



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

**PRACTICES AND CHALLENGES OF EMPLOYEES' PERFORMANCE  
APPRAISAL SYSTEM: THE CASE OF BANK OF ABYSSINIA**

**By**

**MULUWORK ASMAMAW**

**JANUARY, 2018**

**ADDIS ABABA, ETHIOPIA**

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**APPROVED BY BOARD OF EXAMINERS**

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Dean, Graduate Studies	Signature & Date
.....	.....
Advisor	Signature & Date
.....	.....
External Examiner	Signature & Date
.....	.....
Internal Examiner	Signature & Date

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## **Acronym/Abbreviation**

BoA : Bank of Abyssinia

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## **Abstract**

*With a greater concern over the performance appraisal practice as implemented in different institutions, this study has been undertaken in the context of Bank of Abyssinia. Having examined how performance appraisal activities are undertaken and how the employees consider the relative transparency and trustworthiness of the evaluation process. It follows that the study has identified a sample of respondents through multi stages random sampling and has contacted 174 participants through questionnaire and various other data were collected using secondary data collection tools. The data gathered has been analyzed using the statistical methods through the use of SPSS version 20. The data has been entered in to the software and data has been analyzed through descriptive statics that included mean, standard deviation and frequency and percentages. Accordingly the result has been generated and the findings have indicated that the employee performance appraisal practice used by the bank is somehow one way, an immediate supervisor evaluating the subordinate through an evaluation format which is not believed to be reliable and valid by the staff. The findings of the study have shown that the employee performance appraisal practice employed by BoA falls short of meeting the required standard as it is top down where the supervisor rates the subordinates thereby leaving the result more of rater bias eminent. Finally, it is deduced that the performance appraisal practice in place by the bank is in stark problem. It has shown that effectiveness of the staff is hampered and the quality and commitment as a result of the exiting performance appraisal practice.*

**Key Words:** Performance, Appraisal

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

In today's global competitive business world, Whether Privet business or government organization, effective results are crucial to survival since improved performance is a basic criterion for individual and organization growth. Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before.

The banking industry should deploy different methods to promote effective employees and use technology to promote its adaptability and management of effectiveness of the employee performance appraisal system to ever changing conditions and environment in which it operate to improve employee's performance. To be effective the bank performance appraisal process of setting objective, standard ,communicating the standard, evaluating actual performance ,feedback, and taking corrective action on the performance of individual employees and team by aligning performance with the strategic goal of the organization for the success of the attainment of the organizational mission.

Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before. Appraisal processes are not systematic and regular and often characterized by personal influences occasioned by organizations preoccupation to use confidential appraisal system which hinders objectivity and fairness. Often organizations ignore management by objectives, critical incidents to personal prejudices. This is retrogressive as it affects the overall performance of the individual.

Performance management is one of the cornerstones of Human Resource practice in organizations. No matter where you work, how big or small your organization or how simple or

complex the business model, effective performance management is a key requirement if you have any number of employees (Allan H. Church and Janine Waclawski, 2009). According to the definition the basic thing for human resource management, which helps the organization to be success on its objective, is performance management.

There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed, attracting potential employees, choosing employees, teaching employees how to perform their jobs and preparing them for the future, evaluating their performance, rewarding employees, and creating a positive work environment. An organization performs best when all of these practices are managed well. At companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community (Noe et al, 2011).

Performance management is an ongoing process that identifies measures, manages, and develops the performance of people in the organization. It is designed to improve worker performance over time. Performance appraisal is the part of the performance management process that identifies, measures, and evaluates the employee's performance, and then discusses that performance with the employee

According to Armstrong (2009) performance appraisal defined as it is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society at a large will benefited.

Performance Appraisals is the assessment of individual's performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization.

Bank of Abyssinia, is one of the private banks in our country. It was established on February 15, 1996 according to the Ethiopian commercial code of 1960 and the licensing and supervision of banking business proclamation no. 84/1994. The bank started its operation with an authorized and paid-up capital of Birr 50 million, and Birr 17.8 million respectively with only 131 shareholders and 32 staff. In about 18 years, since its establishment, the bank has registered a significant

growth in paid-up capital and total assets. It also attracted many professional staff, valuable shareholders and larger number of customers from all walks of life.

Thus having examined the value of performance appraisal should be for to the good of business firms, this research has dedicated to scrutinize the practices and challenges of performance appraisal as practiced by Bank of Abyssinia.

## **1.2. Definition of Key Terms**

The following terms required further clarification as contextualized under this paper

- **Performance Appraisal:** is understood under this research as evaluating an employee's current and/or past performance relative to his or her performance standards. Dessle, Gary(2013)
- **Performance Evaluation:** - is the activity used to determine the extent to which an employee performs work effectively. Ivanceich:(2004)
- **Performance Management:** - is about aligning individual objectives to organizational objectives and ensuring that individual uphold corporate core values. Michael Armstrong:(2006)

## **1.3 Statement of the Problem**

A critical factor related to an organization's long term success is its ability to measure how well employees perform and to use that information to ensure that performance meets present standards and improves overtime. If implemented properly, program performance is evaluated not on the basis of the amount of money that is spent or the types of activities that are conducted, but on whether or not a program has produced real, tangible results. Effective performance measurement makes organizational objectives clear and real to employees, improves the focus on long- and short-term success, and reduces the amount of management time allotted to reporting and review.

Different problems are identified by many authors regarding evaluating employees. According to Ivancevich (2004:276-281) the failures of performance evaluation were classified as system design and operating. The design can be blamed if the criteria for evaluation are poor, the

technique used is cumbersome, or the system is more form than substance. If the Criteria used focus solely on activities rather than output or on personality traits rather than performance, the evaluation techniques take a long time to carry out or require extensive written analysis, both of which many managers resist. Some systems are not online and running. Some supervisors use the system, but others just haphazardly fill out the paper work. Top managements support performance evaluation can remedy this problem of ritualism.

A number of researches have so far been undertaken on the issue and most importantly on the banking sector's employee performance appraisal practice. Quite most of them have identified that the performance appraisal practice as employed by those banks is at stand still and fails to be transparent, lacks both vertical and horizontal alignment and most of those researches have came up with the conclusion that the performance result of those employees is not linked to any other reinforcement mechanisms such as promotions and reward nor is the poor performance associated with training and development efforts. In this regard Alala (2016) has undertaken a study on performance management practice in World Vision and the study has identified that staff has clear understanding of strategic mission and there exists participatory performance management environment. Though the study is undertaken on the broader perspective there still some issues of performance appraisal. Moreover, Chemedda (2012) has undertaken his study of comparative study of Performance Appraisal in two higher institutions in Ethiopia: St. Mary's University and Addis Ababa University. The result has depicted that performance appraisal is implemented in the public higher education institution at moderate level, where as it is implemented in the private higher education institution at high moderate level to let employees know where they stand at particular period of time in their performance. Solomon (2016) has conducted his thesis work on performance appraisal practice as applied in Abay Bank SC and the study has confirmed that the performance appraisal practice of Abay Bank S.C. has problems and weaknesses that need to be improved. The study has also tried to examine the potential bottlenecks that have impeded the smooth performance appraisal practice to be employed by the bank.

All of those studies have identified there is significant problem in the way performance evaluations are practiced and each of those studies have been carried out in different institutions. Now that the researcher intended to examine the issue in a greater depth from the view point

business objectives and the required level of communication. In view of this the studies have not examined performance appraisal from the perspective of the strategic objectives nor did the studies contextualized them from the associated other barriers, communication and lack of it. Quite most of them have identified that the performance appraisal practice as employed by those banks is at stand still and fails to be transparent, lacks both vertical and horizontal alignment and most of those researches have come up with the conclusion that the performance result of those employees is not linked to any other reinforcement mechanisms such as promotions and reward nor is the poor performance associated with training and development efforts.

## **1.4 Research Questions**

- How effectively is the business objective set to define the performance appraisal practice?
- How effectively are those strategic objectives of the business standards measuring compared?
- To what extent is the appraisal practice employed by BoA communicated to the employees?
- How effectively has the performance standard of the bank set?
- How successfully is the performance appraisal communication process to the employees?
- How effectively is the employee performance is measured
- How objectively is the performance appraisal measurement metrics reliable?
- How timely is the feedback of the appraisal?
- How reasonable and objective are the actions?

## **1.5. Objectives of the Study**

### **1.5.1 General Objective**

The general objective of the study is to investigate the practice and challenges of the existing employee performance appraisal system employed by Bank of Abyssinia.

