

ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF MANAGEMENT

**AN ASSESSMENT OF EMPLOYEES' PERFORMANCE
APPRAISAL PRACTICE: THE CASE OF AWASH
INTERNATIONAL BANK S.C (AIB)**

BY
YOSEF MESKELE

JUNE, 2014
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**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT
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ABBREVIATIONS

PA.....performance Appraisal

AIB.....Awash International Bank

HR.....Human Resource

HRM.....Human Resource Management

MBO..... Management by Objectives

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

As a service giving organization, the most important thing about a bank is the people who compose the bank's staff. Without an adequate number of the right sort of people with appropriate training, qualifications and experience, a bank cannot do a good job. No matter how fine the building and the equipment, nor how perfect the systems and policies, there is no substitute for an adequate and capable staff (Kennedy, 1969, pp. 17).

Customer goodwill is a valuable asset. A bank's employees, through their daily contacts with customers, are the ones who, for the most part, determine the quality of its services and public relations (Kennedy, 1969, pp. 17).

Human resources are among the fundamental resources available to any organization. Successful managers recognize that human resources deserve attention because they are a significant factor in top management strategic decisions that guide the organization's future operations. Three crucial elements are needed for firms to be effective: mission & strategy, organization structure, and human resource management. However, people are the basic resources who do the work and create the ideas that allow the organization to survive (Ivancevich & Glueck, 1989, pp. 325-329).

Employee performance Evaluation has been practiced by numerous organizations since centuries. It is one of the most important requirements for successful business and Human Resource policy of the organization. As employees are one of the most valuable assets of the organization that can make things happen, the practice of performance evaluation is an inherent and inseparable part of the organizations' life. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers to developmental programs or other personnel actions that are essential to the effectiveness of Human Resource Management.

Longenecker and Fink (1999) cited several reasons that formal performance evaluations are to stay in organizations. According to them, formal evaluations are required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, etc. It is also required to determine employees' training need. The authors cited a study on high performance organizations that the practice of performance appraisal was cited as one of the top 10 vehicles for creating competitive advantage. Moreover, performance measurement allows the organization to tell the employee something about their rates of growth, their competencies, and their potentials.

However, regardless of its panacea, ineffective appraisal system can bring many problems including low morale, decreased employee productivity, a lessening of an employee's enthusiasm and support for the organization (Rafikul Islam and Shuib bin Mohd Rasad, 2005). Evaluating employee performance is a difficult task because the job demands the immediate supervisors to understand the nature of the job and the sources of information, and the 2 information needs to be collected in a systematic way, and it is provided as a feedback, and integrated into organization's performance management process for use in making compensation, job placement, and training decisions and assignments.

The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance and hence rating accuracy is a critical aspect of the appraisal process. A difficulty of getting accurate appraisals of employee job behavior is most often attributed to: faults in rating format used, deficiencies in appraisal content, rater resistance to judge others, and the implications of the specific purpose of appraisal for the rater and the ratee.

Therefore, the problems of performance evaluation arise when the results of the evaluation fail to reflect the actual performance of the employees, which in turn, leads to wrong administrative decisions that can highly affect the life of the employees.

Thus, the study was attempted to assess the practices and the real problems that exist in Awash International Bank. And it tries to address the purposes for which performance appraisal is conducted.

Background of awash international bank S.C

Awash International Bank S.C. (AIB) is the pioneer private commercial bank in Ethiopia after the downfall of the military regime and introduction of market economic policy in 1991. It was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. Licensed on November 10, 1994, it started banking operations on February 13, 1995. It was named after the popular river "Awash" which is the most utilized river in the country especially for irrigation and hydroelectric power.

The number of shareholders and paid-up capital increased continuously and currently reached over 3000 and Birr 1.2 billion, respectively. Presently Awash International Bank s.c is the first and only private bank to build and operate in its own headquarters at the hub of what is growing into the Ethiopian financial district. The twins building named "*Awash Towers*" built at a cost of more than Birr 217 million in collaboration with its sister company, Awash Insurance Company s.c. was inaugurated in 2010.

Currently, the Bank has 120 branches spread throughout the country, thus boosting the wider branch network, which makes AIB the leading private bank in branch network. All city branches and almost half of the outlying branches are providing on-line services.

Currently AIB has already started card banking service and providing 24/7 services through ATM Installed in various parts of the city. The service is accessible not only from AIB's machines but also from machines installed by United Bank and Nib International Bank. This will give an edge to our customers as they can access their account from any corner of the town and outlying branches where such service is available.

Vision

"To be the strongest and most preferred Bank of the People"

Mission

"To provide modern, efficient, competitive, diversified and profitable banking services at domestic and international banking levels, to a continuously growing number of customers in a socially responsible manner."

Objectives

- To meet the needs of the emerging private sector for quality and dependable domestic and international banking services;
- To expand and diversify commercial banking services in response to the growing demands of customers; and
- To contribute towards the economic and social development of the country and to operate profitably in a sustainable manner.

1.2. Statement of the problem

Improving organizational productivity (performance) has become one of the overriding goals of human resource management. Organizational performance is the synergetic sum total of the performance of all employees in the organization. This being the fact, employee performance has to be closely planned, coached, and appraised to ensure that it is in line with the interests of organizations (Ivancevich & Glueck, 1989, p.305-307)

A formal performance evaluation program can have a number of objectives including Performance assessment and improvement, providing a basis for individual remuneration,

Identifying training needs and, assessing suitability for promotion. Moreover, productive performance evaluation serves many purposes, including: letting employees learn of their weaknesses and strengths, new goals and objectives are agreed upon; employees become an active participant in the evaluation process. (Ivancevich, J.M. 2004, p.567-568)

On the contrary, performance evaluation suffers from so many problems. In most cases, the

Performance evaluation results do not adequately reflect the ability of the job incumbent. This could be attributed to the subjective nature of the evaluation criteria, the irrelevance of the criteria used to evaluate the performance of the workers, lack of skills and knowledge of the raters, the subjectivity, favoritism and bias of the raters, lack of continuous documentation and inability to provide feedback as to the results of the performance evaluation. These problems are inherent in every organization where there is a formally designed performance evaluation.

Thus, the performance evaluation function in AIB faces a problem of perception that create confusion in the mind of employees and, to some extent, there is a credibility problem as a value-adding process. Many employees believe that the current performance evaluation system is "shrouded in obscurity" or it lacks clarity.

Most often than not attention given to performance evaluation, if any exist at all, is sorrowful inadequate to enable employees learn from fault of their previous performance and enhance their future performance. Supervisors who evaluate consider Performance evaluation more as a rating mechanism of employees past performance rather than a means to improve employee's future performance and a tool in the banks strive for organizational excellence that is why the student researcher had been convinced to conduct this paper in detail.

1.3. Research Questions

This research has tries to give answers to the following research basic questions:

1. What does the performance appraisal process of the Awash International Bank looks like?
2. What are the problems related to the criteria used in the P.A of AIB?
3. To what extent the criteria's of P.A are job related?

4. What are the real problems facing Awash International Bank with regard to the Performance evaluation practices?
5. To what extent do employees receive the feedback on the result of performance evaluation in Awash International Bank?

1.4. Objectives of the study

1.4.1. General objective

The prime purpose of the study is to assess and evaluate employee's performance appraisal practice in Awash International Bank (AIB) and recommending solutions for problems related to the subject matter.

1.4.2. Specific objective

With the above general objective, the study has the following **specific objectives**:

- Identify the perception of employees towards the purposes of performance evaluation in Awash International Bank (AIB)
- To find out and assess the criteria's that should be considered in performance appraisal
- To uncover potential problems related to performance appraisal and state ways of overcoming those problems
- To see what methods are available to appraising performance and assess the frequency of the appraisal practice
- Based on the findings it summarizes, conclude, and recommend alternative ways to overcome the problems of performance evaluation based on the findings and the review literature.

1.5. Delimitation of the study

This report is limited to the data obtained from the ratees using questionnaires and interview in the Awash International Bank (AIB). Due to work load constraints the study is confined only in Head office of AIB, the reason that enough information and data's related to human resource management and performance evaluation system of AIB is found in the head office because they follow a centralized HR mechanism and they are responsible to issues related to performance evaluation.

The time period for analysis is the last two years (January 2012-December 2013) because it's difficult to expand the time range of the analysis due to multifarious characteristics of performance evaluations it's tricky to find sufficient time for in-depth study

1.6. Significance of the study

On the basis of the findings of the study, it initiates the concerned organization to use it as an input in the time of reassessing its existing practices and put a renewed emphasis on this undermined.

