

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES



**CHALLENGES OF EMPLOYEE PERFORMANCE APPRAISAL: IN
THE CASE OF ABAY BANK SHARE COMPANY**

By: Nebyou Sereke

May, 2018

ADDIS ABABA, ETHIOPIA

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ID. SGS/0027/2008B

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF
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DECLARATION

I declare that this thesis is my original work and prepared under the guidance of **Asst. Professor Tiruneh Legesse**. All the sources of material used for this thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of awarding any degree.

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ENDORSEMENT

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

Asst. Professor Tiruneh Legesse

Advisor

Signature & Date

DEDICATION

I dedicate this Thesis for my recently Passed away Father Sereke Nigatu and My Mother Tegnagne Habte, who lifting me up since childhood and all my Life time successes.

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LIST OF ACRONYMS

PA: Performance Appraisal

MBO: Management by Objective

S.C: Share Company

SD: Standard Deviation

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ABSTRACT

This study examined the challenges of performance appraisal in Abay Bank Share Company. To address the research objective stratified sampling was used and 294 sample employees were selected based on lottery techniques from each stratum. Besides, the researcher was undertaken interview with Human Resource Manager. The collected data were analyzed by descriptive statistics such as frequency and percentage using SPSS Version 23. On the basis of the data obtained from the respondents; Less effective performance appraisal criteria, subjectivity, absence of system based evaluation, low knowledge performance evaluators, absence of due attention from the management side, nonexistence of employee participation and absence of ways of appealing for inaccurate and wrong feedbacks are the main problems of performance appraisal system of Abay bank S.C. This implies that the primary purposes of performance appraisal are missing and the criteria performance appraisal was not well articulated. Therefore, the study recommended that the concerned managements should gear their efforts to mitigate the outlined challenges, to redesign right performance appraisal criteria and arranging training to raters so as to meet intended purpose of performance appraisal system of Abay bank S.C.

Key Word: Performance Appraisal

CHAPTER ONE

INTRODUCTION

This chapter consists of the background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study, and organization of the study.

1.1. Background of the Study

Employee performance appraisal is a subject of great interest in any organization. In every organization, employees play a vital role in determining its survival. In line with, employees are perceived as an important or valuable asset to an organization and are the key factor to make sure that the operation of the organization runs as planned. Employees become the heart and pulse of the organization and really important to determine the needs and expectancies of the clients (dessler, 2000).

According to Armstrong and Baron (2004) performance appraisal is a strategic and integrated approach in delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. Auginis(2007) stated that performance appraisal as a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall goals. It motivates workers and makes them to engage themselves towards attaining the goal of the organization It also helps in creating a new culture in the organization so that the employees feel comfortable in their work and which in turn all these factors lead to increase in productivity Gomez et al. (2001).

According Reza (1997)performance appraisal is a goal oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. It helps the organization to gain a competitive business advantage.Agustin (2007) further elaborated that an effective

performance appraisal is a tool competitive advantage because it aimed at proactively set directions and create an organizational culture that promotes shared thereby improve their performance or productivity. Moreover, Zhang (2012) suggested that employee performance has direct relation with service quality; good employee performance linked with increased customer perception of service quality, while poor employee performance as cause for increased customer complaints. According to Zingheim et al, (2007) performance appraisal systems need to be effective in improving or sustaining employee performance and development otherwise they are a tremendous waste of time and resources spent on development and implementation.

Despite the fact that Abay Bank is among the recent entrants to the banking industry, it has registered encouraging achievements since the establishment. Still it is striving to win the domestic competition which is derived by the establishment of new products and services with emerging technologies in the Ethiopian banking service. It is also on its way to play a major role in the competition of the banking business. Pursuant to the core-values of Abay Bank, human resources (the talent, skills and capabilities of employees) are believed to be far more critical to the success of the organization (Abay Bank S.C five years strategy document, June 2017). Therefore, knowing the challenges of performance appraisal helps to analyze the productivity of employees and its effectiveness leads to meet the organization goals and objectives. This study thoroughly attempted to examine the problems of performance appraisal in Abay Bank Share Company.

1.2. Statement of the Problem

Performance appraisal system is a critical component of the overall human resource management function and it generally motivated by an organizational desire to affect employee behaviors and attitudes and, ultimately, organizational performance (Boyd, 2004). The capacity to achieve the positive outcomes will be a function of the quality of the performance appraisal experience. It is a complex process and there is scope for variation, particularly when the supervisor is required to make subjective judgments of employee performance. It is linked to other human resource management systems and

processes including staff development, career progression, recruitment, placement, incentives and sanctions (Milkovich and Boudreau, 2004).

According to Aguinis (2005), negative consequences of ineffective performance appraisal system include: increased employee turnover, waste of resources in the form of time and money that negatively affects the organization's return on investment; reduced motivation to perform, job dissatisfaction, unfairness, biases and relationships. Grund and Przemec (2008) studies have shown that subjective performance ratings of supervisors are subject to the centrality and leniency bias.

Though Abay Bank Share Company conducts performance appraisal periodically, its employees are not joyful because the workers are complaining that promotion and training development are not based on performance appraisal result. Rather, it is based on seniority. Besides, absence of system based evaluation, inadequate awareness of evaluators, subjectivity of supervisor rating, absence of due attention by top managements, and irregular performance appraisal feedbacks were the major impediments for ineffectiveness of performance appraisal which seriously affects their performance at work and thereby reduced organizational productivity. Still these problems persist for longer period without being solved, dissatisfaction will spread among the employees and their motivation toward hard working will tremble. This in turn will definitely slow down the bank's endeavor of achieving its intended goal (Abay Bank, Internal research, 2016). In this regard several studies had conducted in both private and public commercial bank such as Meseret (2007), Mulugeta (2013) and Hiwot (2013) however none of them investigate problems employee performance appraisal in Abay Bank S.C. Therefore, it signals and initiated the researcher to deal the problems of performance appraisal system of the Abay bank.

1.3. Research Questions

This study is tried to answer the following basic research questions.

1. What are the main purposes the performance appraisal system in Abay Bank and to what extent it is understood by employees?
2. Does Abay Bank use appropriate performance appraisal criteria?

3. How does the performance appraisal feedbacks and post assessments look like in Abay bank

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the study is to indicate the challenges of performance appraisal at Abay Bank Share Company.

1.4.2. Specific Objectives

- To pinpoint the purpose of performance appraisal system in Abay bank.
- To examine whether the performance appraisal criteria is properly developed in Abay Bank or not.
- To assess the performance appraisal feedbacks and post assessments system of the bank is look like.

1.5. Significance of the Study

A fair performance evaluation will boost productivity by motivating employees and rewarding high performance. Abay bank is the prime party that is going to be benefited from the study. The bank management may use it to consider some of the views implied in the study to solve the problems existed in the performance appraisal system. Besides, since the bank has stated to design its performance appraisal system as one strategic aspect of its HRD strategy, and thus from the broader perspective, this study helps the bank to see its progress in terms of the effective implementation of the performance appraisal system and to depict areas of focus for the successful implementation of the performance appraisal system. Furthermore, the findings of the research are also pinpoints for the practitioners and serve as spring board for other researches who are interested to conduct further studies in the area.

1.6. Scope of the study

Conceptually, the study is basically a case study which is restricted by its nature to the problems of performance appraisal system in the Abay bank S.C related to purpose, criteria, feedbacks and post assessments. Methodologically, the research focused only on the employees of head office and branches of Abay bank. Moreover, geographically the study is confined to Addis Ababa branches and head office departments due to time constraint, budgets constraint and uniformity of works cross branches.

1.7. Organization of the Study

The content of this research consisted of five chapters. The first chapter deals (Introduction) indicates the background of the study, statement of the problem, research questions, objectives of the study, the significance of the study and scope of the study. This is followed by the literature review (chapter two), which analyses the existing literature about the subject field to develop the conceptual framework of the study. Chapter three describes the research methodology in which the execution of this study to achieve the research objectives. Thereafter Chapter four focuses on the results of analysis and discusses the findings. Finally the researcher portrays the conclusions drawn from the findings and gives relevant recommendations on the basis of the conclusions; this is presented in Chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter gives an overview of literatures that are related to this research topic. The chapter introduces definition and concepts, purposes, methods, benefits, challenges and guidelines of performance appraisal system.

2.1. Definition of Performance Appraisal

Aswathappa (2002) defined performance appraisal as the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. More comprehensively, it is a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organizations, and society all benefit. According to Boyd (2004) performance appraisal is a process and generally motivated by an organizational desire to affect employee behaviors and attitudes and, ultimately, organizational performance. This occurs because of the establishment of goals at the beginning of the evaluation cycle, which provides employees with clear performance targets, the monitoring of performance during the evaluation cycle (which can be used to assist poor performers) and the reinforcement provided for good performance through the provision of rewards, usually in the form of higher pay. The capacity to achieve these positive outcomes will be a function of the quality of the performance appraisal (PA) experience.

Milkovich and Boudreau (2004) explained that performance appraisal is a complex process and there is scope for variation, particularly when the supervisor is required to make subjective judgments of employee performance; principles of work planning, setting of agreed performance targets, feedback and reporting. It is linked to other human resource management systems and processes including staff development, career

progression, recruitment, placement, incentives and sanctions. Furthermore, Ivancevich, (2004) defined performance appraisal as the activity used to determine the extent to which an employee performs work effectively. More specifically, a formal performance evaluation is a system setup by the organization to regularly and systematically evaluate employees' performance. Moreover, according to Michael Beer, cited in Lorch, J (1987) performance appraisal is defined as a system of papers and procedures designed by the organization for use by its managers and an interpersonal process in which manager and subordinate communicate and attempt to influence each other.