### **1.5.2 Specific objectives**

- To examine the effectiveness of the business objective in view of performance appraisal practice
- To explore the efficacy of those strategic objectives of the business standards in measuring compared

- To scrutinize the appraisal practice as employed by BoA communicated to the employees
- To assess the effectiveness of the performance standard of the bank
- To explore the successfulness of the performance appraisal communication process to the employees
- To assess the effectiveness of the employee performance measurement
- To examine the reliability objectivity of the performance appraisal measurement metrics
- To assess the timeliness of the feedback of the appraisal practice
- To evaluate the reasonableness and objectiveness of the actions

## **1.6. Significance of the Study**

The findings of this study would enable:

- Bank of Abyssinia to obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance appraisal system.
- It broadens the knowledge of the researcher about the subject matter with a range of practical application and improves the understanding of research ability of the researcher.
- It might be an input for other organizations who are interested in designing implementing performance appraisal system.
- It provides sufficient information to those who are interested to perform further research in a similar area.

## **1.7 Scope of the Study**

The project paper is limited to the specific institution BOA; it, therefore, considers the issue of performance appraisal in BOA selected branches of Addis Ababa and head office level. As it is understood, though it is considered as best to include virtually every corner of sample of representative population of a study, it is difficult to manage a wider scope and the dispersed population in outlying branches to mobilize manpower to collect the data required in a short while. Thus the researcher believes that collecting pertinent data from Addis Ababa is worth generalizing the issue in a corporate level. Moreover, this study is also limited in time and the data collected is delimited during the period this research is undertaken. Finally the subjects of the study are staffs in the capacity of Managerial, professionals, clerical and technical staff of BOA found in Addis Ababa.



## **1.8 Limitation of the Study**

One of the major limitations of this research was the scope that it covered. Due to time and access constraints, the researcher carried out the research in just one Bank, BoA. Because of this, the findings of the research are just based on one Bank in a particular industry, financial sector. The research does not apply to all organizations and so are reasonably isolated.

## **1.9 Organization of the Study**

The entire research reports have five chapters. The following are detail about the chapter and its content.

- Chapter One: Introduction

It incorporate an introduction part consist of background of the company, background of the study, statement of problem, research question, research objective, significance of the study and scope of the study.

- Chapter Two: Review of Related literature

The research contains selected relevant and related literature on the study.

- Chapter Three: Methods of the Study

The research explain the methodology used in conducting the study which incorporates type of data source and method of data analysis used in the research

- Chapter Four: Result and Discussion

This chapter contains the major result/finding of the research and interprets and discusses the finding/result.

- Chapter Five: Summary, Conclusions and Recommendations

This chapter is the final part of the research it consist of conclusion and recommendation based on the finding of the research.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Theoretical Literature

##### 2.1.1 Definition of Performance Appraisal

(PA) is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees (Wayne, 2003:333). According to Dessler (2003:241) Performance appraisal means evaluating an employees' current or past performance relative to the person's performance standards. Also Ivancevich (2004:256) discussed Performance appraisal is the activity used to determine the extent to which an employee performs work effectively. And Neale (2004:16) said Performance appraisal is the review and discussion process which ensures employees receive feedback and assistance with their performance and development.

From the given definition Performance appraisal is basically lined with individual difference in performing jobs and sorting out these differences among individuals for development assessment needs in the manpower resources and to make adjustment in the employee status. Performance Appraisal is being practiced in 90% of the organisations worldwide.

##### 2.1.2. Purpose of Performance Appraisal

Performance appraisal plays an important part in the overall process of performance management (Wayne, 2003:333).

Performance appraisal has many facts, it is an exercise in observation and judgment, it is a feedback process and it is an organizational intervention. It is a measurement process as well as an intensely emotional process. The followings are the main purpose of performance appraisal.

1. Appraisals provide legal and formal organizational justification for employment decisions: in this sense it could used to promote outstanding performers, to weed out marginal or low performers; to train, transfer or discipline others e.t.c. under this context, appraisal services as a key input for administering a formal organizational reward and punishment system.

2. Appraisals are used as criteria in test validation: that is, test results are correlated with appraisal results to evaluate the hypothesis that scores predict job performance.
3. Appraisals can help establish objectives for training programs: this is because appraisals indicate development needs.
4. Appraisals can help diagnose organizational problems: they do so by identifying training needs and the knowledge, abilities, skills, and other characteristics to consider in hiring, and they also provide a basis for distinguishing between effective and ineffective performers.

### **2.1.3 Performance Appraisal and Performance Management**

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. Performance Management can be defined as a systematic process for improving organisational performance by developing the performance of individuals and teams (Armstrong, 2006). Walters (1995) defined Performance Management as the 'process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation'. Williams (2002) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organisation, helping each individual employee to understand and recognise their part in contributing to them, and thereby managing and improving the performance of both individuals and the organisation. Performance Appraisal plays a central role in Performance Management Systems; it is normally the vehicle behind which the organisational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the development of the individual (Fletcher, 2004). When a part of performance management, appraisal is much more tightly linked with the larger business environment. De Nisi and Griffen (2008, p.318) state that Performance management refers to 'a general set of activities which are carried out by the organisation to improve employee performance'. Although performance management is typically reliant on performance appraisals, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities (De Nisi & Griffen, 2008). Performance Management has been seen to be more successful and brings a lot of benefits to an organisation. A study carried out by Fletcher and Williams (1996) in 9 UK organisations showed that features of performance

management lead to organisational commitment and in particular, job satisfaction. Performance management systems are effective when they are based on goals that are jointly set and are driven by an organisation's business strategy (Lawler, Benson & McDermott, 2012). Performance Appraisal from a social-psychological perspective as opposed to the traditional tool for measurement is becoming more popular, viewing Performance Appraisal as a communication and social process.

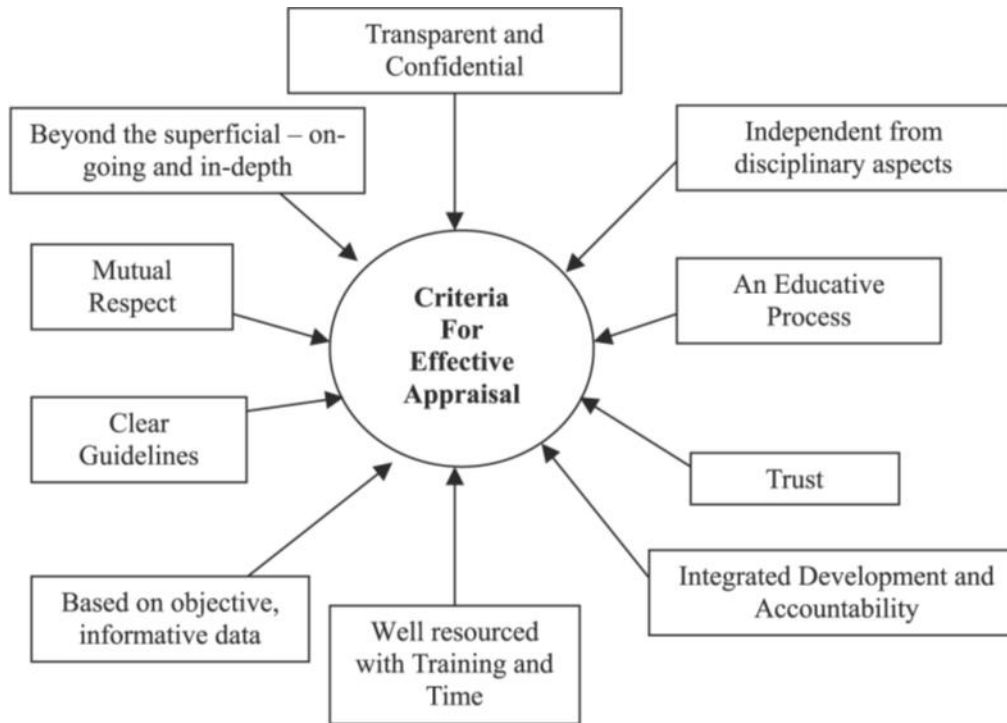
#### **2.1.4 Effective Performance Appraisal**

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. 'Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee' (Mustapha & Daud, p.158). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

#### **2.1.5 Employee Perception**

'The success of any HR intervention in organisation is heavily dependent on employees' perception of that intervention' (Rahman & Shah, 2012, p.11). For performance appraisal to be effective and useful, it is vital that those taking part, the appraiser and the appraisee, are both benefiting from it and find the procedure a productive tool, as without this, it would be impossible for the system to work. Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 1981). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer & Liden, 2001). A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, but it is reasonable to suppose that employees' reactions to the appraisal system could have just as much influence on the success of an appraisal system (Cawley, Keeping & Levy, 1998). An organisation might develop the most precise and sophisticated appraisal system, but if the system is not recognised by the staff, its

effectiveness will be limited. Fletcher (2004) listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being. According to Cawley et al (1998) subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system. Boachie-Mensah&Seidu (2012) advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognise it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an opportunity to network with others, but if employees perceive Performance Appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won't welcome the scheme as easily. "Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting"(Bacal, 1999).



