on many researches (Dargham, 2010), the most winning organizations in the 21st century will be those to focus on integrated HR processes and systems. So the role of human resource becomes more and more vital which includes personnel related areas such as job design resource planning, performance appraisal system, recruitment, selection, compensations and employee relations (Derven,1990).Among these functions, one of the most critical ones that bring global success is performance appraisal (Marquardt, 2004).

An organization implements the performance appraisal system to allocate rewards for the employee, provide development advice as well as to obtain their perspectives, and justice perception about their jobs, department, managers, and organization (Seldon, Ingraham and Jacobson, 2001). Prior studies reveal that employee perception of fairness of performance appraisal is a significant factor in employee acceptance and satisfaction of performance appraisal. A good perception will create a positive working environment in the organization, while a negative perception will affect the company performance (Ahmed et al., 2011).

Specifically, the perceptions of procedural unfairness can adversely affect employee's organizational commitment, job satisfaction, trust in management, performance as well as their work related stress, organization citizenship behavior, theft, and inclination to litigate against their employer. During the last ten years, the number of studies which examined the effect of performance appraisal system on employee had increased (Brown et al., 2010). In another study by Brown 2010, revealed that there was a direct relationship

between Performance appraisal satisfaction and employee outcomes, which are mostly, job satisfaction among employees (Brown et al., 2010).Moreover, a number of studies have provided support for the argument that performance appraisal has remained a problem which is vague and perhaps unsolvable in human resource management (Scholtes, P.R 1993). Poon (2004), very little is known about the relationship between performance appraisal quality and employee out comes, especially in identifying the effect of performance appraisal quality towards the job satisfaction. However, in developing countries the research in this field is very limited. In our country, Ethiopia, even though there are few studies conducted on Awash International Bank (AIB), which deals about performance evaluation and satisfaction of employees, there is no empirical study conducted on organizations about employees' perception of PA and their expected outcomes supported by formal and published research.

The most important goal of the performance appraisal is to improve performance in future and explore the relationship that exists between employee's perception of and their work outcomes, which is specifically conducted to address the problems faced by working individuals in Commercial Bank of Ethiopia (CBE). The purpose of performance appraisal must be clearly communicated both to manager and subordinates, so they will have clear direction to their job (Encyclopedia of Business and Finance, 2010). Rankin and Kkainer (2007) defined that; the lack of specifically defined performance goals will undoubtedly undermine the effectiveness of the entire performance appraisal process. His definition is in line with that of (Encyclopedia of Business and Finance 2010) who suggest that the failure to inform about the purpose or misleading information about the purpose may result in inaccurate and biased appraisal reports. Therefore, (CBE) office can realize the current state of the employee outcomes and create strategies to improve work performance and affective organizational commitment, thus reducing employees' turnover.

1.2   Historical Background of CBE

After the Ethiopian-English victory over Fascist Italy, the new government established the State Bank of Ethiopia a proclamation issued in August 1942. State Bank of Ethiopia commenced full operations on 15 April 1943 with two branches and 43 staff. It served both as the Ethiopia's central bank with the power to issue bank notes and coins as the agent of the Ministry of Finance, and as the principal commercial bank in the country. In 1945 the Ethiopian government granted the bank the sole right of issuing currency. The first governor of the bank was an American, George Blowers. He inaugurated the new national currency, which owed its successful introduction to the United States. The United States provided the silver for 50 cent coins, whose intrinsic value ensured popular acceptance of the new paper money to a population used to the circulation of the silver Maria Theresa thaler (website of commercial bank of Ethiopia).

In 1963, the Ethiopian government split the State Bank of Ethiopia into two banks, the National Bank of Ethiopia (the central bank), and the Commercial Bank of Ethiopia (CBE). Pioneer to introduce modern banking to the country. It has more than 1160 branches stretched across the country. The leading African bank with assets of 384.6 billion Birr as on June 30th 2016. The first bank in Ethiopia to introduce ATM service for local users Currently CBE has more than 13.3 million account holders and the number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30th 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users)(website of commercial bank of Ethiopia).

1.3   Statement of the Problem

Performance appraisal helps to success of the organization in realizing of strategic purpose and increasing of effective working process through continuous improvement of individuals' performance and process along with focusing on weak improvable points Divan Dari (2008 as cited in Fakharyan, Jalilvand, Dini&Dehafarin, 2012). With due attention to the fact that performance appraisal is one of the main parts of organizational life and could be consisted of several organizational processes such as measuring of work performance, establishing of purposes and reward management, (Marquardt, 2004).

Commercial bank of Ethiopia has prepared Guideline for Employee Performance Tracking and Appraisal in order to incorporate the measurement of new goals and targets and weight-based evaluation. Employee performance evaluation is the periodic assessment of the employees' job Performance against performance evaluation criteria set by the bank. The aims of employee performance assessment are the following:

➢ To review an employee's performance objectively over a set period of time, to provide guidance for future performance improvements of employee and to take appropriate and timely disciplinary measures against an employee with poor performance

➢ To offer managers/supervisors and their employees the opportunity to communicate with each other and to set employee performance targets and personal development plans for subsequent appraisal periods; and

➢ To assist in making objective decisions on promotion and salary increments for employees

Commercial Bank of Ethiopia has standards and computerized system which are useful for performance appraisal system. Even if there is a standard and this standards facilitated by computerized system, there are some problems which the researcher of this studies found through interviewing the employee and middle level manager of CBE. The problems are,

Shortage of skills and knowledge of the rater also the subjectivity, favoritism and bias of the rater. Lack of continuous documentations and in ability, Central tendency (common error that occurs when employees are incorrectly rated near the average or middle of the scale) and Personal Bias (individuals differences such as age, religion, seniority, sex, appearance or other arbitrary classification) those are mostly occur during the appraisal system.

1.4   Research Questions

This study is tried to answer the following basic and major questions, which are based on the specific objectives.

   a) What are the employee perception for performance appraisal in CBE?
   b) What are the real problems facing CBE with regard to the perception of performance evaluation practices?
   c) What is the feedback of employee for the performance appraisal system in CBE?

1.5   Objectives of the Study
1.5.1   General Objective

The general objective of this study is to assess the employees' perception of the problems and practices of employee performance appraisal of commercial Bank of Ethiopia.

1.5.2   Specific Objectives:

More specifically, the study aspires to:

   ➢ Identify the perception of employees towards the purposes of performance appraisal in CBE
   ➢ Identify the problems facing CBE with regard to the Perception of performance appraisal practices

➢ Identify the feedback of employee's for performance appraisal

1.6   Significance of the Study

The results of this study is valuable for the following main reasons: firstly, on the basis of the findings of the study, the report draw some conclusions and identify the problems of performance evaluation and is give signal to the Human Resource Management of the bank to take remedial action to minimize the subjectivity of evaluation in prospecting employees for salary increment and promotion. Second, it is a piece of contribution to the current knowledge in the practice of performance evaluation in an enterprise working in Ethiopia and invites for further research to bring behavioral change in the areas of performance evaluation both in the mind of the rater, raters and those parties responsible in the design of the instruments of performance evaluation forms that are used to judge the performance of employees. Thirdly, it gives the researcher the opportunity to gain deep knowledge in the practice of performance evaluation. Finally, it will be an academic reference for BA and MA students

Generally, the significance of this study is attempt to provide realistic information on the overall issues of employees' perception of the problems and practices of employee performance evaluation of commercial Bank of Ethiopia in north Addis Ababa district.

1.7   Scope of the Study

Regarding geographic scope, the study covered the staff of the commercial Bank of Ethiopia (CBE) performance appraisal in the north Addis Ababa district office. Content wise, the study covered the employees' perception on the Performance Appraisal System of the bank.

1.8   Organization of the Paper

This is organized into five chapters. Chapter One introduce and set out the statement of the problem, objectives, and research questions, scope of the study and organization of the study. It also gives detailed description of the way the data were captured and processed, and the procedures of their presentation. Chapter Two attempts to review the works of other academia and research institutions to posit the study within a large context of scholarly literature. Chapter Three deals with the methodology of the research. Chapter Four deals with the data analysis and interpretation and presentation. Finally, Chapter Five is contain, conclusions and Recommendation

CHAPTER TWO

LITERATURE REVIEW

This chapter essentially presents a more detailed variation of all variables involved in the study. First of all, it outlines the definition of performance appraisal and the effectiveness, justice and fairness, job satisfaction, employee's commitment and motivation and their turnover intention.

2.1 Performance Appraisal

Performance appraisal is said to be a human resource management tool used in determining and communicating to an employee his/her performance on an assigned job over a period, and essentially establishing a plan for improvement. The system seeks to unearth the employee's strengths and weaknesses for appropriate management decisions such as training, promotion, transfer, layoffs and motivation to be taken, Bohlander et al (2001).