Therefore, in this study, performance evaluation is a system designed to periodically and regularly measure the performance of employees against pre-set standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decisions and developmental purposes

2.2. Benefits of Performance Appraisal

If undertaken properly, performance appraisal benefits both the employees and the organization a lot. For employees, it gives a chance to see their performance with others' point of view. It also results in position promotion and salary increment. It enables the organization to identify the actual skill gap of the individual being appraised and helps device proper training and development program and coaching service. Performance appraisals also give employees and managers a useful tool to aid in employee development and employee control. According to Reza (1997), performance appraisal has the following major benefits.

Motivation and Satisfaction: Performance appraisal can have a profound effect on levels of employee motivation and satisfaction - for better as well as for worse. Performance appraisal provides employees with recognition for their work efforts. The power of social recognition as an incentive has been long noted.

Training and Development: Performance appraisal offers an excellent opportunity - perhaps the best that will ever occur - for a supervisor and subordinate to recognize and agree upon individual training and development needs. From the point of view of the

organization as a whole, consolidated appraisal data can form a picture of the overall demand for training. This data may be analyzed by variables such as sex, department, etc.

Recruitment and Induction: Appraisal data can be used to monitor the success of the organization's recruitment and induction practices. By following the yearly data related to new hires (and given sufficient numbers on which to base the analysis) it is possible to assess whether the general quality of the workforce is improving, staying steady, or declining.

Employee evaluation and Control: Though often understated or even denied, evaluation is a legitimate and major objective of performance appraisal. But the need to evaluate or to judge is also an ongoing source of tension, since evaluative and developmental priorities appear to frequently clash. Yet at its most basic level, performance appraisal is the process of examining and evaluating the performance of an individual.

2.3. Methods of Performance Appraisal

Jafari et al. (2009) notified the three most dominated methods to appraise performance. These are absolute standards, relative standards and objectives.

2.3.1. Absolute Standards

In the absolute standards, as performance appraisal approach, the employees are compared to a standard, and their evaluation is independent of any other employee in a work group (Dessler, 2000). This method consists of the following group;

The essay appraisal: It is the simplest evaluating method in which evaluator writes an explanation about employee's strong and weak points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation term. This kind of evaluations usually includes some parts of other systems to cause their flexibility. This method often combines with other methods. Hence, essay appraisal attempts to focus on behaviors (Mondy, 2008).

The critical incident appraisal: It focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to job and based on individual's performance than characteristics. The necessity of this system is to try to measure individuals' performance in term of incidents and special

episodes which take place in job performance. These incidents are known as critical incident. In this method, the manager writes down the positive and negative individuals' performance behavior in evaluation term (Mondy, 2008).

The checklist: In this method, the evaluator has a list of situations and statements and compares it with employees. The checklist is a presentation of employee's characteristics and performance. The results can be quantitative and give weight to characteristics. Answers of checklist are often "Yes" or "No" (Decenzo, 2002, as cited by Jafari et al., 2009).

The graphic rating scale: This is the most commonly used method of performance appraisal because they are less time-consuming to develop and administer and allow for quantitative analysis and comparison. It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

Forced choice: This method evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of evaluator is to determine which state has an explanation of employee most (Mondy, 2008).

Behaviorally anchored rating scales (BARS): This method replaces traditional numerical anchors tools with behavioral prototypes of real work behaviors. BARS lets the evaluator to rank employees based on observable behavioral dimensions. The elements of this method are result of combination of major elements of critical incident and adjective rating scale appraisal methods (Wiese, 2000).

2.3.2. Relative Standards

In this category, individuals are compared against other individuals. These methods are relative standards rather than absolute measuring device. The most popular of the relative method are group order ranking, individual ranking and paired comparison.

Group order ranking: In this method, employees are placed into a particular classification, such as "top one-fifth". For example, if a rater has 20 employees, only 4

can be in the top fifth and 4 must be relegated to the bottom fifth (Decenzo, 2002, as cited by Jafari et al., 2009).

Individual ranking: In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21st and 22nd employee. In this method, the manager compares each person with others than work standards (Dessler, 2000).

Paired comparison: In this method, employees are compared with all others in pairs. The number of comparison is followed as $(N \cdot (N-1))/2$ in which N shows the number of employees. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

2.3.3. Objectives

This approach to appraisal makes use of objectives. Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. This approach is frequently referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives in to individual objectives. It consists of four steps: goal setting, action planning, self-control and periodic reviews (Ingham, 1998).

2.3.4. 360 Degree Feedback Appraisal

360 degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. “Feedback from multiple sources or „360 degree feedback“ is a performance appraisal approach that relies on the input of an employee’s superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses” (Yukl and Lepsinger, 1998). The 360-degree evaluation can help one person be rated from different sides, different people which can give the wider prospective of the employees competencies (Shrestha, 2007). According to Wiese (2000) in the typical 360-degree process, supervisor(s), subordinates, peers and (less frequently) internal or external customers provide feedback on performance for each target rate, using some type of standardized instrument. Rasheed, Aslam, Yousaf and Noor (2011), claimed that

360-degree appraisal system is more effective as compared to the other systems that are one sided and could be biased at times. In 360-degree appraisal system, information is obtained through several sources; it includes the boss, top management, assistants, co workers, customers, dealers and advisors.

2.4. Who is to Conduct PA?

PA is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. By tradition, a manager's authority typically has included appraising subordinates' performance. The logic behind this tradition seems to be that since managers are held responsible for their subordinates' performance, it only makes sense that these managers do the evaluating of that performance. However, others may actually be able to do the job better (Robbins, 1998:1206-08). Among these are:

Immediate supervisor: Traditional rating of employees by supervisors is based on the assumption that the immediate supervisor is the person most qualified to evaluate the employee's performance realistically, objectively, and fairly. The unity of command notion - the idea that every subordinate should have only one boss – underlies this approach. The advantage to this source of appraisal is that supervisors are responsible for managing their subordinates and they have the opportunity to observe, direct and control their subordinates continuously. Moreover, supervisors are accountable for the successful performance of their subordinates (Robbins, 1998:1206-08).

Peers: Peer evaluations are one of the most reliable sources of appraisal data. First, peers are close to the action. Daily interactions provide them with a comprehensive view of an employee's job performance. Second, using peers as raters results in a number of independent judgments. A boss can offer only a single evaluation, but peers can provide multiple appraisal. And average of several ratings is often more reliable than a single evaluation. On the downside, peer evaluations can suffer from coworkers' unwillingness to evaluate one another and from friendship-based biases. Moreover, peer appraisal may be reliable if the work group is stable over a reasonably long period of time and performs tasks that require interaction (Robbins, 1998:1206-08).

Self-appraisal: As part of the overall process, employee self-appraisals should be encouraged (Goff and Longenecker, 1990, as cited in Boice and Kleiner, 1997). This helps the employee to be less defensive and passive in the appraisal review. Self-appraisals can lead to self-improvement. The employee's self-appraisal can also be helpful for the supervisor in opening a communication link and allowing for comparison of performance results. Self-appraisals give the supervisor helpful insight as to how the employee views his/her performance. Generally speaking, people will be at least as tough on themselves as the formal rater. However, they suffer from overinflated assessment and self-serving bias. Thus, because of these serious drawbacks, self-appraisals are probably better suited to developmental uses than evaluative (Robbins, 1998:1206-08).

Immediate subordinates: The concept of having supervisors and managers rated by employees or group members is being used in a number of organizations today. A prime example of this type of rating takes place in colleges and universities where students evaluate the performance of professors in the classroom. (Robbins, 1998:1206-08).

Multi source rating (Comprehensive or 360o rating): Multi source feedback recognizes that the manager is no longer the sole source of performance appraisal information. Instead, feedback from various colleagues and constituencies is obtained and given to the manager, thus allowing the manager to help shape the feedback from all sources. The manager remains a focal point both to receive the feedback initially and to engage in appropriate follow-up, even in a 360o system. Thus, the manager's perception of an employee's performance is still an important part of the process (Bozeman, 1997). Bozeman asserts that this source of appraisal has the following advantages and drawbacks.

2.5. Challenges of Performance Appraisal

Problems related to performance appraisal can be of three general types. These are: human errors, problems of criteria, and problems of confidentiality (Saiyadain, 1999:204-207).

2.5.1. Human errors (Rating biases)

Human errors called so because they just happen and supervisors may neither know about them nor have much control over them. To the degree that the following human factors are prevalent, an employee's evaluation is likely to be distorted:

Single Criterion: A typical employee's job is made up of a number of tasks. Where employees are evaluated on a single job criterion, and where successful performance on the job requires good performance on a number of criteria, employees will emphasize the single criterion to the exclusion of other job-relevant factors (Saiyadain, 1999:204-207).

Strictness or Leniency: Some supervisors tend to rate all their subordinates consistently low or high. These are referred to as strictness and leniency errors. The strict rater gives ratings lower than the subordinate deserves. This strictness error penalizes superior subordinates. The lenient rater tends to give higher ratings than the subordinate deserves. Just as the strictness error punishes exceptional subordinates, so does the leniency error (Lunenburg, 2012).

