



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

**THE ROLE OF PERFORMANCE APPRAISAL SYSTEM ON
EMPLOYEES' CAREER DEVELOPMENT:
THE CASE OF NIB INTERNATIONAL BANK S.C**

**BY
DANIEL BIRHANU**

July 2019

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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July 2019

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

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

Name

St. Mary's University, Addis Ababa

Signature

July 2019

ENDORSEMENT

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

Advisor

St. Mary's University, Addis Ababa

Signature

July 2019

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LIST OF ACRONYMS

PDP	Performance Development Plans
GDP	Gross Domestic Product
HR	Human Resource
HRD	Human Resource Department
MoFED	Ministry of Finance and Economic Department
NBE	National Bank of Ethiopia
NIB	Nib International Bank
KPI	Key Performance Indicators
PA	Performance Appraisal
KII	Key Informant Interview

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ABSTRACT

This study was conducted at Nib International Bank S.C. (NIB) aiming to assess performance appraisal (PA) practice of the Bank and its effect on employees' career development plan using descriptive research method. In conducting this study, both primary and secondary data were collected using structured questionnaires, an interview and other published materials. Non-probability purposive sampling technique was also employed to select representative samples of 221 participants from a total population of 518 employees found at six branches and the headquarters. Descriptive statistics such as frequency counts percentages and mean were employed to analyze the data gathered. The findings of the study clearly showed that though NIB has long implemented a performance appraisal system, employees are not satisfied or even properly served by the system due to its subjective and non-participatory nature. Side to non-participatory nature, employees are not motivated by the results of the system as the bank usually conducts PA for the sake of formality or monetary rewards rather than developmental purposes. The study also came up with a clear testimony of participants claiming high level of errors, biases, and rater's incompetency on the PA system of the bank. Failure to properly utilize the results of PA resulted in unjustified and prolonged retention of employees in the same post without promotion. In alleviating this and other problems, the study recommended that the bank benchmarks best practices in the industry, introduce standard PA measuring tools and systems, align organizational objectives with the system, effectively make use of the results for the identification of employee weaknesses, strengths and training needs so that NIB could retain the existing and attract competent employees of the sector.

Key words: performance, performance appraisal, career development

CHAPTER ONE

1. INTRODUCTION

This chapter of the study is dedicated to give an insight about the general objective of the study or the problem leading to the study, to review some literatures about the problem and their deficiencies in addressing the problem at hand and asserting the significance and purpose of this particular study for Nib International Bank SC and other interested parties.

1.1 Background of the Study

Ethiopia is getting an economic structure, which is shifting from the traditional agriculture sector to the modern service sector. The service sector accounts for the lion's share in terms of the structure of GDP (46.6%) in 2014/15 taking the lead from the agriculture sector (NBE, 2015).

The banking sector is one of the strong areas where the service sector has showed growth (NBE, 2015). In a service, rendering organizations like banks people are most valuable resources and if managed appropriately are bank's lifeblood, but if inappropriately managed, it becomes an expensive commitment that leads to few rewards and many problems affecting competency and organizational performance.

To enhance employees' knowledge, skills and competencies it is important to properly implement human resource practices such as performance appraisal among others. However, vain Human Resource Department (HRD) practice can bring about problems such as reduced employees' enthusiasm to learn and apply new skills, decreased employee productivity, low morale, and higher employee turnover (Edgar, 2005). In addition, it severely affects the competitiveness of an organization and its ability to fulfill its mission.

For every organization, employee satisfaction is very important to run the organization in a proper way. The success of process on the other hand depends on supervisor's willingness to complete a constructive and objective appraisal and on employs willingness to respond to constructive suggestions and to work with the supervisor for the attainment of future goals (Kent, 2007).

On the other hand, Cole (2002) argued that performance appraisal is a process to assign equal duties and responsibilities for employees. According to Berman (2005), performance appraisal is very essential for succession and career planning for employee as well as the organization. Effective and fair practice of performance appraisal system also help align individual goals with that of the organization, bringing employee motivation, positive change on their behavior and attitude as well as creating a smooth relationship between employee and the management.

As per Ahmed (2010), the performance appraisal system is a core mechanism of HRD, which is designed and utilized for the growth and development of both employees and the organization. In this context Performance appraisal system help determine whether employees are performing their task and duties as per supervisors' expectation. It is necessary for the better performance of employees and the organization.

From the above paragraphs, it can be gathered that for organizational success, employee satisfaction need to be there. The research conducted by Malik, Bibi, and Rahim (2010) also states that people enjoy working in those organizations that provide positive work environment where they feel they are making difference and where people are given a chance to play a collective role to move the organization forward.

Recent, researches showed that the importance of employee performance has increased from time to time. The study conducted by Brown (2010) revealed that there is a direct relationship among the performance appraisal satisfaction and employee outcomes, which creates job satisfaction among employees. According to Hewitt Associates LLC (2010), career development has increasingly become significant in the past few years. As witnessed by the companies in the survey career development is of much more important than it was some five years back showing that the importance is not a short lived one. The study also shows that career development is one of the most important drivers of engagement and retention. However, in order to be engaged one has to like what he/she does then learn, grow, achieve, and feel valued, appreciated, recognized, and rewarded.

Nib International Bank S.C is a pioneer private bank providing financial services in the Ethiopian banking sector for the last 19 years. Following the promulgation of monetary and banking proclamation No-84/1994 private banks came back to existence in Ethiopia. Nib International

Bank (NIB) was established in 1999 in accordance with the two proclamations with a paid up capital of birr 27.6 million and registered capital of birr 150 million and 27 employees. It commenced operation in October 28, 1999 (NIB, 2018).

Over the years, NIB has been one of the private companies suffering a lot from an increased level of employee turnover due to lower level of employee satisfaction and wrong perception of management towards the benefit of career development (*Ibid*). Recent study made on the bank shows that employee satisfaction level labeled at 56.44% against a target of 80% NIB (2017)

Though this was the general finding of the diagnostic review made on core operational activities of the bank on the development of its third strategic plan, no formal or informal studies have been conducted so far to investigate the effect of performance appraisal system of the bank on employee career development. Hence, though one could enumerate numerous reasons for the dissatisfaction of employees and hindering factors on employees' career development goals, this study specifically tries to identify the role of performance appraisal system on Employees' career development at NIB bank and come up with recommendations of devising a better performance appraisal system that will help the bank set a fair, proper and effective career development path for its employees.

1.1 Statement of the Problem

Collins (2001) in his book "Good to Great" said, "Great vision without great people is irrelevant" (pp. 26-27). Human Resource is the soul of any organization. Body without soul is just a skeleton. Human resource is the real strength of any organization and its business and keeping them happy needs to be the primary objective.

Mello (2005) also added that performance of any organization largely depends on the performance of its employees and successful organizations are increasingly realizing that there are number of factors that contribute to performance human resource clearly being the most critical. In the same manner, Wood (1993) noted that the advantages of high quality human resources are gaining competitive advantages and development.

Nevertheless, how could organizations manage to effectively land and retain these competent and highly productive employees for a rather longer tenure has always been a concern. Natu & Misal

(2013) argued that employee retention of the best and most desirable employees is a key challenge in organizations today.

In its survey, Deloitte (2012) asked employees to choose the three most significant factors that would cause them to seek new employment. Responses clustered around five issues—only one of which is related to money. Lack of career progress topped the list at 27 percent, followed by new opportunities in the market and dissatisfaction with the manager or supervisor, each at 22 percent, and lack of challenge in the job and lack of compensation increases at 21 (Deloitte, 2012):

Effective career development practices such as employee growth and development can facilitate healthy organizations (ODonnell, 2007). Grawitch, Gottschalk and Munz (2006) stated that practices that contribute to employee development have also been linked to employee commitment to the organization, increased productivity and decreased absenteeism and turnover. Career development policies, best practices and procedures hence must be established by commercial banks as an important tool for employee motivation and retention policy.