**Figure 1-1: Elements of appraisal effectiveness by Piggot-Irvine (2003, p.173)**

In Figure 1-1, we see the essential criteria for effective appraisal according to Piggot-Irvine (2003). From her studies, she found that for performance appraisal to be effective the system should be confidential, informative, have clear guidelines and be educative. In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003). As previously mentioned Rankin & Kleiner (1988, p.14) believed that effective performance appraisals have six key factors. These six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programs should tie personal rewards to organizational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Ensuring that the performance appraisal ties in with organizational goals is pivotal to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Barrett, 1967).

Performance Appraisal is intended to gather crucial information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organization wholly (Rahman & Shah, 2012). 'Effective managers recognise performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They

may use performance appraisals to motivate, direct and develop subordinates' (Wiese & Buckley, 1998, p244).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987), as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal (Jordan, 1990).

Pettijohn, Pettijohn, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

### **2.1.6 Ratters of Performance Appraisal**

The appraisal process is done by different bodies depend on the nature of the organization. (Ivancevich J., 2004:262)Immediate supervisor: it is the immediate supervisor who is in the best position to know the job requirements, to observe employees at work and to make the best value judgment as well.

Employee Peers: in the peer evaluation system, the co-workers must know the level of performance of the employee being evaluated. For this system to work, it is preferable for the evaluating peers to trust one another and not to be in competition for raises and promotions. This approach may be useful when the tasks of the work unit require frequent working contact among peers.



Subordinate: it is used in some universities (students evaluate the faculty's teaching effectiveness) it is used more for the developmental aspects of performance evaluation than are some other methods. Managers are less likely to accept being rated by subordinates if the information is going to be used for development. This source of rating information is also more acceptable if the managers believe that their subordinates are familiar with the job

Self appraisal: In this case, the employees evaluate him/ herself with techniques used by other evaluators. This approach seems to be used more often for developmental aspects of performance evaluation. It is also used to evaluate an employee who works in physical isolation.

Customer served: in some situations customers can provide a unique perspective on job performance.

Computers: now technology has made continuous supervision possible through specially designed computer programs that monitor employees' performance.

## **I. Standards of Evaluation**

Problems with evaluation standards arise because of perceptual differences in the meaning of the words used to evaluate employees. Thus good, adequate, satisfactory, and excellent may mean different thing to different evaluators. If only ratter is used, the evaluation can be distorted. This difficulty arises most often in graphic incidents and checklists (Armstrong, and Baron, 2009).

## **II. Providing Better Feedback**

the result of the appraisal, along with suggestions for improvement, should be communicated to the appraisal as soon as the skill with which the appraiser handles the appraisal feedback is the factor in determining whether the appraisal program is effective in changing employee behaviour or not.

### **2.1.7 Characteristics of Effective Appraisal Methods**

Wayne (2004:336) suggested the following characteristics for effective appraisal method in this manner.

1. **Relevance:** implies a direct link between performance standards and organization's goals and could also mean to say a clear link between job analysis and appraisal form. It also implies that the periodic maintenance and updating of job analysis, performance standards and appraisal systems.

2. Sensitivity: implies that a performance appraisal system is capable of distinguishing effective from ineffective performers.
3. Reliability: refers to consistency of judgement.
4. Acceptability: implies when the appraisal system gets the conformity or acceptance of those who will be affected by them. This condition leads to a more favourable reactions to the process and actually increases trust for top management.
5. Practicality: implies that appraisal instruments are easy for managers and employees to understand and use.

## **2.1.8 Performance Appraisal Methods (Techniques)**

### **2.1.8.1 Traditional Method**

#### **I. Narrative Essay**

The simplest type of absolute rating system is the narrative essay. Thus the ratter describes, in writing an employee's strengths, weaknesses, and potential, together with suggestions for improvement. This approach assumes that a candid statement from a ratter who is knowledgeable about an employee's performance is just as valid as more formal and more complicated rating methods.

If essays are done well, they can provide detailed feedback to subordinates regarding their performance. This makes it difficult to use essay information for employment decisions since subordinates are not compared objectively and ranked relative to one another. Methods that compare employees to one another are more useful for this purpose.

#### a. Ranking

Simple ranking- requires only that a ratter order all employees from highest to lowest, from best to worst employee.

Alternation ranking-requires that a ratter initially list all employees on a sheet of paper. From this list he/she first chooses the best employee

(№.1), and then the worst employee (№.n), then the second best (№.2), then the second worst (№.n-1), and so forth, alternating from the top to the bottom of the list until all employees have been ranked.

#### b. Paired comparisons

Use of paired comparisons is a more systematic method for comparing employees to one another. Here each employee is compared with every other employee, usually in terms of an overall category such as “present value to the organization” the rater’s task is simply to choose the “better” of each pair, and each employees rank is determined by counting the number of times she/he was related superior. However, since these comparisons are made on an overall basis (that is, “who is better?”) and not in terms of specific job behaviours or outcomes, they may be subject to legal challenge. On the other hand, methods that compare employees to one another are useful for generating initial rankings for purposes of salary administration.

#### c. Forced distribution

Another method of comparing employees to one another is forced distribution. The overall distribution of ratings is forced into a normal, or bell shaped curve. Under the assumption that a relatively small portion of employees is truly outstanding, a relatively small portion is unsatisfactory, and everybody else falls in between.

Forced distribution does eliminate clustering almost all employees at the top of the distribution (rather leniency), at the bottom of the distribution (rather severity), or in the middle (central tendency).however, it can foster a great deal of employee resentment if an entire group of employees as a group is either superior or substandard. It is almost useful when a large number of employees must be rated and there is more than one ratter.

#### d. Behavioural checklist

Here the ratter is provided with a series of statements that describe job-related behaviour. His/her task is simply to “check” which of the statements, or the extent to which each statement, describes the employee. In this approach ratters are not so much evaluators as reporters whose task is to describe job behaviour. Moreover, descriptive ratings are likely to be more reliable than evaluative (good-bad) ratings. In one such method, the Likert method of summed ratings, a declarative statement (e.g. “she/he follows up on customer complaints”) is followed by several response categories, such as “always”, “very often”, “fairly often”, “occasionally” and “never”. The rater checks the response category that he/she thinks well describes the employee. Each category weighted, for example, from 5 (“always”) to 1 (“never”) if the statement describes desirable behaviour. To derive an overall numerical rating (or score) for each employee, one simply sums the weights of the responses that were, checked for each item.

#### e. Critical incidents

Critical incidents are brief anecdotal reports by supervisors of things employees do that are particularly effective or ineffective in accomplishing parts of their jobs. They focus on behaviours, not traits. Critical incidents lend themselves nicely to appraisal interviews because supervisors can focus on actual job behaviours rather than on vaguely defined traits. They are judging performance, not personality. On the other hand, supervisors may find that recording incidents for their subordinates on a daily or even a weekly basis is burdensome. Moreover, incident alone do not permit comparisons across individuals or departments. Graphic rating scales may overcome this problem

#### f. Graphic rating scales

Many organizations use graphic rating scale. Many different forms of graphic rating scales exist. In terms of the amount of structure provided, the scale differs in three ways.

- The degree to which the meaning of the response categories is defined
- The degree to which the individual who is interpreting the rating
- The degree to which the performance dimension are defined for the ratter

Graphic rating scale may not yield the depth of essays of essays or

Critical incidents, but they are less time consuming to develop and They also allow results to be expressed in quantitative terms, they consider more than one dimension, and, since the scales are standardized, they facilitate comparisons across employees. Graphic rating scales have come under frequent attack, but when compared to more sophisticated forced-choice scales, the graphic scales have proved just as reliable and valid and are more acceptable to ratters.

### **2.1.8.2. Modern Method**

#### 1. Behaviourally anchored rating scales

A variation of the simple graphic rating scale is behaviourally anchored rating scales (BARS). The major advantage of BARS is that they define the dimensions to be rated in behavioural terms and use critical incidents to describe various levels of performance. BARS therefore provide a command frame of reference for ratters. BARS require considerable effort to develop, yet there is little research evidence to support the superiority of BARS over other types of rating system. Nevertheless, the participative process required to develop them provides information that is

useful for other organizational purposes, such as communicating clearly to employees exactly what “good performance” means in the context of their job.

## 2. Management by objectives

Management by objectives (MBO) is well- known process of managing that relies on goal-setting to establish objectives for the organization as a whole, for each department, for each manager within each department, and for each employee. MBO is not a measure of employee behaviour; rather, it is a measure of each employees’ contribution to the success of the organization.

To establish objectives, the key people involved should do three things:

- Meet to agree on the major objectives for a given period of time (every year, every 6 months, or quarterly)
- Develop plans for how and when the objectives will be accomplished, and
- Agree on the yardsticks for determining whether the objectives have been met.

Progress reviews are held regularly until the end of the period for which the objectives were established. At that time, those who established objectives at each level in the organization meet to evaluate and to agree on the objectives for the next period.