Halo Error: This is the tendency for an evaluator to let the assessment of an individual on one trait influence his or her evaluation of that person on other traits. A person may be good in one trait but is generally rated as overall good. Halo effect takes place when traits are not clearly defined and are unfamiliar. For example, the supervisor likes Tom because he is so cooperative. The halo effect leads Tom's supervisor to automatically rate him high on all appraisal dimensions. The result is that subordinates are rated consistently high, medium, or low on all performance appraisal dimensions (Saiyadain, 1999:204-207).

Central Tendency Errors: Some raters follow play safe policy in rating by rating employees around the middle point of the rating scale and they avoid rating at both the extremes of the scale. They follow play safe policy because of answerability to management or lack of knowledge about the job and/or the employee rated or the appraisers' lack of interest in their job (Rao&Rao, 2004:247).

Recency of Events Ideally, performance appraisals should be based on data collected about a subordinate's performance over an entire evaluation period (usually six months to a year). However, as is often the case, the supervisor is likely to consider recent performance more strongly than performance behaviors that occurred earlier. This is called the recency of events error. Failure to include all performance behaviors in the performance appraisal of a subordinate can bias the ratings (Lunenburg, 2012).

Similarity Error This occurs when appraisers rate other people giving special consideration to those qualities they perceive in themselves. The similarity between the rater and ratee may take one or more of the following forms: demographic similarity, affective similarity, perceived similarity & mutual liking (Schraeder and Simpson, 2006). Another very common critic is the performance rating suffer from many biases like age, ethnicity, gender, physical appearance, attitudes and values, in-group/out-group, personal like/dislike and so on (Cook Mark, 1995, as cited in Toppo and Prusty, 2012).

2.5.2. Problems of Criteria

Appraisal has to be against certain criteria. If a discrepancy between expected and actual performance is pointed out, the question is whether the expected was fully defined and communicated to the employee. In the absence of such an attempt, the appraisal reports can be questioned. The issue basically refers to job description. It is true that jobs can be clearly defined at the lower levels in the organizational hierarchy. However, as one goes up, it becomes more and more difficult to clearly specify the tasks one is supposed to perform (Saiyadain, 1999:204-207).

2.5.3. Problems of Confidentiality

One important issue in performance appraisal has to do with sharing or keeping secret the ratings on various items of appraisal report. While many organizations have a system of selective feedback to the employee, the general policy is not to share the total report with the employee. There are many reasons for this. First, each employee expects rewards if the report is better than average, which may not be administratively possible. Secondly, very often supervisors pass the challenge to top management by saying that while they did give good ratings to the employee; top management did not take that into

consideration. Thirdly, giving rewards is not the only objective of appraising employees. Given these reasons, it is emphasized that supervisory ratings of employees should be kept confidential. On the other hand, it is claimed that since there will always be differences between the supervisor and employee's perception of the subordinate's job performance, perhaps the employee should fully be aware of how he/she has been rated (Saiyadain, 1999:204-207).

2.6. Guidelines for a Successful Performance Appraisal System

Researchers have studied the performance appraisal process with the goal of determining the components of a successful performance appraisal system. For instance, Longenecker and Fink (1999, as cited in Cintron and Flaniken, 2008) found that a successful performance appraisal system could be divided into three critical components: systemsdesign, managerial practice, and appraisal system support, with each component containing several factors.

2.6.1. The Systems Design

It requires a clearly defined purpose for conducting performance appraisal. All employees must understand why performance appraisal is being conducted and the specific goals for it. The specific goals will allow the managers to select performance criteria that will support the organization's objectives and increase the motivation of the managers to carry out the appraisals properly. An effective system design is to have the input of managers and employees in the design, development, and choice of criteria used in the appraisal. This promotes acceptance and ownership of the system by the employees which then increases the effectiveness of the system. Without this involvement, the appraisal system risks losing the support and credibility of the users of the system and can short-circuit their sense of ownership of the system. Roberts (2003) noted that employee involvement is a useful tool for increasing job-related autonomy, which is a prerequisite for employee growth. Roberts also points out that employee participation gives employees voice in the appraisal process which gives the employee the opportunity to refute performance ratings, documentation, or verbal feedback with which they disagree. If employees are convinced the appraisal process is fair, they are more likely to acknowledge their performance ratings, including unfavorable ones.

The third factor addresses the importance of user-friendly and easy-to-understand appraisal procedures and forms. The performance criteria, rating procedures, and feedback should be relevant and meaningful for both supervisors and their employees. The forms should facilitate communication between the supervisors and the employees concerning behaviors, work processes, and opportunities to improve. The final factor within an effective systems design is an understanding by both supervisors and their employees of the appraisal process and their roles in it. This requires that they have training and education (Longenecker and Fink, 1999, as cited in Cintron and Flaniken, 2008).

2.6.2. Managerial Systems Practices

The second critical component of a successful appraisal system defined by Longenecker and Fink (1999) consists of three factors concerning managerial systems practices. The first factor is supervisors must conduct performance planning at the beginning of the appraisal cycle. Performance planning includes writing job descriptions and reviewing them with the employees, setting and agreeing upon goals, and communicating the expectations of behaviors and results for which the employees will be held accountable. The second factor is supervisors must provide ongoing, informal feedback to their employees throughout the course of the appraisal cycle so that there are no surprises when the formal appraisal takes place. Using frequent, informal feedback allows minor issues to be addressed promptly rather than growing into more serious ones over the passage of time. The final factor within the managerial systems practices component is supervisors must be motivated to carry out effective appraisals. This is best accomplished when the supervisors themselves are given effective appraisals by their manager because it sets a good example of how appraisal should be done and it indicates the importance of appraisal in the organization.

2.6.3. Organizational Support of the Appraisal System

The final component of an effective performance appraisal system describes organizational support of the appraisal system (Longenecker and Fink, 1999). The first factor is performance ratings must be linked to organizational rewards. Greater rewards should be linked to superior job performance because this increases the motivation of the employees to perform. If this link is absent, employees will tend to perform only to

minimum standards. A second factor is appraisal systems must be supported and demonstrated by the top administration. This can be accomplished by administrators giving effective appraisals themselves, and by supervisors and employees communicating about appraisal through memos, organizational newsletters, and testimonials.

A final factor is appraisal systems need continuing systems review and changes/improvements to ensure that procedures are being followed correctly and are effective. This could be accomplished by measuring the acceptance and trust of the system by the employees, comparing the relationship between performance and rewards, and reviewing the consistency of implementation of policies and procedures across all departments and locations. As such, it is important to gather employee input on the aspects of performance formally appraised as well as the measurement scales provided (Roberts, 1996).

2.7. Criteria of Performance Appraisal

The criterion or criteria that management choose to evaluate, when appraising employee performance, will have a major influence on what employees do. Generally, content to be appraised is determined on the basis of job analysis. Content to be appraised may be in the form of contribution to organizational objectives (measures) like production, costs savings, return on capital, etc. (Rao, 2004:220). Mathis and Jackson (1997:341) and Robbins (1998: 1204- 05), affirmed that criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based as discussed below.

Individual task outcomes: measure job-related results like amount of deposits mobilized number of customers served, number of new accounts opened, volume of transactions posted, number of tickets produced, etc.

Behaviors: measure observable physical actions and movements. In many cases, it is difficult to identify specific outcomes that can be directly attributable to an employee's actions. This is particularly true of personnel in staff positions and individuals whose work assignments are intrinsically part of a group effort. In the latter case, the group's performance may be readily evaluated, but the contribution of each group member may be difficult or impossible to identify clearly. In such instances, it is not unusual for management to evaluate the employee's behavior. Thus a bank clerk may be evaluated on

the basis of such behaviors as the quality of his/her customer services, his/her manner of communication with colleagues and customers, etc.

Traits: Trait based criterion identifies a subjective Character trait such as “pleasant personality”, “initiative,” or “creativity” and has little to do with the specific job. Such traits tend to be ambiguous, and courts have held that evaluation based on traits such as “adaptability” and “general demeanor” is too vague to use as the basis for performance-based HR-decisions. If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (Pan and Li, 2006) and (Ivancevich, 2004). Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. Mathis and Jackson (1997:341) again supplemented that jobs usually include many duties and tasks, and so measuring performance usually requires more than one dimension. If the performance criteria leave out some important job duties, they are deficient. If some irrelevant criteria are included in the criteria, the criteria are said to be contaminated. Managers use deficient or contaminated criteria for measuring performance much more than they should.

2.8. Empirical Review

Simmons (2002) undertook a study to examine the views of experts on PA in universities and colleges. He used the stratified random sampling procedure to select both appraisers and appraisee from 430 elements. Simmons’ study found that employees viewed the PA process as beneficial. Managers and professionals also found the process as having overall value, with very few suggesting it should be discarded altogether. However, problems identified from Simmons’ study included patchy application, uneven managerial commitment, lack of continuity between appraisal, the link with performance related pay and teamwork, and the appropriateness of individual performance review for lower-graded staff merit further attention. But there was a general negative perception of the effects of the link between individual performance review and pay.

Mani (2002) also found from her study at the East Carolina University that many employees are motivated by factors that do not relate to the PAS. According to her, many are self-motivated or motivated by the enjoyment of their work, and pay, an extrinsic reward, ranked third among the things that motivated these employees. However, she

warned that this self-motivation and enjoyment of work will cease if employees' pay is not adequately increased, as increases in pay was also seen as a symbol of recognition.