Every employee aspires for career advancement, as it is a better opportunity to use one's talent. The career advancement is the most motivating factor for the personnel working in an organization. Career planning and development helps employees to plan their career in terms of capabilities within the context of organizational needs. (Pareek & Rao, 1997). A good management and career development programs, therefore meets the needs of both the organization and the individual employees (French, 1997).

Career development practices on the other hand are one of the primary functions of human resource management that develops the work life and identify competencies required by individual staff to manage their career objective, which should be in line with organizational objective (Redekopp & Jarvis, 2000). Assessing how well employees are doing their job is the focus of performance appraisal (Matis and Jackson 1997). Furthermore, Gomez-Mejia et.al. (2005:225), stated that "performance appraisal as the process of identification, measurement, and management of human performance in organization." Therefore, to make organizations need to employ an effective appraisal system for the cause.

Several prior studies have revealed and suggested that effective performance appraisal system is the sign of integral component of effectiveness of human resource management of an organization (Zapata, Colquitt & Livingston, 2009).

Admasu (2017) on his study on the effect of Performance Appraisal on Employees' motivation at Commercial Bank of Ethiopia concluded that out of the six purposes of the system cited on the study, the primary purpose is found to be feedback to employees which indicates how an employee is understood by his/her rater. On their study conducted on selected WHO offices in East Africa, Nancy and Hazel (2014) concluded that using performance appraisals systems in order to identify employees to rewards and provide an opportunity to set individual development plan, encourage the individual work planning, achievement of targets and enable management make informed decisions on how to promote their employees.

It is, therefore, logical to believe that there may be a negative impact on motivation, morale, job satisfaction and performance in instances where employees' expectations for career development advancement are not met. Hence, as much as it could be beneficial, ineffective PA system could also play a major role decreasing employee satisfaction, lowering their motivation, decreasing productivity, misplacing talents and granting unfair promotion and incentives to those who do not deserve it.

From all the theoretical as well as empirical literature reviews cited in this paper, it is evident that performance appraisal could either benefit or damage organizations depending on its application. The majority of the studies done so far and cited in this study clearly show the effect of performance appraisal on employee motivation, career, productivity, satisfaction level, and employee turnover. Contrary to various studies conducted on performance appraisal systems, none of them seemed to adequately address the effect of performance appraisal on employee's career development plan.

NIB has long placed an appraisal system, which it has been using in evaluating performance of its employees on a yearly basis. However, my experience with the bank on different operational areas for more than 13 years has given me the chance to witness employees' perception of the PA system. The appraisal system of the bank has been criticized by employees for being subjective and highly susceptible to biases and errors. Despite this challenge, there are no adequate studies

conducted to investigate the appraisal system and address the issue. Hence, this research is undertaken to bridge the knowledge gap created with respect to the specific role of performance appraisal system on employees' career development by taking Nib International Bank as a case.

1.2 Research Questions

Basic research questions of the study are:

1. How dose PA system of NIB affects employee satisfaction?
2. What is the purpose of performance appraisal system at NIB Bank?
3. What are the major challenges faced in performance appraisal practice of NIB Bank?
4. What is employees' attitude towards the performance appraisal practices of the bank?
5. How is employees' PA related to career development?

1.3 Objective of the Study

1.4.1 General objective

The main objective of this study is to examine the role of performance appraisal system on employees' career development of Nib Bank.

1.4.2 Specific objectives

Specific objectives of the study are:

1. To examine the purpose of performance appraisal practice of the bank;
2. To see the relationship of performance appraisal system of the bank with that of employee satisfaction;
3. To assess the challenges that affect the performance appraisal activities of the bank; and
4. To evaluate employees' attitude towards performance appraisal practice of the bank

1.4 Significance of the Study

This study would bring to light employers' and employees' understanding and appreciation of the performance appraisal system and the relevance of an objective, systematic and effective performance appraisal. In addition, it would contribute to knowledge and literature because it

focuses on how performance appraisal can be more effective which would enable management to develop a broader understanding of human resource management process. Further, it would provide information for human resource practitioners and policy makers on how rules and regulations regarding performance appraisal best work and develop the necessary programs to address weaknesses and reward performance.

In addition, other organizations in the industry could also make use of the result of this study in adjusting their performance appraisal systems to manage human resource aspect of their organizations.

1.5 Definition of Terms

Performance (P) - is what a company hires one to do and do well (Campbell et al., 1993) while in the context of this study it is the day-to-day functionality of employees of an organization on tasks assigned to them.

Performance Appraisal (PA) - is a method of evaluating the behavior of employees in the work spot, normally including both quantitative and qualitative aspects of job-performance (Rao, 2004). As per the context of this study, it is the periodic measure of employees' performance against pre-established standards on the assigned tasks at their organization to achieve organizational objectives and take corrective action on deficient areas.

Career - A career is a succession of related jobs, arranged in a hierarchy of prestige, through which persons move in an ordered (more-or-less predictable) sequence.' (Wilensky, 1961). For the purpose of this study, it is defined as the different positions or duties taken by an individual with in an organization to act or perform as per his/her contractual agreement.

Career Development (CD) - Is a means by which an organization can sustain or increase its employees' current productivity while preparing them for a changing world, thus supporting an organizational role that is consistent with HRD (Robbins, (1993). Whereas in the context of this study it is defined as a positive and futuristic organizational path making use of results of an appraisal system of an organization for an increased productivity of employees to better achieve organizational objectives and better state of living.

1.6 Scope of the Study

Due to the time and cost limitation and feasibility of data access, this study focused on performance appraisal system and its role on employees' career development in NIB International Bank SC. The study included selected city branches and head office organs. Accordingly, respondents were selected based on their job grades from all operational areas of the bank.

The scope of the research is delimited geographically as the study has only considered some selected branches and HO staffs in Addis Ababa. It is also delimited with respect of objective, as it has only specifically assessed the effects of PA on employees' career development.

1.7 Limitation of the Study

The research also faces a limitation on the availabilities of studies and literatures done on the specific purpose of this paper.

1.8 Organization of the Paper

The study is composed of five chapters. Chapter one discusses the background, problem statement, scope, significance, and objectives for undertaking this research project. Chapter Two looks at existing literature related to the study to gain an understanding of the research topic. Chapter Three presents the research methodology that the researcher used to undertake the study. Chapter Four comprises the findings and discussions of the findings to the study. Chapter five summarize the findings of the study and also make recommendations that would contribute to solving the problem raised, as well as a recommendation for further study.

CHAPTER TWO

2 REVIEW OF RELATED LITERATURE

Once a topic has been decided, it is essential to review all relevant materials, which have a bearing on the topic. In fact, review of literature begins with a search for suitable topic and continues throughout the duration of the research work. Since a research report, either a dissertation or a thesis, is supposed to be an in-depth study of and contribution to existing knowledge, a careful check should be made that the proposed study has not previously been carried out.

2.1 Theoretical Review

The assumed reasons of having a performance appraisal is based on three theories: social comparison theory (Festinger 1954), feedback intervention theory (Kluger and DeNisi 1996), and equity theory (Adams 1965).

Social comparison theory suggests that individuals tend to compare themselves with others to make judgments regarding their performance. They are concerned not only about their performance in an absolute sense, but also about how they measure up in relation to relevant peers. In addition, this theory posits that individuals have a strong desire to improve their performance when faced with unfavorable comparative information.

Feedback intervention theory suggests that when confronted with a discrepancy between what they wish to achieve and the feedback received, individuals are strongly motivated to attain a higher level of performance. The practice of performance appraisal therefore assumes that informing an employee about the discrepancies between the organization's standard and their current performance – implying that they are achieving lower than most other colleagues – will motivate the employee to achieve a higher level of performance.

Finally, **Equity theory states** that employees compare themselves with each other in terms of input and outcomes (Walster et al 1978). High-performers, seeing that poor performers get lower appraisal scores – and, as a consequence, receive lower rewards – might feel that an equitable balance is being established and be motivated to continue their high-quality work, whereas underperformers are motivated to put in more effort to achieve on a higher level.

