ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
GENERAL BUSINESS ADMINISTRATION PROGRAM

PERFORMANCE APPRAISAL PRACTICES OF DASHEN BANK

By

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JULY, 2018

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF USINESS ADMINISTRATION

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DECLARATION

I, the undersigned declare that this thesis entitled "Performance Appraisal Practices of Dashen Bank" is prepared by me with the supervision of Alula Tessema (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSMENT

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

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Advisor   Signature & Date

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Acknowledgement

First and foremost, I would like to thank the Almighty God for helping me in all the process of my study until this time. Then, I would like to thank my families especially my wife Tsion Tilahun for supporting me throughout the whole study. I would like to give my deepest gratitude to my advisor Alula Tessema (PhD) for his constructive comments, guidance and encouragement in the course of my research work. I also would like to thank all staffs at Dashen Bank South Addis Ababa District, for they provide me relevant materials and their unreserved contribution in responding to my survey questions and participation with interview protocol. Similarly, I would like to extend my gratitude to all who support me in completing my research.

Acronyms

PAS: Performance Appraisal System

PA: Performance Appraisal

DB: Dashen Bank

DBSAAD: Dashen Bank South Addis Ababa District

HRM: Human Resource Management

MBO: Management by objective

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Abstract

The purpose of this paper is to assess the performance appraisal practice of Dashen Bank. This study is significant for Dashen Bank since it can provide an input on employees opinion about the techniques and strategies of performance appraisal activities in relation with its core business strategy. The research design and approach used for this study is descriptive as it can describe the relationship of dependent and independent variables and a mixed, qualitative and quantitative approach data collection. Simple random sampling technique is used to choose respondents. Out of the 440 total population of the study area 210(48%) was used as study participants. Structured survey question and face-to-face interview data collection were employed as appropriate to collect data for the research problem. The collected data were analyzed and interpreted using descriptive statistics like tables, frequency and percentage, in order to present the perception of the respondents. The finding of the research will help the management of Dashen Bank to determine how employees' performance appraisal system can brings about job satisfaction, to develop and implement modern and scientific performance appraisal system, to evaluate whether or not the current performance appraisal system is scientific and to identify whether or not employees are currently evaluated with criteria's that is focused on employees job description, as well serves a bench mark for future researchers.

Key words: Performance appraisal, job satisfaction

CHAPTER ONE: INTRODUCTION

1.1. Introduction

Performance appraisal is an unavoidable element of organizational life (Brown, 1988; Longenecker & Fink, 1999). There are many decisions in modern organizations that depend on performance appraisals, and they are widely used in most organizations (Burkhalter & Buford, 1989; Davis, 2001; DeNisi, 1996; Wanguri, 1995). Performance appraisal is an important management process in which organizations attempt to direct themselves (Kreitner, 1998; Landy & Farr, 1983), and performance appraisal have been considered a key component in the success of organizations for most organizations the twentieth century (Grote, 2002; Pettijohn, Parker, Pettijohn, & Kent, 2001; Rasch, 2004; Starcher, 1996). Performance appraisal allows organizations to inform their employees about their rates of growth, their competencies, and their potentials. It enables employees to be intentional in creating their individual developmental goals to help in their personal growth. There is little disagreement that if performance appraisal is done well, it serves a very useful role in reconciling the needs of the individual and the needs of the organization (Cleveland, Landy, & Zedeck, 1983; Conry & Kemper, 1993; Grote, 1996). If used well, performance appraisal is an influential tool that organizations have to organize and coordinate the power of every employee of the organization towards the achievement of its strategic goals (Grote, 2002; Lewis, 1996). It can focus each employee's mind on the organization's mission, vision, and core values. However, if performance appraisal is not done well, Grote suggests the process can become the object of jokes and the target of ridicule.

1.2. Background of the study

Performances appraisal is a process by which employees' job capability are formally assessed at regular intervals. Kessler, H. W. (2003). The process of performance appraisal is conducted to identify efficient employees, grant award, and motivate the workforce to ensure improved productivity or service excellence. Performance appraisal was traditionally carried out by managers to control employees' works. Information obtained by accurately evaluating employee's performances help job programming, administrative decisions, punishments and awards with legally acceptable and justifiable principles. As a result, competence would be applied to employees' service status and their occupational fate and organizations would be operated under logical and fair occasions. Domination of competence and creation of an excellent environment depend on effectiveness of tasks and achieving organizational

objectives. Drucker, P. F. (1954). These activities increase organizational efficiency and productivity and facilitate more rapid growth and prosperity. Effective performance appraisal system has a great deal of benefits for organizations and employees: Fair and job related performance appraisal can provide feedback in order to improve employees' performance; to provide training for employees, for promotion , transfer and it increases employees' motivation and productivity. (Berkeley; 2004)

Since last decade, many organizations have understood that they are lack of a performance appraisal system to convey their priorities and objectives to employees and take a step toward their improvement. Because of the spread of cognitive areas and use of different tools such as feeling, observation, perception, experience and the power of thinking, employees has always been sensitive to different subjects especially in appraisal and interpretation of behavior and performance and because of these and other factors managers are forced to effectively assessing employees' performances. (Berkeley; 2004)

1.3. Background of the Organization

Dashen Bank coined its name from the highest peak in the Country, Mount Ras Dashen found in Gondor, Ethiopia.The bank aspires to be unparalleled in banking industry, and head quartered in Addis Ababa, the Bank is the biggest private Bank in coverage in Ethiopia. It operates through a network of 330 Branches; nine dedicated Forex Bureaus, 275 ATMs and 980 plus Point-of-Sale (POS) terminals across Ethiopia. Dashen bank has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world. Wherever business takes customers around the world, Dashen Bank is already there.

Dashen is the most reputable brand in the domestic banking mark. It earned its reputation through consistent delivery of values and preeminence unmatched by its competitors. The bank established with a paid-up capital of ETB 1.4 billion, which is incorporated in the Ethiopian financial sector on September 20, 1995 with consistent expectation and clear vision of providing unparalleled banking service in Ethiopia. It continues improving its brand popularity and core competitiveness by expanding business network and enhancing satisfaction by product innovation. Currently, it has330 branches and 5 Forex Bureaus. In-terms of amount of loans, deposit and profitability, it is the leading bank among private banks. (Dashen bank annual booklet; 2017). Although Ethiopian banking industry has witnessed distinct growth over the last few years in line with the broader economy, the

contribution of dashen bank in the economy with regard to deposit and loan growth was significant. (Dashen bank annual booklet; 2017)

1.4. Statement of the Problem

Determining the relationship between individual job performance and organizational performance can be a difficult task. At Dashen bank there are two overarching problems from which several complications spawn. At Dashen bank one of the major problems with formal performance appraisal is that the appraisals are not designed to evaluate employees performance based on employees job description, which sometimes not clearly communicated and accepted by employees. The second problem is that the performance appraisal system does not correspond with the organizational culture and system.The performance appraisal system still dose not clearly designed to evaluate each emplyees based on their assigned job responsibility like supervisory, clerical non-supervisory and non-clerical .Hence, there is disagreement between evaluator and employee which brings about the workforce dissatisfaction, grievances resulting to negative impact on job productivity. So, the study sought to address the gap by enquiring on the effects of performance evaluation system on employees job satisfaction at Dashen Bank in south Addis ababa district.

1.5. Research Questions

The following research questions are designed to asses the practice of performance appraisal system in Dashen Bank to understand whether or not the banks evaluation system had an impact on employees job satisfaction.

Basic research questions

1. Does Dashen Bank have clear performance appraisal criteria Known by employees?
2. How Dashen Bank communicate the performance appraisal criteria to employees before and after appraisal?
3. Is performance appraisal criteria designed based on employee's job description?
4. Are employees satisfied with their job appraisal system?
5. Does the management strictly apply performance appraisal results for employees promotion demotion and/or termination purposes?
6. What kind of roles assessors have in the performance appraisal system?

1.6. Objective of the study

1.6.1. General objectives

The general objective of my research is to show how employees' performance appraisal system and its impact on employees' job satisfaction of dashen bank.

1.6.2. Specific objectives

1. To determine how employees' performance appraisal system brings about job satisfaction.
2. To understand the implementation of performance appraisal system at Dashen Bank South Addis Ababa District.
3. To identify if employees are evaluated based on their job description.
4. To make sure if employees are satisfied with the job appraisal system.

1.7. Significance of the study

The result of this study will be important for the management of Dashen Bank as it can provide research based information about the performance appraisal activities in relation with its core business strategy. The research will also help Dashen Bank to analyze the effectiveness of the performance appraisal criteria and practice in creating employees job satisfaction that enables them to increase productivity, to gain experience of other countries and corporate offices, to develop a healthy relationship between employers and employee and for human resource practitioners that will design and administer the performance appraisal system.

1.8. Scope/Delimitation/ of the study

Despite the fact that there was an interest to cover major concepts in the performance appraisal practice of all Dashen bank in Addis Ababa, However due to the limitation of time and financial constraints the research is delimited to only South Addis Ababa District. The research, conceptually, also limited to give more emphasis for the investigation of the relationship between performance appraisal and job satisfaction. .

1.9. Definition of key terms

The definitions of key terms are explained in the following pharagraph.

Performance appraisal: The process by which a manager or consultant examines and evaluates an employee's work behaviour by comparing it with preset standards, documents

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the results of the comparison, and uses the results to provide feedback to the employee to show where improvements are needed and why. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired. (www.businessdictionary)

Job satisfaction: refer to the attitude and feelings people have about their work. Positive and favorable attitudes towards the job indicate job satisfaction. Negative and unfavorable attitudes towards the job indicate job dissatisfaction (M., Armstrong, 2005).

1.10. Limitation of the study

One of the major limitations of this research is the scope the research will cover. It will concentrate only on how performance appraisal system affects employees job satisfaction. As the study is done on sample basis in South Addis Ababa District, only some percentage of employees may not be addressed methodologically. The research conceptually is limited to give more emphasis for the investigation of performance appraisal system of Dashen Bank and the perception of employees satisfaction to increase their productivity, as well as the researcher has limited research exposure. Other limitation is accounted to the researcher personal shortcomings such as the lack of prior experience in conducting structured and methodical research.

1.11. Organization of the study

The study is organized into five chapters. Chapter one deals with introduction, background information, statement of the problem, objective of the study, significance of the study, definition of key terms, and limitation of the study. Chapter two discuss about the review of relevant literature related to the research problem. Chapter three deals with the research design and methodology including source of data collection, procedure data collection and sampling technique. Chapter four deals with data analysis and interpretation and chapter five present summary, conclusion and recommendations.

CHAPTER TWO: REVIEW OF RELATED LITRATURE

2.1. Performance appraisal

Performance appraisal is the process of evaluation and an employee of an organization by some qualified persons. Performance appraisal is important to know whitens the selection of an employee was right or wrong, it also help for personnel promotion, transfer, salary increase with their performance. (Gupta, Sharma and Bhala, 1988).

Performance appraisal means the systematic evaluation of the performance of an employee by his or her supervisors. It is a tool for discovering, analyzing and classifying the differences among workers in relation to job standards. It refers to the formal system of appraisal in which the individual is compared with others and ranked or rated. Generally appraisal is made by the supervisor or manager once or twice a year. Performance appraisal is the formal process normally conducted by means of completing an instrument that identifies and documents a job holder's contributions and workplace behaviors. A primary reason for appraising performance is to encourage employees to put forth their best effort so that the organization can reach its mission and goal. Through the appraisal process organizations identifies and recognizes effort and contributions. (Henderson, 2006).

Performance appraisal of employee implies to how efficiently the worker are performing their job and also to know their aptitudes and other qualities necessary for performing their job and also to know their aptitudes and other qualities necessary for performing the job assigned to them. The qualities of employee that are appraisal through performance appraisal are ability to do work, spirit of cooperation, managerial ability, self confidence, inactive, intelligence etc. Performance appraisal regarded as a most significant tool for any concern. The main objective of performance appraisal is to improve the efficiency of a concern by attempting to mobilize the best possible efforts from individuals employed in it. (Gupta, Sharma, and Bhala,1988).