Wilson and Nutley (2003) did a study on the assessment of how appraisal systems facilitate women's progress in Scottish universities. They found that there was a general decline in the use of appraisal systems in Scottish universities but women were still being subjected to a disciplinary technology such as PA. Though there was no statistically significant gender difference with regard to purpose of PA, men perceived the PA of the university more positively and higher than female employees. Wilson and Nutley recommended in their study that employees with shorter length of service and at the junior levels do not stay with their organizations for long and any organization with more of such employees may experience high turnover which is not good for every organization.

Zelalem (2013) assessed the perception of employees towards the practices and problems of performance evaluation in Awash International Bank To this end; the study has the objective to assess the perception of employees towards the problems and practices of performance evaluation. On the basis of the data obtained from the respondents, the study identified the lack of transparency both during the evaluation and after evaluation as its major findings. Almost all the participants vented out that they are not allowed to see the result of their ratings. As a result, they do not have a confidence on the appropriateness of the evaluation to make crucial human resource decisions. The lack of clarity of performance evaluation criteria and the subjectivity involved in the evaluation which resulted in role ambiguity and frustration among the employees were identified to be the other problem of performance appraisal in Awash international bank (aib). On the other hand, the subjective nature of the standards against which the performance of employees are judged lead raters to manipulate the evaluation for their own personal agendas. The performance evaluation forms do not reflect the performance of the employees as they can be irrelevant for some jobs.

Hiwot (2013) studied on the assess performance appraisal practice and challenges at Awash International Bank Share Company. The student researcher has used questionnaires and structured interview discussion to collect data from managers and non-manager employees. The study findings indicated that employees are given feedback

during the appraisal period; are allowed to see their result and can appeal to higher officials if they believe it is biased and inaccurate. However, they are being evaluated by the form whose design they have not participated in. The criteria used to measure performance of employees are objective. But, there are some criteria which don't have direct relation with the actual work and natural traits which are difficult to alter and are beyond control of the employee. There also are criteria which are vague to understand. It was also observed that the major challenges of Performance evaluation at AIB S.C. are lack of rater ability to evaluate employee performance, rater bias in evaluating performance, lack of communicating performance standards and expectations to the employees, no link between some evaluation criteria and employee job, absence of employee participation in setting performance evaluation criteria and lack of focus and carelessness by some branch managers.

Mesert (2007) has tried to address problems of Performance Appraisal Evaluation in DashenBank S.C. as a case study organization. The results indicated the Bank adopts the rating scales method of appraisal. Although the existing practice of appraising employees twice a year has got the highest support among the sample respondents, some have suggested a more frequent time period for increased effectiveness. Employee participation in the appraisal process is set at a low level. Most of the non-supervisory respondents perceived performance appraisal as a punishment tool contributing little to motivation while their supervisory counterparts perceived it as an administrative and developmental tool. Owing to subjectivity of most of the performance criteria in use, problems related to measurement, rater bias, and lack of appropriate rater training are seen to characterize the Bank's appraisal system.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents detailed the research methodology employed in the study. Hence, topics related to research design, population and sampling technique, type of data collection, method of data collection and method of data analysis are presented.

3.1. Research Design

According to Singh (2006) defined research design as a statement of the object of the inquiry and the strategies for collecting, analyzing and reporting the findings of the data. Therefore, this study adopted descriptive research design because it attempts to describe performance appraisal challenges based on the data collected from employees working in different branches and head office. Kothari (2004) confirmed that descriptive research is applied to portray accurately the characteristics of a particular individual or groups, situation and issues. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present.

The researcher used both qualitative and quantitative approach of data analysis so as to get the advantage of both. The data collected via structured interview examined by using qualitative analysis and the data collected through administered questionnaire is analyzed through quantitative techniques.

3.2. Population and Sampling Design

A population in statistics is the specific population about which information is desired. According to Mugenda and Mugenda (2003), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. Hence, the target populations of this study were all employees of Abay bank who are working at least for one year in head office and branches which is 1,096.

Hence, the formula to find out the sample size (n) of finite population is given as under;

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N-1) + z^2 \cdot p \cdot q}$$

Sources: Kothari, 2004

Where, N = population

n = sample size

z = the value of standard value at a given confidence level 95% = 1.96

p = sample proportion P = 0.5

q = 1 - p

e = acceptable error = 5%

$$n = \frac{(1.96)^2 (0.5) (0.5) 1096}{(0.05)^2 (1096-1) + (1.96)^2 (0.5) (0.5)}$$

$$n = \frac{1052.5984}{3.6979}$$

$$n = 284.6476 \approx 285$$

As a result, based on the formula this study needs a sample of 285 employees at 95% confidence interval. Consequently, the researcher distributed for two hundred eighty five (285) sampled respondents who are working in the bank at least for one year.

To achieve the study stratified sampling technique is applied in selecting a sample all from employees of Head office (Support and Core staffs) and Abay bank Addis Ababa branches. The sampling frame was divided into three non-overlapping groups or strata, and in selecting a sample from each stratum the researcher applied lottery method. Besides, proportionate allocation of sampling procedure issued to increase the representative units of measurement because this technique reduced the sampling error as a result of heterogeneity groups and population size. Babbies (1990) explained the need for stratified sampling in that it ensured better representativeness of the population and minimized the probable sampling error when the sample was influenced by heterogeneity and the population size. Thus, the questionnaire distributed to the random sample of 285

respondents from the three stratum and Addis Ababa branches as indicated in the table below.

Table 3.1: Sample Distributions

Sr. No.	Department	No.of Staffs	Sampled Respondent's
1	Support Staff	75	40
2	Core Staff	130	68
3	Addis Ababa Branches	Grade A	161
		Grade B	107
		Grade C	76
Total		549	285

Sources: Abay bank and Own computation

3.3. Sources and Type Data Collection

The researcher has adopted primary and secondary data. The primary data has been gathered through structured questionnaire and managers and HR staff views which are collected using structured interview. The primary data can provide the appropriate data about the assessment of problems of performance appraisal system in the bank. In addition, the secondary data obtained from Human resources policies and HRM procedural manuals of the bank; annual reports and periodic Human resources progress reports of the bank to get relevant information.

3.4. Methods of Data Collection

The researcher used closed ended questionnaire as a main tool of data collection. The scale of measurement were ordinal where Likert scale (5: Strongly disagree; 4: Agree; 3: Neutral; 2: Disagree; 1: Strongly disagree). In order to gather primary information, a questionnaire that comprises two parts has developed.

The first section of the questionnaire has demographic information which asked the respondents' gender, age, educational qualification, occupational group and years of service in the bank. The second part of the questionnaire has a total of 33 questions that give a general data about purpose, criteria, and challenges of performance appraisal

system of Abay bank S.C. At last, after receiving the permission from the target commercial bank, Abay bank, the questionnaire distributed to staff members of Addis Ababa city branches and Head office departments. The questionnaire has been prepared in English language. Since it is presumed that the employees can communicate and understand the intention of the questionnaire.

Moreover, to incorporate the management's view towards performance appraisal system structured interview questions has been designed and conducted with human resource managers and staffs departments.

3.5. Data Analysis Methods

Data collected from respondent employees through questionnaires and interview discussions are analyzed and interpreted so as to arrive at meaningful findings. SPSS Version 23 has been used to code and analyze the collected responses from questionnaires. After proper editing, data were coded; entered to the software and then they were made ready for analysis. Descriptive statistical techniques are adopted for analysis of data collected from questionnaire respondents. In so doing frequency tables and percentages were used. This helped the researcher thoroughly analyze and interpret the questions one by one in order to reach meaningful results. Hence, the results are easily interpreted to assess challenges of performance appraisal challenges at Abay Bank S.C. Conclusions were drawn based on the data analysis and interpretation.

3.6. Validity and Reliability

3.6.1. Validity

According to Mugenda and Mugenda (2003) content validity is a measure of instrument and it provides adequate coverage of the investigative questions guiding the study. For survey, each question is given to subject matter expert analysts, and they rate it. They give their opinion about whether the question is essential, useful or irrelevant to measuring the construct under study. So, content validity uses a more formal approach because experts in the field judge the questions on how well the questions cover the study issues. Hence, in this study content validity is determined by consulting the Advisor and human resources experts. In order to improve the instruments, these experts and the

research advisor looked at every question in the questionnaire and do their own analyses to ascertain that the questions answered the research objectives of the study.

3.6.2. Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. For this study, internal consistence reliability determined by Cronbach's alpha. It is useful in assessing the consistence of the results across items within a test. It represents number between 0 and 1. According to Zikmund et al. (2010) scales with coefficient alpha between greater than 0.7 indicate higher reliability and considered adequate to determine reliability.

Thus, the Cronbach's alpha for each variable: appraisal criteria, appraisal purpose and appraisal become is 0.828, 0.773 and 0.848. This implies that the items were reliable, clear and easily understandable by the respondents.

3.6.3 Ethical Consideration

Participation of respondents was strictly on voluntary basis. Participants were fully informed as to the purpose of the study and consent verbally. A measure was taken to ensure the respect, dignity and freedom of each individual participating in the study. In addition, participants were notified that the information they provide are kept confidential and not be disclosed to anyone else.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

The prime objective of the study is to assess the challenges employee performance appraisal in Abay bank. This chapter focuses on the results of analysis and presenting the findings using descriptive statistics such as frequency and percentage.