2.1.1 Definitions of Performance Appraisal

Performance appraisal is the most important and indispensable tool for an organization. Performance appraisal measures the effectiveness of the personnel. Edwin (1980) defines performance appraisal as a systematic, periodic and as far as humanly possible an impartial rating of employee's excellence in matters pertaining to his present job and potentialities for a job. Grubb (2007) also defined performance management as a process of finding out the actual performance level of employees thereby distinguishing and narrowing the gap between the actual and the desired performance, and a means of meeting organizational objective, creating employee responsiveness and avoiding under performances.

According to Dale (1980), performance appraisal is systematic evaluation of the individual with respect to his or her performance and potential for development while Randall (2011) defined performance appraisal as a formal, structured system of measuring and evaluating employee's job, related behavior and outcomes to discover how and why the employee currently and also be effective in the future so that the employee, organization, and society benefit.

On the other hand, Yoder's (1972) performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.

Performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract. It also reflects how well an employee is fulfilling the requirements of a certain job. Therefore, the question of how well is the job performed by employees of an organization is a success or failure factor for an organization over all activities even a survival role for that matter (Leslie, 2007).

Performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational

citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses (Dessler, 2006).

Gary (2006) also goes on saying that performance appraisal systems are employed “to manage and align” all of an organization's resources in order to achieve highest possible performance. How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving performance appraisal for every staff should be among the highest priorities of contemporary organizations.

Defining the job, appraising performance, and providing feedback are the three main components included in performance appraisal (Dessler, 2006). Performance appraisal is a process that involves determining and communicating to employees how they are performing their jobs and establishing a plan for improvement. Some of the common uses of performance appraisal are making decision, promotion, layoffs and termination of employment contracts. Performance appraisal information can also provide needed input for determining both individual and organizational training and development needs. For example, it can be used to identify individual strengths and weakness (Sile, 2007).

“Performance appraisal is a widespread, very expensive, counterproductive exercise. It is typically conducted with good intentions to manage and improve the performance of individual employees, and lead to enhanced overall organizational efficiency, effectiveness, and productivity.” (Grubb, 2007). It shows that performance appraisal is being practiced with a clear objective of bringing change on employees, i.e. improvement of their performance.

According to Fisher (1993), performance appraisal is conducted with a specified period and it is done in comparison with already set standards of an organization. This change is also aimed to bring impact on the overall organizational efficiency, effectiveness, and productivity. “Performance appraisal is the process by which an employee’s contribution to the organization during a specific period of time is assessed. Performance feedback then lets employee know how well they have performed in comparison with the standards of the organization”.

Career Development is a unique and lifelong process for each individual of managing learning, work, and transitions in order to move forward and participate effectively in work and society (Career Development Institute, 2007).

Career management on the other hand is about providing the organization with the flow of talent it needs it is also concerned with the provision of opportunities for people to develop their abilities and their careers in order to satisfy their own aspirations. It integrates the needs of the organization with the needs of the individual.

As described by Hirsh and Carter (2002), career management encompasses recruitment, personal development plans, lateral moves, and special assignments at home or abroad, development positions, career bridges, lateral moves and support for employees who want to develop.

Performance management reviews provide opportunities to discuss the direction in which the careers of individuals are going and what they can do – with the help of the organization – to ensure that they follow the best career path for themselves and the organization (Michael, 2012).

Certainly, one cannot improve performance until he/she knows what the present performance is. Hence, performance appraisal is the basis for identifying improvement and development needs if there is a shortfall. More positively, it provides the information required for career planning and continuous development by identifying strengths to be enhanced as well as weaknesses to be overcome (Michael, 2006).

2.1.2 Purpose of Performance Appraisal

Performance appraisal information can provide needed input for determining both individual & organizational training and development needs. For example, it can be used to identify individual strengths and weakness. In addition, Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Some of the common uses of performance appraisal are making decision, promotion, layoffs and ground for termination of employment contract (Zimmerman & Darnold, 2009).

Effective performance management is important to improve employee loyalty, moral and general productivity. Mainly due to the highly competitive business environment today, there is the need for organizations to boost the morale and loyalty of their employees in order to stand the heat of competition. Because of the high cost of selection, recruitment and training, developing new performance appraisal is important to employees and plays an important role in voluntary turnover (*Ibid*).

Mathis and Jackson (1997) noted that, generally the purpose of performance appraisal could be divided into two. The points related with compensation, promotion, demotion and layoffs could be termed as administrative purpose and the others which are forward looking like required training, identifying areas for growth, development planning and career planning can be called developmental purpose.

Grubb (2007) further describes the purpose of performance appraisal from four supportive perspectives: organizational perspective, administrative, individual and control. The purpose of performance appraisal is to promote organizational efficiency and effectiveness. The cumulative effect of good performance by employees will further result good organizational performance in terms of both effectiveness and efficiency. The second reason for support of performance appraisal is to enhance individual employee performance and satisfaction. Proper appraisal can help identify weak points of individuals so that with the appropriate training and support paramount to employees' development could be given. It is possible to coach and mentor employees and counsel problem performers. Individuals can also be motivated through a recognition given to best performance. The third perspective is simplifying an administrative processing. Activities and decision such as award pay increases, promotion screening, career advancement, downsize/lay off decisions, legal documentation can be easily performed with the implementation of performance appraisal, and the fourth perspective is to ensure management retains control of employee behaviors and attitudes so that employee compliance and proper management direction can be achieved (Grubb, 2007).

As per Abdul (1999), performance appraisal is done for various purposes, such as for professional and career development, accountability check, to be linked with recognition and compensation,

references to disciplinary procedure and most commonly as a mechanism to determine salary increment and promotion exercise.

Noe and Premeaux (1999) discussed the PA purpose, as performance appraisal data are potentially valuable for use in virtually every human resource functional areas like:

- Human Resource Planning
- Recruitment and selection
- Training and development
- Career planning and development
- Compensation programs
- Internal employee relation
- Assessment of employee potential

2.1.3 Preconditions in Performance Appraisal

Performance appraisal is a process not a one-time activity. The effectiveness of the appraisal will only be ascertained when the proper steps of the process are in place. However, before applying performance appraisal the following important issues must be addressed first Vance (2006). Here are the steps of performance appraisal as per Vance:

Defining the job: The process should begin with the assessment of the job itself for setting the measurement. It is important to clearly sort-out duties of employees so that it will be possible to know the desired level through which these jobs can be carried out.

Defining performance goals: There should be well-defined performance goals. The Goals set must be "SMART" and one that allows Individual goals to be aligned with corporate organizational goals.

Define priority for each job goal and responsibility: Priority goals of each job should be clearly stated for easy assessment and measurement of result/outcome.

Define performance standards: After specifically identifying the key tasks, duties and goal priority of the job, measureable performance standards should be established. The standards in

every possible dimension should be able to help execute the job effectively and efficiently on factors like quantity, quality and timeliness. The performance standard can be based on organizational goals, past experience or industry standards.

The appraisal form should be clear and elaborated: The ratings must be clearly stated with a specific reasons and employee self-evaluation/assessment must be included in the assessment form.

Participate employees in the review appraisal form and standards: The supervisor and subordinates must be allowed to participate in the review. Before applying the already set performance appraising standards it is important to communicate with the employees so that they will be aware in advance what is expected of them.

2.1.4 Performance Appraisal Methods

There are several methods and approaches to appraise the performance of employees. Here, are some of the following major methods: - Traditional Performance Appraisal, Solution Focused Rating, Pay for performance, 360 appraisal methods and others (Dessler, 2003).

2.1.5 Traditional performance appraisal

Traditional performance appraisal is a one-way process where the supervisor or manager is solely engaged in the whole appraisal process from the setting of the standards to rating and giving scores to the employees with a very limited involvement (Dessler, 2003).