Latham and Wexley, 1994(as cited by Yusof, 2009) refer to the performance appraisal as any personnel decision that affect the status of employees regarding their retention, termination, promotion, transfer, salary increase or decrease, or admission into training programs. This definition shows that performance appraisal is the key in controlling people within the organization. The definition by Latham and Wexley is in line with Fletcher and Williams, 1986 (as cited in Yusof, 2009) as both of them claimed that performance appraisal is determined by the management and it is the central part of personnel management activity, linking it with almost every other aspect of human resource activity.

In addition, Leap and Crino, 1993 (as cited in Yusof 2009) defined performance appraisal "as a process of assessing the quantitative and qualitative aspects of an employee's job performance". However, according to Sisson, 1991 (as cited in Yusof 2009), performance

appraisal is "the process whereby current performance in a job is observed and discussed for the purpose of adding to the level of performance". On the other hand, Harvey and Bowin, 1996 (as cited in Yusof 2009) defined performance appraisal as the accomplishment of employees' assigned duties and the outcome produced in a specified job function or activity during a specified time period while performing their jobs. Milkovich& Boudreau, 1997 (Yusof 2009) referred to performance assessment or performance appraisal as the process that measures employee performance and employee performance is the degree to which employees accomplish work requirements.

Armstrong, 1993 (Yusof 2009) defined performance appraisal "as a means of getting better result from the organization, teams and individual by understanding and managing performance within an agreed framework of planned goals, objectives and standards". However, according to Fletcher (2001) performance appraisal is a "general heading for a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute reward".

A formal definition of performance appraisal is given by Aswathappa, A (2002): "It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations, and society all benefit "

From this definition one can see that the objective of performance evaluation is not only designed to check past performance(i.e. controlling) but also predicts the promotion potential of the candidate in the future(i.e. Development and coaching). Furthermore, the system is structured to measure and evaluate employee's job related behaviors and outcomes and this is an answer to the question "what to measure".

2.2 Performance Appraisal Is Needed?

It has long been recognized that performance appraisal plays an important role in Organizations (Mount, 1984). It serves a variety of purposes such as providing the basis for making selection decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used a powerful tool for managerial control. (Edmonstone, 1996) According to (Beer, 1987) performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness.

The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers decide who will be promoted. Centrally maintained records are the means by which the corporation attempts to remove favoritism, subjectivity, and politics from personnel decisions. Evaluation is also needed to improve the performance and potential of employees.

Appraisal is the analysis of the success and failures of an employee and the assessment of their suitability for training and promotion in the future (Maund, 2001as cited in Horsoo Jnr, 2009), appraisal is a key component of performance management of employees. When effective, the appraisal process reinforces the individual's sense of personal worth and assists in developing his/her aspirations. Accurate appraisals are crucial for the evaluation of recruitment, selection and training procedures. It can also increase employee motivation through the feedback process and may provide an evaluation of working conditions and it can improve employee productivity, by encouraging the strong areas and modifying the weak ones (Horsoo Jnr 2009). Further, employee evaluation can improve managerial effectiveness by making supervisors more interested in and observant of individual employees (Auerbach, 1996). Objectives for performance appraisal policy can thus, best be understood in terms of potential benefits. Maundet al (1989) as cited in Horsoo Jnr, 2009 identified the following:

- ➢ Increase motivation to perform effectively.
- ➢ Increase staff self-esteem.
- ➢ Gain new insight into staff and supervisors.
- ➢ Distribute rewards on a fair and credible basis.
- ➢ Develop valuable communication among appraisal participants

2.3 Effectiveness of Performance Appraisal

Performance appraisal effectiveness refers to the accuracy of performance observations and ratings as well as the ability of the performance appraisal process to improve the rate's future performance (Cynthia lee, 1985). Lawler (1994) define that, reactions to appraisal and the appraisal process are believed to significantly influence the effectiveness and the overall viability of appraisal system.

Lawler, Mohrman, and Resnick 1984 (as cited in Clinton, Patrick, and Kathlyn 1988) argued the need to better understand differences in managers and subordinates' perceptions of the appraisal process. They postulated that performance appraisal systems will be effective (i.e. accomplish the intended purpose) to extent that managers and subordinates have a shared perception of the purpose and function served by appraisal and the extent to which the process satisfies the needs of both parties.

The functions effectively served by the appraisal process are a source of continuing debate, as academics seek to better understand the appraisal process and organizations seek way to increase its effectiveness. Further research suggests that having a technically sound appraisal system and procedure is not guarantee that an organization's appraisal process will be effective. Manager and subordinates must have a shared perception of the purposes and functions of the process and the belief that the appraisal process is useful to them on an individual basic. Thus, an effective appraisal is one that satisfies the needs of the parties involved in the process. To be effectivemanagersmust

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t have not only the skills necessary to conduct effective appraisals but also the willingness to do so (Clinton and Stephen 1992)

2.4 Methods of Performance Appraisal

There are two types of measures used in performance appraisal; Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. Traditional Methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

➤ Ranking Method : According to Dessler et al. (2011), ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked.

➤ Graphic Rating Scales: The Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

➤ Critical Incident Method: this technique was formally codified by the works of Fits and Jones in 1947 for classifying pilot error experiences in reading and interpreting aircraft instruments. Fitts and Jones used the term "errors" rather than "critical incidents". As opposed to Fitts and Jones way of collecting data, data gathering during task performance is now considered a defining criterion for critical incident methods. The work of John Flanagan in 1954 became the landmark critical incident technique, after his title entitled "The Critical Incident Technique" appeared in the psychological bulletin. Flanagan (1954) defined the critical incident technique as a set of procedures designed to describe human behavior by collecting description of events having special significance and meeting systematically defined criteria. Flanagan originally used trained observers to collect critical incident identification. Identification of the critical

incidents during task performance can be an individual process or a mutual process between user and evaluator (Dessler, 2011).

2.5 Problems in Performance Appraisal

Ideally, rating supervisors should be completely objective in their appraisals of employees. Each appraisal should directly reflect an employee's performance, not any biases of a supervisor. Of course, this is impossible to do perfectly as most raters either intentionally or unintentionally commit errors. Raters need to be aware of these biases, so that their effect on the appraisals can be limited or eliminated. According to Abu-Musa (2008) some of these errors are:

Unclear standards: Different supervisors would probably define good performance, fair performance, and so on, differently. The same is true of such traits as quality of work or creativity. There are several ways to rectify this problem .The best way is to develop and include descriptive phrases That define each trait, for example, by specifying on the evaluation form what is meant by such things as outstanding, superior, and good quality of work. This specificity results in appraisals that are more consistent and more easily explained Sims, (2007) as cited in Abu-Musa, 2008.

Lack of Objectivity: A potential weakness of traditional performance appraisal method is that they lack objectivity. In the rating scale method, for example, commonly used factors such as attitudes, loyalty, and personality are difficult to measure. In addition, these factors may have little to do with an employees' job performance. Some subjectivity will always exist in appraisal methods. However, employee appraisal based primarily on personal characteristics may place the evaluator and the organization in untenable positions with the employee an equal employment opportunity guidelines. The firm may be hard pressed to show that these factors are job-related, (Mondy et al, and 2002).

Bias: Rater bias occurs when a rater's value or prejudices distort the rating. Rater bias may be unconscious or quite intentional. If a manager has strong dislike of certain ethnic group, this bias is likely to result in distorted appraisal information for some people. Hallo error occurs when a manager generalizes one positive performance features or incident to all aspects of employee performance resulting in a higher rating, (Mondy and Noe, 2005as cited in Abu-Musa, 2008).

Leniency/Strictness: Giving undeserved high rating is referred to as leniency. The behavior is often motivated by a desire to avoid controversy over the appraisal (Mondy and Noe, 2005).Some managers may rate their subordinates very high either because they want to show that the work under their responsibilities is proceeding very well or because they do not have the ability to convince their subordinates that their performances deserve this rating. Another problem which is closely connected to leniency is strictness. Strictness is rating subordinates on the lower level of the rating system. Some managers went to show the chief or head of the organization that they care for the organization that they work at. In addition ,it is also a good excuse before the higher level management that the subordinates under their supervision are not performing their tasks as well as they should thus the overall performance of the department is unsatisfactory due to the existence of these subordinates, (Abu-Musa, 2008).

Central tendency: Central tendency is a common error that occurs when employees are incorrectly rated near the average or middle of the scale. This practice may be encouraged by some rating scale systems that require the evaluator to justify in writing extremely high and extremely low rating .with such system; the rater may avoid possible criticism by giving only average ratings. However, since this ratings tend to cluster in the fully satisfactory range, employees do not often complain about this Monday and Noe (2005).