MBO is a complete system of planning and control and a complete philosophy of management. In theory, MBO promotes success in each employee because, as each employee succeeds, so do that employee’s manager, the department, the organization; but this is true only to the extent that the individual, departmental, and organizational goals are compatible. Very few applications of MBO have actually adopted a formal “cascading process” to ensure such a linkage. An effective MBO system takes from 3 to 5 years to implement, and since relatively few firms are willing to make that kind of commitment, it is not surprising that MBO systems often fail (Naukrihub, 2013).

### 3. Work planning review

Work planning and review is similar to MBO; however, it places greater emphasis on the periodic review of work plans by both supervisor and subordinate in order to identify goals attained, problem encountered, and the need for training.

(Wayne F., 2003:351)

### 4. Assessment centres

So far, we have been talking about assessing past performance. What about the assessment of future performance or potential? In any placement decision and even more so in promotion decision, some prediction of future performance is necessary. How can this kind of prediction be made most fairly? One widely used rule of them is that “what a man has done is the best predictor of what he will do in the future. Typically, individuals from different departments are brought together to spend two or three days working on individual and group assignment similar to ones they will be handling if that are promoted. The pooled judgement of observers sometimes derived by paired comparison or alteration ranking leads to an order of merit ranking for each participant. Less structured, subjective judgements are also made

### 5. 360- Degree Appraisal

It is an appraisal that use input from managers, subordinates, peers, customers and even self appraisal including others could be included (Wayne 2003:351)

On this case employee-generated feedback on management performance (also known as upward appraisals). So far some of very common methods, which are found to be more practical and applicable mentioned. However, it should be noted that every technique cannot be implemented in every organization. Selection of this method is based on many factors such the type of job activities (e.g. Production or services), the position of the person (e.g. Management staff or not), evaluation for high and medium professionals or lower level workers like daily labourers and so on. Are we measuring personality? Behaviour? Result? Are we measuring taking quality or quantity into account?

## **2.1.9 Time of Appraisal**

Most organization conduct performance appraisal every six-month or every year. However, researches indicate that it is of a great benefit for both ratter and the rate and the entire

organization to implement appraisal as frequent as possible for the growth of the firm and effective career development management (Wayne, 2004:353)

## **2.2. Empirical Review**

### **2.2.1 Nigerian Practise**

Organizations can only win a competitive advantage through people (Alo, 2000). Competition for scarce resources among organizations in Nigeria is becoming more and more stiffer Ohabunwa (1999) and Akingbola (2000). This therefore means that organizations can grow to the extent that people who work in such organization are supported to grow. However Banjoko (1982) asserts that there is probably no program in the arsenal of personnel management that is difficult to effectively implement and yet so fundamental to individual and organizational growth than performance appraisal. In business as well as in government, effective results are crucial to survival since improved performance is a basic criterion for individual and organization growth. Banjoko (1982) explains that in many Nigerian organizations, performance appraisal is viewed and conducted solely in terms of its evaluative aspect thereby overlooking its use for facilitating growth and development in employees through training, coaching, counseling and feedback of appraisal information. According to Banjoko, performance appraisal is accorded a lesser role in Nigerian organization as more emphasis is given to selection, training, development and salary administration. This means that organizations are putting the cart before the horse and are in turn stifling genuine individual and organizational growth. It would be foolish for organizations to emphasize more on training without paying special attention to performance appraisal as Rao (1990) writes that it is the outcome of performance appraisal that would reveal training needs. There should be a change-over on the part of organizations to start paying special attention to their performance appraisal practices and approaches.

Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before. Appraisal processes are not systematic and regular and often characterized by personal influences occasioned by organizations preoccupation to use confidential appraisal system which hinders objectivity and fairness. Often

organizations ignore management by objectives, critical incidents to personal prejudices. This is retrogressive as it affects the overall performance of the individual. 360 degrees appraisal method whereby superiors and the appraise their subordinates, subordinates appraise their superior and the appraise himself or herself and the average of all the appraisal taken to arrive at the final appraisal outcome should be now be considered by organizations. Also post appraisal counselling whereby the appraisal outcomes are analysed to explain strengths and weaknesses and set agenda for better future performance. Organizations should stop giving less attention to the evaluation of their employees and recognize that organizational training needs can only be identified from performance appraisal outcomes audits the performance of its employees in other to help organizations win competitive advantage.

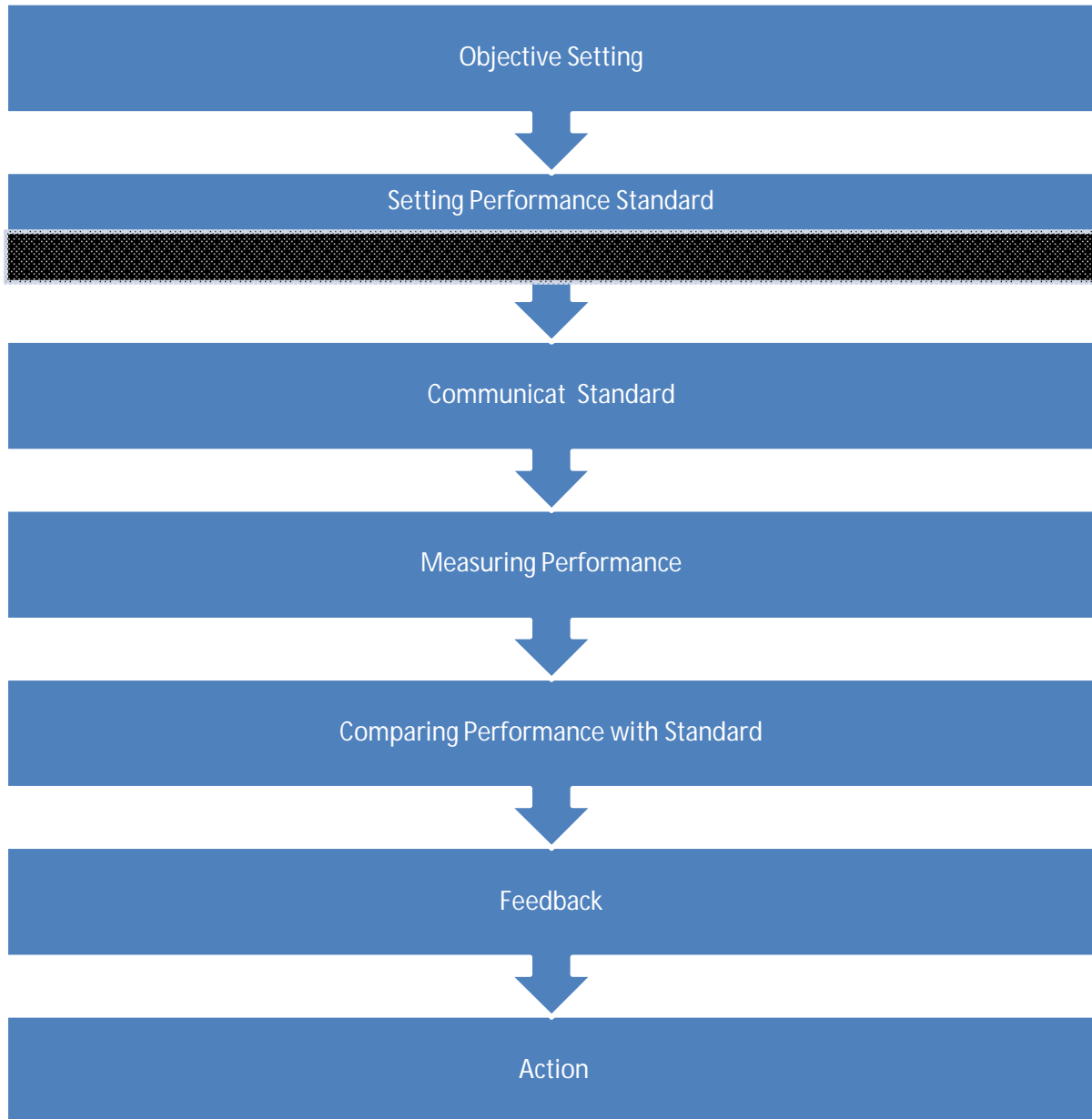
### **2.2.2. Ethiopian practise**

Melat(2014) studied about performance management system is practiced and the challenges at Ethiopian Management Institute. The study tries to address the basic questions of how the alignment is made between organizational goal with that of the departmental and individual goal, how the planning, execution, assessment and review process was handled and identifying the purpose of having PMS in EMI and challenges faced while implementing performance management. To answer these questions descriptive survey research design has been deployed by using both quantitative and qualitative research approach. The total number of staff at EMI were 242 and for the study simple random sampling technique was used by taking 75 employees filled the self-developed questionnaire, by using Descriptive statistics method for analysing data obtained from questionnaire and data gathered from interview and focus group discussion.. The finding of the study revealed that organizational goals were not fully aligned with departmental and individual goals, participation of employee's in the planning stage of performance management is not across all staff of EMI, lack of regular feedback, lack of uniformity in gathering information about employee's performance and lack of software for automating the PMS are the major problems noted.