2.1.6 The Solution Focused Rating (SFR)

The German Management Professors Steve de Shazer and Imsoo Kim Berg introduced the concept of Solution Focused Rating (SFR) in the year 2002. This rating method identifies many problems in the traditional evaluation system and provides alternative approach as solutions to the problems. The traditional evaluation system puts employee evaluation at a constant level throughout the whole year. Solution Focused Rating (SFR) implies this kind of traditional rating act as misleading for both employer and employee.

The employer cannot be able to improve the employee's performance since he/she is not clearly telling the specific areas where there needs to be improvement and where good performance is observed. In response to this problem of traditional evaluation system, solution focused rating method provide a chance for employee to score in multiple performance criterion, a grade out of 100 degrees of points varying from very good, good, average, fair, to poor. It also involves a discussion with the employee. Unlike the traditional methods, this allows the employee to differentiate between the weak and strong point for further improvement.

2.1.7 Performance-Pay System or Pay for Performance System

Pay for performance is an emerging movement in health insurance (Initially in Britain and United States). Providers under this arrangement are rewarded for meeting pre-established targets for delivery of healthcare services. This is a fundamental change from fee for service payment. Pay for performance system is aimed at increasing the efficiency and competency of public service employees by focusing on important areas such as simple, motivational, suitable and easily articulated goals, accuracy of the appraisal measurement process and defining of employee's role in achieving the organizational goal. United States of America, United Kingdom, Canada and South Korea were among the countries that employed performance appraisal system particularly aiming at the public sector to improve performance of their employees U.S. Merit Systems Protection Board (2006). Pre-requisite to the above method are:

- i. A culture that supports pay for performance:** Shifting to pay for performance will require careful planning, implementation, and operation to facilitate the organizational change that produces a performance-based organizational culture. Pay for performance can also serve to drive an organizational culture in the desired direction.
- ii. A rigorous performance evaluation system:** An effective performance evaluation system is a fundamental prerequisite of pay for performance. Organization must be able to communicate with employees regarding what the organization values and how it will accurately measure employee contributions to these goals. Without this information, organization would be unable to appropriately distribute performance based pay increases and bonuses.
- iii. Effective and fair supervisors:** Because supervisors play a vital role in pay for performance systems, it is essential that they be able and willing to perform the important supervisory

functions inherent in performance-based pay systems in effective and fairly manner. The system includes checks and balances to ensure fairness.

- iv. **Appropriate training for supervisors and employees:** To achieve this goal, agencies must select, train, and pay supervisors based on their demonstration of qualities that are suited to a pay for performance environment.
- v. **Adequate funding:** Being able to provide high performers with meaningful pay increases is critical to operating an effective pay for performance system. Therefore, organizations need to have adequate funding to support pay increases for those who deserve them.
- vi. **A system of checks and balances to ensure fairness:** Organizations can greatly facilitate the real and perceived fairness of the pay system by building in appropriate checks and balances. Although knowledge about the organization's pay for performance plan and transparency regarding its outcomes can help supervisors and employees understand how the system should work, other mechanisms to ensure fairness are needed to further raise and maintain confidence in the system.
- vii. **Ongoing system evaluation:** Organizations should conduct an ongoing evaluation of the compensation system to help them ascertain whether organizational goals are being met and identify ways to improve the process. In addition, organization must tailor pay for performance systems to their mission and environment. Pay for performance systems also require substantial initial and continuing investment. Therefore, it is obvious that pay for performance is important system of appraisal that needs great deal of attention and preparation at different level: employees, employer and the organization in general.

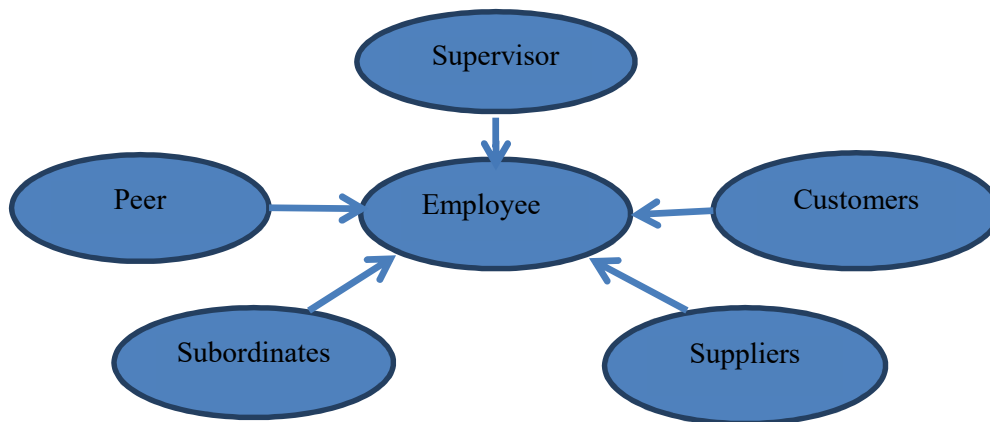
2.1.8 The 360-degree Appraisal Method

The 360-degree appraisal system was first applied in one of the US factories in 1987, and then it was developed in 1990. The 360-degree appraisal is a powerful method and quite different to traditional manager-subordinate appraisals. As such, a 360-degree process does not replace the traditional one-to-one process - it augments it. It involves the appraise receiving feedback from people (named or anonymous) whose views are considered helpful and relevant (De Jong, 2011).

360 degree respondents can be the appraises peers, up-line managers, subordinate staff, team members, other staff, customers, and suppliers - anyone who comes into contact with the employees and has opinions/views/reactions of and to him/her. Numerous systems and providers

are available. It is advisable to develop a particular process and materials for a particular situation, preferably involving the appraisers to which all the participative approaches, often works well (De Jong, 2011).

Figure 1-360 Degree Performance Appraisal System



Adopted from Vadivelu and Ramila (2018: page 5)

The major advantage of the 360 appraisal system is its ability of creating a fairness feeling among employees because a biased employer does not subjectively evaluate them. On the contrary the setback of this method is employees are not willing to give their genuine opinion about their colleagues and accept the opinion of others coworkers in the reverse. In addition, self-evaluation of employees is not being done properly in many cases (Obserg, 1972).

2.1.9 Other Methods

The above classification method is not the only type; some other scholars classifies performance appraisal methods in different ways. Typical example is classification of performance appraisal method by (Obisi 2011) based on their content. Obisi, (2011) puts ten types of performance appraisal methods as follows.

I. Essay appraisal: - Requires rater to write a series of statements concerning an individual's strengths, weaknesses, past performance and potential for promotion.

II. Graphic rating scale: - which the rater assesses an individual on factors such as initiative, dependability, cooperativeness, attitude and quantity of work.

III. Checklist method: - which the rater does not evaluate performance but merely records it on a series of questions concerning the employee's behavior, the rater checks yes or no responses e.g. (a) does the individual perform his or her job, (b) shows superior ability to express himself or herself.

IV. Critical incident appraisal: – which the raters are asked to keep a written record on incidents that illustrates both positive and negative behavior of the individual being rated. In this method, the individual's actual behavior and not personality traits, is discussed.

V. Ranking method: - which is used when it becomes necessary to compare the performance of two or more individuals.

VI. Management by objective (MBO): - involves setting specific measurable goals with each employee and then periodically reviewing the progress made. In addition, it is a comprehensive, organizational goal-setting and appraisal program.

VII. Tell and sell method: - which the rater lets the employee know how he or she is doing, gets the employee's acceptance of the evaluation, and has the employee agree to plan of improvement. This method according to Maier is most likely to be successful with new, young employees and with employees who are in a new assignment. People in these positions are more likely to have insecurity that can result from inexperience and usually are more anxious to receive the helpful advice of a more experienced person.

VIII. Tell and listen method: - the general approach with the tell and listen method is for the rater to communicate the evaluation and then wait for a response from the employee. The evaluation is conducted in two parts. During the first part, the employee's strong and weak points are covered, during the second, the employee is encouraged to disagree and express his or her feelings about the appraisal.