Recent Behavior Bias: When rating is not based on the entire appraisal period and just on the last month of the appraisal this is called recent behavior bias. The performances of the subordinate may be outstanding during the year (if the appraisal is done annually) and on the

last month the performance of the subordinate worsen. The rater evaluates the subordinate based on the last month and forgets the eleven –month outstanding performance. It is only natural for a rater to remember recent behavior more clearly than action from the more distant past. However, formal performance appraisals generally cover a specified time, and an individual's performance over the entire period should be considered. Maintaining records of performance throughout the appraisal period helps avoid this problem Monday and Noe, (2005) as cited in Abu-Musa, 2008.

Personal Bias: This pitfall occurs when supervisors allow individuals differences such as age, religion, seniority, sex, appearance or other arbitrary classification to affect the rating they give to appraise. If the performance appraisal is examined by higher level managers, this problem will be overcome. This pitfall is not only detrimental to employee morale, but it is also blatantly illegal and can result in costly litigation (Armstrong,2006).In conducting performance appraisals, managers must be careful to avoid making rating errors. Four of the more common rating errors are strictness or leniency, central tendency, halo effect and regency of events (Deblieux, 2003: Roth well, 2012)

2.6 Factors That Affect Performance Appraisal System

Satisfaction: One of the most frequently measured appraisal reaction is Satisfaction (Giles & Moss holder, 1990 ac cited in Awosanya&Ademola, 2012). Appraisal satisfaction has been mainly viewed in three ways: Satisfaction with the appraisal interview or session, Satisfaction with the appraisal system, Satisfaction with performance ratings. Satisfaction of performance appraisal is an indication of the degree to which subordinates are satisfied, serves as a report of the accuracy and fair evaluations of performance, and the feel that they will improve their working relations with their supervisors (Awosanya&Ademola, 2012)

Fairness: Assessing the appraisal fairness is a more complicated phenomenon compared to other reactions from performance appraisal. This is due to the influence the organization justice

has recently on measuring employee's reaction to performance appraisal. This argument is in line with Smither's (1998) that a good appraisal system is of great sensitivity to issues of justice or fairness. To this effect, appraisal fairness has been interpreted in four different ways: Fairness with performance ratings, Fairness with the appraisal system, Procedural justice, and Distributive justice.

Perceived Utility: One of the popular reactions to performance appraisal is the utility of the appraisal .In comparison with satisfaction and fairness, the measurement of perceived utility has been relatively consistent and uncompounded. The most typical idea of perceived utility has focused on the usefulness of the appraisal system. Greller (1978) conceptualized utility in terms of the appraisal session and operational zed this with items such as "The appraisal helped me learn how I can do my job better" and "I learned a lot from the appraisal".

Perceived Accuracy: In reviewing any performance appraisal, perceived accuracy has to be used as a criterion because it presents an unusual case when compared to other typical reactions that are measured. (Cawley et al. (1998) as cited in Awosanya&Ademola, 2012) reported that the vast majority of studies appear to confound accuracy with other reactions, most notably fairness.

2.7 Employees' Perception of Performance Appraisal System

Employee perception of fairness of performance appraisal has been studied as a significant factor in employing acceptance and satisfaction of performance appraisal .In discussing the performance appraisal process inside any organization, it is very important for the success of the PA, to determine how those employees who are responsible for conducting the appraisals (appraisers) as well as those being appraised (appraises) generally perceive the PA process. Boswell& Boudreau (1997) argued that PA purpose affects rating processes and outcomes, and they conceived that employee attitudes may vary depending on perceptions of how the PA is used. Attitudes and perceptions towards various aspects of performance appraisal system and

process (e.g. perception of fairness and accuracy, appraisal items, appraisal interview behavior, appraisal satisfaction) have long been recognized. The study conducted by Levey and William (1998) there is a perceived knowledge in predicting appraisal reaction in terms of job satisfaction and organizational commitment. The conclusion on the studies was drawn as: The employees who believe they understand the appraisal systems used in the organization are most likely to favor important organizational variables in the future and also have the following characteristics:

➢ They are more accepting and largely favor the appraisal system and its feedback
➢ They have more satisfaction on their job
➢ They are highly committed to the organization

They are most likely to rate the PA as fair. According to Awosanya&Ademola (2012) employees to have positive attitude towards performance appraisal, the following should be taken into consideration:-

➢ There should be a system of formal Appraisal
➢ It should be conducted frequently
➢ Supervisors should have more knowledge about the appraisal process.
➢ Employees should have an opportunity to appeal their ratings.
➢ The organizational environment should be cooperative rather than competitive
➢ The plan of the organization should also deal with weakness rather than only acknowledge strength

2.8 Job Satisfaction

Keeping and Levy, 2000 (as cited in Jawahar 2007) defined an important reaction of all the appraisal reactions; satisfaction has been the most frequently studies. According to Giles and Mossholder, 1990 (as cited in Jawahar 2007) satisfaction with aspects of the appraisal process

is regarded as one of the most consequential of the reactions to performance appraisal. For instance, Giles andMossholder, 1990 (as cited in Jawahar) have asserted that using satisfaction as a measure of employees' reactions affords a broader indicator of reactions than more specific, cognitively oriented criteria. In fact, cognitively oriented measures, such as perceived utility and perceived accuracy are positively related to measures of satisfaction (Keeping and Levy 2000 as cited in Jawahar 2007).

In addition, because appraisals from the basis of several important decisions, satisfaction with key aspects of the appraisal process signifies recognition, status, and future prospects within the organization. Thus, favorable attitudes about reward contingencies develop when satisfaction is high rather than when it is low (Jawahar, 2007). Taylor (1984) defined these psychological implications of satisfaction make it a significant determinant of behavior and job and organizational attitudes. Indeed, in Jawahar, 2006 (as cited in Jawahar 2007) study reported that satisfaction with appraisal feedback was positively related to job satisfaction and organizational commitment and negatively related to turnover intention. In summary, theoretical arguments and empirical evidence suggests satisfaction to be among the most important of reactions to the appraisal process.

Brezt 1992 (as cited in Sylvie and Denis, 2009) defined dissatisfaction with performance management has been around for many years. According to Skarlicki and Folger, 1997 (as cited in Paul & Laurel 2009) the appraisal process can also become a source of frustration and extreme dissatisfaction when employees perceive that the appraisal system is biased, political or irrelevant.

Job satisfaction is the most studied variable in organizations. Locke, 1976(as cited in Tobias and Neal, 2010) defined job satisfaction as a pleasurable emotional state the results from the appraisal of one's job. In other words, job satisfaction describes an affective reaction to one's job as well as attitudes toward the job. This in turn suggests that job satisfaction is formed from affect, cognition, and ultimately will result in satisfaction contingent job-related behaviors.

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Some of the most commonly studies outcomes of job satisfaction are organizational citizenship behaviors, absenteeism and turnover (Organ & Ryan, 1995; Wegge, Schmidt, Parkes, &Van Dick, 2007; Saari& Judge, 2004 as cited in Tobias and Neal, 2010).

According to Spector, 1997 (as cited in Abuduaini, 2009) refer to job satisfaction in terms of how people feel about their jobs and different aspects of their jobs. Ellickson and Logsdon, 2002 (as cited in Abuduaini, 2009) support this view by defining job satisfaction as the extent to which employees like their work. Schermerhorn, 1993 (as cited in Abuduaini, 2009) defines job satisfaction as an affective or emotional response toward various aspects of an employee's work. Many researchers claim that job satisfaction can be formally defined "as the degree to which individuals feel positively and/ or negatively about their jobs" (Steyn& Van Wyk 1999 as cited in Abuduaini, 2009). This is so true, that if employees' desired expectations are met, then he or she will experience a feeling of accomplishment that will therefore determine the degree of satisfaction (Abuduaini, 2009).

According to Rue and Byers (1994), job satisfaction is made up of five (5) components:

- Attitude toward colleagues
- General working conditions
- Financial benefits
- Attitude towards supervision

Job satisfaction occurs when a job meets the expectations, values and standards of an individual and will influence their commitment and performance (Gordon 1999 as cited in Abuduaini, 2009). The greater the degree of the expectations being met the higher will the level of job satisfaction be. According to Bateman and Snell, 1999 (as cited in Abuduaini, 2009), staff will be satisfied if they are justifiably treated by the outcomes they receive or the processes that are implemented. However, they also warn that a satisfied worker may not necessarily be a

productive worker. Job satisfaction can also be portrayed as a feeling of pleasure that stems from an employee's impression of his or her job.

2.8.1   Justice and Fairness with Satisfaction with Performance Appraisal

Jawahar (2007) suggest that perception of fairness are important to all human resource processes, e.g. selection, performance appraisal, and compensation, and particularly so, to the performance appraisal process. Cardy and Dobbins, 1994 (as cited in Jawahar, 2007) asserted that "with dissatisfaction and feeling of unfairness in process and inequity in evaluations, any appraisal system will be doomed to failure". In practice perceived fairness of evaluation, the procedures used to evaluate performance, and the manner in which performance-related information is communicated likely play an integral role in shaping ratees' reactions to critical elements of the appraisal process. (Jawahar, 2007). Besides that, Taylor (1995) has also acknowledged the importance of fairness to the success or failure of appraisal system.