Performance appraisal means evaluating an employee's current or past performance relative to the performance standards. Appraisal involves setting work standards, assessing the employee's actual performance relative to these standards and providing that person to eliminate deficiencies or to continue to perform above par. (Desseler, 2003)

According to (Flippo, 1984) performance appraisal is a systematic, periodic and so far as human possible, the impartial rating of an employee's excellence in matters pertaining to his potentialities for a better job. From the above definitions, it is understandable that performance appraisal is a systematic and orderly process to evaluate the performance of personnel in terms of the requirements of the job.

2.2. The concept and measurement of job performance and employee satisfaction

2.2.1. The concept of job performance and employee satisfaction

Throughout the history of organisational and behavioural research, the subject of employee satisfaction has always attracted widespread empirical examination, leading to a number of interesting definitions. Price (2001) defines employee satisfaction as the effective orientation that an employee has towards his or her work. It may also be recognised as the individual's perception and evaluation of the overall work environment (Sempane, Rieger & Roodt, 2002). Lu, While and Barriball (2005) define employee satisfaction as a global feeling about one's work or a related cluster of attitudes about various facets of the work environment. Employee satisfaction may also be perceived as a 'positive emotional state resulting from the appraisal of one's job or job experiences' (Islam & Siengthai, 2009:4). A common aspect that connects these definitions is that employee satisfaction is concerned with what people in an organisation feel about their overall work.

A study conducted by Ellickson and Logsdon (2001) gives emphasis to environmental factors and personal characteristics as the two most influential variables that determine the level of employee satisfaction. Lambert, Edwards and Cabic (2003) also found low employee satisfaction levels amongst employees whose expectations fell short. Ganguly (2010) maintains that the person-environment fit paradigm has been widely recognised as the most appropriate explanation for employee satisfaction. Additionally, other researchers uphold that employee satisfaction is influenced by the interaction of a family of factors such as recognition, communication, co-workers, fringe benefits, working conditions, the nature of the work itself, the nature of the organisation itself, organisational systems, policies and procedures, compensation, personal development, promotion, appreciation, security, and supervision (Ilies, Wilson & Wagner, 2009; Irving & Montes, 2009; Koonmee, Singhapakdi, Virakul & Lee, 2010). For most management scientists, meeting the needs of employees remains the prime employee satisfaction-enhancement strategy (Giannikis & Mihail, 2011).

However, contemporary research advances have challenged this view, which attests to the multi-factorial character of employee satisfaction.

In order to improve employee satisfaction, it is important to measure and establish the existing levels first (Wright, Gardner, Moynihan & Allen, 2005). However, due to its multi-faceted nature, the measurement of employee satisfaction varies from one organisation to the other. Some organisations use anonymous employee satisfaction surveys which are administered periodically to measure the levels of employee satisfaction (Deshpande, Arekar, Sharma & Somaiya, 2012). In other organisations, meetings are held between management and small groups of employees where the latter are asked questions pertaining to their satisfaction (Ybema, Smulders & Bongers, 2010). However, in other organisations, exit interviews are the primary employee satisfaction measurement tools (Schulz, 2001). The importance of these methods lies in that they elicit satisfaction sentiments from employees themselves (Schneider, Hanges, Smith & Salvaggio, 2003). Employee satisfaction has thus been widely recognised as a predictor of productivity and performance in organisations (Dawal, Taha & Ismail, 2009; Silvestro, 2002).

The body of research on the relationship between employee satisfaction and organisation performance continues to grow. Organizational productivity and efficiency are attained by satisfying employees and being sensitive to both their physiological and socio-emotional needs in a holistic manner (Schneider et al., 2003). A study conducted by Cole and Cole (2005) reports that there is a positive correlation between the job attitudes of individuals and their performance. A meta-analysis conducted by Judge, Thoresen, Bono, and Patton (2001) also found a positive relationship between individual employee satisfaction and factors such as motivation, job involvement, organizational citizenship and job performance. In another meta-analysis conducted by Harter, Schmidt and Hayes (2002), it was found that there is a positive relationship between employee satisfaction and productivity, profit, turnover and customer satisfaction in nearly 8000 business units in 36 organizations across the five continents of the world.

Studies conducted by Schneider et al. (2003) and Zohir (2007) confirm that there is a positive correlation between overall employee satisfaction with the organization's financial and market performance. Corporate Leadership Council (2003) also conducted an employee satisfaction survey of over 40% of the companies that are listed in the top 100 of Fortune 500 companies. The study concluded that employee satisfaction, behavior and turnover predicted the following year's profitability, and that these are even more strongly correlated with

customer satisfaction. A survey conducted by Price Waterhouse Coopers (2002) which involved several multinational companies sustains that employee satisfaction as well as decreased turnover are major contributors of long-term shareholder returns. Conversely, employee dissatisfaction resulting from poor workplace environments can also lead to a decrease in productivity leading to poor organisational performance (Chandrasekar, 2011).

It is important for management in organisations to create a work environment that facilitates higher employee satisfaction levels. This is because employee satisfaction has a stimulus effect on the loyalty and confidence of employees, improves the quality of outputs and also increases productivity (Surujlal & Singh, 2003; Yee et al., 2008). Satisfied employees tend to perceive that the organisation will be more satisfying in the long run, they care about the quality of their work and are more committed to the organisation, leading to a demonstration of organisational citizenship behaviours (Fraser, 2001; Sempane et al., 2002; Yoon & Suh, 2003). Goslin (2005) is also of the opinion that satisfied employees have higher retention rates and are more productive. When employees are dissatisfied, their physical and mental health is negatively affected (Faragher, Cass & Cooper, 2005). Consequently, organisational performance will also deteriorate as more production time will be lost because dissatisfied employees are likely to take more leave (Judge, Piccolo, Podsakoff, Shaw & Rich, 2010; Shields, 2006); therefore, if steps are taken to improve employee satisfaction, overall success of the organisation is enhanced and the results can be reflected through happier employees, enhanced workforce productivity, reduced workdays and higher profits. This also typifies the importance of people in organisations, since people are the promoters of excellent organisational performance.

In the context of the service industry, substantial research evidence reveals that there is a positive association between employee satisfaction and customer satisfaction (Bernhardt, Donthu & Kennett, 2000; Wangenheim, Evanschitzky & Wunderlich, 2007). Providing employees with an outstanding internal working environment is likely to lead to satisfied employees who are both loyal to the organization and are capable of providing customers with an exceptional service experience (Chi & Gursoy, 2009). Customers will naturally recognize and value the excellent service offered to them, leading to an exhibition of loyalty behaviors, such as repeat purchases and increased referrals (Koys, 2003). These behaviors suggest; therefore that satisfied employees will create satisfied and loyal customers, which will result in better organizational performance. It is important then for service organizations to direct sufficient resources towards employee satisfaction programs.

2.2.2. Measurement of job performance and employee satisfaction

According to Kostiuk and Follmann (1989) in most organisations performance is measured by supervisory ratings, however these data are not very useful since they are highly subjective. Bishop (1989) adds to this that in most jobs an objective measure of productivity does not exist. Bishop (1989) also states that the consistency of worker performance is greatest when conditions of work are stable, but in practice work conditions never are stable. This makes it even harder to measure performances objectively. According to Perry and Porter (1982), the performance of many employees probably will be measured despite the lack of availability of generally accepted criteria.

Perry and Porter (1982) and Bishop (1989) both argue the problem of objective measurement, however Bishop confirm that the problem even increases since most employers believe that they can rate the productivity of their employees while they have insufficient competency. He added that obtaining effort and productivity is even expensive. Other researchers argue that a person's personality plays a more specific role in job performance (Barrick & Mount, 1991). However, the effect of personal characteristics and education on performance evaluation is difficult to interpret, and those estimates are imprecise and the models who claimed to interpret them are rejected as invalid (Kostiuk & Follmann, 1989). However, Kostiuk and Follmann do argue that personality differences seem to be important in the relationship with performance. It can be stated that job performance contains a problem; the measurement of it. Job performances are commonly measured by supervisory ratings and those ratings are not perceived as objective.

Breaugh (1981) states in his research that there are four different performance dimensions on which employees are measured, named: quality, quantity, dependability and job knowledge. This theory combined with Vroom's (1964) theory results in the work of Hunter (1986). He designed the route in which most employers can rate their employee's productivity.

According to Hunter (1986) learning the job is the key to job performance, and general cognitive ability predicts learning. Therefore general cognitive ability is the key predictor of job performance. General cognitive ability together with job knowledge indicates job performance and allows the employee's supervisor to rate performance. According to Hunter this is a simplified but an effective and objective way to measure employee performance. Kostiuk and Follmann (1989) add to the statement of Hunter (1986) that employees with

good abilities in combination with sufficient experience are twice as productive after two years and therefore learning the job is indeed a key to performance. Hunter (1986) argues that supervisory ratings based on ability provide more objective measurements. However, despite the higher objectivity in the theory of Hunter (1986) this type of measuring job performance is still based on supervisor ratings. And supervisory ratings are commonly rejected as being objective (Bishop, 1989). Griffin et al. (1981) concluded in their literature review that there are few true objective options to measure job performance; one alternative is used in the research of Umstot, Bell, & Mitchell, in 1976. Namely; take job performance as "the average number of units produced per hour for one day; adjusted for set-up and called productivity". Griffin et al. (1981) argue that there are some other options to measure job performance B. Keijzers; Employee motivation related to employee performance in the organisation 17 objectively, but they have more to do with productivity; e.g. job performance taken as "number of units produced divided by total time worked (i.e., items per minute)". It seems that performance in organizations is commonly measured subjectively, but there exist few alternatives for objective ways.

2.3.   Principles of Effective performance Appraisal

Systematic performance appraisal should be an accurate and reliable one. The reliability and accuracy of performance appraisal is obtained wherever the barriers of performance appraisal are overcome by the management. However, there is no perfect appraisal system in all organizations but there are some systems that posses certain characteristics that can provide a more effective means for achieving the appraisal. Regardless of which method is used an understanding of what an appraisal is supposed to do is critical. The most important thing is not which form or which method of performance appraisal used but whether managers and employees understand its purposes and obtaining the actual result from the evaluation. (Ramasamy, 1998)

According to (Ramasamy, 1998) the management may take the following measures to make the appraising more effective. Single employee is rated by two raters. Then, the comparison is made to get accurate rating, a separate department may be created for effective performance appraisal, the plus points of an employee should be recognized, at the same time, the minus points should not be highlighted too much but they may be hinted to him, the standard for each job should be used for performance appraisal to each job according to the nature of the job, Separate printed forms should be used for performance appraisal to each job

according to the nature of the job, The measurement should create confidence in the minds of employees and Continuous and personal observation of an employee.(Ramasamy,1998)

The perfect performance appraisal system doesn't exist because all performance appraisal methods have their own limitations and negative impacts. According to (Flippo, 1984) the following are the characteristics of effective a performance appraisal system.

Characteristics of effective a performance appraisal system

Performance expectations: - the managers should clearly explain performance expectation to employees in advance of the appraisal period. This enables the employees lead their efforts and emphasis towards the expected performance level.

Employee access to the result: - An effective appraisal system should provide feedback to employees on how well or bad they have performed and a continuing basis.

Qualified appraisals:- the evaluators should be well trained, should be given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisals interviews and documented approaches.

Standardization:- employees in the same job category, under the same supervisor and coordinator should be appraised by the same evaluation instruments, techniques, procedures and work objective.