XV. Problem solving method: - according to Maier, the first two methods tell and sell and tell and listen methods place the rater in the position of being a judge and force the individual being evaluated into a defensive position. However, the problem method is to take the reviewer out of the role of a judge and make or help him/her.

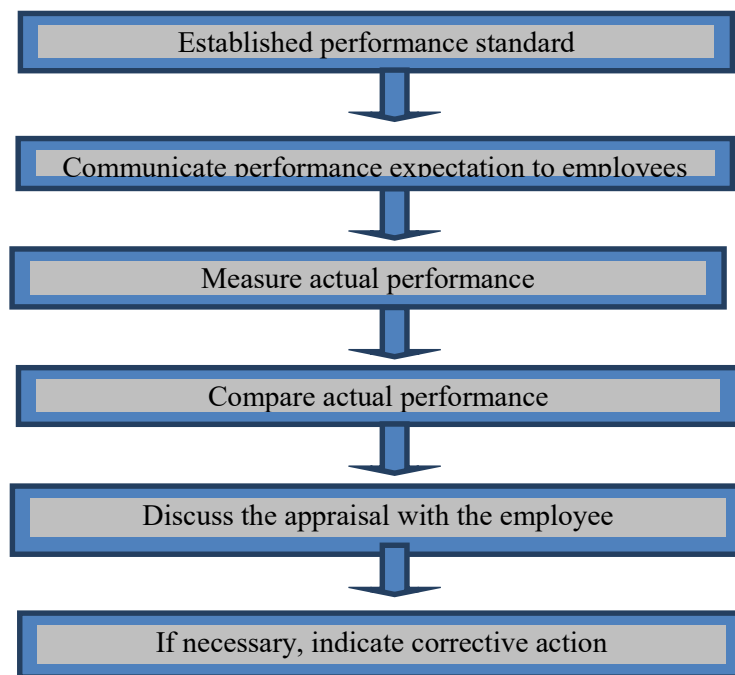
2.1.10 Characteristics of Performance Appraisal

Implementation of Performance appraisal differs from one organization to another in many different ways. The following are some of the major characteristics shared by all performance appraisal programs. Performance appraisal is a standardize process that is systematically applied to all employees and conducted through specific period (Typically quarterly and/or annually). As a matter of sensitivity Performance, responsible body in an organization other than the employee itself should properly document appraisals (Fisher, 1993).

2.1.11 Procedure for Evaluating Performance Appraisal

Achieving a successful result from performance appraisal is important to develop the right procedures and follow accordingly. This will be beneficiary for both parties: the employees and the organization. An enduring procedure for evaluating employee appraisal would not be only in the interest of the individual but also to the organization. According to Stalz (1966), the appraisal process should follow the following major steps.

Figure 2- Steps in performance appraisal process



Source Obisil (2011: page 95).

2.1.12 Employees' perception about the performance appraisal

According to McShane and Glinow (2000), Perception is the process of receiving information and making sense of the world around us. It involves deciding which information to notice, how to categorize this information, and how to interpret within the framework of our existing knowledge. Perceptual process is the dynamics of selecting, organizing, and interpreting external stimuli. The perceptual process begins when environmental stimuli are received through our senses. Most stimuli are screened out; the rest are organized and interpreted based on various information- processing activities. The resulting perceptions influence our emotions and behavior toward those objects, people, and events. According to Armstrong (2009), perception is the intuitive understanding, recognition and interpretation of things and events. Behavior will be influenced by the perceptions of individuals about the situation they are in. The term "psychological climate" has been coined to describe how perceptions give the situation psychological significance and meaning. Therefore, the perception of employee about their performance appraisal depends upon their understanding of themselves and interpretation of their own.

2.1.13 Challenges in Performance Appraisal

There are several challenges regarding the implementation and practice of performance appraisal. Performance appraisal and rewards serve more to punish and de-motivate employees, than to positively motivate them (Kohn, 1993). The following are typical problems encountered most of the time.

Subjectivity: performance appraisal assumes to be objective and presumes that the rational, scientific, measurement methodology will yield objective, valid, and reliable results. However, the reality is different from this. Individuals who do the appraising usually are subject in their judgment. Moreover, it is difficult to evaluate only on objective bases. In reality, evaluative processes are largely subjective and biased (Behn, 2003).

Counter effect of organizational system on individual performance: it is not a one way that cumulative effects of individual's performance result in improvement of the overall organization.

The organizational system also has a direct impact on the performance of individuals irrespective of the amount and kind of incentive given (Behn, 2003).

Attribution: identifying the right degree of individual performance from the whole system is not an easy task. The performance of individual is tightly linked with the surrounding system. The group effect is not easily separated from the individuals (Behn, 2003).

Measurement Difficulties: raters usually manipulate the measurement difficulties for different reasons with a positive or negative intention. There is a deliberate attempt by individuals to enhance or protect their self-interests when conflicting courses of action are possible. Such action therefore represents a source of bias or inaccuracy of measurement in employee appraisal. Some possible for manipulating the measurement are stereotype tendencies, gender, race, and age bias and evaluators self-image (Behn, 2003).

Conflict inherent in performance appraisal: conflicts developed by performance appraisal systems tend to breed distrust among employees, supervisors, and within the organization; and conflicts occur at many levels (Employee Intrapersonal conflict, Employee-Employee, Employee-Supervisor, Supervisor-Leadership Employee-Organizational Supervisor-Organizational) and many other (Behn, 2003).

In addition, according to Grote (2002), other possible errors that may occur at the time of conducting a performance appraisal are:

Attractiveness effect: The well-documented tendencies for people to assume that people who are physically attractive are also superior performers.

Attribution bias: The tendency to attribute performance failings to factors under the control of the individual and performance successes to external causes.

Central tendency: The inclination to rate people in the middle of the scale even when their performance clearly warrants a substantially higher or lower rating.

First impression error: The tendency of a manager to make an initial positive or negative judgment of an employee and allow that first impression to color or distort later information.

Hence, the proper care should be taken in conducting performance appraisal to avoid the above stated problems and others such as strong unusual influence of recent events.

Halo/horns effect: inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance.

Past performance error: Permitting an individual's poor (or excellent) performance in a previous rating period to color the manager's judgment about her performance in this rating period.

Recency effect: the tendency for minor events that have happened recently to have more influence on the rating than major events of many months ago.

Similar-to-me effect: the tendency of individuals to rate people who resemble themselves higher than they rate others.

Stereotyping the tendency to generalize across groups and ignore individual differences.

2.1.14 Performance Appraisals and Career Development

Armstrong (2006) argued that performance appraisal allows the supervisors to grasp the full potential of the employees through capacity development. Performance appraisal reveals career-growth plans; helps identify their training needs and helps align employee goals with organizational goals.

Performance appraisals provide the information relevant for various personnel decisions, including promotions and rewards, employee development and training programs, and performance feedback (Murphy & Cleveland, 1995). Performance appraisals are a useful tool for developing employees as they provide a clear link to overall business goals, improve employee motivation and assist employees to identify their strengths and weaknesses which in turn provides clear direction on development needs. Employees have a sense of ownership of their development goals, as they are involved in the process.

There is a consensus that, the success and survival of business organization depends on the qualities, abilities, and talents of its employees, officers, and executives who run its operations.

The quality, abilities, and talents in turn depend on the development activities and career development programs provided by organization, to improve the abilities of employees and prepare them for future jobs or positions in the organization (Rawashdeh, 2013).

As performance appraisal becomes more constructive the progresses of the employees improves (Rusli, 2007b). With the achievement of the organization's vision and mission, employees can work together collaboratively with the organization itself based on the win-win basis. In this context, performance appraisal can turn out to be a good device to plan a better career path for the employees.