Fairness and equity in performance appraisal can best be defined as the quality of being fair in a formal situation where no one person has an unfair advantage in identifying, measuring, and managing human performance in an organization. This mean we must appraisal someone equally and in a formal situation (to put aside any relationship or misunderstandings with the person being appraised). If the performance rating mechanism is used accurately but is perceived by subordinates as unfair, it will have negative outcome. However, if it happened that performance appraisal mechanism is used inaccurately but perceived by subordinates as fair, a possibility of negative outcome can be hindered (Yusof, 2009).

2.8.2   Satisfaction with Performance Appraisal and Motivation

Mikkelsen (2005) suggested that employees have higher job motivation when they perceived their performance appraisal as fair and trustworthy. An organization's performance appraisal system can be a practical tool for employee motivation and development when employees

perceive their performance appraisal as accurate and fair (Ilgen, 1979, as cited in Paul &Laurel 2009). Lawler (1994) have asserted that appraisal reactions likely play a key role in the development of favorable job and organizational attitudes and enhance motivation to increase performance. Rusli and Ali 2004 defined performance appraisal isalsobeing seen as having direct influence on job satisfaction and motivation of workers.

2.8.3 Satisfaction with Performance Appraisal and Commitment toward the Organization

Performance appraisal decision is critical to employees because it affects their monthly salary and is closely related to their commitment at the workplace (Abdul Hamid, as cited in Rusli and Ali, 2004). Blake and Mouton, 1964 (as cited in Noor Asyikin 2004) suggest that it is necessary to identify just the needs of an employee. The organization for which he/she works must then ensure that these needs are met if it wishes to secure the advantages of the workers performing with a high level of job satisfaction and for that matter, commitment.

Satisfaction with appraisal feedback could be expected to strengthen continuance commitment (Jawahar, 2006). A recent study by Atwater et al. (2000) (as cited in Jawahar, 2006,) revealed that supervisors who received low ratings from their subordinates reduced their level of loyalty and commitment to their subordinates after receiving feedback. Because lower evaluations are likely to result in dissatisfaction with appraisal feedback, their findings could be interpreted as supporting the proposed relationship between satisfaction with feedback and commitment. In an earlier study, Pearce and Porter (1986) (as cited inJawahar, 2006,) reported that organizational commitment of people receiving negative feedback dropped significantly across the duration of the study, but commitment of those receiving positive feedback remained the same. They used the level of ratings to arbitrarily characterize subjects as receiving positive or negative feedback and did not measure satisfaction with feedback.

2.9 Turnover Intentions

Tett& Meyer, 1993 (as cited in Christina, Mei Huei and Lilian 2010) defined turnover intention as a conscious psychological willingness to leave an organization. It also represents thoughts of quitting a job or searching for new employment opportunities. Price and Mueller 1981 (as cited in Christina, Mei Huei and Lilian 2010) described how there are diverse factors that affect turnover, which can make it difficult to predict turnover behavior accurately.

Turnover has been used as an organizational performance indicator since the early work of March and Simon 1958 (as cited in Altarawneh and Al-Kilani, 2010). These social scientists defined employee turnover intention as a reflection of an employee's decision to participate and work in the organization. Denvir and McMahon 1992 (as cited in Altarawnehand.Al-Kilani, 2010) define labor turnover as "the movement of people into and out of employment within an organization". These definitions suggest the turnover intention can be voluntary or involuntary. Involuntary turnover is when a person is removed from his or her job by the employer (Eric & Nancy, 2008). Voluntary turnover refers to an employee voluntarily leaving and organization. Early approaches such as March and Simon's 1958 (as cited in Tobias and Neal, 2010) contributions and inducements model have identified that job satisfaction determines the perceived desirability of movement, which ultimately determines whether an individual quits the job or not. In March and Simon's model job satisfaction is driven by match between the job and the self-image, the match between the job and other roles, as well as the predictability of future relationship inside the organization.

Three categories of factors affect turnover intention:

a) environment or economy;
b) Employees; and
c) Organization level (Moynihan & Pandey, 2007 as citedinbangcheng, jianxin and jinhu, 2010).

Another important aspect of the operation of a business is job satisfaction. In the past several decades, both researchers and managers have become aware that job satisfaction is positively related to job performance (Bono & Judge, 2003; Saari& Judge, 2004 as cited in Bang cheng, jianxin and jinhu, 2010).

2.10 Empirical Literature Review

Even though there are extensive empirical studies in relation to employees' perception of performance appraisal system and its consequence work outcomes, in the form of work performance, affective organizational commitment and turnover intention. Therefore, in this section the most selected and related empirical finding of related literatures were presented.

Alwadael (2010) carried out a study on employees' perception of, satisfaction with performance appraisal of electricity and water authority in kingdom of Bahrain and data were collected from 258 sample respondent. The descriptive finding of the study indicates that performance appraisal satisfaction is low. This finding indicates that employees are dissatisfied in the existing performance appraisal system.

Abdulkadir (2012) conducts a study on the effect of strategic appraisal, career planning& employee participation on organizational commitment at 24 Mega banks in Nigeria. A total of 57 questionnaires were distributed to the sampled 19 banks. The study finding indicates that there is impact on the relationship between performance appraisal system and organizational commitment.

Ahmed (2010) conducts an empirical study on Performance appraisal impact on attitudinal outcomes& organizational performance. The sample consisted of 250 of which 123 returned. The finding of the study indicates that there is less impact on the respondent's perception of performance appraisal satisfaction and employee turnover intention.

The study conducted by Fakharyan et al., (2012) on the effect of performance appraisal satisfaction on employees outcomes employing on the moderating role of motivation in work place of Tehran, Iran. In this study out of 404 total populations 77 samples was selected using accidental sampling technique. The finding of the study indicates that there is impact on performance appraisal satisfaction and work performance of employees on the significance, there is also a positive and meaningful impact on perception of performance evaluation and affective organizational commitment whereas performance appraisal satisfaction and turn over intention is less impacted.

The study conducted by Saeed &Shahbaz (2011) on employees' perceptions about the effectiveness of performance appraisal in the case of Pakistan. In the study a total of 150 questioners were distributed of which 137 completed responses. The finding of the study indicates that employees' perception about the effectiveness of performance appraisal and the level of work performance and affective organizational commitment is high. Whereas, turnover intention is low. This finding indicates the sampled employees are satisfied with the existing performance appraisal system; in turn, work performance and affective organizational commitment is increased, whereas, turnover intention is minimized.

Vignaswaran (2005) a study conducted in Peninsular Malaysia on the relationship between performance appraisal satisfaction and employee outcomes. A total of 900 questionnaires were distributed, of which 311 returned and used for data analysis. The descriptive finding of the study indicates that the level of employees' satisfaction with performance appraisal is low, the level of work performance is higher, the level of affective organizational commitment is low and the level of turn over intention is also low.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter describes the methodology of the research. This study was designed to investigate perceptions toward performance appraisal among executive level employee such as the effectiveness, fairness, satisfaction of performance appraisal. Firstly, the sample describe about qualitative and quantitative data that the researcher used in survey such as the target of the research. Second, data collection is describes about who the selected participate in this survey, what place is choose to complete this survey. Third, explain how the questionnaire design, and the measurement that we choose. Lastly, data analysis that the researcher used in this research after collected the data.

3.1   Research Design

According to Fraenkel and Wallen (2003), research design is used to obtain data to determine specific characteristics of a group. To them a descriptive survey design is concerned with the conditions or relationship that exist such as determining the nature of prevailing conditions, practices and attitudes, options that are held, processes that are going on or trends that are developed. Therefore it involves collecting information on the current status of the subject of the study.

This research is a qualitative and quantitative case study research which concentrates on evaluating employees" level of satisfaction with the performance appraisal system of CBE in north Addis Ababa district. The study was to undertake a critical examination of the existing system. This approach allowed for in-depth study of the performance appraisal system as practiced in CBE in north Addis Ababa district. Information gathered from such sources

combined with others from literature provided recommendations for a better model of performance appraisal system.

3.2   Population and Sampling Techniques

The employees of Commercial Bank of Ethiopia, northern district are the primary unit of analysis, since factors that shape employees' perception toward performance appraisal are the research focus.

Respondents are selected and require filling a set of questionnaires regard the research of perception toward performance appraisal. The survey was conduct during weekdays over a time frame of two months. A total of 84 sets of questionnaires were distributed to the respondents available in the office. Therefore, the researcher of this study used a census.