Due process: - A formal procedure should be developed for appraisal process and it is vital to reduce employees' complaint and grievances performance should be job related. Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees' futures such as having promotion, rewards, demotion or even termination of their job within the organization suggested performance appraisal quality variations will generate strong reactions among employees. (Mayer and Davis, 1999)

In order to create effective performance appraisal system that will create employee job satisfaction any organization shall include the following four principal indicators of the quality of performance appraisal system.

The first one is clarity of performance expectations, which shows the scope to which employees are familiar with the purpose and role of the performance appraisal. This will involve precision and clearness of the role of performance appraisal that will play in

shaping an employee's fate within the organization and the performance appraisal process. (Brown, Haytt, Benson, 2010)

The second indicator is the level of communication between the employees and their supervisors that specifies the opportunities to evaluate information and acquire supply in combination with clarity about performance appraisal processes provide employees with the chance of exercising a level of process control. In addition providing an employee with the chance to express his or her opinion is appreciated in it and certifies his or her belongings in the organization. (Brown, Haytt, Benson, 2010)

The third indicator is trust in the supervisor employees who consider their supervisor is capable and has high quality knowledge of their employees' job responsibilities will be more probable to rate their performance appraisal experience positively and trust their supervisor (Greenberg,1896). Also when employees trust their supervisor they grasp positive outlooks about their supervisor'smotives, judging that manager will act in their finest interest.

The forth one is fairness of performance appraisal process employees want to be treated fairly throughout the performance appraisal process as this is considered to have an effect on the quality of the results of the process. (Fortin, 2000)

2.4. Methods of performance appraisal

There are various methods of appraising employees performance in fact there is no universally accepted method an organization has to use. This may be determined by factors like the size, nature, financial capability and objectives of the organization.

According to (Flippo, 1984) the different performance appraisal methods can be classified is to two major groups namely Traditional appraisal methods and Modern appraisal method

2.4.1. Traditional appraisal methods

These types of appraisals are still widely used by many organizations. The most commonly used traditional performance appraisals are the following:-

A. check List Appraisal:- When this technique is used employee performance and characterize are described by words and statements the rates is expected as required to choose one among words that describes the individual's performance. But sometimes the personnel department assigns weights to different items in the list in accordance to their importance without the rater knowledge. The rater indicates the

answers of an employee against each question by putting a tick mark within two columns provide to each questions as yes or no that is yes for positive answers and no for negative answers. This method has its own advantage and disadvantage. The major advantages are it's easy to administer and it needs limited training and standardization the major Disadvantage is It's costly and time consuming to develop the check list and questioner for each job category.(Flippo,1984)

B. Forced choice method: - in this method, the rate is presented with a serious of two or more favorable or unfavorable choices and the rates select one of the statements, by which the employee is best described from the given choices. These methods force the rates to choose from the alternatives this is the reason it called forced choice method and it have an advantage of easy to administer and it is fit for a wide variety of jobs. (Ramasamy,1998)

C. Critical Incident Method: - In this method the rater records statements describing extremely good or bad employee behavior related to performance. These statements are supported by explanations of the actual happenings that were recorded at the time they took place. These statements are called critical incidents. Both negative and positive incidents are recorded and the employee is appraised on all events occurred in a particular time. (Ramasamy,1998)

D. Field review Method: - When this method is adopted a skilled representative of personnel management assists supervisors with their ratings. An employee's performance is appraised

through interview between the rater and the immediate supervisor of a concerned employee. The rater asks the supervisor questions about the performance of an employee the success of this type of appraisal method is based on the competence of the interviewer (Ramasamy.1998)

E. Ranking Method: - This method is very old and simple form of performance appraisal. An employee is ranked one against the other in the working group for example if there are 10 workers in the working group, the most efficient worker is ranked as number one and the last efficient worker is ranked as number ten. (Ramasamy,1998)

F. Paired comparison Method: - This method is a part of ranking method. It has been developed to be used in a big organization. Each employee is compared with other

employees taking only one at a time. The evaluator compares two employees and puts a tick mark against an employee who he considers a better employee. In the same way an individual is compared with all other existing employees. Finally, an employee who gets maximum ticks for being a better employee is considered the best employee. This method is suitable for large organizations and individual traits can be evaluated. However, this method is expensive and time consuming. (Ramasamy,1998)

G. Graphics Rating Scale: - This method is the oldest and most commonly used type of performance appraisal. In this method each individual's trait or characteristics are presented by certain scale from low to high. A graphic rating scale lists traits such as quality and reliability of an employee and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait this method of appraisal is widely used because it is less expensive, easy to raters and its applicable to a large number of employees. However it has some limitations like it expose to raters biases and feed back is limited due to these factors employees sometimes may complain against the results (Dessler,2003).16

2.4.2. Modern appraisal methods and stages

These methods of appraisal enable the rater to evaluate either employee's performance in the better way than the traditional methods. Some of the modern appraisal methods are discussed:

A. Assessment Centers

These methods are designed to differentiate between the current performance and potential performance of an employee and they used to select managers and supervisors by recognizing their potential performance in their job. The employees who will be examined to be supervisions are brought together into similar condition of job or assessment counters. The assessment includes interview, psychological tests, and personal background histories leaderless group discussions and evaluated by well trained persons. The evaluate can show and measure their future potential performance depending on the current performance of an employee (Graham, 1998).

B. Behaviorally Anchored Rating Scales (BARS)

This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are

used as a basis for rating employee performance. While, more time consuming then other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feed back to employee. (Dessler,2003)

 According to (Flippo, 1984) there are two behavior anchored rating scales these are:- Behavior expectation scales (BES) and Behavior observation scales (BOS). The Behavior expectation scales are used to help the rates to define as superiors, average or below average the behavior of the employee. The Behavior observation scales (BOS) used where the rater reports the frequency with which the employee engagements in the behavior specified is the anchors.

C. Management by Objective (MBO)

This method of appraisal is more than an appraisal grogram it reflects a management philosophy which values and utilize employee contributions. By establishing clear and well defined objectives, the employees are provided with a course to follow and practice their duties and responsibilities properly. MBO generally refers to a comprehensive, organizational wide goal setting and appraisal program consisting of six steps these steps are the following:-

1. Set the organization goals

2. Set departmental goals

3. Discuss departmental goals by department needs and Subordinates.

4. Define the expected results the managers and their subordinates set employees performance target.

5. Performance review: The managers and supervisors compare each employee actual and expected performance.

6. Provide feedback the managers and employees discuss and evaluate the result. (Dessler, 2003)

An important feature of MBO is that it enhance open communication with the employees on their result and this help them to get feedback on their performance and fosters superior and subordinate relationship due to frequent interaction. MBO enhance participation of subordinates and employees in managing their own affairs on the other hand there are a number of limitations in applying MBO some of them are:-It is time consuming, Reluctance of superiors to delegate authority and subordinate accept authority for fear of

accountability, It gives more emphasis on the short term objectives rather than long-run objectives and Its objectives sometimes could be too ambitious which results in employee frustration. In general,

MBO is very effective in some condition like when employees and supervisors are flexible and self control in their jobs and in some uses it may not be effective. To make more effective it is important to reduce its problems. (Dessler, 2003)

D. 360 – Degree appraisal

Under 360 – degree appraisal, performance information such as employee's skills, abilities and behaviors, is collected "all around" an employee, i.e., from his/her supervisors, subordinates, peers and even customers and clients. In other worlds, in 360-degree feedback appraisal system, an employee is appraised by his supervisor, subordinates, peers, and customers with whom he interacts in the course of his job performance. All these appraisers provide information or feedback on an employee by completing survey questionnaires designed for this purpose. All information so gathered is then compiled through the computerized system to prepare individualized reports. These reports are presented to me employees being rated. They then meet me appraiser—be it one's superior, subordinates or peers—and share the information they feel as pertinent and useful for developing a self-improvement plan. In 360 – degree feedback, performance appraisal being based on feedback "all around", an em-ployee is likely to be more correct and realistic. Nonetheless, like other traditional methods, this method is also subject to suffer from the subjectivity on the part of the appraiser. For example, while supervisor may penalize the employee by providing negative feedback, a peer, being influenced by 'give and take feeling' may give a rave review on his/her colleague. (Smiriti Chand)

2.5. The impacts of performance appraisal system on employees Job Satisfaction

Studies on the impacts of performance appraisal on employees' job satisfaction emphasize the need for feedback (Shrivastav & Sapra, 2012) and rewards (Gichuhi, Abaja, & Ochieng, 2012). Shrivastav and Sapra (2012) in a study to investigate the impacts of performance appraisal on employees' job performance revealed the relevance of performance appraisal to organizations but also emphasize the need to give feedback to employees due to the positive impact that will have on their performance. They assert that feedback after appraisal helps strengthen communication between supervisor and employees and also motivates the

employee. The study also underscores the role performance appraisal plays in guiding employees to work towards attaining organizational goals and their own goals as well. Poorly undertaken performance appraisals, they warn, could have detrimental effects on the organization by causing employees to perform worse. The study by Gichuhi, Abaja, and Ochieng (2012) in Kenya discovered that employees realize little benefit after a performance appraisal. It claimed that there was little reward as far as performance appraisal is concerned. The study asserted that there is no significant difference in rewards to employees on the basis of their performance. The study questioned why employees get no tangible benefits from appraisals and suggests that the purpose of appraisals be relooked at. This practice has the potential of reducing employees' job satisfaction and commitment levels since rewards are one of the factors that influence employees, job- related attitudes (Moorhead & Griffin, 1992).

In another study in Kenya which was to investigate the effectiveness of performance appraisal systems on employees, Omboi Bernard Messah, and Shadrack M. Kamencu (2011) proved that performance appraisal systems have positive impacts on the performance of employees in the Kenya Tea Development Agency. They identified employee training, management by objectives and performance based pay as the main factors that have an influence on the performance of employees as they were given high ratings by respondents. The study also suggested that competence, assessment and development also influence employees performance but to a relatively moderate extent.

A recent study by Daoanis (2012) reveals that performance appraisal system strongly affects the commitment of employees in both positive and negative ways. She discovered that employees' loyalty are strongly affected, hence their initiative in doing their work. It follows that efficiency and effectiveness of the employees are strongly affected as they claimed that their motivation in doing their work are affected. On the positive side, responses by employees revealed that they would not mind working extra hours, on the negative side; however, employees will be unwilling to work for extra hours or beyond the hours for which they are paid because they feel they are not rewarded sufficiently. This study gives credence to the assertion by Lee and Bruvold (2003) that employees are willing and feel obliged to repay the organization through high performance levels if the organization shows a commitment in terms of rewards and the development of employees. Employees will thus feel motivated to work towards achieving organizational goals, even those which may be super ordinate, and will also cause an increase in their affective commitment (Latham, 2003).

Finally, a research on sales persons asserts that giving clear explanations on the criteria used in evaluating employees and giving employees the chance to partake in designing appraisals has a positive relationship with their commitment. However, if the employees' roles in the organization are not clearly defined, it will have a negative impact on commitment (Pettijohn, 2001). And, since performance appraisal system is enhanced by employee participation and perceived clarity of goals (Roberts & Reed, 1996), it may also be positively related to affective commitment, thus supporting the arguments about communicating super ordinate goals (Latham, 2003) . Moreover, developmental performance appraisal is concerned with giving employees a sense of belongingness and that sense of being valued by their teams and the organization at large as this is vital in making employees more affectively committed to the organization (Levy & Williams, 2004)

2.6. Challenges of performance appraisal and its impact on employees satisfaction

Challenges of Performance Appraisal Supervisors and employees generally have ambivalent attitudes, at best, toward performance appraisal (Cederblom & Pemerl, 2002). Although most would recognize the perceived benefit, in principle, of documenting, communicating, and setting goals in areas of performance, many are also frustrated concerning the actual benefit received from performance appraisal in their organizations. The benefits and rewards of performance appraisal appear to be often overstated (Longenecker & Nykodym, 1996). Nickols (2007) suggests that "the typical performance appraisal system devours staggering amounts of time and energy, depresses and demotivates people, destroys trust and teamwork and, adding insult to injury, it delivers little demonstrable value at great cost" (p. 13). The findings of several studies addressing the challenges of performance appraisal and the consequences of performance appraisal that is not done well are summarized below.