### 2.3 Conceptual Model

This model suited to this study is adapted from Ramsey,(1998)



Source: Ramsey, (1998)

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Research Design and Approach**

The Research Design involves different type however the most types are qualitative approach and quantitative research approach. Burns and Grove (2003:19) describe a qualitative approach as “a systematic subjective approach used to describe life experiences and situations to give them meaning”. Paratoo (1997:59) states that qualitative research focuses on the experiences of people as well as stressing uniqueness of the individual. Holloway and Wheeler (2002:30) refer to qualitative research as “a form of social enquiry that focuses on the way people interpret and make sense of their experience and the world in which they live” Researchers use the qualitative approach to explore the behavior, perspectives, experiences and feelings of people and emphasizes the understanding of these elements.

According to De Vaus (2002), quantitative research is an empirical research approach in which hypothesis testing is used to discover relationships and facts that are general. A quantitative approach focuses on the study of samples and populations and relies heavily on numerical data and statistical analysis (Neuman, 2000). Therefore, the researcher used the quantitative approached based on sample selection from the given population.

This particular study has used both approaches: qualitative and quantitative ones under descriptive research design. Accordingly, under the qualitative part open ended question is presented and under the quantitative approach most of the questions have been presented to be responded and analyzed through quantitative approach. As a result, the data collected and analyzed can be tallied and rated. Hence, the study comprised both approaches and to suit both the data collection tools have been presented.

#### **3.2 Source of Data**

For the study purpose both primary and secondary data type has been used .The primary data has been collected from the employees of the bank. The secondary data collected from records of the bank, published and unpublished articles, books and online sources. Accordingly, the primary

and secondary data have been collected to cover every aspect of the study. The primary data are related to behavior and response of employees. Both data have been used in combination as per need of the study. Thus, study used both primary and secondary data type explained above. The primary data has been collected through the use of questionnaire. The questionnaire has been distributed to selected sample of employees that are found in city branches. The general characteristics and questions pertaining to effective performance appraisal system practices that aid to identify the existing applications followed by BOA and the existing challenges in the process have all been considered in the questionnaire. Secondary data has also been collected by using the document analysis techniques from journals, books pertaining performance appraisals and from periodicals, published and unpublished research works of the bank.

### **3.3. Population Sampling and Sampling Techniques**

#### **3.3.1 Study Population**

The population of the study is the entire active and those that can read write, understand and fill out the questionnaire presented to them. Hence this included the entire BoA employees.

#### **3.3.2. Sample size Determination**

Fraenkel and Wallen (1993) refer to a “sample” in a research study as any group from which information is obtained. Jankowicz (1995), defines sampling as the deliberate choice of a number of people, the sample provides data from which to draw conclusions about some larger group, the population, whom these people represent. Therefore, not all the members of the study population were surveyed. Also it is considered economically feasible to use part of the population.

The desired sample size is 197. This is calculated by using the following sample size determination formula suggested by De Vaus, (2002)

$$n = N / (1 + N(e)^2)$$

Where

N = Target population

n = sample size

e = level of precision=0.05

Given confidence level of 95% and precision rate of  $\pm 5$  percent

$$n = 392 / (1 + 392(0.05)^2) = \mathbf{197}$$

The total number of managerial staff working in Addis Ababa is 132 and non managerial employees are 260. The above sample size, 197, is proportionately distributed into these two strata to guarantee appropriate and equal representation. Strata one consists of the managerial staff and strata two consists of the non-managerial employees.

The applicable formula to identify the respective sample size for each strata is

$$N_s = (D_1/N) * n$$

Where,  $N_s$  = sample size for each strata

$N$  = Total Number of population

$D_1$  = population size of the strata

$n$  = sample size

The total number of sample from managerial staff, Strata one is **67**

$$N_s = (132/392) * 197$$

The total number of sample from non-managerial staff, Strata two is **130**

$$N_s = (260/392) * 197$$

### **3.3.3. Sampling Techniques**

Multi stages random and purposive sampling technique will be used due its convenience to draw a total of 2 categories of employees and 197 employees from the total of population. There are 67 managerial staff. At the second strata 130 none managerial staff have been categorized. At the third stage as a total of 197 employees were randomly selected from representative departments and different branches by using probability proportional to size.

### **3.4 Data Gathering Instruments**

In the data collection process, different data collection methods are used. The researcher has used two types of data collection methods. These are primary and secondary. Primary data- is gathered from employees of the bank by distributing questionnaire (open-ended and close-ended questions) these questionnaires are prepared in English to gather the necessary information regarding the effectiveness of employee performance appraisal system of Abyssinia bank. Moreover, secondary data such as pamphlets, manuals, official documents (such as records, employee's evaluation records and reports) of the Abyssinia bank will be used. The knowledge obtained in the thesis will mainly base on primary source of data.

### **3.5 Procedure of Data Gathering Sources Techniques**

A Questionnaire is a set of questions is prepared to ask a number of questions and collect answers from respondents relating to the research topic. The forms often have blank spaces in which the answers can be written. Sets of such forms are distributed to groups and the answers are collected relating to research topic. A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic. When properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations. In this study a structured questionnaire is used with different types of questions such as closed ended and open ended.

### **3.6 Pilot Testing**

Reliability refers to the consistency and dependability of a measuring instrument. One of the internal consistency methods of assessing reliability, cronbach alpha coefficient, was applied to check if it is proper to rely on the outcome of the questionnaires. This coefficient measures the extent to which an instrument yields consistent results. It measures how well items in a set are related to one another. Coefficients of 0.7 or above are nearly always acceptable. In this case the result of the reliability for the questionnaires is 0.854. Therefore we can say that there is a greater internal consistency between the items and it consistently measures the intended factors.

Validity is the most critical criterion that indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Among the various forms of measuring validity, the content validity one is established in this case. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kohtari, 2004). As per the same author, content validity is good if an instrument contains a representative sample. To ensure content validity, sample represented were those of the organizational employees who know better about the issue to be represented.

Table 3.1. Reliability Test Statistics

<b>Questionnaires List of items</b>	<b>Cronbach's Alpha</b>
Bank business objective	0.748
Setting performance standard of the bank	0.683
commutation	0.733
Measuring the performance	0.805
Action	0.552
Feedback	0.743
Challenge in the performance appraisal	0.854

### **3.7. Methods of Data Analysis**

The researcher has used descriptive method of data analysis technique that comprised inferential statistics frequency,, mean and standard deviation. Accordingly, variables and frequencies were numerated in each table for calculation of various statistics and communicative distributions were employed to observer with less than or equal to specify quantities determined. The

quantitative data gathered through structured questionnaire is processed using SPSS version 21 (statistical package for social sciences) version to get descriptive statistics results. Finally Tables have been used to depict quantitative analysis properly.

### **3.8. Ethical Considerations**

It could not be ethical to access some confidential documents of the bank and plagiarism of other research paper and dual acknowledged. Therefore, the code of ethics has been taken in to account without significantly compromising findings of the study. Also it may not be ethical to ask employees to answer questionnaires while they are at their work responsibility. Hence, enough time was given to respondents so that they can either take the questionnaire to their home or use their break time.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter, the demographic nature of the respondents and reliability and validity of the measuring instrument is dealt with. The data collected from the different sources are also presented, analyzed and interpreted by using frequency, percentage, mean and standard deviation.

#### 4.1. Response Rate

Table 4.2 Response rate of the questionnaire

Questionnaires	Number			Percentage		
	Managerial	Non-Managerial	Total	Managerial	Non-Managerial	Total
Returned	58	116	174	86.5	89	88
Not Returned	8	10	18	12	8	9
Returned but not filled in right manner	1	4	5	1.5	3	3
Total	67	130	197	100	100	100

Source: survey 2017

As shown in the table above 67 managerial 130 non managerial staff has been given to fill out the questionnaire and out of the distributed 67 questionnaire 8 of them have not been returned while 1 of them has been returned but not duly filled out. Hence, out of the 67 questionnaires, 58 (86.5%) of the distributed questionnaires have been duly filled out and returned. Moreover, out of the 130 questionnaire distributed to be filled out by non managerial staff, 116 (89%) of them have been duly filled while 10 of them have not been returned and 4 others are returned but are not duly filled out.



## 4.2 Demographic Information of the Respondents

The first part of the questionnaires distributed to both managerial staff and non-managerial staff consist of demographic information of the respondents. Limited information pertaining to position held, total number of years of experience and number of years served in the current position was posed to respondents and is summarized in the following table.