It is a piece of contribution to the current knowledge in the practice of performance evaluation in firms that working in Ethiopia and invites for further research to bring behavioral change in the areas of performance evaluation and it serves as a reference material for both academicians and practitioners.

1.7. Definition of terms

Employee: An individual who works part-time or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties.

Employer: A legal entity that controls and directs a servant or worker under an express or implied contract of employment and pays (or is obligated to pay) him or her salary or wages in compensation.

Performance appraisal: - is a method by which the job performance of an employee is evaluated. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations.

Employee performance; The job related activities expected of a worker and how well those activities were executed.

Perception: the act or faculty of perceiving or apprehending by means of the senses or of the mind, cognition or understanding.

1.8. Research Design and Methodology

This section presents an overview of the methods that was used in the study. Areas covered include the research design, population, sample and sampling techniques, data collection and analysis.

1.8.1. Research Design

Based on the purpose of doing the research the paper is designed by descriptive research method of analysis and uses qualitative research technique to present and interpret the

data for the reason that the main goal of this research is evaluating performance evaluation and its effect on employee's future performance in AIB so descriptive method is suitable for describing what is in existence in respect to conditions or variables that are found in AIB, and the reason for qualitative research is to investigate and gather in depth information about the topic I chose. Consequently, the research was designed to achieve the objectives set out by the student researcher.

1.8.2. Population

Awash international bank s.c is one of the biggest employers in the banking industry. As of December 2013, number of permanent employees in the head office reached 506 out of which 325(64.33%)staff members are male and the remaining 181(35.77%)are females. With regard to composition 50 Managerial Staffs 292 are Clerical staff and 164 are Non clerical staff the targeted population for the study thus includes the following:

- Managerial Staffs
- Clerical staff
- Non clerical staff

1.8.3. Sampling and Sampling Technique:

It's obvious from the definition of the population above that a census is not feasible in this study. Therefore in total a sample of 15 % from the population is used because the performance appraisal plan is already implementing & running in the organization for several years thus the sample size is enough for getting feedback of employees about the case, by this a sample of 76 participants will be selected from a targeted population of 506.

The study was adopted a stratified random sampling method to select samples for the reason that it highlights a specific group in the population and capture key population characteristics in the sample. Details of the sample and the strata's are as follows:

Functional areas	No of employees	Sample size (15%)
Managerial	50	10
Clerical	292	44
Non clerical	164	22
Total	506	76

1.8.4. Types of data collected

The study was made by the use of both primary and secondary data in its construction. Secondary sources such as, published books, company appraisal forms, and the Internet have also been extensively review as a reference.

1.8.5. Data collection method

The study is used a survey research method, it collect data by administering a questionnaire, Most of the structured questions are close-ended type and respondents were asked to mark the appropriate box matching the correct answer. Other questions, however, were requiring respondents to give opinions, an interview guide was also used to conduct interview.

1.8.6. Data Analysis:

The responses to the structured close-ended questions were rated in percentages. The percentage of respondents for each alternative was given and analyzed. The data collected was analyzed using Frequency Tables along with other statistical tools like percentages; mean & standard deviation are also employed to analyze the response of employees on those dimensions. Moreover interviews are analyzed through narrative summary analysis and triangulate them with the questionnaires response.

1.9. Limitations of the Study

There were some uncontrollable variables that disrupt the smooth implementation of the study. For instance, the lack of cooperation of some respondents and their commitment to complete filling the questionnaire, and lack of few interviewees' cooperation to devote their time to provide the researcher with the relevant information has limited the outcome of the research

1.10. Organization of the study

The study is organized under four chapters. The introductory part bears background information, statement of the problem, objectives, significance of the study, the methodology used to conduct the study, and limitations of the study. The second chapter deals with review of related literature.

The third chapter presents the empirical findings from assessment of the performance appraisal practice of Awash International Bank (AIB) wherein the data gathered, analyzed and Interpreted. In the fourth and last chapter, summery, conclusions and recommendations are provided.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Overview of performance appraisal

An organization's continuous effort to improve the quality of the performance of its employees depends, in part, on some estimate of the current level of performance compared to the level desired. Selection and promotion procedures, training programs, and steps taken to improve worker motivation are all evaluated, in part, by estimating the quality of the performance of the people involved.

For supervisors and managers, the appraisal system is an instrument. How they use it will depend on both their perception of the organization's needs and how well they have been trained in its use (Daley, 1992, p. 39-49).

When the quality of an individual's work performance is examined, PA is the preferred instrument. Ideally, PA is a lens that focuses the decision-making process on the appropriate job-related criteria. It becomes the means for assuring that a career is opened to talent and that the individual is rewarded meritorious performance (Daley, 1992, p. 39-49)

Various academicians and researchers on human resource management have defined performance appraisal in different ways.

A formal definition of performance appraisal is given by Aswathappa, A (2002):

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

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”.

Cascio 1995, also defined performance appraisal as it is an exercise in observation and judgment, it is a feedback process, and it is an intensely emotional process.

The emotional component of the performance appraisal process can be very distressing to the employee as well as to the supervisor. Feelings can be hurt and walls can be put up between the employee and the supervisor.

Moreover, According to Campbell and Lee (1988), performance appraisal consist of observation of behavior by a rater, formation of some cognitive representation of this behavior, storage of this representation in memory, retrieval of the stored information, at the time of evaluation, reconsideration and integration of the retrieved information with other items of information, and, finally the assignment of a formal evaluation to the employees.

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. In the citation of literature, such terms as appraisal, assessment, personnel rating, merit rating, and review are used interchangeably with evaluations (Ivancevich, 2004, p.252-258)

2.2. Purpose of performance appraisal

PA is a pivotal management technique. It is used in judgmental workforce decisions, such as promotion, demotion, retention, transfer, and pay and for employee development via feedback and training; it also serves the organization as a means for validating selection and hiring procedures, promoting employee-supervisor understanding, and supporting an organizations culture (Daley, 1992, p. 39-49).

Those who favor formal performance evaluation contend that it serves several purposes; (Ivancevich & Glueck, 1989, and Robbins, 1996) put the following purposes of PA.

Developmental purposes: PA can determine which employees need more training and helps evaluate the results of training programs. It helps the subordinate-supervisor counseling relationship, and encourages supervisors to observe subordinate behavior to help employees. They pinpoint employee skills and competencies that are currently inadequate but for which programs can be developed to remedy. Similarly, the effectiveness of training and development programs can be determined by assessing how well those employees who have participated do on their performance evaluation.

Reward and compensation purposes: PA helps the organization decide who should receive pay raise and promotions. It can determine who will be laid off. It reinforces the employee's motivation to perform more effectively. PA also provides information that can be used to determine what to pay and what will serve as an equitable monetary package. Decisions as to who gets merit pay increases and other rewards are frequently determined by performance evaluations.

Motivational purposes: The presence of an evaluation program has a motivational effect: it encourages initiative, develops a sense of responsibility, and stimulates effort to perform better. What defines performance in the expectancy model of motivation is the individual's performance evaluation. To maximize motivation, people need to perceive that the effort they exert leads to a favorable performance evaluation and that the favorable evaluation will lead to the rewards they value.

Following the expectancy model of motivation, if the objectives that employees are expected to achieve are unclear, if the criteria for measuring those objectives are vague, and if the employees lack confidence their efforts will lead to a satisfactory appraisal of their performance or believe there will be unsatisfactory payoff by the organization when their performance objectives are achieved, one can expect individuals to work considerably below their potential.

Legal compliance: It serves as a legally defensible reason for making promotion, transfer, reward, and discharge decisions.

Personnel and employment planning purposes: PA serves a valuable input to skills inventories and personnel planning. Performance evaluations can be used as criterion against which selection and development programs are validated. Newly hired employees who perform poorly can be identified through performance appraisal.

Communication purposes: Evaluation is a basis for an ongoing discussion between superior and subordinate about job-related matters. Through interaction, the parties get to know each other better. Evaluations fulfill the purpose of providing feedback to employees on how the organization views their performance

2.3. Process of performance appraisal

The basic purpose of performance appraisal is to make sure that employees are performing their jobs effectively. In order to realize the purpose of performance appraisal organizations should carefully plan appraisal systems and follow a sequence of steps as illustrated below:

1. Establish Performance Standard
2. Communicate Standards to Employees
3. Measure Actual Performance
4. Compare Performance with Standard
5. Discuss Appraisal with Employees
6. Initiate Corrective Action

1. Establishing Performance Standards

The first step in appraising performance is to identify performance standard. A standard is a value or specific criterion against which actual performance can be compared. Employee job performance standards are established based on the job description. Employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employees' performance is measured. (Baird, et.al, 1990, p.28-34)

2. Communicating Standards to Employees

As Werther and Davis (1996), stated to hold employees accountable, a written record of the standards should exist and employees should be advised of those standards before the evaluation occurs. Providing the opportunity for employees to clearly understand the performance standards will enhance their motivation and commitment towards their jobs.