Oberg (1972) mentions several pitfalls that are common to performance appraisal systems: (a) they demand too much from supervisors, (b) standards and ratings vary widely and sometimes unfairly, (c) personal values and bias can replace organizational standards, (d) employees may not know how they are rated due to lack of communication, (e) the validity of ratings is reduced by supervisory resistance to give the ratings - particularly negative ratings, (f) negative feedback can demotivate employees, and (g) they interfere with the more constructive coaching relationship that should exist between superiors and their employees.

Bretz, Milkovich, and Read (1992) found that organizations continue to do things that undermine the effectiveness of the appraisal process. Little time is spent on the appraisal process, raters are not trained and are not held accountable, and the employee's role in the process is overlooked along with potentially valuable sources of performance information from the employee, peers, and subordinates. International Journal of Business and Social Science Vol. 2 No. 17 www.ijbssnet.com 33 The person who arguably had the most influence in shaping the view that performance appraisal was not an effective tool to lead and manage organizations was Deming (1986) in his book Out of the Crisis. He contends that performance appraisal has significant negative drawbacks for organizations and he urges organizations not to use individual performance appraisal but rather evaluate the performance of a unit or department instead. He further stated that most common cause for error is found within organizational systems rather than with the individuals within the organization.

Deming (1986) suggested that there is a normal distribution of employee performance within an organization with 95% of all organizational employees working for the success of the organization. The remaining 5% of all employees have serious problems and difficulties. A disciple of Deming, Peter Scholtes, went so far as to say that performance appraisal, at best, does not work, and in the worst scenario, it can damage morale within the organization (Scholtes, 1993 as cited in Rasch, 2004). Lewis and Smith (1994) paraphrased relevant Deming principles as they would apply to higher education as follows: "Eliminate performance standards (quotas) for faculty, administration, staff and students (e.g. raise test scores by 10%, lower dropout rate by 15%). Eliminate management by numbers and numerical goals. Substitute leadership." They also said "Remove barriers that rob faculty, administration, staff and students of the right to take pride in and enjoy the satisfaction of personal performance and productivity. This means, among other things, abolishing annual or merit ratings and management by objectives" (p. 101). It is interesting to note that while Deming's ideas on performance appraisal have received some attention in practitioner appraisal literature, they have not received any attention from researchers (Bretz et al, 1992). The notion of no individual feedback seems unrealistic because even without formal appraisal, informal feedback by team leaders and peers will most likely occur, and it could be less systematic and more subject to biases.

In the discussions on organisational success, managers often say that employees' morale is one of the crucial factors for success. Even Napoleon said: 'The effectiveness of the army depends on its size, training, experience and morale, and morale is worth more than all the

other factors together.' Focusing on recent times, it could be stated generally that managers want to have satisfied employees who feel good in their workplace; they prefer to work with people who have a positive view of the job. Workers who have a high level of job satisfaction generally love their job; they feel justice in an environment in which they work, and feel that their job gives them some positive features such as variety, challenge, good pay and security, autonomy, pleasant co-workers, etc. Workers who are happy at work will even devote private time to their work activities, they will be creative and committed, they will seek a way to cross any obstacle which might exist in the realisation of their jobs, and they will assist their colleagues and superiors. These workers will have extraordinary performance, and the companies with these kinds of workers will be successful. But, is this always the case? Is job satisfaction such a crucial factor in organisational behaviour? The general answer to this question is 'yes'. However, it is important to emphasise that the relationship between job satisfaction and organisational performance or organisational success is far from simple and direct. Psychological Bulletin, 52,396–424.10.1037.

Organisational performance cannot be viewed as a simple sum of individual performances. Although the research results of many studies suggest the existence of positive correlation between job satisfaction and individual performances(Brayfield&Crockett, 1955Brayfield, A. H., & Crockett, W. H.(1955). the case with the relationship between job satisfaction and organisational performance is more complex. Organisational performance is influenced by various factors, both internal which the company can influence, and external, which are beyond the company's influence. Attitudes in general and especially job satisfaction really affect organisational behaviour in a number of cases, but not always. This impact is sometimes blocked by the influence of external factors, conditions and circumstances. It would be naive to claim and expect that the impact of job satisfaction on organisational behaviour, and thus on organisational performance, is visible at all times and in all circumstances.

Regarding the studies that address the relationship between job satisfaction and organisational performance, it should be pointed out that the number of studies focused on this connection is much smaller in relation to the number of studies dealing with the relationship between job satisfaction and individual performance. These studies are recent, and give inconsistent results. Some authors have found a positive correlation between job satisfaction and organisational performance (Chan et al., 2000Chan, K. C., Gee, M. V.,

& Steiner, T. L. (2000). Employee happiness and corporate financial performance.Financial Practice and Education, 10, 47–52.

2.7.   Performance appraisal system in the banking industry

Banks and Financial Institutions have witnessed a lot of economic turmoil in the past and continue to experience so. Last decade experienced several heavyweights of the industry stumble and collapse without much warning. A major part of the failure was attributed to human factors like skewed compensation on higher risks, greedy play with performance data, and lesser long-term accountability. To avoid the repetition of these incidents, organizations need to pay attention to the organization building initiatives. The values, employee information, employee performance, integrity and transparency in the processes must be meticulously examined and managed. Like any other industry, this sector also has certain general and specific business processes. Industry Experts and Analysts mention the following as the pressing tasks for banking and finance industry: highly aggressive sales targets & customer service benchmarks, continuous coaching & mentoring of employees, frequent goal tracking and performance reviews, tracking of employee honesty & integrity, better employee experience and continuous motivation, rational compensation and benefits, employee data security & privacy, millennial workforce and their digital expectations, maintaining legal Compliances and Workforce Planning for Productivity and Profitability.

Each Banking and Financial institution aims at becoming world-class provider of services and products to compete well in the industry. Employees and their performance play a vital role in improving operational efficiency and effectiveness of the banking processes. To effectively operate the business in the middle of an economic downturn, banks and financial institutions need to completely revamp their processes, employee policies and bank upon the digital HR technologies. Financial organizations have been part of the huge automation drive at the operations level, whether it was on the software front or the hardware level. Automation and digitalized work environment have automated HR processes, minimized human intervention and made processes intuitive and brought transparency to the table.

Automation has done wonders to improve the customer experience, improved the speed of service and lowered the cost of operations. The next wave of digitalization is the way organizations manage their people.

Performance appraisal challenges in banking and finance sector continue to escalate. Performance appraisal is coming to life through advanced digital technologies. This is also influencing leaders, managers and employees to take a more active role in managing their performance and growth. Technology-enabled performance appraisal is holistic, and focuses on maximizing employee development and improving performance of individuals and organization, as a whole.

Digital transformation at workplace empowers management to collaborate with employees, enable employees with performance tools and helps in developing talent and leadership.

Automation and digital HR is a smart move to significantly improve ways to onboard new employees, inform them about company policies, track their goal achievements, monitor performance, provide training opportunities, and streamline other HR processes.

Lalita Rani, Naveen Kumar and Sushil Kumar (2014), in their study come to the crux that appraisal process is necessary as it staffs the very important purpose of improving the future performance. The study clarifies that most of the banks uses 360 Degree Appraisal Method and almost all of the employees settled on the grounds that performance appraisal helps in improving performance, achieving organization goals, helps in increasing motivation and satisfaction.

Dr. Shagufta Showkat (2013), in her study examined that performance appraisal system should be HRD oriented. Above and beyond being a base for making administrative and developmental decisions, performance appraisal can be beneficial mechanism for building a good relationship with employees, planning employee performance, discovering employee potential and improving organizational effectiveness.

Pallavee Shrivastava, Usha Kiran Rai (2012), in their study discussed that performance appraisal mechanism analyses frequently the past behavior and accordingly provides an opportunity to redirect on past performance of the bank employees. In order to be to be successful they should also be used as a platform for making development and improvement plans and should reach to an agreement about what should be done in the future to enhance the bank's effect and effectiveness. Migiro S.O., Taderera M.M. (2011), in his study addresses varied scope of improvement for the Bank's performance appraisal system and the performance based pay system to be effective. The researcher suggested that training should be provided to both the employees and the evaluators, there must be the delivery of

continuous feedback to employees on their performance and the bank should consider adoption of a new system of assessing performance such as multi- rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

2.8. Trends of performance appraisal in different countries

2.8.1. Current employees performance appraisal system at United bank

United Bank uses graphic rating scales to measure employee's job performance on January and July. The bank does not follow formal appraisal process that is developed by scholars in the field. The performance standards of the bank addresses issues such as quantity, quality, timelines, cost effectiveness and strategic relevance but it fails to address stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time. UB also faces huge problems on its performance appraisal practice; most of them are raters error like recency, halo/horns, situational influence etc and the remaining is the problem of the system. The HR department of the bank takes the ultimate responsibility for appraisal and assistant managers take the lion share by filling appraisal forms for most of the employees. The appraisal result in UB used only for making promotion, bonus payment and annual increment decisions. Performance review discussion does not take place in the case company unless an employee comes up with grievances.

United Bank performance appraisal practice is challenged by a lot of problems like: performance evaluation not focused on employee development, situational influence, not considering change over time, subjectivity, conducting appraisal for formality and raters lack information. Since most of the problems belong to the category rater error the appropriate solution to alleviate these problems are consecutive rater error training and rater accuracy training. Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors. These programs consist of having the participants view videotaped vignettes designed to elicit rating errors such as "contrast." They then make their ratings and discuss how the error influenced the rating.

2.8.2. Performance Appraisal in Indian Banks

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks have changed their (Performance Appraisal System) PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self appraisal is more of a communication of achievements. Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraise officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to be made on a five-point scale. Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats. Dr. Shambhu Nath Chowdhury, "Developing Performance Appraisal System for Performance Leadership in Banks".

Bank staffs in India are primarily divided into Officers and Award Staff. One more classification could be those working in planning like Regional / Head Offices and the other in Operations (front Office and branches). Banking is under service industry whether in public or private sector. Hence, the staffs are always under tremendous pressure for achieving the sales targets for increasing total business week after week if not at monthly intervals. Performance Budgeting is a very scientifically accepted tool because goals or targets are pre-fixed for a year in advance while monthly reports reckon the achievement of goals.

The Branch Head is the focal point for measuring the performance of the branch person, and the branch manager in turn all the staff (both Officers and others). In addition to accretion of new business, parameters for appraisal also take in to account the Customer Service rendered, the overdues recovered, the visibility of the branch or bank vis-a-vis the competitors. Productivity and Profitability could be measurable and are the key indicators in measuring or comparing the efficiency. Annual Appraisals are generally done in a modern manner that each staff member is afforded an opportunity to present his or her own self appraisal which is

reviewed by the Manager or superior official to whom he or she reports. At least it is clear in Operations while in administrative offices, it is very difficult to measure the efficiency because they only deal with communications, reports, data compilations, meetings held, and so on. Each bank has its own standards of appraisals.

2.8.3. Performance Appraisal in USA banks

The City Bank Limited has been performing very well. The City bank limited is running with steady growth in almost every sphere. They are reducing non-performing loan. They are committed to be a leading Bank in different countries. No doubt, this is the sign of good management. However, the appraisal and proposal system of The City Bank is said to the best one in this kind certain factors are:

- The performance of the employee in City Bank evaluated regularly.
- Performance is evaluated by Boss, Peer and Rating committee.
- Performance report is considered for giving incentive.
- Initiated training for unskilled employees.