Table 4.3. Demographic Characteristics of the Respondents

Details		Frequency	Percent
Position of respondent	Managerial staff	58	33.3
	Non-managerial staff	116	66.7
Work experience of respondent in BOA	5-10 Years	125	71.8
	More than 10 Years	49	28.2

Source: survey2017

As shown in the above table a five point Likert scale was used to measure the extent of the respondents' agreement on different parameters, which assigns a weighted value to the extent of agreement or disagreement for a factor as shown below

As it can be seen from the above table, the positional classification of the respondents is categorized in to two: managerial and non-managerial. Accordingly, 58(33.3%) of the respondents are managerial while the rest and a great majority of the respondents, 116 (66.7%) of them are non-managerial. Moreover, as it can also be observed from the same table above the respondents' experience since joining BoA has been identified and most of the respondents, 116 (71.8%) of the respondents have served between 5-10 years while the rest, 49 (28.2%) of them have served above 10 years. It follows that the number of managerial staff and those who served below 10 years with in the bank are larger in number.

### 4.3 Analysis of collected data

The basic findings of the study based on the data from the questionnaires, and document review are presented for the major factors considered related to practices and challenges of performance appraisal system.

### 4.4 Alignment of the Performance Appraisal System with Bank's Business Objective

Three questions were raised to the respondent to examine the Alignment of the Performance Appraisal System with Bank's Business Objective BOA's the findings are summarized as follows.

Table 4.4 Alignment of the Performance Appraisal System with Bank's Business Objective

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
The performance appraisal system is aligned with strategic objective of the bank	70	40.2	85	48.9	5	2.9	4	2.3	10	5.7	1.8629	1.03588
Strategic objective of the bank is understood by the employee	78	45	73	42	9	5.2	8	4.8	6	3.4	4.1657	1.00056
The performance appraisal system is relevant	82	47	69	40	10	5.7	5	3	8	4.6	4.1429	.96320

Source: survey 2017

As shown in the tables above three questions have been presented under sub title to gauge the effectiveness of the vertical as well as the horizontal alignment between the performance appraisal practices of the bank against the business objectives of the bank. Accordingly, 40.2%

and 48.9 % of the respondents strongly disagreed and disagreed respectively to the statement 45% and 42% of the respondents have strongly disagreed and disagreed respectively to the statement that said Strategic objective of the bank is understood by the employee. What is more, when asked to express their level of disagreement regarding the performance appraisal system is relevant and 47.1% of the respondents have strongly disagreed while 39.7% of the respondents. This implies to the performance appraisal system is not aligned with strategic objective of the bank, strategic objective of the bank is not understood by the employees and the performance appraisal system is not relevant.

#### 4.5 Setting performance Standard.

Four questions were raised to the respondent to examine the Setting of performance standard with BOA's the findings are summarized as follows.

Table 4.5: Descriptive Statistics on setting performance standard.

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
The performance appraisal tool is appropriate to the objectives of the bank	87	50	64	44.3	3	2.9	10	5.7	10	5.7	1.8	1.12
The performance objective is clearly defined	77	44.2	75	43.1	1	0.7	10	5.7	11	6.3	1.9	1.13
The discussion is made between the supervisor and employee on the objective	89	51.1	75	43.1			3	1.7	57	4	1.7	.94
Employee is motivated to participate in the objective setting	84	48.3	77	44.3	1	0.6	2	1.1	10	5.7	1.7	1.1

Source: survey 2017

The respondents of the study, as shown in the table above, have been asked four questions regarding setting performance standard of the bank. In this regard 50.% have strongly disagreed

and 44.3% have disagreed with similar 1.8 mean score, where 1 and 2 are points of disagree when asked their level of agreement on the statement that said the performance appraisal tool is appropriate the objective of the bank. To the statement that asked to gauge their level of agreement if the performance objective is clearly defined 44.2% strongly disagreed and 43.1% disagreed; 51.1% of the respondents have strongly disagreed and 43.1% of the respondents have disagreed to the statements that asked the discussion is made between the supervisor and employee on the objective. Finally, the respondents have also been asked to rate their level of agreement regarding the statement employee is motivated to participate in the objective setting and 48.3% of the contacted respondents have strongly disagreed and 44.3% with mean value of 1.9 have disagreed(the values 1 and 2 are strongly disagree and agree) to the statement.

It follows that the performance appraisal practice in place by the bank couldn't match the level at which the bank is currently operating. Hence, the respondents are not in a position to get up to the level of motivation to participate in the objective setting phase nor is there as such strengthened discussion is made between the supervisor and employee on the objective, above all the performance objective is not clearly defined and performance appraisal tool in place is not appropriate to the objectives of the bank.

#### 4.6 Communicate Standard

Four questions were raised to the respondent to examine the communicate standard of performance appraisal with BOA's the findings are summarized as follows

Table 4.6: Descriptive Statistics on communicate standard

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
Employees clearly communicated about the purpose of performance appraisal	90	51.7	79	45.4	4	2.3	1	0.6	0	0.0	1.52	.58
Continuous discussion is made on the performance issues based on time setting	93	53.4	59	39.7	2	1.1	5	2.9	5	2.9	1.64	.92
The supervisor has employed open communication with continuous feed back	79	45.4	78	44.8	0	0.0	13	7.5	4	2.3	1.78	.98
The performance standard is clearly communicated for every employee and what exactly expected from them	88	50.6	76	43.7	1	0.6	6	3.4	3	1.7	1.64	.85

Source: survey 2017

With regard to communication practice employed by the bank, four questions have been presented to the respondents. In this regard to the statement that asked the level of the respondents agreement that said employees clearly communicated about the purpose of performance appraisal 51.7% of the respondents have strongly disagreed and 45.4% of the respondents have disagreed with 1.52 mean value. On the same table above the respondents have been asked to the statement that required their level of agreement on continuous discussion is made on the performance issues based on time setting 53.4% and 39.7% of the respondents have strongly disagreed and disagreed respectively with mean value of 1.64 to the statement. Moreover, 45.4% have strongly disagreed and 44.8% have disagreed respectively with mean value of 1.78, to the statement that said supervisor is open communication with continues feedback. Finally, to statement that asked the respondents level of agreement that said the standard is clearly communicated for every employee and what exactly expected from them, 50.6% have strongly disagreed and 43.7% have disagreed.

It can, therefore, be said that the communication process both laterally among work units and departments and subordinate supervisor relationship is quite terrifying in a way that it is not as such effective.

#### 4.7 Measuring the Performance

Five questions were raised to the respondent to examine the measuring of performance appraisal with BOA's findings are summarized as follows.

Table 4.7: Descriptive Statistics on Measuring Performance.

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
The Supervisor regularly discussed with employees on the job performance	79	45.4	75	43.1	5	2.9	8	4.6	7	4.0	1.8	1.02
The performance rating is conducted as per the given standard	77	44	73	42	5	2.9	10	6	9	5	4.12	1.08
The supervisor made record during appraisal period to evaluate employees work performance	98	56.3	65	37.4	1	0.6	2	1.1	8	4.6	1.6	.96
Employee are satisfied with the number of Time of conducting performance appraisal	83	47.7	78	44.8	1	0.6	4	2.3	8	4.6	1.75	1.014
The Supervisor is biased on the base of personal relationship to conduct performance appraisal	83	47.7	69	39.7	2	1.1	5	2.9	15	8.6	1.87	1.189

Source: survey 2017

As can be observed in the table the respondents were asked to rate their reaction based on their level of agreement on the statement the supervisor regularly discussed with employees on the job performance and 45.4% of the respondents have strongly disagreed and 43.1% have disagreed to the statement. The respondents were also asked regarding the performance rating is conducted as per the given standard and 44.3% of the respondents have agreed and 42% of the respondents have strongly agreed to the statement. Moreover, when the respondents were asked to rate their level of agreement on the statement that said the supervisor made record during appraisal period to evaluate employees work performance and 56.3% have strongly disagreed and 37.4% have disagreed to the statement. In the same table above the respondents have attested that 47.7% of the respondents have strongly disagreed 44.8% of the respondents have disagreed to the statement that said employees are satisfied with the number of time of conducting performance appraisal. Similarly 47.7% of the respondents have strongly disagreed and 39.7% of the respondents have disagreed to the statement that asked their level of agreement to what extent the supervisor is based on personal relationship to conduct performance appraisal. This implies that all statement is not properly applied in the bank.



#### 4.8 Taking Corrective Action

Five questions were posed to respondents to examine Challenge in the Performance Appraisal system. The findings are summarized as follows.