3. Measuring Performance

Once employees have been hired their continued performance and progress should be monitored in a systematic way. This is the responsibility of the immediate boss to observe the work performance of subordinates and evaluate it against the already established job performance standards and requirement. The aim of performance measure is to detect departure from expected performance level.

4. Comparing Performance with Standard

After evaluating and measuring employee's job performance it is necessary to compare it with the set standard to know whether there is deviation or not. When one compare performance with the standard either performance match standards or performance does not match standards.

5. Discussing Appraisal with Employees

After the evaluation, the rater must describe work-related progress in a manner that is mutually understandable. According to Baird et.al. (1990), feedback is the foundation upon which learning and job improvement are based in an organization. The rater must provide appraisal feedback on the results that the employee achieved that meet or exceed performance expectations. Reactions to positive and negative feedback varied depending on a series of variables such as:

- ✓ The importance of the task and the motivation to perform it
- ✓ How highly the employee rates the evaluator
- ✓ The extent to which the employee has a positive self-image, and
- ✓ The expectancies the employee had prior to the evaluation; for example, did the employee expect a good evaluation or a bad one?

6. Initiating Corrective Action

The last step of the performance appraisal is taking corrective action. The management has several alternatives after appraising performance and identifying causes of deviation from job-related standards. The alternatives are:

- 1) Take no action, 2) correct the deviation, or 3) Review the standard.

2.4.Factors influencing performance appraisal effectiveness

According to Ivancevich & Glueck (1989, pp. 322-324), there are several factors that have significance for performance evaluation. One factor is the task. A white collar or supervisory task is more likely to be formally evaluated than a blue collar task. In addition, the performance evaluation technique used will differ with the task being valued. Other factors affecting performance evaluation are government requirements, regulations and laws. By inducing organizations to keep better records to support their decisions, government action has indirectly encouraged better performance evaluation systems.

Other factors influencing performance evaluation, according to Ivancevich & Glueck (1989, pp. 322-324) are the attitudes and preferences of employees. For people whose value fit the work ethic, evaluations can be very important. If this process is badly handled, turnover increases, morale declines, and productivity can drop. For employees with instrumental attitudes toward work, performance evaluation is just another process at work. Since work is not too important to them, neither are evaluations. They want a job to earn money, and that is it.

One important factor that can affect performance evaluation is the leader's (supervisor's) style. Supervisors can use the formal system in a number of ways: fairly or unfairly, in supportive manner or punitively, positively or negatively. If the supervisor is punitive and negative with an employee who responds to positive reinforcement, performance evaluation can lead to the opposite of the results expected by the enterprise.

Finally, if there is a union present in the organization, performance evaluations might be affected. Different unions take different positions in support or in opposition of formal performance evaluations. Most oppose the use of non-measurable, nonproduction-related factors in performance evaluation.

Keeley (1978, pp. 428-438) in his “Contingency Framework for Performance Evaluation” has proposed that different appraisal techniques would be appropriate to different organizational structures depending on the degree of task uncertainty. Thus the following are suggested:

- Behavior-based evaluation procedures (e.g., BARS) - those defining specific performance expectations and, hence highly “mechanistic” in structure – are most appropriate for certain tasks.
- Objective-based evaluation procedures (e.g., MBO) – those defining less specific performance expectations and, hence, moderately “organic” in structure – are most appropriate for tasks which are neither extremely certain nor extremely uncertain.
- Judgment-based evaluation procedures (e.g., multi-rater techniques) – those defining the least specific performance expectations and, hence, highly, “organic” in structure

2.5. Problems in 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, pp. 204-207).

2.5.1. Human errors (rating biases)

They are called Human errors 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.

Leniency error: Every evaluator has his or her own value system that acts as a standard against which appraisals are made. Relative to the true or actual performance an individual exhibits, some raters have a tendency to be liberal in their rating by assigning higher rates consistently. Such ratings do not serve any purpose. Equally damaging one is assigning consistently low rates.

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.

Recency vs. primacy effect: One difficulty with many of the evaluation systems is the time frame of the behavior being evaluated. Raters forget more about past behavior than current behavior (Ivancevich & Gluedck, 1989, pp.331) Recency refers to the proximity or closeness to appraisal period. Generally, an employee takes it easy for the whole year and does little to get by the punishment. However, as appraisal time gets closer, he/she becomes very active creating an elusion of efficiency in the rater thereby affecting his/her appraisal decision.

Primacy is the opposite of recency. It refers to a situation where an employee's initial impression influences his/her rater's appraisal decision irrespective of whether the employee has been able to keep up the initial impression or not. (Ivancevich & Gluedck, 1989, pp.331)

2.5.2. Problem 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.

2.5.3. 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.

2.6. Methods of performance appraisal

A number of different appraisal methods are used to assess employees' job performance. Some of the most commonly used methods are briefly discussed below.

2.6.1. Category rating method

These are the simplest methods for appraising performance which require a manager (supervisor) to mark an employee's level of performance on a specific form. The graphic rating scales, checklist and the forced choice method fall under this classification.

Graphic Rating Scale: It measures the degree of characteristics required for adequate performance of the job and consists of a number of characteristics and qualities which are judged on a point scale. The rater is presented with a set of traits such as quantity and quality of work, knowledge of job, cooperativeness, dependability, attendance, attitude, initiative, leadership, decisiveness, emotional maturity, etc. The supervisor evaluates these characteristics on a point scale from high to low, excellent to poor, etc

Employee's Name _____ *Department* _____

Rater's Name _____ *Date* _____

	<i>Excellent...</i>	<i>Good...</i>	<i>Acceptable...</i>	<i>Fair...</i>	<i>Poor</i>								
	<i>5</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>1</i>								
1. Dependability	_____	_____	_____	_____	_____								
2. Initiative	_____	_____	_____	_____	_____								
3. Quality of work	_____	_____	_____	_____	_____								
4. Attendance	_____	_____	_____	_____	_____								
5. Attitude	_____	_____	_____	_____	_____								
6. Cooperation	_____	_____	_____	_____	_____								
.								
20. Overall output													
Results	_____	_____	_____	_____	_____								
Totals	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____

Total Score

A Sample Rating Scale for Performance Evaluation

Checklist: The checklist is a simple rating technique in which the supervisor is given a list of statements or words and asked to check statements representing the characteristics and performance of each employee.

Forced choice: In its simplest form, the method consists of providing a list of behavior related statements. The supervisor is asked to indicate one least and one most descriptive statement for a particular subordinate. These statements are usually grouped in clusters of five based on a broad theme covered by these statement. Each statement carries some weight which is not known to the supervisor.

2.6.2. Narrative method

Written appraisal information is sometimes required of some managers and human resource specialists. These methods are used when documentation and description of an employee's actions are sought rather than an actual rating. The two most widely used techniques that fall under this classification are the essay and critical incident methods.

Essay or free form appraisal: this method requires the rater to write a brief narrative description of employee's performance and characteristics. To do a thorough job, the supervisor has to devote considerable time and thought to writing his analysis. This is so because essays generally have to be constructed from diaries/logs of observed critical incidents kept by the evaluator during the performance assessment period (Chatterjee, 1975, p.120-125)

Critical incidents: they are focusing the evaluator's attention on those behaviors that are key in making the difference between executing a job effectively and executing it ineffectively. That is, the appraiser writes down anecdotes describing what the employee did that was especially effective and ineffective. The key here is that only specific behaviors, not vaguely defined personality traits, are cited (Robbins, 1996, pp. 653-654)

2.6.3. Comparative method

Comparative methods include ranking, paired comparison, and forced distribution

Ranking: The ranking method consists of listing all employees from highest to lowest in performance. It is difficult to do if the group of employees being compared numbers over

It is also easier to rank the best and worst employees than it is to evaluate the average ones. Simple ranking can be improved by alternative ranking. In this approach, the

evaluators pick the top and bottom employees first, then select the next highest and next lowest, and move toward the middle (Ivancevich & Glueck, 1989, pp. 353-355).