3.3   Type of Data and Tools/Instruments of Data Collection

Questionnaire is the most common method of collecting primary data. The respondents were requested to fill out the questionnaires in a self-administered manner and the questionnaires were directly returned to the researcher. A total number of 84 questionnaires were distributed to 84 respondents.

3.4   Procedures of Data Collection

The questionnaire is designed to elicit information to answer basic research questions. During the development of the questionnaire, it was piloted and revised appropriately.

In this study Likert scale is used to test the perception of employees toward performance appraisal. Likert scale construction is a scale consists of answers to a number of questions. (1= strongly disagree and 5= strongly agree). This scale was used in questionnaire paper in order to

determine respondents' favorable points. Respondents were request to tick their favorable answer according to each question.

The questionnaire has three sections which divide by part, cover page, part I, part II and part III. Firstly, Part I consist of questions to elicit respondents profile.   Part II contains items measuring the perception of performance evaluation of the questionnaire included measures of employee perception whether it influence to their motivation, commitment and turnover intention.   Finally, part III consists of open ended items.

To determine the effectiveness of questionnaire, it is necessary to pretest it before actually using. In this research, the questionnaire was given to 5 employ to pretest it. From the pretesting the researcher got feedback on the questionnaire items and did the necessary amendments on the question format, wording and order.

3.5   Reliability and Validity

3.5.1   Reliability

The reliability measures to whish extent the instrument is without bias (error free) and offers consistent measurement across time and across the various in the instrument (Cavana et al., 2001). Inter item consistency is a test of consistency of respondents answers to all the items in a measure. According to Cavana et al., (2001) the most popular test of inter item consistency reliability is the Cronbach's coefficient alpha, which is used for multipoint scaled items.

Several authors such as Alwadaei (2010), Filed (2005), and Kothari (2004), state that even though, there is no predetermined standard; an instrument that provides a reliability coefficient of 0.70 is usually considered as a reliable instrument. Hence, in this study the internal consistency for all items of the instrument was tested using Cronbach's alpha method.

Table 3.1 Reliability Test

N o	Variables of the study	No of Respondent	No of Items	Over all Alpha Cronbach'
1.	The Need of Performance Appraisal in Your Organization	70	6	.854
2.	Problems of Performance Appraisal in Your Organization	70	6	.864
3.	The Feedback of Employee on Performance Appraisal	70	5	.70
4.	Employees' Perception of Performance Appraisal System	70	7	.930
For all item's			24	

Thus, based on this finding the researcher concludes that the pilot test of the instrument is reliable to apply in the current study.

3.5.2 Validity

Bond (2003) comments that:validity is foremost on the mind of those developing measures and that genuine scientific measurement is foremost in the minds of those who seek valid outcomes from assessment.

This document is Construct Validitywhich meant it relates to assessment of suitability of measurement tool to measure the phenomenon being studied. Application of construct validity can be effectively facilitated with the involvement of panel of 'experts' closely familiar with the measure and the phenomenon.

Also it is Formative Validity it refers to assessment of effectiveness of the measure in terms of providing information that can be used to improve specific aspects of the research.

To insure validity of this research, a process of triangulation was used to compare multiple data source to arrive at common theme. The researcher used constructs adopted from previous researches to ensure content validity plus review of the prepared questionnaire with CBE Addis Ababa north district, researcher' advisor and some colleagues of the researcher was conducted prior the survey.

3.6   Methods of Data Analysis

The collected data is entered and analyzed using the statistical package for social sciences (SPSS) version 16 software. The data that would be collected from the survey is analyzed by using descriptive statistical methods. Demographic characteristics of the employees are presented by frequency and percentage distribution. For analysis purpose the responses under Likert scale were grouped in to five major categories: strongly agree, agree, neutral, disagree and strongly disagree. Moreover, the results of the interview questions are integrated to the responses of employees through questionnaires and are analyzed.

3.7   Ethical Considerations

For this proposed study ethical consideration is seriously taken into account so that the concern, integrity, secrecy, consents and other human elements of the respondents, and interviewees is protected. Hence, this researcher wills kindly request survey participants, and participants for their voluntariness by informing the objectives and outcomes of the research before starting the real data collection process. Therefore, they are guaranteed that any information concerning them is never being passed to other unauthorized persons or institutes without their agreement. The names of the respondents are not be specified in any part of this study. In the same way, the data that are collected from Commercial Bank of Ethiopia head office are not ever be given and distributed to other persons and organizations without the prior permission of this office.

CHAPTER FOUR

RESUTS AND DISCUSSION

This chapter is emphasis on the analysis of data and discussion on the findings of the study in relation to employee perceptions of performance appraisal and its effect on their work outcomes. The findings of the study are analyzed based on the specific objectives and research question of the study in line with the empirical finding of previous related study.

4.1 Demographic Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table and diagram. These variables includes: number of years the worker worked with the organization, number of years worked on the current position, age, sex, and the highest educational level achieved.

Table 4.1.1 Respondent by Age and Sex

Age	Sex				Total
	Female		Male		
	Count	%	Count	%	
Under 25	0	0	0	0	0
25-34	27	38.6	27	38.6	54 (77.14%)
35-44	4	5.7	8	11.42	12 (17.14%)
45-54	0	0	4	5.7	4 (5.7%)
55 and above	0	0	0	0	0
Total	31	44.28%	39	55.72%	70 (100%)

Source- own survey Data, 2010

About 55.72% of the respondents were male and the remaining 44.28% of the respondents were female. Regarding the age of the participants, the largest group (77.14%) was in the 25-34 years age group. The second largest group (17.14%) indicated that they were in the 35-44 age groups. On the other hand, only a few experienced individuals (5.7%) are in the age category of 45-54 and no respondent reported below 25 and above 55 years (See Table 4.1.1).

This implies that the majority of the respondents are in the age group between 25-34. Less number of employee in the age group of 35-44, there is only 4 male employees in the age group of 45-54 and there is no employee above 55. Finally we can conclude that the majority of the employees are in the age of productivity.

Table 4.1.2 Work Experience and Educational Qualification

Number of Years of Experience on the Job	Educational Qualification				Total
	College Diploma	B.A/B.Scs.	Master's Degree	PhD	
0-4	0	30 (42.86%)	16 (22.85)	0	46 (65.71%)
5-9	0	13 (18.57%)	8 (11.42%)	0	21 (30%)
10-19	0	0	3 (4.28%)	0	3 (4.28)
20-30	0	0	0	0	0
30 years or more	0	0	0	0	0
Total	0	43 (61.42)	27 (38.57%)	0	70(100%)

Source- own survey Data, 2010

As we can observe from the above table, the largest groups of respondents (65.71%) have a working experience of 0 to 4 years of on the current job whereas 30% are in the range of 5 to 9 years. On the basis of educational qualification, the majority of the respondents are first holders (61.42%). (38.57%) have the degree of masters and there are no PhD holders at all among the respondents (See Table 4.1.2 above).

4.2 The Perception of Employee on the Need of Performance Appraisal in (CBE)

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

4.2.1 Increase Motivation, Staff Self-Esteem and Gain New Insight

Table 4.2 The Need of Performance Appraisal in CBE

Employee Perception on the Need of PA	SA	A	N	DA	SDA
	Count	Count	Count	Count	Count
Increase motivation to perform effectively	25(35.7%)	17(24.3%)	7(10%)	16(22.85%)	5(7.14%)
Increase staff self-esteem	20(28.57%)	25(35.7%)	13(18.57%)	14(20%)	4(5.71%)
Gain new insight into staff and supervisors	14(20%)	25(35.7%)	13(18.57%)	14(20%)	4(5.71%)

Source- own survey Data, 2010

Agree = the sum of strongly agree and agree

Disagree = the sum of strongly disagree and disagree

As we can see in the above table, Increase motivation to perform effectively 60% of respondent agrees, 10% are neutral and 29.99% disagree. Increase staff self-esteem agree by 64.27%, 18.57% are neutral and 25.71% are disagree and Also 'Gain new insight into staff and supervisors' majority of the respondent agree by 55.7% , 18.57% are neutral and 25.71% disagree.