2.8.4. Performance Appraisal in China banks

Since the opening up of the banking sector to foreign competition in 2006, Chinese banks have experienced wide-ranging reforms. These include changes in ownership structure, increases in management accountability and the introduction of human resource management (HRM) practices based on linking pay to performance. The drive behind these reforms was partly influenced by the policy of 'linking up with the international track' (yu guoji jiegui) which emphasizes the advantages of convergence towards international practices and technical standards which, it is argued, may help China develop a more efficient, competitive and performance-orientated economic and business system (Guthrie 1998; 2009; Wang 2007).

Performance appraisal, in particular the emphasis on linking pay and promotion to specified financial targets, is seen as especially important for the motivation and development of the highly skilled knowledge workers needed for a successful and competitive banking sector (Joshi, Cahill and Sidhu 2010; Kuvaas 2006). As such, each of the four Chinese state-owned banks have introduced performance-based appraisal practices in order to improve firm performance and help build skills and capacity in the sector (Cousin 2011). At a theoretical level, these adjustments raise important questions about the precise nature of HRM in

Chinese organizations. For example, does the strategic decision by policy makers to adopt HRM systems developed in western capitalist societies indicate a degree of convergence and standardization in international HRM practices? Or are there specific institutional and cultural factors which continue to encourage divergence or hybridization? Certainly, the notion that China should acquire foreign methods and technologies has a long history dating back to the 'self-strengthening' movement of the late Qing dynasty (1861-1895).

The slogan: 'Chinese learning as essence and western learning as function' (zhongxue wei ti, xixue wei yong) initially related to policies aimed at 'learning' about western military technology so as to resist western powers (Spence 1998). Later reformers, such as Deng Xiaoping, decided that in order to compete with the west economically, and reform internally, China also needed to know about western management methods, their economic and educational systems and their administrative and organizational forms (Warner 2014). Strategic HRM practices developed in the west were gradually introduced into the SOEs in the 1980s and became more widely adopted in the labor market during the 1990s and 2000s (Zhu, Warner and Zhao 2011). This trend was also encouraged by the rapid increase in the number of foreign invested enterprises (FIEs) operating in the mainland (Cooke 2009). At one level then, state policies have, for quite some time, encouraged convergence towards western norms in HRM in certain elements of the Chinese business system (Cousin 2011; Sachs and Woo 2001). That said, there is a large body of research which argues that Chinese cultural values may influence the implementation of HRM practices developed in the west leading to divergence and differentiation (Cooke 2013; Rowley and Benson 2002; Warner 2010). Another important source of divergence stems from differences in national level regulations and business systems. The 'national business systems' approach draws attention to the way in which interlocking social, economic and political institutions create a distinctive way of organizing economic activity (Whitely 1992; Witt and Redding 2013). In terms of how MNCs operate globally, this perspective emphasizes the tendency for institutions in the home country to guide the HRM practices used by the firm in its international operations. However these, in turn, may be modified by the different regulatory and political environments of various host countries (Almond, Edwards, Colling et al, 2005; Bae, Chen and Lawler 1998).

To the extent that foreign banks were allowed entry to the Chinese market allegedly to increase competition and introduce new skills, we could state that certain elements of the business system in China, at a macro-level, are relatively supportive of the use of a

performance appraisal process based on linking pay and promotion to the achievement of specified financial and efficiency-based targets. Of course, as Edwards and Kuruvilla (2005) note, one of the problems with the national business systems approach is that it tends to downplay internal diversity and 'sub-cultures' within the nation. There are many groups within China who have conflicting interests, for example officials, trade unions, directors, middle management and employees (Cooke 2002; Ding and Warner 2001). Different groups may resist reforms and attempt to defend existing privileges, and this is certainly the case with some of China's financial SOEs. Indeed, in 2012, the then premier Wen Jiabao noted that the state-owned banks 'had too much power' and 'ought to be broken up' (Barboza 2012) While officials may make 'rational calculations' on the nature of the changes in organizational practice that they wish to implement, these may be contested and struggled over both within and outside the organization.

Jing and McDermott (2013) note that reform in SOEs requires an understanding of the strategic actions of senior managers acting as change agents within the organization and their ability to handle conflicting interests between internal and external stakeholders. Likewise Rowley and Bae (2004) have noted that there is a need to identify not just the level of change in HRM (e.g. policies, practices and day-to-day schemes) but also the degree of acceptance of the changes by key groups (such as employees, cadres, management).

Evidence of convergence at the macro-level in the design of performance appraisal systems in that each bank attempted to use assessment criteria based on financial and efficiency-focused targets. However an investigation of micro level variables, such as cultural and generational differences, international experience, home country effects, and institutional politics provided evidence of significant divergence between the banks. Studies show that when there is a clear alignment between the strategic goals of the organization and the values of employees and supervisors, then convergence may occur. This was the case in Foreign Bank where *guanxi* played a relatively limited role in the appraisal process. In State Bank, however, there was a conflict between the Board of Directors, who were driving the changes in the performance appraisal system, and the supervisors and employees who continued to place value on maintaining and developing *guanxi* relationships over and above the achievement of performance related goals. Studies show that the influence of *guanxi* is not homogenous but, rather, varies depending on the ownership structure of the bank. Consequently, we would suggest that divergence in HRM, both in China and other Confucian-influenced societies, is likely to occur not so much because of the assumed immutable nature of certain elements of

indigenous 'culture', such as *guanxi*, but, rather, because of the institutional heritage of any given sector or organization.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1. Research design and approach

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information (Burns & Bush, 2003). Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will go about answering his or her research questions. This research employed descriptive research design. Descriptive study is useful to describe the impacts of the relationship between performance appraisal and employees satisfaction as well it uses both qualitative and quantitative approaches of data collection were applied. In designing of the instrument a questioner composed of five point likert scale questions were constructed, the type of scales used to measure the items on the instrument continued scales (strongly agree to strongly disagree) and multiple choice and interviews questions were also developed in consultation with literature and advisor comment. The design adopted enabled the researcher gather information from a group targeted sample who was DBSAAD. The sample comprises supervisory, clerical non supervisory and non clerical staffs.

3.2. Sample size and sampling techniques

3.2.1. Target population of the study

The target population of the study was all employees of Dashen Bank South Addis Ababa District. The total populations of the study were 440 employees in thirty five branch offices composed of senior managements, supervisors, clerical and non clerical employees.

3.2.2. Sampling technique and sample size

Sample size determination is a process of selecting a sufficient portion of the total population for the purposes of generalizing the findings. The aim of using sampling method is to adequately manipulate the large number and reduce the cost of producing the questionnaire to the entire population. The researcher used the formula by Taro Yamane (1969). Out of 440 employees of DBSAAD the researcher will select total of 210 (48%) employees using stratified sampling procedure as mentioned below.

n= $\underline{N}$ $\qquad$ N= 440 $\quad$ n=$\underline{440}$ $\qquad$ n=210 $\quad$ = $\underline{210}$ = 48%

$\quad$ 1+N (e) 2 $\qquad$ 1+440(0.05) 2 $\qquad$ 440

Where n = sample size $\quad$ N= Total population $\quad$ 1 = constant

e = error estimate (0.05%) at 95% confidence interval.

Table 3.1 Sample of population

Population	Sample size (n)	%	Sample from stratum
Branch managers	35	7.61	16
Customer service managers	35	7.61	16
Accounts/Cashers	70	15.23	32
Makers/Checkers	265	61.94	130
Messengers	35	7.61	16
Total	**440**	**100**	**210**

3.3. Data collection tools

For the purpose of this research, both primary and secondary sources of data were analyzed. The methods for collecting primary data were questionnaire and interview. Secondary data collected from books, newspapers, journals, electronic sources such as website, E-journals and DB internal and external published documents.

3.4. Procedure of data collection

After the proposal get approved and obtained a support letter from St-Mary University to the research site, the researcher communicated respondents to discuss the purpose. Then, had an appointment with respondents to distribute and collect survey questions and to conduct interview.

3.5. Data analysis and interpretation

Data collected from questionnaires were analyzed using SPSS. Descriptive data analysis was mainly used to analyze the data collected through the Questionnaire was carried out through quality assessment checklist and data has analyzed according to the objective of the study and framing the different sections of the questionnaire and the variables under each construct through statistical data analysis method whereas the interview data were presented and

analyzed through summarized text. The data were present into descriptive statistics such as table, percentage and frequency.

3.6. Validity and reliability

3.6.1. Validity

Regarding to validity, validation of questionnaire item will be carried out through initial consultation of experts to judge the research instrument. The researcher will use construct validity, because of more accurate and meaningful results and the extent to which a measure adequately represents the underlining construct that it is supposed to measure and ensure that the information which is requesting from the respondents cover all relevant areas and the objectives of the research (Bhattacherjee, 2012). To increase the validity of the data collected through questioner and interview the researcher seek the data based on the objectives of the research.

3.6.2. Reliability

A reliability test is used to assess consistency in measurement of survey question items. It measures the internal consistency of the item in a scale. It indicates the extent to which each item in the questions were related to each other. According to (Bhattacherjee, 2012) Cronbach's Alpha is a Coefficient of reliability as to commonly use to measure the internal or reliability. If a coefficient alpha is between 0.6 and 0.7 it indicates that there is fair reliability, Higher Alpha coefficients indicate higher scale reliability. (Joseph & rosemary, 2003). As shown in table below Scale Reliability Cronbach Alphas coefficients is .758. This study demonstrates high internal consistency and high reliability.

Reliability Statistics

Cronbach's Alpha	N of Items
.758	42

3.7. Ethical consideration

 The researcher explains to the respondents about the research study and confirm that their information can only be used for academic purpose. Respondents who will participate in the research will be given an ample time to respond to the questions. The respondents will be given a waiver regarding the confidentiality of their identity, the information that they did not wish to disclose and will be free to decline or withdraw any time during the research.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter will discuss the qualitative and quantitative data collected from the respondents using instruments such as questionnaire, a face –to- face interview responses from managers, as well, secondary data from selected document review from the office of Dashen Bank. The collected qualitative and quantitative data was analyzed and interpreted using simple descriptive statistics SPSS version 20 Software and EXCEL was used to summarize findings, and similarly, the data was displayed with, table, frequency and percentage. Lastly, the data was interpreted and based on the results, generalization was provided.

The questionnaire was structured in a 5 point Likert Scale format. A highly structured question format allows for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points. This involves the use of special rating scale that asks respondents to indicate the extent to which they agree or disagree with a series of mental belief of the statements about a given subject (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree=2 and Strongly Disagree = 1).

When presenting the results, strongly agreed and agreed responses were combined, as with strongly disagreed and disagreed responses were also combined for the percentages and number of respondents.

4.2.Response rate

As it is indicated in Table 4.1 below out of 210 distributed questionnaires to the thirty five branch offices and, 195 responses were returned. From the total returned responses, 15 of them are uncompleted. Thus, only the 195 complete responses are employed in the analysis. A face –to face interview was planned for 10 selected branch managers and 8(80%) of them participated in the interview, So the data has a response rate of 93% from questionnaire and 80% from face to face interview which will make the finding and conclusion sufficient.