Career development of employees also plays an important role in enriching the human capital component of a company as it continues to be used in strategically leveraging organizational talent, and to attracting and retaining a competent workforce (Ulrich, 2014)

2.1.15 Staff Training and Development

This process should provide for individual development and career planning. Line managers work together with staff to prepare, implement and review individual performance development plans (PDP's). PDP's should be forward looking and integrate job goals and learning plans. Managers should use feedback sessions as foundations for providing further training, coaching and counseling. Line managers are also expected to mentor their staff. Performance related training philosophy involves relating training specifically to performance and competence requirements (Beardwell, 1998)

2.2 Empirical Framework of the Study

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

Taderera (2011), in his study addresses varied scope of improvement for the Bank's performance appraisal system and the performance based pay system to be effective. The researcher suggested

that training should be provided to both the employees and the evaluators, there must be the delivery of continuous feedback to employees on their performance and the bank should consider adoption of a new system of assessing performance such as multi-rater feedback or 360-degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

Iyengar and Moyal (2016) in their study concluded that the success of the organization depends on the performance of the employees. An appropriately developed and implemented performance appraisal can facilitate an organization in achieving its goals by escalating productive employees. They also added that as the banking sector evolves with the passage of time, using different tools to make their operation more sophisticated they are getting better results. Hence, performance appraisal is a great tool of measuring the level of performance of employees and is an important system, which helps in providing better scope for employees' expression on their development needs.

According to a survey finding of Hewitt (2010), there is a notable and increasing significance of career development in organization these days and having a critical implication on employees' engagement, motivation and retention. The study also concludes that though companies are on the right track concerning performance management, they still need to do a lot in linking it with Career Development opportunities.

2.3 Knowledge Gap

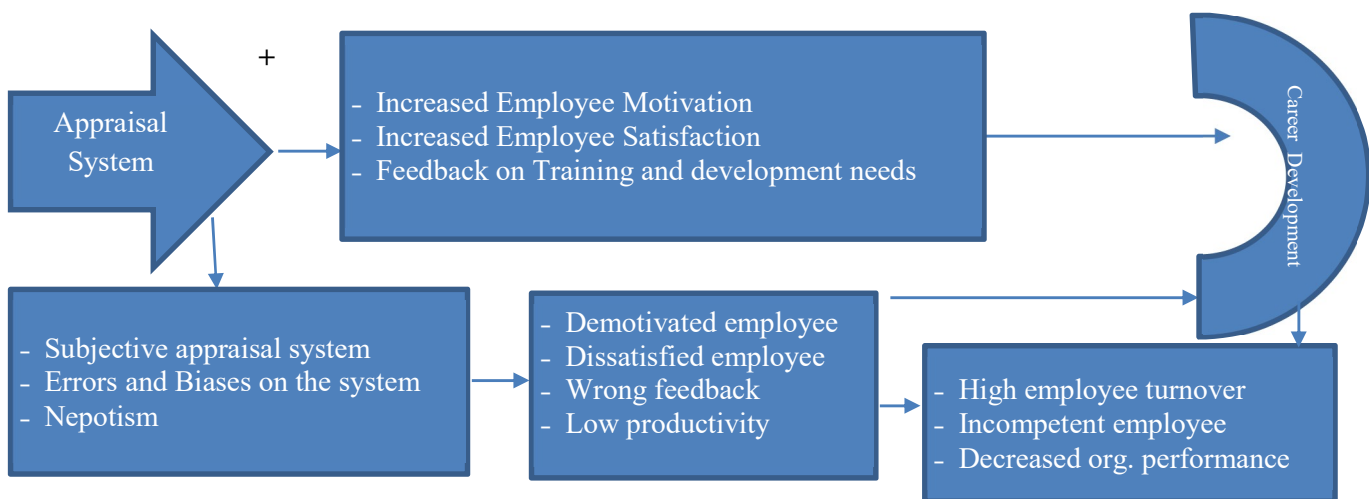
From the review of theoretical literatures and empirical studies cited above one can clearly see that the specific effect and role of Performance Appraisal System of an organization on employees' career development has not been adequately addressed. Recent diagnostic review on the bank's total operational areas stated that the bank lacks potential successors, which are capable of leading the bank to a better tomorrow. Training and development need of employees of the bank is better determined through repetitive and extensive appraisals performed on them. Hence, it is quite evident that performance appraisal system of the bank has undeniable benefit in identifying workers' strength, weakness and training needs. At NIB bank, though performance appraisal has been one of the key instruments the bank used as a management tool it has hardly served its purpose rather than to distinguish few best performers of the organization and provide

a yearly bonus. Hence, this study will specifically focus in filling the above knowledge gap and focus on the role of performance appraisal on career development of employees at NIB.

2.4 Conceptual Framework of the Study

Effective appraisal system results in an increased employee motivation and satisfaction in addition to being a great source of valuable feedback on training and development needs. This in turn enables the organization to recruit and maintain competent employees from the market. Ineffective appraisal systems subject to subjective judgments, errors, biases and nepotism on the other hand will hinder the development of the general organization and personally hurt individual employees, which will eventually lead to their departure, and failure of the organization.

Figure 3-Conceptual framework of PA system and Career Development.



Source: Developed by the Researcher (2019)

Conceptual framework of the study tries to capture the summarized concepts embedded inside the literature review. As can be witnessed from the diagram an effective PA system can have a positive impact on employee motivation, satisfaction and training and development needs as much as it could demotivate and dissatisfy employees in addition to coming up with wrong feedbacks and low productivity.

Depending on the effect it has on employees, the PA system could either be instrumental for the career development plan of employees or be a source of resentment and high level of employee turnover.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

In order to achieve the objective of this paper, using of appropriate methodology that helps to approach the research scientifically is the priority attention given by the researcher. Therefore, this chapter includes research design, population and sampling technique, instrument for data collection, procedure of data collection and method of data analysis. According to Geoffrey *et al*, 2005 descriptive research describes phenomena as they exist and used to identify and obtain information on the characteristics of a particular problem or issues. Based on the above definition descriptive type of research design is best to achieve the aim of this research since the study focuses on assessing the role of Performance Appraisal System on Employees' career development in Nib International Bank S.Co and it was used as such.

3.2 Population and Sampling Techniques

The target population of this research is permanent employees of Nib International Bank who work under various positions at branches located in Addis Ababa and at Head Office (HO). The branches were selected on the basis of their grades and staffs located at HO who have more than one-year experience. The rationale of selecting these employees as a target population is because they have at least one-time experience of performance appraisal in the Bank and the remoteness of accessing outlying branches employees and the cost of including all city branches.

The bank currently makes use of six grade categories of its branches namely special, Grade 5, Grade 4, Grade 3, Grade 2 and Grade 1 branches. In all of these branches and at the head office number of managerial and clerical staffs with a tenure of one year and above are 518,taken as total population of this study.

For this study, the researcher used a sample from the total population due to time, resource and proper organization of data. From the given scope, samples were only taken from head office employees and six branches in Addis Ababa (Main, Cathedral, Sholla, Gotera, Lebu and Meskel flower branches) representing each grade. These branches were selected as representative

samples because they have each scored a number of years since opening, have greater number of staffs and majority of these employees were tenured more than one year compared to other branches of same grade. According to Glenn (1992), one way of determining sample size of a larger number using published tables, and applying formulas. Therefore, a formula was used in determining sample size, because it is easier and developed by experienced scholars like Krejcie and Morgan (1970).

The formula:

$$\text{Formula 1: } S = \frac{X^2 N P(1-P)}{d^2 (N-1) + X^2 P(1-P)}$$

Where: S = required sample size; X² = the table value of chi-square for 1 degree of freedom at 0.05 confidence level (3.841); N = the population size which is 518; P = the population proportion (assumed to be 0.50 as this would provide the maximum sample size); and d = the degree of accuracy expressed as a proportion (.05).

Therefore, from the above computation using the formula of Krejcie and Morgan (1970) the sample size for a total population of 518 was determined as 217. Hence, 217 clerical employees of the bank who have stayed at least for a year and above were selected to be sample representatives of this study.

Table 1- Study population and sample size.