4.2.2   Distribute rewards, Assess the Training and Set New Goals
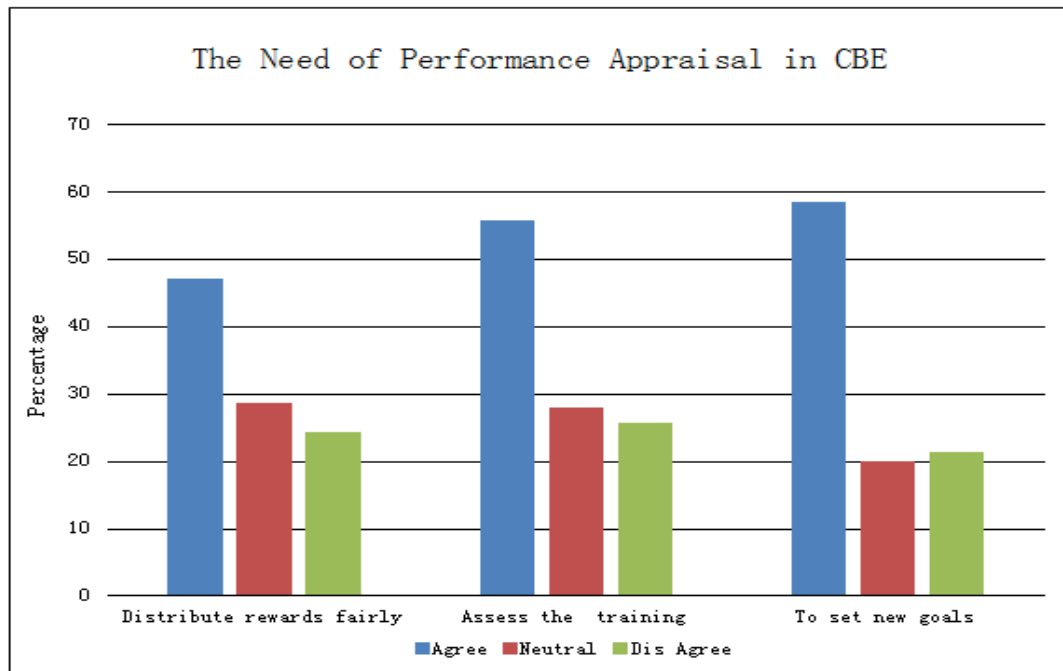
Figure 4.1: The Need of PerformanceAppraisal

Source- own survey Data, 2010

Agree= the sum of agree and strongly agree

Disagree= the sum of disagree and strongly disagree

As we can see in the above chart, majority of the respondent agree on the need of performance appraisal is to distribute reward fairly by 47.14%, neutral by 28.57% and disagree by 24.28%. On assessing training need majority of the respondent agree by 55.7%, neutral by28.57% and disagree by25.71%. Also the needs of performance appraisal to set new goals to the organization majority of the respondent agree by 58.57%, neutral by 20% and disagree by 21.42%.

Finally, performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness. It has been long recognized that performance appraisal plays an important role in Organizations. As we observer from the above information majority of the respondent agree on the need of performance appraisal is to Increase staff self-esteem and Increase motivation to perform effectively. Also assess the training needs of their team, it improve the organization objective achievement and Gain new insight into staff and supervisors.

4.3 The Employees' PerceptiontowardtheProblems of Performance Appraisal Practices

Theoretical assessment under chapter two of this report indicated that raters are the major sources of problems in employee performance evaluation. Accordingly, performance evaluation suffers from the following major problems: personal bias, halo effects, leniency or harshness, central tendency error, evaluating based on recent behaviors, inadequacy of training for raters and the lack of participation in the design of the program. Documentation and transparency are also the major problems with respect to performance evaluation

According to Abu-Musa (2008) ideally, rating supervisors should be completely objective in their appraisals of employees. Each appraisal should directly reflect an employee's performance, not any biases of a supervisor. Of course, this is impossible to do perfectly as most raters either intentionally or unintentionally commit errors. Raters need to be aware of these biases, so that their effect on the appraisals can be limited or eliminated

4.3.1 Shortage of Skill Raters, Lack of Continuous Documentation and Objectivity

Table 4.3 Problems of Performance Appraisal in CBE

Employee Perception on the problem of PA	SA	A	N	DA	SDA
	Count	Count	Count	Count	Count
Lack of objectivity	14(20%)	30(42.85%)	0	23(32.85%)	3(4.3%)
Shortage of skill and knowledge of the raters	23(32.85%)	25(35.71%)	20(28.57%)	0	2(2.85%)
Lack of continuous documentations and in ability	13(18.57%)	30(42.85%)	20(28.57%)	5(7.14%)	2(2.85%)

Source- own survey Data, 2010

Agree = the sum of strongly agree and agree

Disagree = the sum of strongly disagree and disagree

As we can see in the above table, majority of the participants agree with the statement of 'Lack of objectivity' is 62.85% and 37.15% disagree. 'Shortage of skill and knowledge of the raters' in 68.56% agree neutral by 28.57% and disagree by 2.85%. And 61.42% agree on the idea of 'lack of continuous documentations and in ability' 28.57% neutral and 9.99% disagree.

4.3.2 Central Tendency, Personal Bias and Lack

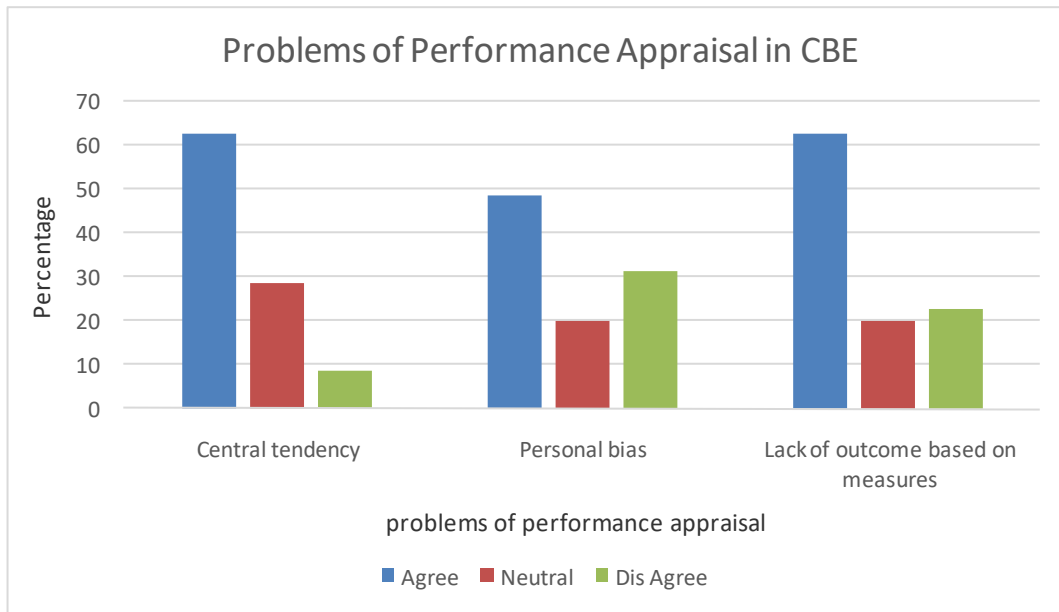**Fiuger4.2: Problems of Performance Appraisal in CBE Percentage**

Source- own survey Data, 2010

Agree= the sum of agree and strongly agree

Disagree= the sum of disagree and strongly disagree

As we can see in the above chart, majority of the respondent agree on central tendency and lacks of outcome based on measures by 62.85%, and agree on personal bias by 48.57%. And both personal bias and lack of outcome based on measures 20% of respondent are neutral. 28.57% of respondent are neutral outlook for central tendency and 8.5% are disagree on this idea. On the idea of personal bias 31.42% of respondent disagree and 22.78% of respondent disagree on the idea of lack of outcome based on measures.

Finally, as we observer from the above table and figure majority of the respondent agree on, there is a clear problem when appraisal system is taken the leading problems are, shortage of skill and knowledge of the rater and lack of objectivity commonly used factors such as

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attitudes, loyalty, and personality are difficult to measure. In addition, these factors may have little to do with an employees' job performance. Central tendency which means employees are incorrectly rated near the average or middle of the scale. Lack of outcome and lack of continuous documentation also have some influence.

4.4 The Feedback of Employee's for Performance Appraisal

The first step in the performance evaluation process is the specification of the standards against which the performance of employees will be judged. As much as possible the criteria/instruments used to evaluate the performance of employees should be clear and objectively determined. This help to minimize the wrong feedback of the employee.

As it is shown in the literature, satisfaction with aspects of the appraisal process is regarded as one of the most consequential of the A reactions to performance appraisal. An organization's performance appraisal system can be a practical tool for employee motivation and development when employees perceive their performance appraisal as accurate and fair (Ilgen, 1979, as cited in Paul &Laurel 2009).Performance appraisal decision is critical to employees because it affects their monthly salary and is closely related to their commitment at the workplace.

4.4.1   Employee Satisfaction and Motivate Employee

Table 4.4 The Feedback of Employee's For Performance Appraisal

Feedback of Employee on PA	SA	A	N	DA	SDA
	Count	Count	Count	Count	Count
Employee satisfaction on appraisal system	3(4.28%)	13(18.57%)	14(20%)	30(42.85%)	10(14.28%)
Motivate employee for better performance	13(18.57%)	13(18.57%)	20(28.57%)	20(28.57%)	4(5.71%)

Source- own survey Data, 2010

With respect to the satisfaction level of employees towards performance appraisal systems of their organizations, results from table 4.5 above shows that whilst 57.13% disagree, 22.85% of respondents agree and 20% are neutral that employee satisfaction on appraisal system. Consequently, 37.14% of the respondents accept, 25.71% disagree and 20% neutral that their motivate employee for better performance. As we can understand from the above information the employee feedback to the current system they do not satisfy and not much motivate them for better performance.