Paired comparisons: This method requires the rater to compare each employee with every other employee working under him/her on the overall efficiency aspect (Saiyadain, 1999, pp. 196-197). The number of comparisons can be calculated using the following formula:

$N(N-1)/2$ Where N = Number of people rate

Forced distribution: This method is developed to prevent the raters from rating too high or too low. Under the forced distribution method, the rater after assigning the points to the performance of each employee has to distribute his/her ratings in a pattern to conform to normal frequency distribution (Rao & Rao, 2004, 228-229)

2.6.4. Special methods

These methods comprise behavioral ratings and management by objectives (MBO).

Behavioral rating approaches. These approaches attempt to assess an employee's behaviors instead of measuring or quantifying outputs. Behavior-based performance appraisal formats which concentrate on the ratee's behaviors are most appropriate under circumstances where controlling behaviors or processes assumes that the desired output will result. In other words, they are most appropriate when the transformation process is understood or when there is a high degree of linkage between means and ends (Lee, 1985, pp. 322-331).

Some of the different behavioral approaches are: behaviorally anchored rating scales (BARS), behavioral observation scales (BOS), and behavioral expectation scales (BES). **BARS** match descriptions of possible behaviors with what the employee most commonly exhibits. **BOS** are used to count the number of times certain behaviors are exhibited. **BES** order behaviors on a continuum to define outstanding, average and unacceptable performance

Management by Objectives (MBO). For organization to be effective, employees must clearly understand the objective of his/her organization. Management must provide opportunities for every employee to make contribution in the attainment of objectives. This is possible through a system of establishing objectives known as management by objectives (MBO). MBO, therefore, is defined as follows:

A process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the

unit and assessing the contributions of each of its members (Baird & et.al., 1990, p.79-81).

In the MBO technique of appraisal, objectives are set by the management and communicate it to the employees. It is a measurement of job performance in terms of objectives. If objectives are achieved, the employees are assessed to be a success.

2.7. The appraisal interview

The best techniques for conducting a particular appraisal interview depend on the mix of objectives pursued and the characteristics of the subordinate. Employees differ in their age, experience, sensitivity about the negative feedback, attitude towards the supervisor, and desire for the influence and control over their destiny.

Michael Beer (1987) stated that there are three types of appraisal interviews each with a distinct specific objective. The differences are important in determining the skills required by the supervisor and the outcomes for employee motivations and supervisor-subordinate relationships.

The tell and sell Approach: The aim of this method is to communicate evaluations to employees as accurately as possible. The fairness of the evaluation is assumed and the manager seeks (1) to let the subordinate know how they are doing, (2) to gain their acceptance of the evaluation, and (3) to get them to follow the manager's plan for improvement. In the interview, supervisors are in complete control; they do most of the talking. They attempt to influence and persuade subordinates that their observation and recommendations are valid. Clearly, this method leads to defensiveness, lack of trust, lack of open communication and exchange of invalid information and it can hurt supervisor-subordinates relations.

The tell and listen interview: The purpose of this interview method is to communicate the evaluation to the subordinate and then let him /her respond to it. This method is appropriate to result in better understanding between supervisor and subordinate than the -tell and sell method.

The problem solving interview: This interview approaches takes the manager out of the role of judge and puts him in the role of helper. The objective is to help subordinates discover their own performance deficiencies and lead them to take the initiative in developing a joint plan for improvement. The problem solving interview is best suited to coaching and development objectives of performance appraisal

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In order to get a representative data 76 questionnaires were prepared and distributed to employees of the AIB for those who are working in the head office. Out of these 68 questionnaires were collected back. From these only 62 were properly filled. Thus the analysis is based on the valid 62 questionnaire responses.

3.1. Profile of Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table.

Table 1: Biographical profile of Respondents

	frequency	%
Total number of respondents		
Sex:		
M	34	54.8
F	28	45.2
Age:		
Below 20	-	
20-29	32	51.6
30-39	15	24.2
40-54	13	21
Above 55	2	3.2
Educational Background:		
High school graduate	5	8.06
Technical school graduate	7	11.3
College Diploma	14	22.58
BA/BSc Degree	31	50
Masters Degree	4	6.45
PhD & Above	-	
Job Experience (years)		
0-4	30	48.39
5-9	28	45.16
10-19	4	6.45
≥20		

From the above information about 54.8% employees are male the least amount 45.2% are females, this shows that there are comparable number of male and female staff in the organization. Regardless of age of respondents majority of the employees are less than 39 years old, this is an important potential that majority of which are young employees and it leads to more productivity. Employees who are greater than 40 years old account for 24.3%.

From the above table given 56.45% of employees are with BA degree and above. This gives the organizations a competitive advantage having qualified and skilled employee. Since the banking industry is in the competitive market. Diploma holders are 22.58% and Technical school graduates are 11.3%

As we can observe from the above table, the largest groups of respondents (48.39 %) have a working experience of 0 to 4 years of on the current job whereas 45.16% are in the range of 5 to 9 years and the rest 6.54% of respondents have an experience of 10 to 19 years, its satisfactory figure for the company that employee turn over is relatively low this benefits the organization, by keeping employees loyal to the company and reduces cost of hiring new employees.

3.2. Performance appraisal period & who evaluate performance?

The bank undertakes performance appraisal for all employees twice a year in January (for the period July 1 to December 31) and July (for the period January 1 to June 30).

Performance appraisal on all employees shall formally be submitted to the HR and Administration Department semi-annually at the end of May and November.

Table 2: Response of sample employees on the frequency of performance appraisal

		Once	Twice	Quarterly	Monthly	Total
How often do you think performance appraisal should be conducted in a year?	Frequency	1	39	20	2	62
	%	1.61	62.9	32.26	3.22	100

Table 2 indicates that 62.9% respondents do support the Bank’s existing practice of appraising employees semiannually while 32.26% have suggested that appraisal should be carried out on a quarterly basis. Comments from managerial employees on the frequency of the appraisal system indicate that 80% were in support of the bi-annual appraisal practice, 10% recommended appraisal on quarterly basis, and 10% proposed

appraisal to be conducted up on completion by the employee of major activities that constitute an important part of the latter’s job. The results indicate that all respondents, in one way or another, believe the need to conduct performance appraisals Performance feedback given frequently and closer to the action would be more effective in correcting employee performance problems timely. However, handling the formal appraisal task frequently would not be possible at no cost. It requires a great deal of supervisors’ time, effort, and complicates the decision process due to bulky information apart from the cost of stationery that may rise with added frequency. Many of the respondents that supported the bi-annual appraisal have additionally commented that though the formal appraisals shall be aggregated twice a year, managers should be engaged in giving continuous feedback to their subordinates. The existing practice of semi-annual evaluation may be enough if managers introduce frequent feedback to employees informally and then formally summarize performance at evaluation time.

Table 3: Employees’ opinion on who should handle the performance appraisal task

Representations:

I = Immediate supervisor

E = Employee himself/herself

P = Peers (Colleagues)

C = Customers

S = Subordinates

In your opinion who should evaluate employees' performance appraisals?		I	P	S	C	I&P	I&S	I&E	I&C	I& other	Total
Clerical & non-clerical	Freq.	25	0	1	1	5	3	3	8	6	52
	%	48.1	0	1.9	1.9	9.6	5.7	5.7	15.4	11.5	100
Managerial	Freq.	5	0	0	0	1	0	1	2	1	10
	%	50	0	0	0	10	0	10	20	10	100
Total	Freq.	30	0	1	1	6	3	4	10	7	62
	%	48.4	0	1.6	1.6	9.7	4.8	6.5	16.1	11.3	100

Table 3 shows that employee appraisal by immediate supervisor has got the highest preference among the given alternatives by both the non-supervisory and managerial respondents. Accordingly, 48.1% of the non-supervisory (clerical & non-clerical) and 50% of the managerial sample respondents have opted for employee appraisal by immediate supervisors. The Table also indicates that 48% of the non-supervisory

(clerical & non-clerical) and 50% of the supervisory respondents, though were in support of evaluation by immediate supervisors, had proposed some combination of the latter with other internal and external parties who either directly or indirectly have work relationships with employees. Among these combinations, the immediate supervisor's association with customers has got the biggest share both by the non-supervisory (clerical & non-clerical) and the supervisory respondents. The respondents in support of this combination have proposed that as banking is a service rendering business, customers have a stake in the employee performance appraisal process and hence should participate in it. However, some respondents had qualified opinion on this issue stating that customer participation in the appraisal process should be limited to those employees whose place of assignment involves direct customer contact.

Some respondents favoring employee appraisal by immediate supervisor also have additionally proposed involvement in the appraisal process of distant supervisors who in one way or another have the chance to view the employee's contribution.

Others have proposed a sort of multi-person evaluation whereby the immediate supervisor, peers, subordinates and customers participate in the employee evaluation process. While such multi-person evaluations might be time consuming and too expensive to put in practice, there is no reservation that they give complete, multi-dimensional picture of an employee's performance.