4.1. Response Rate

The response rate refers to percentage of the sample that returns the questionnaires completed. In order to see the challenges of employee performance appraisal the study targeted 285 employees of Abay bank, of which 266 of the targeted respondents filled the questionnaires making a response rate of 93.33%. Mugenda and Mugenda (2003) observed that a 50% response rate adequate, 60% and above good, while 70% rated very well.

Table 4.1: Response Rate

Response rate	Items Response Rate	
	No.	Percent
Sample size	285	100%
Collected	266	93.33%

Source: Own Survey, 2010

So, the analysis was made based on 266 successfully responded questionnaires and done in line with the research questions and objectives set in the proposal.

4.3. Demographic Characteristics of the Respondent's

The analysis tried to provide information related to sex, age, educational level and service years of respondent's employees.

Table 4.2: Respondent's Profile

		Frequency	Percentage
Gender	Male	161	60.50%
	Female	105	39.5%
Total		266	100%
Education	Diploma	49	18.4%
	First Degree	206	77.4%
	Second Degree	11	4.1%
Total		266	100%
Experience	1 years	35	13.2
	2 years	49	18.4%
	3 years	77	28.9%
	4 years	56	21.1%
	5 years	14	5.3%
	6 years	21	7.9%
	7 years	14	5.3%
Total		266	100%
Job Position	Junior Officers	42	16.%
	Officers	133	50%
	Senior Officers	91	34%
Total		266	100%

Source: Own Survey, 2010

As indicated in the table-4.2, the majorities (60.5%) of the respondents were male and the remaining 39.5% of the respondents were female. This specified that out of 266 respondents around 161 were male and the remaining 105 were female. Therefore, the study comprises both male and female employees of Abay bank.

Regarding educational attainment, out of 266 respondents, 206 (77.4 %) of them have first degree. Whereas 49 (18.4%) were diploma holders and the rest 11 (4.1%) of the respondent have master degree. It also specified that the services years of the respondents categorized in seven different groups. Majority of the respondents 77(28.9%) were with three years of service. Respondents with service year one, two years, four years, five years and six years and have 13.2%, 18.4%,21.1%,5.3% and 7.9% respectively. The rest 5.3% respondents were under seven years of working service. Moreover, the study

covered the juniors to senior employees of the bank. The junior officers were 42 representing 16%, the officers were 133 (50%) while 91(34%) sampled respondents were senior officers.

Wholly, all respondents are professional, holding different positions and worked at the bank for 1 year and above. Consequently, these aspects sample characteristics have positive contribution on the reliability of the study because their position, educational qualification and experience allow them to reasonably rate the items accurately.

4.4. Performance Appraisal Information

4.4.2. Who Conduct Appraisers

Respondents were also asked to specify who evaluate their performance and the table-6 depicted below revealed their response for this issue.

Table 4.3: Who Conduct Appraisers

Who conduct the performance appraisal?		Frequency	Percentage
	Immediate supervisor	100%	266
Peer appraisal	-	-	
Rating committees	-	-	
Self-rating	-	-	
Subordinates	-	-	
	Total	100%	266

Source: Own Survey, 2010

As indicated above table all the respondents disclosed that their performance is evaluated by immediate supervisors. Moreover, performance appraisal is conducted by immediate supervisors for fresh employees who are in their probation period as feedback for management whether the employees should stay permanent. This means that Abay bank has practiced of using immediate supervisors to appraise employee's performance. However, Robbins (1998) asserted that immediate supervisors are not the only right individuals to evaluate employees' performance. Indeed, introducing multiple appraisers has certain higher costs than a single evaluator but it has significance in reducing rater errors, particularly central tendency, halo error and leniency. The management may

consider an appraisal system whereby different combination of raters may be involved in so far as the costs of introducing such a system do not exceed the expected benefits.

4.4.4. Appraisal Systems of Abay bank

In this regard the response of respondents reflected towards system of appraisal is discussed below.

Table 4.4: Appraisal Systems of Abay bank

Which appraisal system is being adopted in the Abay Bank?	Frequency		Percentage	
Assessment Centre	-	-	-	-
MBO	84		31.6%	
360 degree feedback	-	146		
Balanced scorecard	182		68.4%	
Total		100%		266

Source: Own Survey, 2010

In fact, each method of performance appraisal has its own strengths and weaknesses may be suitable for one organization and non-suitable for another one. As depicted above in table 7 the majority of the respondents 182(68.4%) showed that appraisal system of the bank is balanced scored card whereas 84(31.6%) represented that the bank uses management by objective appraisal system.

4.4.5. Purpose of Performance Evaluation

Mathis and Jackson (1997) explained that performance appraisal has two roles in organizations. One role is to measure performance for rewarding or otherwise making administrative decisions. Hence, performance appraisal is used not only for employee feedback purposes, but also connected with the benefits it bears, such as pay increment, bonus promotion and training. Theses reward helps the organization as well as the incumbent employee to bring effectiveness and efficiency, which in turn increases productivity and service quality.

Table 4.5: Purpose of Performance Evaluation

	Frequency	Percentage
What purpose is the performance evaluation result used in your Abay Bank?	Salary increment	7 3%
	Training	21 8%
	Bonus	35 13%
	Promotion	63 24%
	I don't Know	140 53%
Total	100%	266

Source: Own Survey, 2010

In order to dig out the reasons of performance appraisal of Abay bank the researcher present the findings in the table above 8. Accordingly, respondents representing 140(53%) replied that PA is not attached to any reward and benefits while 63(24%) employees confirmed that PA attached with promotion. Additionally, 7(3%), 21(8%), and 35(13%) were consent that the purpose of performance appraisal of Abay bank connected with salary increment, training and development and bonus respectively. This suggested that the purpose of performance appraisal of the bank still not connected with rewards and this eventually reduced the employee's inspiration to do works. Because their efforts are not being accompanied by positive performance that eventually leads to rewards (which may be in the form of promotion, salary increase, or training and development), they wouldn't be motivated and consequently their attitude towards the system's effectiveness would be distorted. However, the interview feedbacks of the managers and staffs of the human resources staffs the bank are disclosed that performance appraisal system of the bank is serving its purposes which is motivating the employees and linked with the human resources decision like demotion, promotional and recognition.

4.5. Overall Performance Appraisal Criteria

Based on the responses gathered from the employees of the bank, the researcher has tried to discuss the employees' attitude towards the performance appraisal of Abay bank. The questionnaire was designed using Likert Scale where all the statements were measured on a five point scale 1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and

5= strongly agree. The information obtained from the questionnaire are summarized and discussed in this section using frequency and percentage.

4.5.1. Performance Appraisal Criteria

As much as possible the criteria used to evaluate the performance of employees should be clear and objectively determined. In this regard the opinion of participants as to the extent which they agree towards performance appraisal criteria summarized and discussed below.

Table 4.6: Performance Evaluation Criteria

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Knowledge on PA objectives.	14	5.30%	49	18.40%	42	15.80%	112	42.10%	49	18.40%	266	100%
Understanding work unit strategic goals.	28	10.50%	63	23.70%	56	21.10%	98	36.80%	21	7.90%	266	100%
Alignment of PA with bank strategic goals.	28	10.50%	35	13.20%	49	18.40%	119	44.70%	35	13.20%	266	100%
Alignment PA criteria with job description.	42	15.80%	21	7.90%	49	18.40%	126	47.40%	28	10.50%	266	100%

Source: Own Survey, 2010

A total of 23.7% of the respondents agreed that employees were aware of performance appraisal objectives of Abay bank whereas 15.8% of the total the respondents are neutral to the statement “Understanding of performance appraisal objectives”. But 60.5% disagree to recognize PA objectives, of which 18.4% are strongly disagreed. This showed that, over average employees of Abay bank have not adequate knowledge on performance appraisal objectives and hence Abay bank has to arrange awareness creation programs on performance appraisal so as to help employees to know in detail the objectives of PA and to narrow their knowledge gaps.

Respondents were asked whether they are familiar with their respective department strategic goals. Their response is displayed in table-9, 91(34.2%) of the respondents agreed that employees have understand their work unit strategic goals while 10.5% strongly agreed and 56(21.1%) of the respondents were neutral to the issue. In line with this, a total of 119(44.7%) of the respondents disagree this issue; of which 7.9% are strongly disagreed. This inferred that somehow the majority of the employees of Abay bank do not understand and own their respective department strategic objectives and goals. Again, this also explains that employees of the bank were not clearly understood their department goals they cannot make a direct contribution to their department success and retard department operating efficiency margins.

Organizations need to have an effective performance appraisal framework and this required a strong commitment from the top management to design PA criteria by aligning with companies strategic goals. As indicated in the table-9, 23.7% of respondents agreed that performance appraisal criteria are linked with bank strategic goals. Representing 154(57.9%) said they didn't support and 18.4% were neutral. This deduced that the management of the bank need to check the PA criteria is emanated from the banks strategic goals as the majority of the respondents disagreed for this concern. Correspondingly, fail to align performance criteria with the bank's strategy is directs employees to not see how their individual effort and performance contribute to the attainment of bank's strategic goals broadly and create unambiguous communication at all hierarchical levels.