4.4.2 Turnover, Set and Achieve Goal and Change on Behavior Tendency
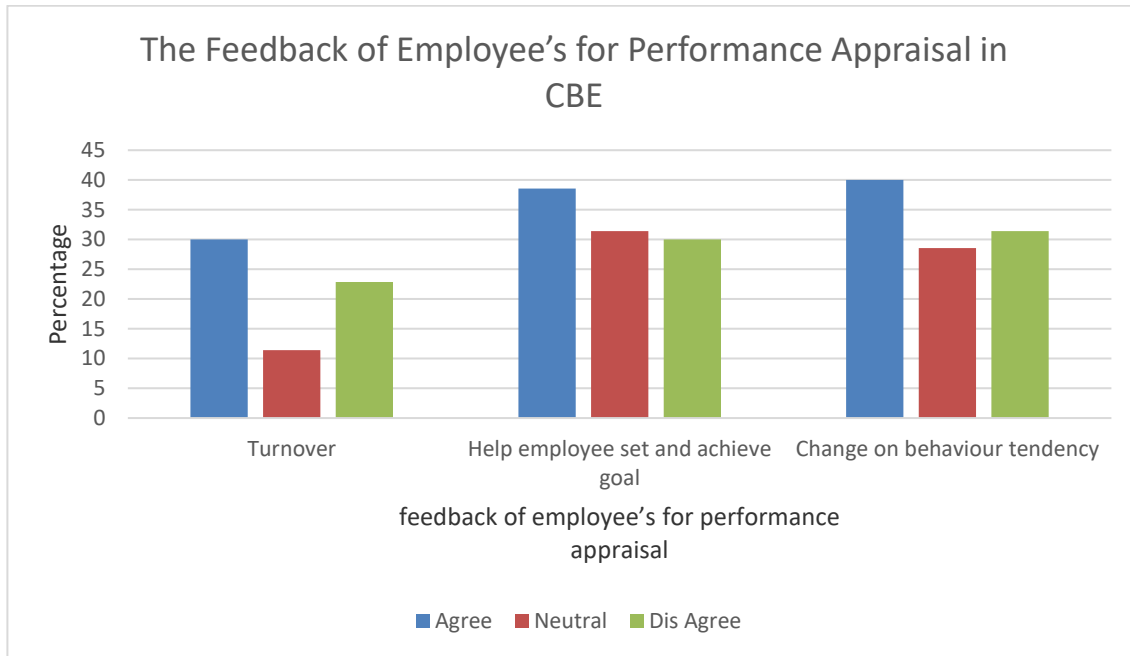
Figure 4.3 Feedback of Employee's for Performance Appraisal

Source- own survey Data, 2010

Agree= the sum of agree and strongly agree

Disagree= the sum of disagree and strongly disagree

Results from figure 4.3, 30% of respondents agree, 22.85% disagree, and 11.42% are neutral the feedback of employee's for performance appraisal change to turnover. Majority of the respondent agree by 40% on the appraisal system have a tendency on the change of behavior and help employee set and achieve goal by 38.57%. 31.42% of respondent neutral and 30% are disagree on the point of help employee set and achieve goal. Also 31.42% of respondent disagree and 28.57% are neutral on the change of behavior tendency

Finally, as we can recognize form the above table and figure the majority of the respondent are not satisfy with the current appraisal system also the majority of the respondent disagree with that the appraisal system it's not motivate them for the better performance. Even if they don't agree with the system but they prefer to stay on the organization which means low level of turnover. There is almost equal respondent agree and neutral perspective on the statement of 'Help employee set and achieve goal' and 'Change on behavior tendency'.

4.5 The Perception of Employees towards the Purposes of Performance Evaluation

As it is understand from the literature, PA purpose affects rating processes and outcomes, and the employee attitudes may vary depending on perceptions of how the PA is used. Attitudes and perceptions towards various aspects of performance appraisal system and process (e.g. perception of fairness and accuracy, appraisal items, appraisal interview behavior, appraisal satisfaction) have long been recognized. In order to assess the employees' perception of the fairness of the performance appraisal system of commercial bank of Ethiopia Addis Ababa north district (CBE), questionnaires were distributed and thus the results are summarized and presented in the following table .

Table 4.5.1: The Perception of Employee

The Perception of employee	SA	A	N	D	SDA
	Count	Count	Count	Count	Count
The employee know how they doing	2(2.86%)	20(28.57%)	20(28.57)	14(20%)	14(20%)
The employee compare their performance with their co-worker	9(12.86%)	20(28.57%)	23(32.86%)	14(20%)	4(5.71%)
Employee support the ideas of their supervisor knowing that is wrong	0	16(22.86%)	25(14.28%)	16(22.86%)	13(18.57%)
Employee create a positive impression in the mind of supervisor	9(12.86%)	20(28.57%)	18(25.71%)	10(14.28%)	13(18.57%)

Source- own survey Data, 2010

Agree= the sum of agree and strongly agree

Disagree= the sum of disagree and strongly disagree

From the above table that we can understand is, on the first idea 'the employee know how they doing' 31.43% of respondent agree, 28.57% neutral and 40% disagree. The next issue is 'the employee compare their performance with their co-worker 41.43% agree, 32.86% neutral and 25.71% disagree. 'Employee support the ideas of their supervisor knowing that is wrong' 22.86% agree, 14.28% neutral and 41.43% disagree. 'Employee create a positive impression in the mind of supervisor' 41.43% agree, 25.71% neutral and 32.85% disagree.

As we can recognize form the above table the majority of the respondent are try to create a positive impression in the mind of supervisor and compare their performance with their co-worker after that they try to know how they doing finally support the ideas of their supervisor knowing that is wrong.

Table 4.5.2: Employee Perception on Performance Appraisal System

	S A	A	N	DA	SDA
	Count	Count	Count	Count	Count
Employee often do a favor to their supervisor	0	18(25.71%)	21(30%)	6(8.57%)	25(35.71%)
Employee work hard if the result is going to be seen by their supervisor	0	28(40%)	22(31.42%)	10(14.28%)	10(14.28%)
Employee often resist accepting low performance	0	25(35.71%)	13(18.57%)	14(20%)	18(25.71%)

Source- own survey Data, 2010

Agree= the sum of agree and strongly agree

Disagree= the sum of disagree and strongly disagree

Results from the above table, employee often do a favor to their supervisor majority of the respondent disagree by 44.28%, neutral by 30% and agree 25.71%. Employee work hard if the result is going to be seen by their supervisor on this issue major of respondent agree by 40%, neutral 31.42% and disagree by 28.56%. Majority of respondent disagree by 45.71% on the idea of often resist accepting low performance, neutral by 18.57% and agree by 35.71%

Analysis of the opinion of the respondents revealed out that the majority of the respondents agree with the idea of 'employee compare their performance with their co-worker 'but majority's do not believe that Employee often do a 'favor to their supervisor. 'Employee work hard if the result is going to be seen by their supervisor' in this issue majority of the respondent agree and according to the analysis the majority of the respondents do not agree with the statement' Employee often resists accepting low performance'

Analysis of the open ended questions and interview indicated that:

➢ Employee think that it is essential to conduct performance evaluation in their organization in the reason of, it enables an employee to know its capacity , it improve the organization objective achievement, it motivate employee, promote and benefit employee. Also it has a positive impact on the organizational activity also with individual if it is done properly.

➢ The real problem that employees observe regarding performance appraisal are, the task given for evaluating all employee are not related with the assigned position, subjectivity , biased , the performance appraisal method doesn't indicate the real performance of an employee, in fact all jobs are not identical but the rating tools are almost the same, talent and motivation are not ratable by number, poor implementation of the target

➢ They suggest for the current performance appraisal system , the task should be related with an individual assign position, the appraisal system should be fair , evaluating employees with system rather than manual method, made proper assessment

CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

The aim of the study is to assess the perception of performance appraisal practice of CBE Addis Ababa north district and its effect on employees' work outcomes, in the form of work performance, affective commitment and turn over intention as well. On the review of theoretical, conceptual and empirical related literature of the study, perception of employees on performance appraisal practice had a significant relationship with their work out comes.

In conducting this study, the required data is obtained through structured questionnaires and interview. The researcher uses descriptive determination. To select respondents from each stratum simple random sampling technique was also adopted. Basically, a total of 84 questionnaires were distributed to the sampled employee, among these 70 were returned, of which, 2 responses were uncompleted. Thus, 70 returned questionnaires are analyzed using statistical package for social science (SPSS version 16).