Having multiple raters has the advantage of reducing rater errors, particularly central tendency, halo error, leniency, and primacy & recency. 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.

3.3 Performance appraisal purpose

Performance evaluation result has been used for many Human Resource Management activities, as it is explained in the literature review organizations may use performance appraisal result for different purpose. Regarding AIB the questionnaire requests employees for what purpose

performance appraisal result is used in their company. The employees' response was 40.3% or about twenty five employees describe that it is used for determining pay and promotion. Eighteen employees or 29% respond that it is used for giving feed back to employees and subordinates. Fifteen respondents that account for about 24.2% answer

it is for training and development while the remaining four or 6.5% employees respond they don't know for what purpose PA is conducted. This is major problem in PA system. The sample respondents were asked on whether they believe the Bank's appraisal system is meeting its intended purpose or not. Table 4, next page shows responses of the respondents

Table 4: Response of sample respondents on matters related to purpose of performance appraisal system

Do you think that the performance appraisal system in your organization is strictly meeting its intended purposes?		YES	NO	Indifferent	Total
Clerical & non-clerical	Frequency	7	43	2	52
	%	13.5	82.7	3.8	100
Managerial	Frequency	2	8	0	10
	%	20	80	0	100
Total	Frequency	9	51	2	62
	%	14.6	82.2	3.2	100

It can be learnt from the above table 82.7% of the non-supervisory (clerical & non-clerical) and 80% of the managerial respondents do not believe that the performance appraisal system of the bank is meeting its intended purposes.

While it cannot be safely concluded that performance appraisal has no significance in determining employees' future in the Bank, the responses from the respondents indicate that one or a combination of the following might have accounted for their perception of the system:

- The lack of clear connection between performance and reward. So long as employees could not observe their efforts being accompanied by positive performance that eventually leads to rewards (which may be in the form of promotion, salary increase, or training & development) in a reasonably short period,

they wouldn't be motivated and consequently their attitude towards the system's effectiveness would be distorted.

- The subjectivity embodied in the appraisal instrument (the loose connection between performance criteria provided in the appraisal form and employee actual job performance) and the associated less probability that ratings would not be uniform across raters and might have caused employees to form a negative impression towards the system that their organizational rewards would not be determined by their performance ratings.
- Absence of clear and transparent communications between the Human Resources Department and the different work units on how employees' performance would be valued and what administrative decisions would be taken on that basis might form an impression in the employees that their performance records would be simply damped in their personnel files maintained with the department.

3.4 Performance goal and Satisfaction of employees on job assignment

It is a vital stage and of course, the basis for the development of an appraisal system is the establishment of clear and objective performance standards. If employees are expected to perform their duties in a successful manner, it is natural that they can be clearly communicated of their performance goals that should prove the highest degree of conformity with organizational goals. In the absence of such clearly laid down goals, personal goals may preside over organizational goals in which case organizational productivity would be adversely affected. Goals provide the basis for setting employee performance expectations.

Table 5: Employees satisfaction on job assignment

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
I feel satisfied with the kind of job I am performing? In other words, my present assignment in line with my career plans to move up the organization hierarchy?	Frq	15	25	4	15	3	3.55	1.24	62
	%	24.2	40.3	6.5	24.2	4.8			100

Table 5 further demonstrates that a greater portion (64.5%) of the employee respondents is satisfied with the kind of job they are performing, on top of this the mean value is 3.55 which approach to 4 and standard deviation is 1.24 which implies there is inconsistency among respondents. As part of their satisfaction, these employees also have found their present assignment being in line with the career objective they want to achieve in their organization. However, while the response rate in favor of job satisfaction is quite encouraging, it is equally worthwhile not to undermine the 29% employee job dissatisfaction response rate. It is often said and, of course, substantiated by research that “a happy worker is a productive worker.” Hence employees who are satisfied with their job will have better performance than those who are not. Moreover, absenteeism and turnover will be less likely for satisfied employees than for dissatisfied ones. An important role of a performance appraisal system is identification of employees’ career development objectives. It is hard to imagine undertaking an employee’s performance appraisal while in the first place the employee shows little or no interest in the nature of the position or the job he/she is assigned to perform.

It is natural that human beings, at least in most cases, would prioritize their personal goals over organizational goals, which may sometimes prove to be counter opposite to each other. Higher level of employee performance and organizational effectiveness would be expected only when a reasonable degree of similarity is achieved between the two sets of goals. One possible measure that can be taken by organizations in this respect may be the latter’s continuous engagement in the provision of career opportunities to their employees and the launching of career development and advice programs taking into consideration the employees’ real talents and capabilities to

pursue in that career. Doing so would benefit the bank in many ways such as enhancing person-job and person-organization fits, reducing turnover and boosting productivity. An informal interview with some human resource managers with the question “What would happen to the performance of employees in the absence of job descriptions and clear performance standards?” the manager respondents have forwarded the following opinions:

- ✚ There would be no benchmark against which employee performance would be measured.
- ✚ Employee effectiveness would decline as there would be no clear understanding and knowledge of the task that he/she is expected to perform. Hence employee efforts would lack clear direction which would in turn lead to confusion and declined performance.
- ✚ Responsibility and accountability would be compromised. In the absence clearly defined performance expectations for which individuals would be held responsible and accountable, inefficiencies may creep in to the job performance:

It is better that some instructions be communicated to employees through written media. This would help in pinpointing accountability in cases where performance failure occurs.

Providing employees with job descriptions and engaging in continuous coaching of subordinates’ performance should not be taken as mutually exclusive. Supervisors would better provide their subordinates with job descriptions and at same time coach their day-today performance to ensure whether they are performing according to the requirements.

Table 6: Response of sample respondents on matters towards the controlling purposes of Performance Evaluation in AIB

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
Information produced through P.A in AIB Determine pay and promotion decision	Frq	12	22	13	10	5	3.42	1.21	62
	%	19.35	35.48	21	16.12	8.06			100

Information generated through Performance evaluation in AIB is used as a basis to warn subordinates	Frq	9	19	14	14	6	3.12	1.22	62
	%	14.52	30.65	22.58	22.58	9.67			100

The majority of the respondents (54.8%) agree with the statement ‘information generated through performance evaluation in AIB strongly determines pay and promotion decisions’ while about 21% of them became neutral and 24.2% of the respondents disagree with the statement, on top of this the mean value is 3.42 which approach to 3 and standard deviation is 1.21 which implies there is inconsistency among respondents.

Moreover, 45.2% of the respondents agree with the use of ‘information generated through performance evaluation as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make discharge and retention decisions’. About 32.2% of the respondents are disagreed with the statement whereas about 22.6% of them become neutral, where as the mean value is 3.12 which approach to 3 and standard deviation is 1.22 which implies there is inconsistency among respondents

In general, the majority of the respondents favor that the information generated through performance evaluation is used to determine pay and salary increases, warn employees for their unsatisfactory performance.

3.5 Problems and practices of performance Evaluation in AIB

Employee performance evaluation has multifarious problems which can be emanated from the stakeholders (employees, the organization and the raters) involved in the system. In order to assess the practical and real problems that exist in the organization under case study, questions were designed and distributed to the employees of the bank working in different departments to gather information related to those problems. Hence, the results of the responses given by the participants are summarized and interpreted using tables and attributes.

System Related Problems in Performance Evaluation

In most cases, the performance appraisal system is considered as a source of problem whenever the forms and criteria used to evaluate the performance of workers are

complex, cumbersome, and vague; the criteria are subjective; if it fails to differentiate between effective performers’ and non-performers’; if the system uses comprehensive forms across all the jobs in the organization; if it lacks a system to provide feedback on the evaluation results; the lack of an appeal process if in case the evaluation result is found to be unfair and inaccurate; and if the system fails to help employees to improve their job performance.

Apart from the theoretical suggestions identified in the literature, an attempt was made to identify whether there is a system related problems in the organization under study or not. In order to assess the existence of the aforementioned problems, the researcher has designed groups of questions to check out the existence of the system related problems.

▪ **Employees response towards the forms of performance Evaluation**

According to Michael Beer(1987), the problems of performance evaluation is related to the forms and procedures that make up the performance appraisal system. The form used to record the performance of the employees is blamed if it is cumbersome, not customized and if employees did not participate in the design of the form of evaluation.