Mathis and Jackson (1997) explained that performance appraisal become more powerful when the criteria are appropriately linked with job duties and tasks. Otherwise performance appraisal is converted to deficient. If irrelevant criteria attached with job description, the criteria will become contaminated and create problems. In this regard from the total respondents 23.7% agreed that their job description associated with PA criteria while 57.9% disagreed and 18.4% became neutral. From the responses of employees it can be conclude that Abay bank performance evaluation criteria are not in line with the employees' job description. Equally, unclear and implicit links between performance appraisal and employee job description will lose the relevance of the

appraisal in the sense that the focus of appraisal evaluations criteria of Abay bank does not consider the employees key competencies, behaviors and outcomes associated with a particular role or job.

4.5.2. Performance Appraisal Contents

In this regard the opinion of respondents as to the extent which they agree or disagree towards performance appraisal contents is discussed below.

Table 4.7: Performance Appraisal Contents

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
PA is cascaded from the bank strategic goals.	28	10.5%	21	7.9%	56	21.1%	133	50%	28	10.5%	266	100%
PA criteria and SMART	21	7.9%	42	15.8%	77	28.9%	112	42.1%	14	5.3%	266	100%
Weights of PA criteria	14	5.3%	42	15.8%	49	18.4%	119	44.7%	42	15.8%	266	100%
Consistency of PA for similar roles and jobs.	21	7.9%	21	7.9%	77	28.9%	105	39.5%	42	15.8%	266	100%

Source: Own Survey, 2010

Most of the respondents (60.5%) disagree that the performance appraisal criteria does not flow from the bank strategic goals, where 10.5% of the respondents strongly disagree with this issue. Only 18.4% of the total respondents agreed that performance appraisal cascaded from the bank strategic goals while 21.1% of the respondents are neutral. This demonstrated that the bank's performance appraisal criteria is not cascade from its goals and objectives. Overall strategic goals alignment is about getting everyone moving in the right direction and this can be achieved via goal cascading then this helps to make a difference to the bottom-line performance of the organization. With this line of sight,

Abay bank still has not communicated the corporate strategic goals of the bank at the bottom line and this creates conflict of interest between the bank and the workers.

On the other hand, 7.9% of the total respondents strongly agree that PA criteria of Abay bank are specific, measurable, reliable and timely, where as 15.8% agree the statement and 28.9 employees were neutral. However, respondents representing 42.1% and 5.3 of the total respondents disagreed and strongly disagreed respectively with the statement of “Performance appraisal criteria is SMART”. This finding indicated that most of the respondents have consented that the criteria written in the performance appraisal of Abay bank is not SMART. The best SMART goals provide guidance for the employee and help keep performance focused throughout the evaluation period. When PA criteria not SMART create understands of what performance is expected and by what standard it will be evaluated.

In order to assess the employees’ perception on the performance appraisal criteria weights, the analysis of the opinion of the respondents revealed out that the majority of the respondents (60.5%) disagree and 21.1% of the respondents were agree with this issue while about 18.4% of the respondents were neutral with the existence appropriate criteria measurement weight. This implies that the majority of the respondents claimed that there is unfair for the points given for the respective performance appraisal criteria.

Equally important, respondents were also asked whether there is a consistency of performance appraisal criteria for similar roles and jobs, the majority of (55.3%) employees disagreed, while 15.8% agreed, and 28.9% were indifferent for this issue. This disclosed that performance appraisal of Abay bank is not similar across the employees within the same jobs. Regarding with this, the interview feedbacks of the managers of human resources replied that the performance appraisal criteria are both objective and subjective measurement this also supported by and staff of human resources department indicated that the overall the criteria’s are both objective and subjective matters like the lack of measurement evaluation dimensions to specific tasks assigned to each category of employees

4.5.3. Performance Evaluation Contents

In this regard the opinion of respondents as to the extent to which they agree or disagree towards performance evaluation process is discussed below.

Table 4.8: Employees opinion on Performance Evaluation Process

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Review PA goals before the agreement.	14	5.3%	21	7.9%	63	23.7 %	154	57.9%	14	5.3%	266	100%
PA factual and objective.	0	0 %	42	15.8%	49	18.4%	112	42.1%	63	23.7%	266	100%
PA and HRM focus area.	28	10.5%	28	10.5%	77	28.9%	84	31.6%	49	18.4%	266	100%

Source: Own Survey, 2010

Michael (1997) justified that the importance of employee participation in the review and design of performance appraisal. This involvement assist the two parties can have mutual trust and supportiveness, subordinates are more apt to be open in discussing performance problems and become less defending in response to negative feedbacks. In this aspect the respondents were also asked that whether they review and comment PA goals before the contractual agreement with the rater. Considering the sample respondents of Abay bank representing 63.2%, 13.2 and 23.7% of the respondents replied that they disagree, agree and neutral for this item respectively. The analysis indicated that supervisors of Abay bank did not give an opportunity to the employees to raise their voices into the appraisal process and it definitely affects the effectiveness of the PA system negatively.

In any case, if the employees perceive that appraisal system is biased, unrealistic and lacks confidentiality then it is unlikely that they will accept the outcomes of the performance evaluation. With respect to objectivity and factuality of the performance appraisal, about 65.8% of the respondents disagreed with the fairness and objectivity of the appraisal system while 15.8% of the respondents agreed with the fairness and objectivity. Almost 18.4% of the participants became neutral with this issue. This shows

that the appraisal system of the bank is unfair and subjective. As a result, the performance evaluation results of the bank do not adequately reflect the ability of the employees because it attributed to the subjectiveness of the evaluation which is still inherent in Abay bank and employees work are judged by unfair criteria. In general, employees are not evaluated based on objective criteria employees' morale has been decreased due to unfair performance evaluation result and they are pretending to leave the bank.

Furthermore, the respondent view also sought to disclose whether there is emphasize for performance appraisal practices in Abay bank. The respondents portrayed that 31.6 % and 18.4 % of the respondents disagreed and strongly disagreed by the statement that 'performance appraisal is the major human resources focus area in Abay Bank'. This issue is also supported by some of respondents representing 21% while the rest accounted for 28.9% (70) offered neutral feedbacks. This revealed that even though performance appraisal is a one part of human resources function in Abay bank it is not considered as part of human resources focus area. This also implied that the respective supervisors whether at branch or head office would not take PA evaluation as one of major tasks rather as an additional duty. In line with this notion the probability of committing mistakes as a result of lack of due attention seriously slow down the bank's employee true performance. Thus, in order to address this hindrance it expected from the managers to give the required time and full attention from employee's performance evaluation and easily by doing so employee's performance will increase as well as the bank's performance will take the right road.

To sum up, the major gaps outlined from the analysis of the respondents findings in relation to the performance criteria and process include: the gap with regard to setting SMART goals and targets; fail to align PA with organizational and department goals, lack of awareness on PA and work unit strategic objectives, unfairness on PA criteria weights, poor employees participation to comment PA criteria and process before the contractual agreements.

4.6. Performance Appraisal Feedbacks and Post Assessments

4.6.1. Opinion on Performance Feedbacks

In this regard the opinion of respondents as to the extent to which they agree or disagree towards performance appraisal feedback is discussed below.

Table 4.9: Opinion on Performance Feedbacks

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
My supervisor is well trained.	21	7.9%	28	10.5%	49	18.4 %	98	36.8%	70	26.3%	266	100%
My supervisor gives equivalent rating	7	2.6 %	35	13.2%	91	34.2%	91	34.2%	42	15.8%	266	100%
My supervisor avoids negative effect rating	14	5.3%	42	15.8%	84	31.6%	98	36.8%	49	10.5%	266	100%
My supervisor is subjectivity	63	23.7 %	84	31.6%	63	23.7%	35	13.2%	21	7.9%	266	100

Source: Own Survey, 2010

If supervisors are not well trained, they will face difficulties to assess employee performance and how to enhance the career path of their employees. Regarding supervisors training in assessing and giving feedbacks, representing 63.1% of the total respondents disagreed that supervisors are not well trained to evaluate employees' performance. Whereas 18.4% agree the issue and 18.4% were neutral. This showed the Bank's supervisors have not enough know how to evaluate employee performance appraisal. If this problem persists, Abay bank is in a position to loss the main objectives of performance appraisal, employees' morale will decrease and treated badly due to untrained PA appraisers. Consequently, employee's retention will become difficult and Abay bank will loss competitive advantages as employees are the core reasons to gain competitive advantage in the banking industry. Therefore, Abay bank should arrange a program so as to acquaint its respective supervisors to have adequate knowledge to rate employee performance appraisal.

Indeed, creating a competitive work environment across employees is relevant and has a positive outcome for Abay bank and workers. However, being reluctant to settle feelings like resentments caused by sense of having been badly treated have negative consequence for both entities. From the above table-12, it is possible to understand that the majority 50% of employees of Abay bank disagree for the statement “my supervisor gives equivalent performance rating to avoid rivalries among us” while 15.8% agree and 34.2% indifferent about the aforementioned statement. Henceforth, in Abay bank there is low level agreement that there is equal performance rating to consolidate positive competition and creativity among employees.

As indicated in the table-12, almost 5% of the respondents’ strongly agree that managers avoid giving result which has a negative effect on subordinates and 15.8% agree this statement. Whereas a total of 46.3% disagree and 31.6% are keep silent to the issue. However, one of the objectives of performance evaluation is to motivate employees, the finding of the analysis portrayed that supervisors of Abay bank are not protecting their employees from discouragement which cannot be expected from a good supervisor.