The descriptive finding of the study shows that in CBE Addis Ababa north district office of general employees had low level of perception of performance appraisal satisfaction. The current level of employees work performance is high, affective organizational commitment is low and their intention to leave is also low.

5.1 Conclusions

The primary objective of this study was to assess the perception of performance appraisal on employee work outcomes, because performance appraisal has been an issue of major concern with its long lasting impacts on the employees' work out comes, in the form

of work performance, affective commitment and turn over intention, which in turn, leads to the organizational performance. The study has been successful in accomplishing its three research objectives and it makes contributions to the literature. Thus, based on the finding of the study the following conclusions are drawn:-

➢ Majority of the respondent agree on the need of performance appraisal is to Increase staff self-esteem and Increase motivation to perform affectivity. Also it improves the organization objective achievement, assess the training needs of your team and Gain new insight into staff and supervisors.

➢ The study indicated that Shortage of skill and knowledge of the raters, Central tendency and Lack of outcome-based measures are the major sources of problems in the appraisal process. In this respect, employees' contribution towards the problem is relatively low. Analysis of the questionnaires designed using Likert scale and the open ended questions shown that performance appraisal are done simply to full fill formalities, and hence no subsequent action is taken after the evaluation is over. Moreover, respondents argued that there is not timely feedback, lack of transparency; inconsistency, inaccuracy, and subjectivity of the rating were identified to be the major sources of problems.

➢ The lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and frustration among the workers to undertake their job. As a result, the majority of the respondents questioned the legality and appropriateness of the current form used to measure the performance of workers to undertake administrative decisions. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does not reflect their true performance.

➢ Analysis of the opinion of the respondents revealed out on Employee perception on performance appraisal system that the majority of the respondents disagree with the statement 'the employee know how they doing', 'Employee often resist accepting low

performance', 'favor to their supervisor'. And majority of the respondents agree with the 'employee compare their performance with their co-worker' and about 30% of the respondents became neutral, 'Employee work hard if the result is going to be seen by their supervisor' in this issue majority of the respondent agree.

➢ Analysis of the open ended questions and interview indicated that: Employee think that it is essential to conduct performance evaluation in their organization to enables an employee to know its capacity, it improves the organization objective achievement, it motivate employee, promote and benefit employee. Also it has a positive impact on the organizational activity with individual if it is done properly. The real problem that employees observe regarding performance appraisal are, the task given for evaluating all employee are not related with the assigned position, subjectivity, biased, the performance appraisal method doesn't indicate the real performance of an employee, in fact all jobs are not identical but the rating tools are almost the same, talent and motivation are not rateable by number, poor implementation of the target.

5.2   Limitations of the Study

There were external (uncontrollable) variables that deter the smooth implementation of the project in addition to the limitations of the research design itself. For instance, the lack of cooperation of the respondents and their commitment to complete filling the questionnaires, lack of sufficient time by the researcher, cooperation to devote their time to provide the researcher with the relevant information, the lack of relevant and updated literature this are limited the outcome of the research.

5.3 Recommendations

On the basis of the findings and conclusions reached, the following recommendations were forwarded in order to improve the performance Evaluation practices of Commercial Bank of Ethiopia Addis Ababa North District.

- ➢ The rater of the organization should have clear knowledge of how the current computerized system work and how to combine with the manual system. Also create awareness to the employee that how the system work.
- ➢ It is better the bank use the appraisal system is fully supported by computerized system. This help to reduce the bias and to make the appraisal system fair.
- ➢ In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis. The appraisal system should be participatory in the sense that employee should be allowed to see their evaluation and comment on it.
- ➢ In order to minimize the problems of subjectivity, raters need to evaluate their subordinates based on the actual volume of work and responsibility discharged over the period of evaluation rather than focusing only on subjective measurement so that the productivity of employees will be enhanced. The bank should also establish a committee who are in charge of undertaking the performance evaluation of the organization.
- ➢ It is better to have related appraisal method based on their job position

As indicated in the descriptive part of the finding, employees of CBE Addis Ababa north district office general had low level of affective organizational commitment as a result of emotional attachment, personal attachment, sense of belonging, confidence on their organization, intent to stay on their organization. Therefore, the organization should have to

give due attention to continually improve and maintain employee affective organizational commitment and should make conscious efforts by creating different mechanisms such as:

➢ Creating trust on the mind of employee about performance appraisal

➢ Establishing organizational plans for the career and development of employee

➢ Providing opportunity to employee to suggest improvement in the ways things are done (employee participation).

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APPENDICES

APPENDIX 'QUESTIONNAIRE'

St. MARY'S UNIVERSITY

SCHOOL OF GRAGUATE STUDIES (SGS)

MBA PROGRAM

NAME OF THE STUDENT   KALKIDAN MULUGETA

This questionnaire is designed by the student of St. Mary University to collect information about the employees' perception towards performance appraisal system in Commercial Bank of Ethiopia. Gathering information from employee is a vital part of this process. Please fill all part of this questionnaire.

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

General Instructions

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

Thank you, for your cooperation and timely response in advance

PART I: Participant Information

1. Number of years you have worked for this organization (in years) _____

2. Number of years working on this job position (in years):

☐ 0-4   ☐ 5-9   ☐ 10-19   ☐ 20-30

☐ 30   years or more

3. Age (in years):

☐ Under 25　☐ 25-34　☐ 35-44　　☐ 45-54　　☐ 55 and above

4. Sex:

　○ Male　　　○ Female

5. Educational Qualification:

☐

　　College diploma B.A/B.Scs.　　　☐

☐　　Master's Degree　　　　PhD ☐

　　Other (please state_____)

6. Have you been evaluated for the last two year?

　○ Yes　No ○

7. If your answer to question number 6 is yes, please turn over to complete part II

PART II:

Questions Listed below are statements about the Perception of Employee on performance Appraisal in your organization. Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess what you think about the practices of performance evaluation in your organization. The five point ratings and their numeric equivalents are Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (DA) = 2, Strongly Disagree (SDA) = 1.

	Questions	SA	A	N	DA	SDA
	The perception of employee on the Need of Performance Appraisal					
1	Increase motivation to perform effectively.					
2	Increase staff self-esteem					
3	Gain new insight into staff and supervisors.					
4	Distribute rewards on a fair and credible basis.					
5	Assess the training needs of your team					
6	To Set new goals					
	Problems of Performance Appraisal in Your Organization	SA	A	N	DA	SDA
1	Lack of Objectivity					
2	Shortage of skill and knowledge of the raters					
3	Lack of continuous documentations and in ability					
4	Central tendency (common error that occurs when employees are incorrectly rated near the average or middle of the scale)					
5	Personal Bias (individuals differences such as age, religion, seniority, sex, appearance or other arbitrary classification)					
6	Lack of Outcome-Based Measures					

	The Feedback of Employee on Performance Appraisal	SA	A	N	DA	SDA
1	Do you satisfy with performance appraisal system in your organization					
2	Dose the performance appraisal motivation you for better performance					
3	Do you want to leave the organization because of the appraisal system					
4	Do you think performance appraisal helps people set and achieve meaningful goals?					
5	Do you think performance appraisal helps to change behaviour of Employees?					
	Employees' Perception of Performance Appraisal System	SA	A	N	DA	SDA
1	My rater frequently lets me know how I am doing					
2	I often compare my performance ratings with my co-workers					
3	I used to support the ideas of my supervisor knowing that it is wrong.					
4	I usually create a positive impression in the mind of my rater.					
5	I often do a favour to my supervisor					
6	I used to work hard if the result is going to be seen by my Supervisor.					
7	I used to work hard if the result is going to be seen by my Supervisor.					
8	I often resist accepting low performance rating					

Part III. Additional Questions

1. Which method of performance appraisal is implemented in the organization?

    a. Merit

    b. Grading

    c. Other _____

2. In your opinion, do you think that it is essential to conduct performance evaluation in your organization?

    □ Yes   □ No

3. What is/are your reason for question No.2 above?

    _____

    _____

    _____

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

    _____

    _____

    _____

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

    _____

    _____

    _____

    _____

    _____

    _____

Thank you again for completing the questionnaire

APPENDIX 'INTERVIEW'

Interview question

1. Is there a formal performance appraisal standard in your organization?

2. What are the main problems that you face during performance appraisal system?

3. Do you think that employee different perception of performance appraisal has its own impact on their work performance, affective commitment and intention to leave?

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

APPENDIX 'DECLARATION

DECLARATION

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

_____   _____

Name   Signature

St.Mary's University College, Addis Ababa   July 2018

APPENDIX 'ENDORSEMENT'

ENDORSEMENT

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

TirunehLegesse (Asst. Professor)

_____   _____

Advisor   Signature

St. Mary's University College, Addis Ababa   July 2018