Table 4.8 Descriptive statistics on Taking corrective Action

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
Performance rating result is used as a determinant factor for promotion	79	45.4	70	40.2	5	2.9	10	5.7	10	5.7	1.87	1.19
Performance rating result is used as a determinant factor for training and coaching	85	48.9	68	39.1	3	1.7	12	6.9	6	3.4	1.88	1.13
The performance appraisal result has tendency to focus on development	98	56.3	65	37.4	1	0.6	2	1.1	8	4.6	1.79	1.048
The supervisor take the necessary action based on the Performance result	83	47.7	69	39.7	2	1.1	5	2.9	15	8.6	1.62	.97
Performance appraisal is used as determinant constrictive feed back	93	53.4	71	40.8	2	1.1	5	2.9	3	1.7	1.87	1.19

Source: survey 2017

The study participants have also been asked to rate their level of agreement regarding the possible actions that on course based on the performance appraisal practice and in this regard the statement that asked the respondents level of agreement on Performance rating result is used as a determinant factor for promotion 45.5% of the respondents have strongly disagreed , 40.2% of the respondents have disagreed to the statement that said performance rating result is used as a

determinant factor for training and coaching and 48.9% of the respondents have strongly disagreed and 39.1% of the respondents have disagreed, the statement that asked the respondent level of agreement 47.7% of the respondents strongly disagreed 39.7% respondents have disagreed the supervisor take the necessary action based on the performance result the Finally, to the statement that said performance appraisal is used as determinant constrictive feedback 53.4% of the respondents have strongly disagreed and 40.8% have disagreed. As can be inferred from the table above the agreement on Performance rating result is not used as a determinant factor for promotion, performance rating result is not used as a determinant factor for training and coaching, the supervisor is not take the necessary action based on the performance result and said performance appraisal is not used as determinant constrictive feedback.

#### 4.9 Feedback

Four questions were posed to respondents to feedback. The findings are summarized as follows.

Table 4.9 Descriptive statistics on: Feedback

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
The supervisor give the feedback on the moment for coaching and mentoring	75	43	76	44	6	3.4	5	5	12	7	2.11	1.24
Continuous feedback is obtained from the supervisor	75	43.1	72	41.4	1	0.6	11	6.3	15	8.6	1.96	1.24
After appraisal result the supervisor give constructive feedback to employees	82	47.1	72	41.4	3	1.7	4	2.3	13	7.5	1.8057	1.05
The Employees take positively the feedback in case of low performance	82	47.1	76	43.7	2	1.1	8	4.6	6	3.4	2.1371	1.33

Source: survey 2017

As can be observed in the tables above respondents have been asked to rate their level of disagreement on the statement that said the supervisor give the feedback on the moment for coaching and mentoring and 43.% of the respondents have strongly disagreed and the rest 44% of the respondents have disagreed to the statement. When asked to rate their level of agreement on the statement that said Continuous feedback is obtained from the supervisor 43.1% of the respondents have strongly disagreed and 41.4% of the respondents have disagreed to the statement. The respondents were also asked to rate the statement that said after appraisal result the supervisor give constructive feedback to employees and 47.1% of the respondents have strongly disagreed and 41.4% of the respondents have disagreed to the statement. What is more, the respondents have been asked to rate their level of agreement on the statement that said The Employees take positively the feedback in case of low performance and 47.1% of the respondents have strongly disagreed and 43.7% of the respondents have disagreed to the statement. This indict that the supervisor is not give the feedback on the moment for coaching and mentoring, Continuous feedback is not obtained from the supervisor after appraisal result, the supervisor cannot give constructive feedback to employees and the employees is not take positively the feedback in case of low performance. It can be understood from the data that the performance results collected are least likely used for any other subsequent actions. As a result the respondents could hardly align their performance with other deliverables.

#### 4.10 Challenges in the Performance Appraisal

Five questions were posed to respondents to examine Challenge in the Performance appraisal system. The findings are summarized as follows.

Table 4.10: Descriptive Statistics on Challenge in the Performance Appraisal

Statement	SD		D		N		A		SA		Mean	Std Div
	F	%	F	%	F	%	F	%	F	%		
The performance management system is alignment between individual and department appraisal	64	36.8	75	43.1	3	1.7	19	10.9	13	7.5	2.10	1.29
The result of the performance evaluation is reliable	79	45.4	67	38.5	2	1.1	11	6.3	15	8.6	1.0	.000
The criteria of the appraisal system are accurate	79	45.4	78	44.8	2	1.1	5	2.9	10	5.7	1.961	1.24
The standard is clearly explained	68	39.1	69	39.7	5	2.9	12	6.9	20	11.5	1.81	1.05
Employees are rated according to the nature of their job and responsibilities	98	56.3	65	37.4	1	0.6	2	1.1	8	4.6	1.9600	1.24273

Source: survey 2017

As can be observed in the table above the respondents were asked to rate their level of agreement to the statement that said the performance management system's alignment between individual and department appraisal and 43.1% of the respondents have disagreed and 36.8% of the respondents have strongly disagreed. Similarly, 38.5% and 45.4% of the respondents respectively have disagreed and strongly disagreed to the statement that asked their level of agreement regarding the statement that asked performance rating result is used as a determinant factor for training and coaching. What is more, to the statement that asked the respondents' level of agreement towards the result of the performance evaluation is reliable 44.8% of the respondents have disagreed while 45.4% of the respondents have strongly disagreed to the statement. Respondents were also asked to rate their level of agreement on the statement that asked if the criteria of the appraisal system are accurate 39.7% and 39.1% of the respondents have disagreed and strongly disagreed to the statement. The respondents were also asked to what extent the performance standard is clearly explained and 47.1% of the respondents have disagreed and 39.1% have strongly disagreed to the statement. The respondents were also asked their degree of agreement to the statement that said Poor Performance is managed on time and valid measurement and collection of required evidence and 47.4% of the respondents have disagreed and 41.4% of the respondents have strongly disagreed to the statement. Finally 56.3% and 37.4% of the respondents respectively have disagreed and strongly disagreed to the statement that required their level of agreement to the statement employees are rated according to the nature of their job and responsibilities. This implies that the performance management system is not alignment between individual and department appraisal, the result of the performance evaluation is not reliable, the criteria of the appraisal system are not accurate, the standard is not clearly explained, and employees are not rated according to the nature of their job and responsibilities

Moreover, the respondents have also attested on their opinions on the open ended section of the questionnaire that the existing employee performance appraisal practice in place by BoA is not satisfactory and remains quite at the raters' bias and the system doesn't encourage an open communication and a better feedback which will enable the rater not answerable. Above all the bank's performance appraisal system does hardly remains responsive to the frequent queries and complaints arising from the employees with regard to promotions for success and poor performance to call for education and training to mediate the gaps observed.

It can, therefore, be inferred from the above data that the performance result is not reliable and valid enough to convince the entire employees. There is lesser alignment between the departmental and individual appraisal practices. The criteria set forth, timeliness of the tools and the standard lack clarity. Among others the nature of job employees perform and the measurement parameters are not aligned.

## **4.11 Discussion**

Strategic objectives most importantly business objectives of any institution requires further cascading and in line with it is a well articulated appraisal mechanism that is believed to be valid and relevant. However, the practice in place does hardly promote such a practice. Among others, the performance appraisal practice. Most importantly the strategic objective of the bank is not well understood by its employee.

A company aspiring to enhance its performance deliverables should be able to set its own performance standard which will enable it to have those standards will allow it be rating related to the job description, realistic and attainable in its real essence. In this regard, the performance standard in place could hardly match the current.

Employees require to have clearly communicated about the purpose of performance appraisal and it is mandatory that the appraisal is clarified to the employees and needs to be open enough along with continuous feedback attached to it. As it stands the performance appraisal practice is not communicated to the employees and the supervisors do hardly inform the employees about the evaluation progress and the expectation thereof.

The performance standard of the bank is in place but lacks standardization. As a result neither the employee not the employees clearly know where to demarcate the efficient performance.

To explore the successfulness of the performance appraisal communication process to the employees there needs to be a systematic approach in the way the way the appraisal is communicated. Yet the appraisal practice is far from being communicated.

The effectiveness of the employee performance measurement is a derivative of the cascaded business objectives of the bank. In this regard the bank's measurement has gone quite obsolete as it is not aligned with business objective.

As the measurement technique in place by the bank is quite obsolete and not aligned with the existing performance deliverables expected, one can hardly say the performance appraisal measurement metrics are hardly reliable enough.

The appraisal practice in place lacks timeliness. As a result the performance appraisal practice in place is not timely enough and does hardly match the existing business requirement and the objectives in place.