Table 4.1 the rate of return of the questionnaires

	Frequency	Percent	Valid Percent	Cumulative Percent
Branch managers	14	7.2	7.2	7.2
Customer service managers	13	6.7	6.7	13.9

		Frequency	Percent	Valid Percent	Cumulative Percent
	Accounts/Cashers	126	64.6	64.6	78.5
	Makers/Checkers	29	14.8	14.8	93.3
	Messengers	13	6.7	6.7	100.0
	Total	195	100.0	100.0	

Source: own field survey, 2018

4.3.Demographic characteristics of the respondents

Table 4.2. Demographic characteristics of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	147	75.4	75.4	75.4
	Female	48	24.6	24.6	100.0
	Total	195	100	100	
Age group	18-25	29	14.9	14.9	14.9
	26-40	158	81.0	81.0	95.9
	41-50	6	3.1	3.1	99.0
	51-60	2	1.0	1.0	100.0
	Total	195	100.0	100.0	
Number of years serving for the bank	<1	16	8.2	8.2	8.2
	1-3 years	78	40.0	40.0	48.2
	4-5 years	64	32.8	32.8	81.0
	6-10 years	26	13.3	13.3	94.4
	>10	11	5.6	5.6	100.0
	Total	195	100	100.0	
Educational status	High School	9	4.6	4.6	4.6
	College diploma	4	2.1	2.1	6.7
	First degree	168	86.2	86.2	92.8
	Second degree	14	7.2	7.2	100.0
	Total	195	100	100.0	
Current position of employees	Branch Manager	14	7.2	7.2	7.2
	Customer service manager	13	6.7	6.7	13.8
	Accounts/Casher	126	64.6	64.6	78.5
	Maker/Checker	29	14.9	14.9	93.3
	Messenger	13	6.7	6.7	100.0
	Total	195	100		

Source: own field survey, 2018

As shown above in table 4.2, the number of male respondents are 147(75.4%) whereas 48(24.6%) of them were female. This shows that males outweigh females in the bank that the employment opportunities need to be evaluated in the future.

The data reveals that the majority of the respondents are composed of age group 26-40 years that accounted to 158(81.0%).The data obtained on qualification of the participants reveal that 168(86.2%) of the participants holds first degree while the number of second degree holders is accounted for only 14(7.2%) of the total respondents remaining 9(4.6%) hold diploma and 4(2.1%) have a high school certificate. This implies that the main business activities of the bank are carried out by fist degree holders which enhance customer relationship. Well informed, knowledgeable employees enhance Dashen Bank leadership and also well-educated employees are more goal oriented, better work performers, accept more responsibility and accountable for what they are doing.

 Regarding the years of work experience of the respondents, it is found that 16(8.2%) have work experience less than one year, 78(40.0%) have work experience between 1 and 3 years, 64(32.8%) have work experience between 4 and 5 years experience, 26(13.3%) have work experience between 6 and 10 years and 11(5.6%) have work experience greater than 10years work experience. Thus it can be said that majority of the respondent engaged in the bank as employees are young aged, this implies young will be willing to work energetically and may handle challenges better.

The respondents' current position in the bank as described in the above table, branch managers accounted for 14(7.2%), customer service managers 13(6.7%), Accounts/Casher 126(64.6%), Maker/Checkers 29(14.9%) and Messengers 13(6.7%).This implies that majority of the position is held by Makers/Checkers who directly have direct contact with customers. Keeping the satisfaction level of Makers/Checkers increases the service quality of the bank.

4.4.Perception on the performance appraisal system

The perception of employees on the performance appraisal system of the bank is the focus of interest in this section since it help to determine the magnitude of employees' job satisfaction and their commitment toward the proper implementation of performance appraisal system.

Table 4.3 Perception of employees about the performance appraisal system

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
1. I believe the performance appraisal result reveals my true performance	Strongly agree	25	12.8	12.8	12.8
	Agree	92	47.2	47.2	60.0
	Neutral	23	11.8	11.8	71.8
	Disagree	41	21.0	21.0	92.8
	Strongly disagree	14	7.2	7.2	100.0
	Total	195	100	100.0	
2.The bank performance appraisal system is reliable.	Strongly agree	3	1.5	1.5	1.5
	Agree	49	25.1	25.1	26.7
	Neutral	50	25.6	25.6	52.3
	Disagree	78	40.0	40.0	92.3
	Strongly disagree	15	7.7	7.7	100.0
	Total	195	100	100.0	
3. Performance appraisal system of the bank is source of conflict between subordinates and supervisors.	Strongly agree	10	5.1	5.1	5.1
	Agree	36	18.5	18.5	23.6
	Neutral	67	34.4	34.4	57.9
	Disagree	66	33.8	33.8	91.8
	Strongly disagree	16	8.2	8.2	100.0
	Total	195	100	100.0	
4. Performance is measured based on complying rules not outcomes of individuals.	Strongly agree	7	3.6	3.6	3.6
	Agree	14	7.2	7.2	10.8
	Neutral	80	41.0	41.0	51.8
	Disagree	69	35.4	35.4	87.2
	Strongly disagree	25	12.8	12.8	100.0
	Total	195	100	100.0	
5. Performance review improves job performance.	Strongly agree	35	17.9	17.9	17.9
	Agree	93	47.7	47.7	65.6
	Neutral	44	22.6	22.6	88.2
	Disagree	15	7.7	7.7	95.9
	Strongly disagree	8	4.1	4.1	100.0
	Total	195	100	100.0	
6. The current Performance appraisal process supports dashen bank strategy.	Strongly agree	14	7.2	7.2	7.2
	Agree	35	17.9	17.9	25.1
	Neutral	63	32.3	32.3	57.4
	Disagree	67	34.4	34.4	91.8
	Strongly disagree	16	8.2	8.2	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

As shown in table 4.3, (60.0%) of participants of the survey agreed that performance appraisal report reveals their true performance. However, (28.23%) of them disagree with the issue. About 11.8% of respondents are neutral. On the issue whether they believe or not that the performance appraisal system is reliable, (25.62%) of the respondents are reserve themselves to be neutral and (47.7%) responded by disagreeing with it. Yet, 26.6% of them agree that the performance appraisal system is reliable.

The result obtained on Performance appraisal system of the bank is source of conflict between subordinates and supervisors reveals that response related to disagree accounted to 42%. On the contrary 23.6% of the respondents agree that performance appraisal system is source of conflict. Counting to the above response 34.4% of them prefer to be neutral.

The table also illustrates that from total respondents 65.6% agreed on that performance review improves job performance. Whereas 11.8% of the respondents rejected the raised issue and 22.6% are in doubt in their position. Further, the survey result shows that a significant number of respondents 42.6% provided their negative response that the current performance appraisal process supports dashen bank strategy. The others 32.3% of the respondents are not decided about the issue and remained neutral. The remaining 25.1% of them agreed on the issue.

The respondents' reaction on their perception of the performance appraisal system reveals that slightly higher numbers of respondents believe that performance appraisal reports reveals true performance. They are disagreeing on that the current performance appraisal process supports dashen bank strategy.

4.5.Purpose and effects of performance appraisal system

Table 4.4 Purpose and effects of performance appraisal system

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
7.The performance appraisal process communicates performance expectations of the bank in each level.	Strongly agree	16	8.2	8.2	8.2
	Agree	26	13.3	13.3	21.5
	Neutral	34	17.4	17.4	39.0
	Disagree	108	55.4	55.4	94.4
	Strongly disagree	11	5.6	5.6	100.0
	Total	195	100	100.0	
8. The	Strongly agree	22	11.3	11.3	11.3
	Agree	94	48.2	48.2	59.5

performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.	Neutral	39	20.0	20.0	79.5
	Disagree	28	14.4	14.4	93.8
	Strongly disagree	12	6.2	6.2	100.0
	Total	195	100.0	100.0	
9.The performance result I received has helped me to improve my performance.	Strongly agree	25	12.8	12.8	12.8
	Agree	26	13.3	13.3	26.2
	Neutral	43	22.1	22.1	48.2
	Disagree	75	38.5	38.5	86.7
	Strongly disagree	26	13.3	13.3	100.0
	Total	195	100.0	100.0	
10. Performance results provides basis for pay decisions and promotion in the bank.	Strongly agree	25	12.8	12.8	12.8
	Agree	42	21.5	21.5	34.4
	Neutral	46	23.6	23.6	57.9
	Disagree	56	28.7	28.7	86.7
	Strongly disagree	26	13.3	13.3	100.0
	Total	195	100.0	100.0	
11. I think the current performance appraisal system is a waste of time and used only for formalities.	Strongly agree	6	3.1	3.1	3.1
	Agree	37	19.0	19.0	22.1
	Neutral	72	36.9	36.9	59.0
	Disagree	46	23.6	23.6	82.6
	Strongly disagree	34	17.4	17.4	100.0
	Total	195	100.0	100.0	

Source: own field survey, 2018

As per table 4.4, 116(59.5%) of respondents in the survey demonstrate their positive response for the point that the performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels and 40(20.6%) offered their negative responses. The proportions of those respondents who are not decided are accounted to 39(20%).For the ninth item on the table, 101(51.8%) of the respondents disagree that the performance result they received helped them to improve their performance. But 51(26.1%) of the respondents showed their disagreement with the issue. And the other 43(22.1%) wanted to refrained themselves from providing their decision.

On the other issue, the respondents disagree on both performance results provides basis for pay decisions and promotion in the bank 82(42%) and the current performance appraisal

system is a waste of time and used only for formalities 80(41%).However, 67(34.3%) and 43/(22.1%) of the respondents agree on the above both issues respectively. The remaining 46(23.6%) and 72(36.9%) remained neutral.

This result indicates that the majority of the respondent did not believe with the idea that purpose and effect of performance appraisal system. They agree on similar formats and technique the bank used to evaluate similar grades. But, the results they receive do not help them to improve their performance and not a base for their promotion. This brings job dissatisfaction and loses the main purpose of the performance appraisal system.

4.6.Rater assurance

Table 4.5 Rater assurance

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
12. I am assigned to a rater who is qualified to evaluate my work	Strongly agree	28	14.4	14.4	14.4
	Agree	96	49.2	49.2	63.6
	Neutral	39	20.0	20.0	83.6
	Disagree	30	15.4	15.4	99.0
	Strongly disagree	2	1.0	1.0	100.0
	Total	195	100	100.0	
13. I am assigned a rater who knows what I am supposed to be doing	Strongly agree	11	5.6	5.6	5.6
	Agree	109	55.9	55.9	61.5
	Neutral	36	18.5	18.5	80.0
	Disagree	34	17.4	17.4	97.4
	Strongly disagree	5	2.6	2.6	100.0
	Total	195	100	100.0	
14. My rater understands the requirements and difficulties of my work	Strongly agree	24	12.3	12.3	12.3
	Agree	87	44.6	44.6	56.9
	Neutral	44	22.6	22.6	79.5
	Disagree	33	16.9	16.9	96.4
	Strongly disagree	7	3.6	3.6	100.0
	Total	195	100	100.0	
15. My rater understands the performance appraisal process, procedures and rating formats	Strongly agree	23	11.8	11.8	11.8
	Agree	60	30.8	30.8	42.6
	Neutral	70	35.9	35.9	78.5
	Disagree	35	17.9	17.9	96.4
	Strongly disagree	7	3.6	3.6	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

As per table 4.5 124(63.6%) of the respondents agree that they are assigned to a rater who is qualified to evaluate their work, 39(20%) are neutral and 32(16.4%) of the respondents disagree. Additionally 120(61.5%) showed their agreement about they are assigned a rater who knows what they are supposed to be doing. As oppose with this, 39(20%) disagreed. Adding to this, 36(18.5%) choose to be neutral.

Another point raised in this section is rater understands the requirements and difficulties of employees work.111 (56.9%) agreed, 44(22.6%) neutral and 40(20.5%) disagree with the issue. The last point raised in this section is that the rater understanding the performance appraisal process, procedures and rating formats,As exhibited in the above table, 83(42.6%) of the respondents agree, 42(21.5%) disagree and 70(35.9%) remained neutral.

No matter how accurate the performance appraisal instrument is there must be qualified raters with necessary knowledge, skill, ability and experience to rate their subordinate it is one of major factors that can determine satisfaction towards the performance appraisal system and can affect the job satisfaction of employees. From the result dashen bak employees assure that they have rater with the knowledge.