Branch	No of qualified employees	Proportion (%)	Sample size
Head Office	422	81	180
Main	28	5	12
Cathedral	17	3	7
Sholla	15	3	6
Gotera	14	3	6
Lebu	11	2	5
Meskel Flower	11	2	5
Total	518	100	221

3.3 Types of Data and Instruments of Data Collection

The data for the study included both primary and secondary data. Responses of samples on questionnaires distributed and response of open-ended interviews constituted the primary source of information. The questionnaire was designed to have both Likert scale model and other open-ended questions to get a reliable quantitative and qualitative data. Secondary data was obtained from different policies and procedural manuals of the bank, journals annual reports and periodic progress reports of the bank and publications of National Bank of Ethiopia. Different books, articles and journals were also referred to get relevant information and strengthen the theoretical framework of performance appraisal system.

3.4 Procedures of Data Collection

The primary data was obtained from responses of the selected representative samples using structured questionnaire and through conducting informant interviews with managers. The primary data can provide the appropriate data about the assessment of performance appraisal system in the Bank. Structured questionnaires were distributed to the respective representative samples and were personally collected and open-ended interview was conducted with department directors and branch managers.

3.5 Methods of Data Analysis

To best meet the objective of the study summary of statistics was organized both in the form of qualitative and quantitative measures by using frequencies and percentage. The questionnaire was designed in a structured way still containing an open ended questions and Likert scale indicating measurement used on the basis of survey 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree and other open ended questions as well. Interview was conducted with 14 Directors selected from 14 Departments at the head office as they are directly involved on the development of the form and the appraising practices.

Responses of the questionnaire were summarized and presented making use of SPSS software version 23. Though the sample size was 221, 232 questionnaires were distributed assuming a response rate of 95%. The questionnaires were distributed in the sampled branches and departments of the bank. Taking their regular responsibilities in to consideration a reasonable

time of 7 -10 days were given between distribution and collection of the questionnaires. In due time respondents were communicated and reminded through phone to return the questionnaires in time through volunteer representatives. Through this effort, 221 questionnaires out of 232 were collected back.

3.6 Reliability and Validity

As Joppe M. (2000), stated that, instrument validity pertains to the ability to accurately measure what it intends to measure based on the objective of the study. It is used to make sure that all the relevant variables are included and irrelevant ones were excluded. It also assures all the variables considered are accurately measured

In this regard, universally accepted sampling method was used to draw a representative sample of the population. Due emphasis was given to make the questions objective type and understandable so that the employees can answer the questions properly based on what they know. Vague and confusing wordings were avoided not to mislead the employees on the time of filling the questionnaires. The questionnaire was organized and finalized with a close consultation of my advisor and expertise of the subject. To address Ambiguous claims, same spirited questions were forwarded to Department Directors for triangulation purpose. Furthermore, secondary documentations were reviewed to verify factual claims made by respondents.

Responses on sampled questionnaires distributed to professionals and the Directors/Supervisors showed that the questions are consistent and the information there in were reliable enough to reach a conclusion on the study.

CHAPTER FOUR

4 DATA PRESENTATION, ANALYSIS AND INTERPRIATION

This chapter of the thesis deals with the analysis and interpretation of data collected from the questionnaire and interview taken from employees of the bank. Out of the 232 questionnaires distributed, 221 were returned and the analysis is conducted on those. Accordingly, tables, graphs and charts are used for ease of understanding.

4.1 Demographic Characteristics of Respondents

Table 2-Demographic characteristics of respondents

Gender of respondent	Frequency	Percent	Cumulative Percent
Male	160	72.4	
Female	61	27.6	
Total	221	100.0	
Respondents Age category			
Below 25	44	19.9	19.9
25-35	69	31.2	51.1
36-45	67	30.3	81.4
46-55	33	14.9	96.4
Above 55	8	3.6	100.0
Total	221	100.0	
Total banking experience (years)			
0-4	43	19.5	19.5
5- 9	65	29.4	48.9
10-14	55	24.9	73.8
15-19	33	14.9	88.7
20 & more	25	11.3	100.0
Total	221	100.0	
Educational qualification			
College Diploma	5	2.3	2.3
BA/BSc Degree	176	79.6	81.9
Master's Degree	40	18.1	100.0
Total	221	100.0	

Source: Own Survey (2019)

The demographic profiles of the respondents who took part in the main study, comprising of age, gender, banking experience, and educational background, is shown in Table-2. Demographic details of participants showed that 160 of all participants (72.4%) were male and 61 of participants (27.6%) were female. Nearly 70% of the respondents fit in the age category of 25-35 and 36-45 years showing the fact that the bank is endowed with a young generation. It is evidenced that the respondents held a range of educational qualifications between Diploma to MA/MSc Degree level. The largest number of respondents 176 (79.6%) are qualified with BA/BSc degree, followed by MA/MSc graduates with 40 (18.1%) while the rest 5 respondents had a Diploma. About one-third (29.4%) of the participants had banking experience of 5-9 years, and one-fourth (24.9%) 10-14 years of banking experience, while there was more or less an equal distribution of participants (between 11 to 19%) having a banking experience of 0-4 years, 15-19, years and 20 years & more.

The data clearly show that, though NIB is endowed with a highly qualified, experienced, competent and young generation who aspires to be at the top of the professional ladder, a rather stagnated professional life of employee aggravates their level of dissatisfaction.

Table 3-Respondents length of service year in a current position they held

Service year	Frequency	Percent	Cumulative Percent	Minimum	Maximum	Mean	Std. Deviation
1.00	22	10.0	10.0				
1.50	3	1.4	11.3	1.00	10.00	4.86	2.85
2.00	31	14.0	25.3				
3.00	39	17.6	43.0				
4.00	22	10.0	52.9				
5.00	16	7.2	60.2				
6.00	16	7.2	67.4				
7.00	19	8.6	76.0				
8.00	19	8.6	84.6				
9.00	19	8.6	93.2				
10.00	15	6.8	100.0				
Total	221	100.0					

Source: Own Survey (2019)

Table-3 above demonstrates respondents' service year in a position they held currently. The minimum year a respondent spent in a position is 1 year, whereas the maximum was 10 years in a position. Summary of the finding from the 221 participants in table 3 on length of service year presents a Mean of 4.86 with SD of 2.85. Thus, this finding indicates that on average an employee would spend 4-5 years on the same post without being promoted elevating the interest of employees to look for a better opportunity elsewhere.

Table 4-Respondent's field of specialization, post and department they work in

Field of specialization	Frequency	Percent	Cumulative Percent
Accounting & Finance	55	24.9	24.9
Management	17	7.7	32.6
Marketing	25	11.3	43.9
Economics	32	14.5	58.4
Banking & Finance	5	2.3	60.6
Business Administration	29	13.1	73.8
Project Management	14	6.3	80.1
Operation Management	23	10.4	90.5
Procurement & Supply Management	21	9.5	100.0
Total	221	100.0	
Current position			
Supervisory post	34	15.4	15.4
Professional post	187	84.6	100.0
Total	221	100.0	
Work unit			
Credit Appraisal	29	13.1	13.1
Information System	13	5.9	19.0
Accounts & Finance	16	7.2	26.2
legal Services	5	2.3	28.5
E-Banking	18	8.1	36.7
Logistics & Property Management	6	2.7	39.4
Branch	23	10.4	49.8
Corporate Planning & Business	13	5.9	55.7
Development			
Human Resource	9	4.1	59.7
Domestic Banking	25	11.3	71.0
Customer Relations	19	8.6	79.6
Treasury & Fund Management	7	3.2	82.8

Risk & Compliance Management	11	5.0	87.8
Internal Audit	10	4.5	92.3
Trade Finance	17	7.7	100.0
Total	221	100.0	

Source: Own Survey (2019)

Table-4 presented the various fields of specialization and job positions held by the employees who participated in the survey. The results reveal that Accounting & Finance, Economics, Business Administration, Marketing, and Operation Management specializations take the top rank in a descending order constituting 70% of the sampled employees for the study, thus further indicating employee's education composition of the bank. Similarly, respondents from Credit Appraisal, Domestic Banking, and Branch formed one third, representing 24.8%, the remaining 75.2% of respondents are distributed more or less in equal number among 10 Departments. Of these employees, 187(84.6%) are working in professional post, whereas, the remaining 34(15.4%) are working in supervisory posts. These results show that the bank's structure consists various departments and position settings that imply that different approach and KPI's are required to effectively conduct PA assessments and improve employee performance.