Table 7: Summary of employees’ Response towards the forms of performance evaluation

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
The performance evaluation form used to evaluate your performance is customized based on the characteristics of your job	Frq	3	10	13	22	14	2.45	1.1	62
	%	4.84	16.1	21	35.48	22.58			100
Capable of differentiating effective performers from non-performers	Frq	2	8	14	23	15	2.34	1.1	62
	%	3.22	12.9	22.58	37.1	24.2			100

The above table indicates that the majority of the respondents 58% disagree with the statement ‘The performance evaluation form used to evaluate my performance is customized based on the characteristics of my job’. This implies that regardless of the nature and characteristics of the jobs, the evaluation forms used in the bank are homogeneous across managerial positions and it is also similar for all clerical, non-clerical and supervisory positions. Such system of evaluation does not take into account

the differences in the nature and characteristics of the job incumbent. On the other hand, about 21% of the respondents agree with the statement while about 21% became neutral to the statement, on top of this the mean value is 2.45 which approach to 2 and standard deviation is 1.15 which implies there is inconsistency among respondents. Moreover, about 61.3% of the respondents disagree with the statement that says ‘the performance evaluation form currently used to evaluate the performance of workers is capable of differentiating effective performers from non- performers’ and about 16.1% of the respondents agree with the statement. On top of this the mean value is 2.34 which approach to 2 and standard deviation is 1.08 which implies there is trivial inconsistency among respondents. Therefore, if the form is not differentiating effective performers from non performers, the performance evaluation process may be perceived as a ritual process among the employees of the organization and as a result employees may perceive that the result of the evaluation does not reflect their actual performance. The analysis shows that employees’ perceive that there is a problem in the evaluation form used by the bank. They argued that the evaluation forms being used by the bank are not capable of differentiating good performers from bad performers.

- **Criterion of performance Evaluation**

The criteria used to measure the performance of the employees should be relevant. It should be able to measure work related behaviors instead of measuring personal traits and at the same time it should take into account the practical difficulties and environments with in which the job is executed.

Table 8: employees’ response towards the clarity and objectivity of performance evaluation criteria

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
The performance criteria used to measure performance are clearly defined and objective	Frq	1	6	16	25	14	2.27	0.98	62
	%	1.61	9.68	25.8	40.32	22.58			100

As we observe from the above table majority of the respondents (62.9%) disagree with the statement ‘the performance criteria/ instrument used to measure my performance are clearly defined and objective’ On the contrary, 11.3% of the respondents agree with the clarity and objectivity of the criterion used to evaluate the performance of the workers, where as 25.8% become neutral to the statement, on top of this the mean value is 2.27 which approach to 2 and standard deviation is 0.98 which implies there is consistence among respondents

From this description, it is possible to infer that the standards against which employees’ performance are judged vague and highly subjective. Therefore, this is inline with the notion that performance evaluation is intended to fail because of lack of clearly established performance criteria and the absence of objective criteria by which employees’ work are judged.

To the questions “What criterion/criteria must be added (removed) from the existing appraisal form to enhance effectiveness of the appraisal system and how do you see use of the same appraisal format (in terms of content) across all levels in the organization irrespective of the nature of the job?” the following were the results from 10 managerial respondents:

- 4 (40%) commented nothing
- 1(10%) commented that all the criteria are relevant and hence no need to add to or remove from the existing appraisal form.
- 3 (30%) said that the criteria in the existing appraisal form are quiet relevant, no need to add to or remove from, however, efforts must be exerted to reduce areas of subjectivity as much as possible and to give higher weights to those factors that are job-related and reduce the weights of those that are not job-related, i.e., an appraisal form with varying weights for the different criteria depending on the nature of the job and/or place of assignment. Some supervisors in this category have commented that making the appraisal system job-specific would be costly, confusing, and administratively difficult. Hence better to utilize the same general format to all kinds of employees in the bank.
- Others (20%) have different comments. Among those commented are: the need to add in the content a statement requesting the employee whether he/she is satisfied with his/her job and if not, why not?; appraisal criteria must be on the basis of the position an individual holds so that those criteria which do not relate to that position must be removed from his/her appraisal; some redundant criteria must be removed.

One manager has particularly suggested removal of the need for rater's comment on the potential of their subordinate for a higher position/greater responsibility as it is evident that managers do not usually deny giving positive remarks on this issue for fear of subsequent conflict with the subordinate. Another suggestion has proposed that it would be better if separate appraisal forms are designed for each Head Office organ, which specialize in different functions, and uniform formats for all area banks as the latter carry out similar activities throughout the bank.

The answers provided by non-supervisory (clerical & non-clerical) respondents could be summarized as follows:

- It would be better to develop specific criteria for each specific position on the basis of job description rather than using the same general criteria to all positions. Thus evaluation criteria that are unrelated to some employees' job should be removed. Moreover, some have suggested that appraisal content should take into account employees' work experience, educational qualification etc.
- A statement should be added in the comments part of the appraisal requesting on whether he/she is satisfied with his/her position and/or place of assignment. This, according to the respondents would allow searching for the root cause for any employee performance related problems.
- The criteria put for the highest point, i.e., 10 seem to be unrealistic requiring performance perfection in each employee, better to make the points reasonably realistic.

In general criteria define performance dimensions against which employee efforts towards achieving organizational goals would be judged. Thus, such criteria need to be quantifiable and measurable as much as possible if they are to be relied upon as bases for any administrative as well as developmental decisions. In the absence of such degree of objectivity, it is unlikely to find that different raters rate the performance of the same employee in the same manner, nor the same performance criteria judged similarly.

▪ **Importance & Fairness of the performance Evaluation system**

According to (Michael Beer, 1987) performance appraisal data are important to make decisions and to justify them for their objectivity, equity, and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers decide who will be promoted.

Centrally maintained records are the means by which the corporation attempts to remove favoritism, subjectivity, and politics from personnel decisions. Evaluation is also needed to improve the performance and potential of employees.

In order to assess the performance evaluation importance & fairness of Awash International Bank (AIB), questionnaires were distributed and thus the results are summarized and presented in the following tables

Table 9: Summery of employees’ response towards the Fairness of the Performance Evaluation

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
The fairness and impartiality of the evaluation system	Frq	2	10	14	26	10	2.48	1.04	62
	%	3.22	16.13	22.58	41.94	16.13			100

With respect to the above table about 58% of the respondents disagree with the fairness and objectivity of the appraisal system; while 19.4% of the respondents agree with the fairness and objectivity and almost 22.58% of the participants became neutral with the statement, on top of this the mean value is 2.48 which approach to 2 and standard deviation is 1.04 which implies there is a slight inconsistence among respondents. This shows that the appraisal system of the bank is unfair and subjective.

Table 10: Summary of the Employees' response towards the importance of Performance evaluation

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
The performance Evaluation process improved my job performance	Frq	1	6	12	29	14	2.21	0.96	62
	%	1.61	9.68	19.35	46.77	22.58			100

The above table shows that the majority of respondents 69.4% consider the performance evaluation system of the bank did not help them to improve their performance, while 11.3% of the respondents agree with the statement that the performance evaluation process help them to improve their performance and 19.3% of the respondents become neutral, beside this the mean value is 2.21 which approach to 2 and standard deviation is 0.96 which implies there is consistence among respondents

▪ **Fairness and qualification of the evaluators (raters)**

The qualification of the rater is determined by the ability of the rater to observe the work of his/her subordinates and the adequacy of the training gained in how to conduct the performance evaluation of the subordinates. On the other hand, the fairness of the performance evaluation by raters is a function of the ability of the raters to evaluate his/her subordinates based on the criteria set by the bank in its personnel policy manual with regard performance evaluation.

Table 11: Summery of employees' response to the problem occurs by supervisors in performance evaluation process

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
My supervisor evaluates my performance to the extent that he/she will be rewarded for doing so or penalized for failing to do so	Frq	18	24	10	8	2	3.77	1.1	62
	%	29.03	38.71	16.13	12.9	3.22			100

As we can be seen in the above table most of the respondents (67.7%) argued that they agree with the statement ‘My supervisor accurately evaluates my performance to the extent that he/she believe will be rewarded for doing so or penalized for failing to do so’, above this the mean value is 3.77 which approach to 4 and standard deviation is 1.1 which implies there is a minor inconsistency among respondents. This implies that raters are not motivated to seriously undertake the job of evaluating the performance of their workers unless and otherwise there is an enforcement to do so. An interview conducted with the Head of the Human Resource Management Department and Administration revealed out that in most instances line managers do not give a serious attention to the performance evaluation. He further noted that the raters are continually informed to fill out form of evaluation and return back the result of the evaluation to the Human Resource Development and Administration division of the bank.