## **CHAPTER FIVE: SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1 Summary of Major Findings**

- Performance standard is not related to the job description; appraisal standard is not considerably realistic and attainable; moreover, the respondents do not think that there is clear standard criteria set against the job
- Rarely do the supervisor and employee make a clear discussion on the objective; the performance appraisal tool is not considered appropriate to the objective of the bank; employees are not motivated to participate in the objective setting and there is seldom continuous discussion made on the performance issues based on time setting
- The respondents have admitted that their respective supervisor is not open communication with continues feedback; the standard is not clearly communicated for every employee and what exactly expected from them; the supervisor regularly discussed with employees on the job performance and the performance rating is not conducted as per the given standard
- It has also been found out that the supervisor doesn't record during appraisal period to evaluate employees work performance; employees are not satisfied with the number of time of conducting performance appraisal; supervisor is based on the base of personal relationship to conduct performance appraisal; performance rating result is not used as a determinant factor for promotion and performance rating result is not used as a determinant factor for training and coaching.
- The findings have also revealed that employees' actual performance is rarely compared with predetermined standard; seldom does the supervisor give the feedback on the moment for coaching and mentoring and Continuous feedback is not obtained from the supervisor by the respective employee when need be.
- Moreover it has been found out that after appraisal result the supervisor give constructive feedback to employees and the employees hardly take positively the feedback in case of



low performance and there is infrequent an alignment between individual and department appraisal; the performance rating result is not used as a determinant factor for training and coaching; the result of the performance evaluation is not reliable and the respondents don't think the criteria of the appraisal system are accurate

## 5.2 Conclusion

Having identified the findings shown above, the researcher has deduced the following major findings in line with the objective of the study and in response to the research questions

- The bank has introduced various structural and functional reshuffle shortly and aligned to it is the performance metrics that is believed to gauge and fit to the challenging and most ambitious strategic goal. Hence, BoA has introduced employee performance appraisal where by operational staff and functional staff can be gauged through a transparent and a top down approach where by respective supervisor will be provided with a cascaded activity from the corporate strategic goal and the cascaded goal is subject to be further diminished at an individual level. It follows that respective supervisors assign activities to their respective subordinates and the activities those respective subordinates have to carry out in a specified time with in standard time and quality. The delivery of the required quality and quantity of work deliverables in the specified time is subject to be appraised as a performance deliverable by the rater, the respective supervisor. Such is the method as employed by the bank.
- The performance deliverables are gauged on semi annual and at times on a three months, quarterly, basis. Success and failure in the activities has no association to neither the employee or to the supervisor. Hence, there is little if any commendable performance +deliverable ensure further promotion or significant deviation from the target performance requirement leaves one to failure. Hence there is little, if any, association between the results of the appraisal with the employees current performance result.
- With regard to the communication, the company doesn't often promote open communication in its system and the performance standard is not communicated for every employee nor did the management's expectation from the employees is clearly articulated. The supervisor of respective work units, branches and other departments are not employing open communication with continuous feedback. There are rare discussions held on the performance issues. Moreover, the employees are not adequately and clearly communicated about the purpose of performance appraisal that they are appraised.
- Overall the employees of BoA are not rated according to the nature of their job and responsibilities rather they are generically gauged against certain standards which are not clear to the employees themselves. Moreover, the performance appraisal is seldom

considered to determine certain feedback and the respective supervisor does hardly take the required measure for poor performances delivered. Furthermore, the bank does not usually employ the poor performance or good performance as a spring board to address certain promotions or development efforts directed towards it.

- Generally, as the performance appraisal practice exercised by BoA is far from meeting its goals, alignment both horizontally and vertically to address the bank's underlying and futuristic targets one can say that the performance appraisal practice is far from being effective and fails to address its initial goal. In a sense that lack of valid measurement and collection of required evidence. Hence, employees are not rated according to the nature of their job and responsibilities; the performance standard is not clearly explained; the appraisal system in place is not accurate and the performance evaluation is not reliable

## **5.2 Recommendation**

Following the major findings as shown in the data analysis and major findings thereof, the following recommendations have been drawn

Employee performance appraisal practice employed by the bank needs to match the eminent change as an affective aspect from the macro environment and the bank's current growth initiatives. Hence the top down approach whereby the supervisor rating the employee will hardly make the insightfulness and an adequate observation of the employee and the deliverables. As recommended by many scholars a 360 degree evaluation method which doesn't allow subjectivity prone or rater bias issue in the midst or at the end of the appraisal. The approach is also often considered to supplement the various loopholes created by a single rater. It is, therefore a high time for BoA to reconsider its existing performance appraisal practice in place.

The appraisal system is seldom attached to the both reward and development efforts. The deliverables of performance appraisal is often considered to be reward or filling the observed gaps through training and development through coaching, mentoring, on job training and short as well as long term trainings through which the employee can again visualize ones career goals and plan in just scientific ways. However, the existing approach couldn't enable the bank to promote either of the two. As a result as a renowned and being among the most successful banks today, BoA needs to align the result with both training and development and promotion based on the level of achievement on the metrics.

The result gotten from the appraisal process needs to be pacified to the employees and the employees need to know where specifically they should tap their potentials, skills and poor performances and where specifically they are well of in their sharpening their saw. Hence a good communication enables the bank to operate in its highest limit while the employees keep in array and in their best track.

Through the effective performance appraisal practice employed by the BoA the challenges will no longer be issues to be dealt with.

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**Annex**  
**St. Mary's University**  
**MBA Program**

**A Questionnaire Designed to Staffs of BOA**

**Dear Respondent,**

The intention of this questionnaire is to investigate the Practice and Challenges of employee performance appraisal system employed by Bank of Abyssinia, and the study will try to explore Practice and challenges associated with it. The questionnaire is designed to collect pertinent data from the concerned respondents and will serve only for academic research purpose. Though this research is basically conducted as part of the partial fulfillment of Masters (MBA) it will also be a valuable input to develop and/ or apply the best performance system in the bank. You are, therefore, kindly requested to express your opinions, feelings and experiences as openly as possible. Hence it will not be difficult for us to get the true picture of your bank's performance appraisal system. The information that you are going to provide here is highly important and confidential. Please make tick on the boxes once, twice or more depending on the types of questions and write your reasons, comments (if any) on the space provided.

Thank you

**Part I**

Please specify your position?

Managerial Staff:  Non-Managerial Staff:

How long have you been working in Bank of Abyssinia?

5 – 10 years  More than 10



## Part II: Opinion Investigation on Performance Appraisal

**Instruction** Please indicate your level of agreement based on the following rating scale :-these are =strongly, Disagree= Disagree =. Neutral = Agree = Strongly Agree,

Where;- 1= Strongly Disagree

2= Disagree

3=Neutral

4=Agree

5= strongly Agree

S/N NO	Bank Business Objective	Rating scale				
		1	2	3	4	5
1	The performance appraisal system is aligned with strategic objective of the bank					
2	Strategic objective of the bank is understood by the employee					
3	The performance appraisal system is relevant					

	Setting Performance Objective	1	2	3	4	5
1	The performance appraisal tool is appropriate the objective of the bank					
2	The performance objective is clearly defined					
3	The discussion is made between the supervisor and employee on the objective.					
4	Employee is motivated to participate in the objective setting.					

	Performance Standard	1	2	3	4	5
1	Performance standard is related to the job description					
2	The appraisal standard is realistic and attainable					
3	Clear standard criteria is steed against the job					
4	The appraisal standard make use full potential of the employee					
5	The standard criteria is in quantifiable and measurable terms					

	<b>Communication</b>	1	2	3	4	5
1	Employees clearly communicated about the purpose of performance appraisal					
2	Continuous dissuasion is made on the performance issues based on time setting					
3	supervisor is open communication with continues feed back					
4	The standard is clearly communicated for every employee and what exactly expected from them					

	<b>Measuring the Performance</b>	1	2	3	4	5
1	The Supervisor Regularly discussed with employees on the job performance					
2	The performance rating is conducted as per the given standard					
3	The supervisor made record during appraisal period to evaluate employees work performance					
4	Employee are satisfied with the number of Time of conducting performance appraisal					
5	The Supervisor is biased on the base of personal relationship to conduct performance appraisal					

	<b>Comparing actual Performance against Standard</b>	1	2	3	4	5
1	The supervisor compare actual performance with standard properly					
2	The performance appraisal deviation was clearly justified					
3	Employee actual performance is compared with predetermined standard					

	<b>Feedback</b>	1	2	3	4	5
1	The supervisor give the feedback on the moment for coaching and mentoring					
2	Continuous feedback is obtained from the supervisor					
3	After appraisal result the supervisor give constructive feedback to employees					
4	The Employees take positively the feedback in case of low performance					

	<b>Taking Action</b>	1	2	3	4	5
1	Performance rating result is used as a determinant factor for promotion					
2	Performance rating result is used as a determinant factor for training and coaching					
3	The performance appraisal result is tendency to focus. Development					
4	Result The supervisor take the necessary action based on the Performance					
5	Performance appraisal is used as determent constrictive feed back					

	<b>Challenge in the Performance Appraisal</b>	1	2	3	4	5
1	The performance management system is lack of alignment between individual and department appraisal					
2	The result of the performance evaluation is reliable					
3	The criteria of the appraisal system are accurate					
4	The standard is clearly explained					
5	Employees are not rated according to the nature of their job and responsibilities					

### Part III: Open Ended Questions

1) How satisfactory is the existing performance appraisal system?

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2. What are the potential challenges associated to the performance appraisal practice utilized?

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