4.7.Appraisal form and its content

Table 4.6 Appraisal form and its content

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
16. In the performance appraisal form, job related contents are fairly included and aligned with my job description.	Strongly agree	3	1.5	1.5	1.5
	Agree	14	7.2	7.2	8.7
	Neutral	21	10.8	10.8	19.5
	Disagree	91	46.7	46.7	66.2
	Strongly disagree	66	33.8	33.8	100.0
	Total	195	100	100.0	
17. The performance appraisal form is clear and standardized	Strongly agree	19	9.7	9.7	9.7
	Agree	21	10.8	10.8	20.5
	Neutral	44	22.6	22.6	43.1
	Disagree	89	45.6	45.6	88.7
	Strongly disagree	22	11.3	11.3	100.0
	Total	195	100	100.0	
18. The performance appraisal form has a room to reflect my opinion on my	Strongly agree	24	12.3	12.3	12.3
	Agree	88	45.1	45.1	57.4
	Neutral	46	23.6	23.6	81.0
	Disagree	26	13.3	13.3	94.4

| results | Strongly disagree | 11 | 5.6 | 5.6 | 100.0 |
| | Total | 195 | 100 | 100.0 | |

As table 4.6 in the above shows most of the respondents 157(80.5%) disagree with the statement the performance appraisal form, job related contents are fairly included and aligned with my job description while 17(8.7%) agree and 21(10.8%) neutral. The highest number of respondents 111(56%) also disagree with the statement the performance appraisal form is clear and standardized .With this statement 40(20.5%) agree and 44(22.6%) disagree. With regard to the performance appraisal form has a room to reflect my opinion on my results, 112(57.4%) of the respondents agree that the form has a room to reflect their opinion. However, 37(18.9%) of respondents disagree and 46(23.6%) are neutral.

Among many factors that can determine the effectiveness of performance appraisal system is instrument used and its content. As the result above indicates dashen bank appraisal form is not aligned with employees job description. And also not clear to be understood by employees and not standardized. The positive result obtained in this section is the employees have the room to reflect their opinion in the appraisal form.

Again here the researcher raised a question for the Managers that performance appraisal criteria designed is based on employees job description. All interviewed mangers responded that performance appraisal is not designed based on job description. They also added that the current appraisal form not revised for more than fifteen years in the bank. But, there had been more than three times re structuring and revision of job description happened in the bank in the last fifteen years.

4.8.Providing feedback

Table 4.7 Providing feedback

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
19. I receive specific and accurate feedback on my past performance	Strongly agree	7	3.6	3.6	3.6
	Agree	38	19.5	19.5	23.1
	Neutral	41	21.0	21.0	44.1
	Disagree	82	42.1	42.1	86.2
	Strongly disagree	27	13.8	13.8	100.0
	Total	195	100	100.0	
20. My rater reviews	Strongly agree	18	9.2	9.2	9.2

		Frequency	Percent	Valid percent	Cumulative percent
with me my progress towards my goals	Agree	37	19.0	19.0	28.2
	Neutral	36	18.5	18.5	46.7
	Disagree	89	45.6	45.6	92.3
	Strongly disagree	15	7.7	7.7	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

As shown in table 4.7, 109(55.9%) of participants of the survey disagreed that they receive specific and accurate feedback on their past performance. However, 45(23.1%) of them agree with the issue. About 41(21%) of respondents are neutral. On the issue their rater reviews with them their progress towards their goals, 104(53.3%) of the respondents are disagree and 55(28.2%) agree. 36(18.5%) of the respondents reserve themselves to be neutral.

From the above result we can see that employees of dashen bank do not receive specific and accurate feedback from their rater. Providing feedback alone cannot ensure employee satisfaction and positive attitude towards the performance appraisal system the rater shall explains the performance result in a way that will help the employees and employees need to know how their performance is being measured.

4.9.Accuracy of rating

Table 4.8 Accuracy of rating

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
21. My performance rating is based on how well I do my work	Strongly agree	12	6.2	6.2	6.2
	Agree	27	13.8	13.8	20.0
	Neutral	48	24.6	24.6	44.6
	Disagree	85	43.6	43.6	88.2
	Strongly disagree	23	11.8	11.8	100.0
	Total	195	100	100.0	
22. My performance rating reflects how much work I do	Strongly agree	4	2.1	2.1	2.1
	Agree	10	5.1	5.1	7.2
	Neutral	38	19.5	19.5	26.7
	Disagree	78	40.0	40.0	66.7
	Strongly disagree	65	33.3	33.3	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

According to the results obtained from table 4.8 the respondents disagree with both statements my performance rating is based on how well I do my work 108(55.4%) and my

performance rating reflects how much work I do 143(73.3%). 39(20%) and 14(7.2%) respectively agree with above statements. This result reflects that employees do not accept the result they get reflects their job, which can bring job dissatisfaction.

4.10. Explaining rating decision

Table 4.9 Explaining rating decision

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
23. My rater helps me to understand the process used to evaluate and rate my performance	Strongly agree	6	3.1	3.1	3.1
	Agree	26	13.3	13.3	16.4
	Neutral	55	28.2	28.2	44.6
	Disagree	87	44.6	44.6	89.2
	Strongly disagree	21	10.8	10.8	100.0
	Total	195	100	100.0	
24. My rater takes time to explain my rating result	Strongly agree	18	9.2	9.2	9.2
	Agree	29	14.9	14.9	24.1
	Neutral	65	33.3	33.3	57.4
	Disagree	55	28.2	28.2	85.6
	Strongly disagree	28	14.4	14.4	100.0
	Total	195	100	100.0	
25. My rater lets me ask him or her questions about my performance rating	Strongly agree	9	4.6	4.6	4.6
	Agree	33	16.9	16.9	21.5
	Neutral	62	31.8	31.8	53.3
	Disagree	69	35.4	35.4	88.7
	Strongly disagree	22	11.3	11.3	100.0
	Total	195	100	100.0	
26. My rater helps me understand what I need to do to improve my performance	Strongly agree	12	6.2	6.2	6.2
	Agree	37	19.0	19.0	25.1
	Neutral	41	21.0	21.0	46.2
	Disagree	86	44.1	44.1	90.3
	Strongly disagree	19	9.7	9.7	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

The result obtained from table 4.9 for the rater helps me to understand the process used to evaluate and rate my performance response related to disagree to 108(55.4%).On the contrary, 81(41.5%) of the respondents agree.55(28.2%) of them prefer to be neutral. Further, the survey results show that a significant number of respondents 83(42.6%) respondents provided their negative responses rater takes time to explain my rating result . The others

65(33.3%) of the respondents are not decided about the issue and remain to be neutral. The remaining 47(24.1%) agree with the issue.

The table also illustrates that out of total respondents 91(46.7%) disagree on that the rater lets me ask him or her questions about their performance rating.42(21.5%) agree with this statement and 62(31.8%) remain neutral. Additionally a large number of respndents 105(53.8) disagree with the statement the rater helps them understand what they need to do to improve their performance.

4.11. Procedure of appeal

Table 4.10 Procedure of appeal

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
27. I have ways to appeal a performance rating that I think is biased or inaccurate	Strongly agree	14	7.2	7.2	7.2
	Agree	19	9.7	9.7	16.9
	Neutral	77	39.5	39.5	56.4
	Disagree	73	37.4	37.4	93.8
	Strongly disagree	12	6.2	6.2	100.0
	Total	195	100	100.0	
28. I can challenge a performance rating if I think it is Unfair	Strongly agree	5	2.6	2.6	2.6
	Agree	24	12.3	12.3	14.9
	Neutral	40	20.5	20.5	35.4
	Disagree	110	56.4	56.4	91.8
	Strongly disagree	16	8.2	8.2	100.0
	Total	195	100	100.0	
29. My performance rating can be changed if I can show that it is incorrect or unfair	Strongly agree	11	5.6	5.6	5.6
	Agree	31	15.9	15.9	21.5
	Neutral	30	15.4	15.4	36.9
	Disagree	111	56.9	56.9	93.8
	Strongly disagree	12	6.2	6.2	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

After rating and communicating the result employees might not be happy with the result they obtained when this kind of situations occurs they can appeal their reservations.In the above table 4.10 regarding procedure of appeal, in all three statements raised a large number of respondents disagree. 85(43.6%) of the respondents disagree that they have ways to appeal a performance rating that they think is biased or inaccurate,126(64.6%) disagree they can

challenge a performance rating if they think it is Unfair and 123(63.1%) also disagree their performance rating can be changed if they can show that it is incorrect or unfair.

4.12. Opinion of employees on current performance appraisal practice at Dashen bank

Table 4.11 how employees feel about the overall performance appraisal practice

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
30. overall, I think the Performance appraisal system is fair	Strongly agree	6	3.1	3.1	3.1
	Agree	25	12.8	12.8	15.9
	Neutral	23	11.8	11.8	27.7
	Disagree	116	59.5	59.5	87.2
	Strongly disagree	25	12.8	12.8	100.0
	Total	195	100	100.0	
31. I am comfortable in communicating my feelings of disagreement about my rating to my supervisor	Strongly agree	16	8.2	8.2	8.2
	Agree	32	16.5	16.5	24.7
	Neutral	60	30.9	30.9	55.7
	Disagree	78	40.2	40.2	95.9
	Strongly disagree	8	4.1	4.1	100.0
	Total	194	100	100.0	
32. I am satisfied with the appeal process of performance appraisal system	Strongly agree	16	8.2	8.2	8.2
	Agree	33	16.9	16.9	25.1
	Neutral	43	22.1	22.1	47.2
	Disagree	85	43.6	43.6	90.8
	Strongly disagree	18	9.2	9.2	100.0
	Total	195	100	100.0	
33. I am satisfied with the feedback aspect of performance appraisal system	Strongly agree	14	7.2	7.2	7.2
	Agree	32	16.4	16.4	23.6
	Neutral	64	32.8	32.8	56.4
	Disagree	74	37.9	37.9	94.4
	Strongly disagree	11	5.6	5.6	100.0
	Total	195	100	100.0	
34. I am satisfied with the way the performance appraisal system is used to evaluate and rate my performance	Strongly agree	4	2.1	2.1	2.1
	Agree	17	8.7	8.7	10.8
	Neutral	32	16.4	16.4	27.2
	Disagree	101	51.8	51.8	79.0
	Strongly disagree	41	21.0	21.0	100.0
	Total	195	100	100.0	
35. The bank needs to make certain	Strongly agree	37	19.0	19.0	19.0
	Agree	113	57.9	57.9	76.9

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adjustments to the existing performance appraisal system	Neutral	36	18.5	18.5	95.4
	Disagree	7	3.6	3.6	99.0
	Strongly disagree	2	1.0	1.0	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

Satisfaction with some aspect of performance appraisal system does not guarantee satisfaction with the whole system, employees might be satisfied in some aspect of the performance appraisal system but this cannot justify employees are satisfied with the whole system so far we have seen that employees response to the major accepts of the appraisal system of dashen bank in this section we will see the response of employees towards the whole performance appraisal.

As shown in the table 4.11 in the following statements a large number of respondents disagree.141(72%) of the respondents disagree that the performance appraisal is fair, 86(44.3%) of the respondents disagree that they are comfortable in communicating their feelings of disagreement about their rating to their supervisor, 103(52.8) of the respondents disagree that they are satisfied with the appeal process of performance appraisal system, 85(43.5%) of the respondents disagree that they are satisfied with the feedback aspect of performance appraisal system and also 142(72.8%) of the respondents disagree that they are satisfied with the way the performance appraisal system is used to evaluate and rate their performance. As exhibited in the above table, 140(76.9%) of the respondents agree that the bank needs to make certain adjustments to the existing performance appraisal system.