Table 12: Employees’ response towards the qualification of the rater

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
My rater is not a qualified person to evaluate my work	Frq	12	20	19	10	-	3.5	0.98	62
	%	19.35	32.25	30.64	17.74	-			100

With respect to the qualification of the rater, about 51.6% of the respondents agree with the idea that the raters have no sufficient skill and ability to evaluate their performance, while 31% of them remain neutral to the above statement so that the mean value is 3.5 which approach to 4 and standard deviation is 0.98 which implies there is consistency among respondents. As noted by respondents in the open ended questions, most of their raters do not clearly understand the criteria against which employees are evaluated. Performance evaluation is a tough job in such a way that it requires careful observation of the work of the subordinates and clear documentation. Most of them agreed that the raters do not have adequate training and skill to seriously undertake the issue. Others contend that even if raters are qualified to evaluate the performance of their subordinates, they are not motivated and hence negligent to perform the job. As a result of these reasons, most respondents do not believe in the qualification of their raters.

▪ **Documentation of Performance Evaluation**

The degree to which the supervisors systematically document the work behaviors of rates during appraisal period and the visibility of the performance ratings among subordinates highly affects the tendency of the raters to inflate ratings. In this regard, an attempt was made to know the extent to which employees perceive that the raters document the work behavior of their employees during the period of evaluation and the extent to which they communicate the result of the appraisal to their employees on the regular basis.

Table 13: summary of responses in documentation of rating by the rater

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
Raters keep file of performance during the evaluation period	Frq	1	7	13	30	11	2.3	0.95	62
	%	1.61	11.29	20.97	48.39	17.74			100

As it is revealed out the table above about 66.1% of the participants indicated that their supervisors usually do not keep a file of their performance during the evaluation period. They used to evaluate their performance based on the current work behaviors. Hence, this kind of evaluation leads the problems of recent behavior bias. On top of this the table shows a mean value is 2.3 which approach to 2 and standard deviation is 0.95 which implies there is consistence among respondents.

The analysis of the questionnaires and the interview shown that lack of transparency and continuous feedback to show the progress of the employees towards their performance are the major problems facing the bank. In the open ended questions, the respondents argued that the performance evaluations are not visible and they are secret to most employees. In the open ended questions, many of the respondents commented that the performance evaluation in the Bank is conducted without their knowledge and this is very contrary to what is stated in the literature. Theoretically, it has been identified that both the raters and ratees should seat together and discuss about the performance of the employees so that they can arrive at a common understanding. Others said that they are not exactly sure when the evaluation is taking place and they did not receive any form of formal and written feedback from their supervisor with respect the progress of their performance.

▪ **Problems of Impression Management of the Ratees**

There are different underlying types of ingratiating behavior, or upward influence styles and subordinates may gain for pushing a head with management plans that are farcically wrong, in pursuit of aims which are completely pointless and stifling criticism. This ingratiation is job-focused, supervisor focused, or self focused.

Table 14: Summary of the problems of impression management of the rates

		Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree(1)	Mean	SD	Total
I usually create a positive impression in the mind of my rater	Frq	2	5	38	11	6	2.77	0.86	62
	%	3.22	8.06	61.3	17.74	9.68			100
I used to work hard if the result is going to be seen by my supervisor	Frq	2	6	13	26	15	2.26	1.04	62
	%	3.22	9.67	20.96	41.93	24.2			100

Accordingly, creating unnecessary impression in the mind of the rater in order to influence him/her inflate the result of the rating is a common phenomenon in the literature.

In this regard, majority of the respondents (61.3%) become neutral with the statement, where as (27.42%) are disagreed to the statement in creating positive impression in the mind of the rater and also the mean value is 2.77 which approach to 3 and standard deviation is 0.86 which implies there is consistence among respondents.

Moreover, most of the respondents (66.1%) disagree with the statement ‘I used to work hard if the result is going to be seen by my supervisor’ and about (21%) of the respondents become neutral to the statement, where as a mean value is 2.26 which approach to 2 and standard deviation is 1.04 which implies there is slight inconsistence among respondents.

From this it is possible to infer that, the problems of performance evaluation as it is related to the ratees is insignificant and thus a further research is required to identify the degree to which the problems are attributed to the system, raters or ratees in the banking sector.

However, in the current study it can be implied that the major sources of problems in performance ratings are the system and the raters. But the composition of the contribution to the problem is something that requires additional research.

Finally, the major general comments and interview responses of the respondents on the appraisal system of the Bank, gathered through both the questionnaire and structured interviews made with the Human Resource Department, are summarized in the following findings:

- ✚ Supervisors be assessed on the quality of ratings (their effort to exhibit objectivity in the midst of subjective criteria)
- ✚ The appraisal criteria should be updated from time to time with changes taking place in the external environment and allowing employees to involve in setting performance standards so as to enhance the connection between employee job and performance criteria
- ✚ Appropriate trainings that increase raters' understanding of the appraisal instrument and other aspects of the system should be given to raters. Alternatively, appointing knowledgeable supervisors who have the necessary competence and experience about the duty that their subordinates handle.
- ✚ Use of multiple raters instead of a single boss, possibly involving customers where appropriate.
- ✚ Giving due respect to performance appraisal, which seems neglected at present. Employees should be constantly reminded about the impact that their performance ratings would have on their future in the organization.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with the summary of major findings, conclusion drawn up from the findings and recommendations that are based on the conclusion arrived at.

4.1 SUMMARY

The prime purpose of the study is to assess and evaluate employee's performance appraisal practice in Awash International Bank (AIB) in the years Jan/2012-Dec/2013. For this purpose a descriptive method of data analysis was employed. Respondents were selected using stratified random sampling techniques and findings were analyzed using frequency count, percentage, means and standard deviations.

A total of 76 respondents drawn from employees of AIB that are working in the head office. The data were collected by means of questionnaire, structured interview and examination of available and relevant documents.

Accordingly, the following are the major findings of the study:

- The demographic characteristics of the respondents revealed out that gender wise about 55% are male and the remaining 45% are female. The majority of the respondents were in the age category of 20 up to 29 years being followed by 30- 39 years age group. Moreover, the result of the study indicated that regardless of working experience majority of them were between 0 to 4 years being followed by 5 to 9 years. Education wise, the majority of the respondents were first degree and diploma holders and only four out of 62 were identified to have Masters Degree.
- In the case of performance appraisal period 63% of respondents react to the appraisal period should be conducted semi-annually, where as the remaining recommended that it should be conducted in Quarterly base. The study also shows that majority of both non-supervisory and managerial respondents prefer that the appraisal should be conducted by their immediate supervisor
- With regard to the purpose of performance evaluation majority of the respondents react that it is used for determining pay and promotion as well for giving feed back to employees and subordinates, however, analysis of the open ended question has indicated that employees are not allowed to observe their performance ratings due to transparency problem. Above this both non-

supervisory and managerial staff agreed that that the performance appraisal system of the bank is not meeting its intended purposes.

- As it shown in the analysis greater portion of the employee respondents consider the performance evaluation system of the bank did not help them to improve their performance
- The majority of respondents believe that information generated through performance evaluation in AIB strongly determines pay and promotion decisions while it's also used to warn employees for their unsatisfactory performance.
- On the basis of the performance evaluation form, majority of respondents react that the form used to evaluate there performance is not customized based on the characteristics of there job and its also incapable of differentiating effective performers from non- performers. This implies that regardless of the nature and characteristics of the jobs, the evaluation forms used in the bank are homogeneous across managerial positions and it is also similar for all clerical, non-clerical and supervisory positions.
- It is has been shown in the analysis that the performance criteria/ instrument used to measure the performance are vague and highly subjective. Hence, the lack of clarity and objectivity of the criteria used to measure the performance of the employees creates role ambiguity, confusion and frustration among the workers to undertake their job
- With regardless of fairness and impartiality of the evaluation system majority of respondents react that it's unfair and sometimes its favor only a certain group.
- It's also shown that the supervisors who evaluate the appraisal doing the evaluation to the extent that he/she will be rewarded for doing so or penalized for failing to do so, above this majority of respondents believe that raters have no sufficient skill and ability to evaluate their performance and they are not keep a file of their performance during the evaluation period
- Many respondents become neutral to the statement creating positive impression in the mind of the rater to influence the rater while they are disagreed to work hard if the result is going to be seen by my supervisor.
- An interview conducted with the Head of the Human Resource Management Department and Administration revealed out that in most instances line mangers do not give a serious attention to the performance evaluation but the appraisal

criteria should be updated from time to time with changes taking place in the external environment and they try to assign multiple raters instead of a single boss, possibly involving customers where appropriate.

4.2. CONCLUSIONS

On the basis of the findings the following conclusions were forwarded.