Biases in PA ratings manifests themselves in many forms, According to Ivancevich (1959) performance appraisal rating should be objective and accurate however deviated from this facts supervisors set their own like and dislike behavior in the PA evaluation process like bias based on ethnicity, age, religion, seniority, sex, appearance, or other arbitrary classifications such action directly distort the appraisal information. Table-12 depicted that the extent of the rater subjectivity (liking and disliking) bias; majority (55.3.9%) of employees agree, while 23.7% indifferent, and 22.3% disagree. This implied that above average score in Abay bank still there is supervisor subjectivity and hence inspection of rating by higher-level managers may help to correct these problem.

Giving on time feedback is one of the core techniques that assist employees to know their strength and improve weakness. The above table-12 indicates that the majority of the respondents (50%) disagree with the statement “My supervisor gives timely feedback” and only 21.1% of the respondents agree while 28.9% of the respondents are indifferent. Thus, the finding of the analysis revealed that Abay bank supervisors are not at the required level to giving feedback on time. The impacts is, if supervisors keep silent from

giving feedbacks on time employees will think their present level of performance is acceptable and will not exert additional efforts.

4.6.2. Opinion on Performance Appraisal Assessment

In this regard the opinion of respondents as to the extent to which they agree or disagree towards performance evaluation assessment is discussed below.

Table 4.10: Opinion on Performance Assessments

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Timely feedback	21	7.9%	35	13.2%	77	28.9%	98	36.8%	35	13.2%	266	100%
Evaluated based on accomplishment	14	5.3%	14	5.3%	56	21.1%	91	34.2%	91	34.2%	266	100%
Accountability of Rater	35	13.2%	28	10.5%	70	26.3%	84	31.6%	49	18.4%	266	100%
Appealing for biased and inaccuracy.	21	7.9%	35	13.2%	56	21.1%	112	42.1%	42	15.8%	266	100

Source: Own Survey, 2010

The researcher also asked that performance appraisal feedbacks is based on accomplishments and achievements; the majority (68.4%) of the respondents replied that performance appraisal feedbacks in Abay bank is not rely on meeting of PA target while 10.6% agree, of which 5.3 strongly support the evaluation is based on once accomplishment and success. Besides, employees representing 56(21.1%) kept silent for this issue. This ascertained that employee performance appraisal of Abay bank is not based on meeting PA targets and goals.

In performance appraisal processes supervisors are expected to be accountable for their wrong feedback and biases. Analysis of the opinion of the respondents with respect to supervisor accountability; large amount of respondents (50%) disagreed that supervisors

of Abay bank are not accountable for his/her wrong feedbacks whereas respondents representing 23.7% opposed this issue. Moreover, 26% of the respondents were neutral to the item. Therefore, this showed that in Abay bank on average there is wrong practices of performance evaluation feedbacks due to absences of supervisor accountability.

In order to bring trust and confidence between subordinates and superiors in the organization particularly in Abay bank creating a chance to appeal for any bias associated with performance appraisal results is relevant. In this regard most of respondents (57.9%) disagreed for the statement ‘I have ways to appeal a performance rating that I think it is biased and inaccurate, while 21.1% agreed, and 21.1% indifferent. This indicated that a considerable employee of Abay bank have no lines to request for any unfair appraisal feedbacks. In general, the interview results of employee performance appraisal of Abay bank reflects lack of training supervisory staff on rating skills; lack of confidence of supervisory staff to openly discuss performance evaluation results with concerned employees and subjectivity rating are the other problems identified with respect to performance evaluation practice of the bank.

4.7. Purpose of Performance Appraisal

In this regard the opinion of respondents as to the extent to which they agree or disagree towards performance evaluation purpose is discussed below.

Table 4. 11: Purpose of Performance Appraisal

Items	Level of Agreement											
	SA		A		N		DA		SD		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Punishment for poor performance	21	7.9%	28	10.5%	84	31.6%	70	26.3%	63	23.7%	266	100%
To know strength and weakness	14	5.3%	21	7.9%	49	18.4%	77	28.9%	105	39.5%	266	100%
Motivation	21	7.9%	14	5.3%	63	23.7%	77	28.9%	91	34.2%	266	100%
Waste of time	56	21.1%	84	31.6%	70	26.3%	49	18.4%	7	2.6%	266	100%
PA in Abay bank serving its purpose	28	10.5%	21	7.9%	35	13.2%	70	26.3%	112	42.1%	266	100%

Source: Own Survey, 2010

There are potentially many reasons for undertaking performance appraisal. Ikramullah et al. (2012) asserted that PA is being used for purpose of administrative decisions relating to (salary, promotion, retention, transfer, demotion and layoff) and developmental decisions like (training and determining employee's strengths and weaknesses). Thus, an effective performance appraisal evaluation is vital for three entities: employees, supervisors and organizations. To Rynes (2005), punishment is not the performance appraisal objectives rather it is a formal employee work behavior evaluations designed to identify those areas that the employee needs improvement to be more effective and efficient in his/her job.

As depicted below in table-14; 133(50%) respondents replied that PA evaluation is used for punishment, while 49(18.4%) agreed and 84(31.6%) of the employees become indifferent for this issue. Henceforth, in Abay bank performance appraisal evaluation outcomes on average did not taken to punish employees.

Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance appraisal is one of the most important processes in which supervisors are assessing their subordinates regarding job performance in the past which lays a ground for keeping the strength and improving on the weaknesses so that to work on the development plan for the future. This enables the employees to obtain information about how they are perceived in the organization and where they stand as well as to avoid their performance problems faced in the past.

In this regard, the data gathered from questionnaire disclosed that most of the respondents which is 182(68.4%) replied that they did not get any feedback from their respective supervisors on how to improve their weakness and keep up their strength. Among the respondents 49(18.4%) of them were neutral on the issue and the rest 35(13.2%) express their level of agreement. This designated that supervisors of Abay bank did not give feedback for employees in aspect of weaknesses and strengths during the appraisal process just by comparing the previous and the current status.

According to Reza (1997), performance appraisal not only important to make human resources decision but it also applied to motivate employees and to create competitive work environment however If not appropriately implemented it directly affects the initiation employees. In this aspect, the majority of the respondents 63.1% disagreed that employees' morale has been decreased after performance evaluation. Moreover, 13.2% of the total respondents agree that employees are motivated after performance evaluation whereas 23.7% of the respondents were indifferent. This disclosed that in Abay bank the performance appraisal process and evaluation outcome negatively affects employee's motivation to work.

To Murphy (1995) the purpose of performance appraisal can be categorized basically in to two major dimensions that are to improve efficiency of an organization and employee. Hence, caution has to be granted so as to harvest the advantage of performance appraisal otherwise it became a waste of time and resources. In the table-14 above, the opinion of employees disclosed that the majority (52.7%) of employees agreed that Abay bank incurs time and resources cost for performance appraisal practices, while 21% disagreed, and 26.3% indifferent. Even though, the majority believe that performance appraisal in Abay bank is a waste of time, but there are quite few who believe the performance appraisal process is not a waste of time and resources.

Finally, as we can see from the above table-14, the majority of the respondents 182(68.4%) and 49(18.4%) disagreed and agreed respectively with the statement 'In my opinion, the information generated through performance evaluation in Abay bank is serving its purpose' whereas 35(13.2%) of the respondents be neutral for this issue. From this, it inferred that the majority of the respondents do not feel that the performance evaluation system of Abay bank is not on the right truck to meet the intended purpose.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter consists of three sections which include summary of the findings, conclusion and recommendations.

5.1. Summary of Research Findings

The research on the title: Assessment of Challenges of Employee Performance Appraisal taking Abay bank as area of the study. As a result of the analysis and interpretation, the following are the summary of the findings.

- The majority of the respondents indicated that employees of Abay bank have not adequate knowledge on performance appraisal objectives, and their respective department strategic objectives and goal.
- About, more than half of the employees respondents notified that the bank's performance evaluation criteria are not align with the job description and banks strategic goals.
- Most of the respondents disagreed that the performance appraisal criteria not cascaded from the bank strategic goals and objectives.
- As indicated most of the respondents suggested that performance appraisal criteria's have not receive equal weights and lack SMART properties.
- About, more than half of the respondents replied that performance appraisal process reviewed and commented by employees, lack fairness and objectivity, and not considered as part of human resources focus area.
- Largely, response of the respondents indicated that there is high level agreement for unequal performance rating, negative rating outcome, supervisor subjectivity, and untrained supervisor items.

- Above average respondents confirmed that supervisor of Abay bank do give performances appraisal feedbacks on time and the evaluation is not based on once accomplishment.
- Majority of the respondents explained that they did not know the purpose of performance appraisal of Abay bank.
- Representing above half of respondents revealed that supervisor of Abay bank are not accountable for his/her wrong feedbacks and have no ways to appeal for biased performance evaluation.
- The majority of the respondents explained that the idea that information generated thorough performance evaluation are not serving the purpose rather it is just waste of the bank's time and resources because it demotivates the employees encouragement and fail to inform employees strength nor improve weakness after PA evaluation.
- Analysis of the interview indicated that: the lack of evaluation dimensions to specific tasks assigned to each category of employees; lack of training supervisory staff on rating skills; lack of confidence of supervisory staff to openly discuss performance evaluation results with concerned employees and subjectivity rating are the other problems identified with respect to performance evaluation practice of the bank.