4.13. Major impact of performance appraisal system on employees job satisfaction

4.12 overall impact of performance appraisal system on employees job satisfaction

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
36. Sometimes performance appraisal does not identify the skilled employees	Strongly agree	41	21.0	21.0	21.0
	Agree	93	47.7	47.7	68.7
	Neutral	37	19.0	19.0	87.7
	Disagree	13	6.7	6.7	94.4
	Strongly disagree	11	5.6	5.6	100.0
	Total	195	100	100.0	
37. Do you agree the appraisal results you get helps you	Strongly agree	4	2.1	2.1	2.1
	Agree	17	8.7	8.7	10.8
	Neutral	27	13.8	13.8	24.6

				Valid	Cumulative
improve your performance	Disagree	86	44.1	44.1	68.7
	Strongly disagree	61	31.3	31.3	100.0
	Total	195	100	100.0	
38. Does the performance appraisal brings job satisfaction in your job	Strongly agree	2	1.0	1.0	1.0
	Agree	13	6.7	6.7	7.7
	Neutral	29	14.9	14.9	22.6
	Disagree	93	47.7	47.7	70.3
	Strongly disagree	58	29.7	29.7	100.0
	Total	195	100	100.0	
39. Does the performance appraisal helps you in your promotion	Strongly agree	21	10.8	10.8	10.8
	Agree	33	16.9	16.9	27.7
	Neutral	32	16.4	16.4	44.1
	Disagree	96	49.2	49.2	93.3
	Strongly disagree	13	6.7	6.7	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

As shown in the table 4.12 the respondents disagree in all statements raised under overall impact of performance appraisal system on employees job satisfaction except 134(68.7%) of the respondents agree that Sometimes performance appraisal does not identify the skilled employees. This implies that performance appraisal result is not accepted objectively and negatively affected employees satisfaction.147 (75.4%) of the respondents disagree that the appraisal results they get helps them improve their performance, 151(77.4%) of the respondents disagree that the performance appraisal brings job satisfaction in their job and 109(55.9%) of the respondents disagree that the performance appraisal helps them in their promotion. In addition while interviewing managers they also reflected that the bank uses only 10% of performance appraisal result for promotion. The larger percent for promotion the bank consider work experience, managers recommendation and educational status.

4.14. Level of employees job satisfaction

4.13 Level of satisfaction

Particular	Level of agreement	Frequency	Percent	Valid percent	Cumulative percent
40. Are you satisfied with your job	Strongly agree	18	9.2	9.2	9.2
	Agree	23	11.8	11.8	21.0
	Neutral	63	32.3	32.3	53.3
	Disagree	54	27.7	27.7	81.0
	Strongly disagree	37	19.0	19.0	100.0
	Total	195	100	100.0	

41. Are you satisfied with the current performance appraisal system of the bank	Strongly agree	18	9.2	9.2	9.2
	Agree	23	11.8	11.8	21.0
	Neutral	28	14.4	14.4	35.4
	Disagree	65	33.3	33.3	68.7
	Strongly disagree	61	31.3	31.3	100.0
	Total	195	100	100.0	
42. Do you feel more motivated after performance appraisal	Strongly agree	6	3.1	3.1	3.1
	Agree	26	13.3	13.3	16.4
	Neutral	34	17.4	17.4	33.8
	Disagree	81	41.5	41.5	75.4
	Strongly disagree	48	24.6	24.6	100.0
	Total	195	100	100.0	

Source: own field survey, 2018

As shown in table 4.13 91(46.7%) of the respondents disagree that they are satisfied with their job and also 63(32.3%) of the respondents are neutral. 126(64.6%) of the respondent disagree that they are satisfied with the current performance appraisal system of the bank and finally 129(66.1%) of the respondents disagree that they feel more motivated after performance appraisal.

Regarding job satisfaction interviewed managers responded that even though job satisfaction dose not depend only performance appraisal, performance appraisal system and the result dashen bank employess get is leading them to job dissatisfaction.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of key findings

Based on the data analysis and interpretation provided in chapter four, summary of main findings are presented here.

- Regarding perception on the performance appraisal system 42.6% respondents disagree that the current appraisal process supports dashen bank strategy.

- The respondents agree that the bank uses similar formats and technique to evaluate similar grades. But, the results they receive do not help them to improve their performance and is not a base for their promotion.

- To the rater aspect of performance rating respondents were positive to all items in the category. From this we can conclude that employees are certain about their rater.

- 80.5% of the respondents gave their response that the performance appraisal of the bank form is not clear, do not contain job related contents and not aligned with their job description.

- 55.9% of the respondents believe that they do not receive specific and accurate feedback from their rater.

- About accuracy of rating respondents react with disagreement performance result is not the right reflection of their actual performance. The rating of employees lack reliability and the result cannot be used as a base for any decision. This makes the rating result of employees inappropriate in other human resource decision area like salary increment, promotion, training need identification and etc.

- Overall, majority of employees reaction towards the performance appraisal system reads unfair and dissatisfaction of the appraisal system, the way performance appraisal system evaluate and rate them, communicating feelings of disagreement and with appeal and feedback process. They also require the management to improve its content criteria to reflect job description and other skill set.

5.2. Conclusions

From the finding of the study we can conclude that performance appraisal has impact on employees job satisfaction. Organizations having a reliable performance appraisal system can positively affect their employees job satisfaction. Poorly undertaken performance appraisals could have detrimental effects on the organizations by causing employees to

perform worse.In Dashen Bank the research result shows that there is a traditional performance appraisal system, performance appraisal result has no significant difference in rewarding to employees on the basis of their performance, the feedback given to employees after appraisal is not strengthening communication between supervisor and employees, procedure of appeal is poor, the appraisal forms dose not contain all job related contents and not aligned with each job description, and employees wants the current appraisal system to be changed. From all these findings we can conclude that the performance appraisal system of the bank is negatively affecting its employees job satisfaction.

5.3.Recommendations

- Dashen bank performance appraisal is more of traditional approach towards employees performance management, and this brings dissatisfaction and low productivity and service excellence. Hence, the bank needs to revise and update a scientific job appraisal system to improve institutional employees capacity.

- Dashen bank needs to train the raters in order to enhance their capability towards employees appraisal particularly after appraisal discussion, communicating and forwarding constructive criticisms and providing the chance to sign and approve performance appraisal rating results.

- The performance appraisal discussion should be an interactive and two ways process, giving employees the chance to participate, ask question, respond feedback and offer suggestions for further carrier development. Procedure of appeal is one of the step of performance appraisal system that can re-evaluate issues to provide fair judgment to employees. The bank needs to be fair and transparent to develop employees confidence to achieve its strategic objective.

- The Performance appraisal form that is being used by the bank requires major change since it is not aligned with employees job description. In addition the bank needs to adjust the appraisal forms and its content in such a way that is reflects the action of employees.

- Regarding the whole performance appraisal system of dashen bank the majority of the employee does not find it fair and satisfactory and also it has negative effect on their job satisfaction. Hence the bank needs to introduce new scientific performance appraisal to ensure organizational improvements and to keep employees motivated, retain and productive.

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Appendix I: Survey questioner

ST.MARY'S UNIVERSITY
SCHOOL OF POST GRADUATE STUDIES

Dear respondent,

The purpose of this study is to gather information about "**Performance Appraisal System and Its Impact on Employees Job Satisfaction**". In partial fulfilment as a requirement for the completion of masters degree in business administration from St. Mary University. Your views are extremely important on this research. All the information provided will be kept strictly confidential and will only be used for the purpose of the study only. I highly appreciate your participation and prompt response . Should you have any question please do not hesitate to contact me through the following address.

Sincerly,

Wondimagegnehu Elias

Student Researcher at St. Mary University

Cell Number 0911-865657, mail address tsiwonde@gmail.com

Part I-<u>Demographic Characteristics</u>

Direction: (Please put (✓) to indicate your alternative answers)

1. Sex ☐ Male ☐ Female

2. Your age category ☐ 18-25 ☐ 26-40 ☐ 41-50 ☐ 51-60

☐ Above 60

3. Years of service or work experience in the Dashen Bank.

54

□ Less than one year   □ 1-3 years   □ 4-5 years

□ 6-10 years   □ more than 10 years

4. Highest formal education attended

□ MA   □ Bachelor's Degree   □ Diploma   □ High School

5. Under which department are you working?

□ Branch Manager   □ Customer Service Manager   □Maker/Checker

□ Accounts/ Casher   □ Messenger   □   other

Part II – <u>Survey questions for managers/employees</u>

Direction: Please mark (✓) if you are a manager ( ) or employee ( )

(Please put (✓) to indicate your alternative answers)

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

□ Yes   □ No   □I do not know

S.N	Perception on the performance appraisal system	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	I believe the performance appraisal report reveals my true performance.					
2	The bank performance appraisal system is reliable.					
3	Performance appraisal system of the bank is source of conflict between subordinates and supervisors.					
4	Performance is measured based on complying rules not outcomes of individuals.					
5	Performance review improves job performance.					
6	The current Performance appraisal process supports dashen bank strategy.					
	Purpose and effects of performance					

S.N	appraisal system	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
7	The performance appraisal process communicates performance expectations of the bank in each level.					
8	The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.					
9	The performance result I received has helped me to improve my performance.					
10	Performance results provides basis for pay decisions and promotion in the bank.					
11	I think the current performance appraisal system is a waste of time and used only for formalities.					
	Rater assurance	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
12	I am assigned to a rater who is qualified to evaluate my work					
13	I am assigned a rater who knows what I am supposed to be doing					
14	My rater understands the requirements and difficulties of my work					
15	My rater understands the performance appraisal process, procedures and rating formats					
	Appraisal form and its content	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
16	In the performance appraisal form, job related contents are fairly included and aligned with my job description.					
17	The performance appraisal form is clear and					

	standardized					
18	The performance appraisal form has a room to reflect my opinion on my results					
	Providing feedback	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
19	I receive specific and accurate feedback on my past performance					
20	My rater reviews with me my progress towards my goals					
	Accuracy of rating	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
21	My performance rating is based on how well I do my work					
22	My performance rating reflects how much work I do					
	Explaining rating decision	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
23	My rater helps me to understand the process used to evaluate and rate my performance					
24	My rater takes time to explain my rating result					
25	My rater lets me ask him or her questions about my performance rating					
26	My rater helps me understand what I need to do to improve my performance					
	Procedure of Appeal	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**

		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
27	I have ways to appeal a performance rating that I think is biased or inaccurate					
28	I can challenge a performance rating if I think it is Unfair					
29	My performance rating can be changed if I can show that it is incorrect or unfair					
	How employees feel about the overall performance appraisal practice	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
30	overall, I think the Performance appraisal system is fair					
31	I am comfortable in communicating my feelings of disagreement about my rating to my supervisor					
32	I am satisfied with the appeal process of performance appraisal system					
33	I am satisfied with the feedback aspect of performance appraisal system					
34	I am satisfied with the way the performance appraisal system is used to evaluate and rate my performance					
35	The bank needs to make certain adjustments to the existing performance appraisal system					
	Overall impact of performance appraisal system on employee job satisfaction	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
36	Sometimes performance appraisal does not identify the skilled employees					
37	Do you agree the appraisal results you get helps you improve your performance					
38	Does performance appraisal brings job satisfaction in your job					

39	Does performance appraisal helps you in your promotion					
Level of satisfaction		**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
40	Are you satisfied with your job					
41	Are you satisfied with the current performance appraisal system of the bank					
42	Do you feel more motivated after performance appraisal					

What kind of performance appraisal system and practice would be important both for the bank and employee?

1._____

2._____

3._____

4._____

If you have additional comment please write on the space provided

_____

_____

_____

_____

Appendix II: Interview questions

A face to face interview questions for managers

1. Dose dashen bank have clear performance appraisal criteria clearly known by all employees?
2. Dose the performance appraisal criteria clearly communicated in writing to employees before and after appraisal?
   If yes, how?

   _____

   If no, why?

   _____

3. Is performance appraisal criteria designed based on employees job description?
   If yes, how?

   _____

   If no, why?

   _____

4. Are employees satisfied with their job appraisal system?
   If yes, how?

   _____

   If no, why?

   _____

5. Does management strictly apply performance appraisal results for employees promotion, demotion and/or termination purposes?
   If yes, how?

   _____

   If no, why?

   _____

Appendix III: Performance Appraisal Forms of Dashen Bank