- The Bank currently has a practice of handling performance appraisals twice a year, the purposes of performance evaluation in Awash International Bank were analyzed by categorizing them into two parts: The coaching and controlling function. Accordingly, the majority of the respondents argued that the performance evaluation objective of the Bank is more of controlling than coaching. Therefore, the majority of the respondents agree with the idea that information generated thorough performance evaluation are primarily used to determine pay and promotion decision as well used to warn employees for their unsatisfactory performance. so that they know their position relative to their fellow workers. However, analysis of the open ended question has indicated that employees are not allowed to observe their performance ratings due to transparency problem. Moreover, The performance appraisal system fails to communicate the feedback on time
- The study indicated that Raters and the performance appraisal system itself are the major sources of problems in the appraisal process. In this respect, employees' contribution towards the problem is relatively low. Moreover, respondents argued that there is no timely feedback, lack of transparency; inconsistency, inaccuracy, and subjectivity of the rating were identified to be the major sources of problems
- The following problems were identified in relation to the criteria used in appraising employee performance. Use of similar criteria for all sorts of jobs and positions: The performance measurement criteria are general rather than being specific to include the major tasks and activities of each department. Weak linkage between some evaluation criteria and employee job. The lack of clarity and objectivity of the criteria used to measure the performance of the employees; it creates role ambiguity, confusion and frustration among the workers to undertake their job. Hence, at least, employees do not perceive that their performance is measured; they believe that the performance record does

not reflect their true performance. Employees are not participated in setting the performance criteria and the weight assigned to performance measurement criteria.

- Problems related to lack of rater ability (training) and negligence to evaluate performance, absence of employee participation in setting performance evaluation criteria, rater bias in evaluating performance, were found to characterize the appraisal system.

Overall, employee performance appraisal practice in the Bank is found that it is not given the attention it deserves. No clear guidelines and procedures are outlined in the personnel administration manual regarding this subject and nor its purposes explicitly stated in any part of the manual or other related document .The management's reliance on performance appraisal results in taking administrative and developmental decisions is found limited owing to the subjectivity embodied in the system. There is no doubt that these deficiencies in the appraisal system would affect employee motivation, productivity and tenure.

Therefore based on the problems the following recommendations are suggested as helpful to improve the system.

4.3. RECOMMENDATION

Individual performance is the foundation of organizational performance. Improving individual performance therefore is critical for the success of every organization. Performance evaluation is a common practice in the life of the organization. Failure to have a proper employee performance appraisal system may lead to failure of the business organization itself.

Thus the need for a properly designed appraisal system that is well aligned with the organization's strategic plans and objectives and has got the acceptance of all concerned is not to be compromised. If the appraisal system is required to be effective, it should be used as an instrument of motivation rather than of punishment. Thus, the administrative and developmental purposes of appraisal need to be given concern. The following recommendations are forwarded to help improve the weaknesses identified in the existing appraisal system

- Appropriate performance management policy and strategy, whereby employees are encouraged to participate in the formulation of standards against which their

performance is evaluated and the employees along with their supervisors closely follow progress towards accomplishment of objectives, would be an advantage.

- The link between performance appraisal and rewards should be explicit. The performance evaluation system should be well aligned with other HR functions (reward system and training and development). Performance appraisal should be a major consideration in making administrative and developmental decisions related to employees. Developmental benefits of performance appraisal should be given due emphasis as they enhance employee motivation and contribute to changing employees' perception of the process.
- In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis. The appraisal system should be participatory in the sense that employee should be allowed to see their evaluation and comment on it. The evaluation result needs to be discussed among the raters and ratees clearly and also design ways to communicate the results of the employees as well as the criteria against which you are going to evaluate the employees.
- In order to minimize the problems of subjectivity, raters need to evaluate their subordinates based on the actual volume of work and responsibility discharged over the period of evaluation rather than focusing only on subjective measurement so that the productivity of employees will be enhanced.
- Criteria in the existing appraisal format need to be revised so as to reflect changes in the operational environment. The more the criteria become job-related, transparent and clearly defined, the better their measurability and objectivity in assessing employees' efforts and the higher will be employees' motivation and commitment to exert their maximum efforts and see as to how their efforts are valued by the organization.

- Appropriate and practical trainings that aim at increasing raters' knowledge of the subject matter of performance appraisal should be among the priorities in the Human Resource Department's periodic training and development plans. Practice and feedback training in which raters are given the opportunity to practice rating and they are allowed to compare their ratings with those of

experts in the field or a predetermined 'true score' may be preferred. So that employees can get timely feedback on their past performance and conducting post assessment interviews.

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Appendix I

St. Mary's University

Faculty of Business

Department of Management

Questionnaire to be filled by employees of Awash international bank

Name of Student: - Yosef Meskele

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, **"An Assessment Of Employees' Performance Appraisal Practice: The Case Of Awash International Bank S.C (AIB)"** as partial fulfillment to the completion of Bachelor Degree of management Program at St. Mary's University.

In this regard I kindly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks in advance for being a volunteer to devote your valuable time in filling this form. **Instruction:-**

- Please select your response from the given options and put '√' mark on the box provided.
- It is not important to mention your name

PART I. PERSONAL PROFILE

1.1 GENDER

Male Female

1.2 AGE

Below 20 years 20 to 29 years Above 55 years
30 to 39years 40 to 54 years

1.3 LEVEL OF EDUCATION

High school graduate BA/BSc Degree
 Technical school graduate Masters Degree
 College Diploma PhD
 Other (please state) _____

1.4. Name of your department or area in the bank _____

1.5. Job experience in present organization in years
 0-4 4-9 10-19 20 years or more

PART II: QUESTIONS RELATED PERFORMANCE EVALUATION

2.1 How often is your performance evaluated in a year? _____

2.2 How often do you think performance appraisal should be conducted in a year?

Once Twice Quarterly Monthly Other period, specify-

2.3 In your opinion, who should evaluate an employee's performance? You may choose more than one).

Immediate supervisor Colleagues
 The employee himself/herself Customers
 Subordinates Others,

specify _____

2.4 For what purpose do you think the evaluation result should be used?

2.5 Do you think that the performance appraisal in your organization is strictly meeting its intended purposes of determining employees' compensations, promotion, demotion, transfer and identification of an employee's training needs. Yes
 No

If 'No', what other criterion are used to serve the above purposes?

No	Questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.6.	I feel satisfied with the kind of job I am performing? In other words, my present assignment in line with my career plans to move up the organization hierarchy?					
2.7	Information produced through P.A in AIB Determine pay and promotion decision.					
2.8	Information generated through Performance evaluation in AIB is used as a basis to warn subordinates about unsatisfactory performance and helps supervisors to make a custody					

No	Questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
2.9	The performance evaluation form used to evaluate your performance is customized based on the characteristics of your job?					
2.10	The performance criteria used to measure performance are clearly defined and objective					
2.11	In my opinion , the performance evaluation system is fair and objective					
2.12	The performance evaluation in AIB helped me to improve my job performance					
2.13	My supervisor evaluates my performance to the extent that he/she will be rewarded for doing so or penalized for failing to do so					
2.14	My rater usually keep a file on what I have done during the appraisal period to evaluate my performance					
2.15	My rater is not a qualified person to evaluate my work					
2.16	I usually create a positive impression in the mind of my rater					
2.17	I used to work hard if the result is going to be seen by my supervisor.					

Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the practices of performance evaluation in your organization

2.18 In your opinion, what are the real problems that you observe regarding performance evaluations practices of your organization?

2.19 In your opinion what criteria must be added to the content of the existing appraisal form and which criteria must be removed there from to ensure maximum use of the appraisal system?

2.20 Would you please suggest if there is anything to be changed with regard to the current performance evaluation system being used in your organization? (You may also consider any management practice that may stand as an alternative to performance appraisal.)

Thanks again for your kind cooperation

Appendix II

St. Mary's University Faculty of Business Department of Management

Interview Questions for Human Resource Staff

This following interview questions are designed to collect information about the practice of performance evaluation in Awash International Bank. The information shall be used as a primary data in the research which I am conducting as a partial requirement of my study at St.Mary's University for completing my BA under the Faculty of Business and department of management.

1. Do you think that the performance evaluation system differentiates effective performers from non-performers at all levels?
2. Do you think that the performance evaluation system of your organization is serving its purpose?
3. How do you communicate the performance appraisal Results of the employees in your organization? Why?
4. What would happen to the performance of employees in the absence of job descriptions and clear performance standards?
5. What is the appraisal method you choose to the interest of the employee?
6. Do you feel that all the standards are appropriately understood by the appraises?