5.2. Conclusion

The performance evaluation criteria of Abay Bank are not SMART, directly unrelated with the employees' job duties and bank's strategic goals, fail to cascade from bank's strategic goals, inconsistent ratings across similar jobs and unequal weight given to each criteria is in accordance with their relative importance to a particular jobs so that the assessment processes do not fit to measure employees jobs. Therefore, it is difficult to say that performance appraisal criteria of the bank is properly designed.

Performance appraisal is a systematic process which a manager can use to get the team members to achieve the team's objectives and organizational long term targets. This can be succeeding by creating a chance for employees to involve in the evaluation process from the designing till post feedbacks and hence employees will motivate and productive. In line with, the study concludes that Abay bank performance appraisal system did not consider employee participation, appraisers were not accountable and trained enough, the evaluation feedbacks were discourage the employees, exposed to subjectivity, unfair performance evaluation result, untimely feedbacks and no ways of appealing for wrong appraisal results.

The study also concludes that the performance appraisal system of the bank is not largely linked with salary, training and bonus. Hence, it is not serving the intended purpose (motivation) rather it leads to waste of the time and resources even if the managements of the bank are insisted performance appraisal system of the bank is serving its purposes which is encouraging and linked with the human resources decision. This revealed that the performance appraisal process of the Bank is not productive enough to realize the benefits of performance appraisal for both employees and bank.

In general, the problems of performance appraisal system of the Abay bank are identified; ineffective performance appraisal criteria, subjectivity, absence of system based evaluation, inexpert level performance evaluators, absence of due attention from the management side, nonexistence of employee participation and absence of ways of appealing for inaccurate and wrong feedbacks are main problems of performance

appraisal system of Abay bank. Therefore, the concerned managements should gear their efforts to mitigate the outlined challenges to achieve the intended purpose of performance appraisal system of Abay bank S.C.

5.3. Recommendation

To create more productive employees in Abay bank, performance appraisal evaluation should basis only information generated through performance rather than focusing on subjective measurement. This can be achieved via create transparency, employees participation in preparation of performance appraisal and avoiding bias. So that the productivity of employees will be enhanced to this effect they stand strive to improve their performance and attain organizational goals.

As witnessed from the research finding, the performance appraisal criteria lacks the necessary tools like objective, alignment with organization strategic goals and job description, measurability, specialty, accuracy, timely, transparency and clarity. Therefore, the top management particularly the human resources management directorate need to create the room to shape the current appraisal system of the bank to accommodate the gaps in the criteria applied which then employees performance will be judged based on their accomplishment and achievements.

Indeed, biases are different types such as equal rating behavior, manager liking and disliking as well as avoiding giving performance rating may have negative consequences to employees; hence the human resources management has to develop policy that can control the existence of such practice by using combination of evaluators to avoid problems encountered with single evaluator as Abay bank performance appraisal evaluation solely depend on immediate supervisors.

Based on the finding, the study recommended that the human resource department needs to create awareness among employees about the purpose and process of performance evaluation is conducted. Correspondingly, appropriate practical training has to given to supervisor to equip supervisors to have knowledge to evaluate employee's performance accurately. If periodic training and development given to raters then it will promotes favorable work environment where harmony presides over dispute regarding performance

appraisals. Moreover, Human Resource Department's has to give due attention for performance appraisal practices as among other human resources functions.

The appraisal system should be participatory in the sense that employee should allowed to see their evaluation and comment on it. Furthermore, creating the chance for employees to appeal for any wrong and inaccurate rating feedbacks so as to assist to build up transparency and to avoid superior's subjectivity.

The performance evaluation system of the bank should be designed in a way that feedback is given during the course of performing a job not it is at the end of the appraisal period so that employees can easily identify their strength and weakness. Therefore, the respective Abay bank supervisors better to give the needed timely feedbacks to their subordinates to consolidate the effectiveness of performance appraisal process of the bank.

The human resources management department needs to implement self-evaluation system which helps employees to evaluate themselves prior to conducting the final performance appraisal result as a result rater's subjectivity and bias evaded. Thus, the concerned management of Abay bank has to apply self evaluation ratings to increase manager's accountability if their ratings are largely deviated from employee's self-evaluation.

In order to improve employee performance, Abay bank should invest on information technology system to make the evaluation system technology based. This enables the supervisors to record and load the employee's performance evaluation accurately on consequently the issues related with biasness, subjectivity and diminished. This action allows the employees to feel that they are treated by true tracking system then they become motivated. Therefore, if employees are motivated after performance evaluation they become productive in this case the performance appraisal system of the bank can serve its purpose otherwise waste of time and resources.

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APPENDICES

APPENDIX 'A'

St. Mary's University
School of Graduate Studies
Challenges of Performance Appraisal System at Abay Bank S.C

Dear respondents,

This questionnaire is designed to collect information about the Performance Appraisal System of Abay Bank SC. The purpose of this study is for the partial fulfillment of the requirements for the degree of **Master of Business Administration (MBA)**. The information you provide is confidential and for the sole purpose of academic reason. Hence, you are kindly requested to respond to the statements in the following questionnaire. Your response has a great impact for this survey study. The main objective of the study is to assess the performance appraisal system of Abay bank S.C and recommend solutions for problems related to subject matter.

Part I. General Information

Circle on your selection or mark (X) for the following questions as appropriate.

1. Sex: Male Female

2. Marital status:
 Married Single Divorced Widowed

3. Academic qualification,
 Diploma First Degree Second Degree Above second Degree

4. Number of years that you stayed in Abay bank S.C.....

5. Please indicate your position/ Staff Grade -----

Part 2. Regarding performance appraisal

6. How often is your performance evaluated in a year?

Monthly Quarterly Semi Annually Annually None

7. Who conduct the performance appraisal?

Immediate supervisor Peer appraisal Rating committees
 Self-ratings Subordinates

8. Which appraisal system is being employed in the company?

Assessment Centre MBO 360 degree Balanced scorecard

9. For what purpose is the performance evaluation result used in your company(you may tick more than one)

Salary increment Training and development Promotions
Promotion I don't know Other (Specify)

PART II: Questions related to the practices of performance Evaluation

Listed below are statements about the challenges of Employee performance appraisal system in Abay Bank. Please indicate (✓) mark in the table under to assess your level of agreement.

Hint: 1= strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5= Strongly agree

#	Parameters	1	2	3	4	5
	Performance appraisal criteria					
10	I have a clear understanding of performance appraisal standards, indicators and goals.					
11	I am clear about my work unit strategic objectives.					
12	The criteria provided under performance evaluation are aligned with the bank's strategic objectives.					
13	The performance criteria (goals and targets) are in line with my job description.					
14	The performance criteria are SMART (Specific, measurable, reliable and timely)					
15	The performance criteria are cascaded from the bank's strategic objectives and goals.					
16	I sign off contractual agreement with my rater after I reach on an agreement about the criteria (goals and targets) before contractual agreement.					
17	I have given an opportunity to review and comment on the goals and targets before the contractual agreement.					
18	The target and measurement weights for performance appraisal criteria are fair.					
19	The performance appraisal criteria are consistent for similar roles and jobs.					
20	Performance related appraisal criteria are factual, open and honest based on data track up and tangible evidences.					
21	I believe that the performance appraisal is the major Human resources focus area in Abay Bank.					
	Appraisal Feedbacks and Post Assessment					
22	My supervisor gives an ongoing feedback.					
23	My supervisor avoids giving performance rating which may have negative consequences for his/her subordinates.					
24	My supervisor gives equivalent performance rating to avoid resentment and					

	rivalries among us.					
25	My supervisor or rater is not accountable for his/her wrong feedbacks.					
26	My supervisor is well trained in assessing and giving feedbacks.					
27	I evaluated based on My supervisor subjectivity (like and dislike).					
28	My supervisor evaluated my performance based on my accomplishment and achievement.					
29	I have ways to appeal a performance rating that I think is biased and inaccurate.					
30	I realized that there is a difference in evaluation results among different departments due to managerial behavior					
31	I frequently received performance feedbacks from my supervisor in a timely manner during the appraisal period.					
32	My supervisor is taking performance appraisal as a major responsibility.					
	Purpose of Performance Appraisal					
33	In Abay bank, performance appraisal system is linked with benefit packages (like bonus and salary increment).					
34	In Abay bank, performance appraisal results are being used for important human resources decisions.					
35	In Abay bank, performance evaluation is being used as punishment for poor performance.					
36	I let to know the strength and weakness during performance appraisal process.					
37	I feel motivated after performance appraisal.					
38	I think, the performance appraisal system is a waste of time.					
39	In my opinion, the performance appraisal system in Abay bank is serving its purpose.					

40. What are the major problems of performance appraisal system in your organization?-----

41. Any comments/opinions regarding performance appraisal practices of Abay Bank S.C?-----

Thank You for Your Cooperation!!!

APPENDIX ‘B’

St. Mary’s University

School of Graduate Studies

Challenges of Performance Appraisal System at Abay Bank S.C

Interview Questions for Head office Managers and HR staffs

1. For what purpose is Abay bank S.C. is using performance appraisal result?
2. What is your views regarding PA criteria in Abay bank S.C
3. Would you tell me the overall practices and feedback assessment of performance appraisal in Abay bank S.C?