4.2 Performance Appraisal Practice of the Bank and Employees Perception

Table 5-Questions related to the practice of PA and ratings of employees.

Variables	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Frq.	%	Frq.	%	Frq.	%	Frq.	%	Frq.	%
	Employees are well informed about performance evaluation	29	13.1	38	17.2	33	14.9	69	31.2	52
I receive formal appraisal twice a year	52	23.5	146	66.1	18	8.1	3	1.4	2	0.9
Formal trainings are given as per performance ratings	7	3.2	22	10.0	44	19.9	82	37.1	66	29.9
Access to review own performance ratings	22	10.0	47	21.3	34	15.4	57	25.8	61	27.6
Raters identify performance gap and suggest feedbacks	9	4.1	27	12.2	48	21.7	85	38.5	52	23.5
Supervisors and subordinates together set PA goals	12	5.4	27	12.2	52	23.5	43	19.5	87	39.4

The raters have adequate knowledge and potential to conduct PA	24	10.9	35	15.8	54	24.4	72	32.6	36	16.3
PA development is participatory	6	2.7	7	3.2	50	22.6	85	38.5	73	33.0

Source: Own Survey (2019)

Table-5 above pertains to participants' response pertaining to the practice of PA in the bank. As indicated in the table, there is evidence that suggests the bank has PA system. Same has been attested by most of the participants as 90% of them pleaded their PA are taken twice a year on a regular basis.. The finding also shows that the rest 30% of the respondents either are not informed of the timing of PA or do not agree with the claim.

About 55% of the respondents claim that they have no idea on all aspects and standards used in their evaluation while sampled employees ranging from 30-31% said that they know the aspects and standards used in their appraisal the rest 15% of the participants prefer to stay quiet about the subject matter.

According to Dale (1980), performance appraisal is systematic evaluation of the individual with respect their performance on the job and their potential for development, despite this it was highly evident from the finding that employees' performance results are not being used as the main source of identifying knowledge gaps and training needs thereof. On table 5 the majority of the respondents close to 67%, say that they do not receive any formal trainings on their weak areas that needs to be improved and strong potentials to be enhanced as cited by the PA. A little over 13% of the participant claim that they receive a formal training in return to their performance result while the rest 20% remained neutral.

From the Table 5 above it also seems evident that most performance ratings are pre-determined and the chance of changing supervisors mind on the result is hardly possible. This fact is clearly depicted in the table item No. 4 as 54% of the participants contested saying that they have not been given the chance to review their result. However, 31% of the respondents believe that they have the chance of reviewing their performance results while the rest 15% refrained from giving comment on the matter.

Responses gathered from key informants also showed that employees have no say either in the development of the standards and forms of performance appraisal nor they would be given a chance to try and make their result changed.

The absence of such practice shows a low bargaining power of employees or none at all. This may be from high number of work force in the labor market, which gave the upper hand to the employer and none to the employee. However, the bank need to develop a policy or a working environment that allows employees to participate in the design of the aforementioned forms, as the input of employees may contribute a lot to the organization in addition to themselves and optimize the benefit they sought.

As cited by Sile (2007), PA is supposed to be a key instrument of identifying the weakness and strength of employees however; 63% of the respondents on this study do not seem to agree with the claim at NIB bank. $\frac{1}{4}$ of the participants in this study preferred to stay neutral while the rest 15% strongly argued that their supervisors identify their gap and propose a feedback of improvement. One of the proper steps that should be followed for an effective PA as per Vance (2006) was allowing employees to participate in the review of appraisal form and standards, which would have benefited the bank owing to employees' acceptance. Contrary to this, the Bank's performance appraisal goals were not collaboratively set by the supervisors and employees as per 59% of the respondents and was no participatory against some 18% participants who believed it is. The rest 23% remained quiet on the matter.

Pursuant to the finding in table 5, 49% of the sampled employees claimed that their supervisors do not have the knowledge and potential to appraise them unlike 27% of the participants who disagree with this accusation. Either in fear of association or lack of knowledge the rest 24% participants preferred to stay silent on the subject matter.

Interview conducted with key informants also suggested that employees were being evaluated by supervisors who have no training of the performance appraisal, but have the knowledge and capacity of the task they undertook.

“Obviously rating employees without knowledge is dangerous, is no better than having appraisal. The performance rating harms the organizations performance and employee’s morale and can cause a serious damage” -R1, R2, R3, R4

Majority of the respondents about 77% strongly believe that the PA system of the bank is non-participatory at all parameters while some 6% of the participants who might have gotten the chance in developing the PA argued that it is. The rest 22% of the participants preferred to stay silent on the matter.

Grubb (2007) described the purpose of performance appraisal from four supportive perspectives:

- Promote organizational efficiency and effectiveness through cumulative effect of good employee performances;
- Simplifying an administrative processing;
- Enhance individual employee performance and satisfaction and identifying weak points of individuals so that with the appropriate training and support paramount to employees’ development could be given and
- To ensure management retains control of employee behaviors and attitudes so that employee compliance and proper management direction can be achieved.

The 10 statements in Table-6 deal with the purpose of performance appraisal at NIB. This helps to identify whether the system has a long-term benefit in maintaining best suited employees of the bank, increasing organizational performance and paving a smooth and prolonged career path for employees or is it done for a formality. From table 6 it is evident that most of the responses fall on the negative part, with the majority of the respondents disagreeing or strongly disagreeing to the statements presented. To this end 71% of the respondents said that the performance appraisal system of the bank does not motivates them against some 14% participants, which they say it did. 64% of all respondents disagree that the PA system of the bank fails to identify performance gaps and deficiencies, which would have helped the bank to work on them. However, 14% of theses participants still believe otherwise.

Unlike 15% of the respondents of this study, 64% of samples employees do not believe that monitoring and performance appraisals are actually used for the improvement of organizational performance. Except for the bonus given for best performers at the end of each year, 69% of the

respondents also contested the idea that the bank uses appraisal results as a basis of granting non-monetary recognitions. However, some 18% of the respondents who might have benefited from it suggest that the bank actually grants non-monetary recognition in return to good performance.

Table 6-Questions related to the purpose of performance appraisal.

Variables	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Frq.	%	Frq.	%	Frq.	%	Frq.	%	Frq.	%
	The PA practices of the bank is motivational	12	5.4%	18	8.1%	35	15.8%	82	37.1%	74
PA system identifies performance deficiencies and gaps	10	4.5%	22	10.0%	48	21.7%	85	38.5%	56	25.3%
Monitoring an Performance evaluation are taken as a means of improving performance	11	5.0%	22	10.0%	46	20.8%	84	38.0%	58	26.2%
The bank gives recognition for successful employees (Non-monetary)	3	1.4%	37	16.7%	31	14.0%	97	43.9%	53	24.0%
PA system of the bank helps identify the strength and the weakness of the employee	16	7.2%	66	29.9%	33	14.9%	64	29.0%	42	19.0%
The appraisal is in line with the aspects of organizational and corporate goals	15	6.8%	38	17.2%	25	11.3%	74	33.5%	69	31.2%
Performance evaluation system is serving its purpose	12	5.4%	34	15.4%	28	12.7%	78	35.3%	69	31.2%
Performance appraisal information motivates subordinates through recognition and support	8	3.6%	56	25.3%	63	28.5%	88	39.8%	6	2.7%
PA results are used for promoting employees	7	3.2%	55	24.9%	46	20.8%	91	41.2%	22	10.0%
PA system of the bank affects employee satisfaction and their understanding of the bank	39	17.6%	87	39.4%	42	19.0%	30	13.6%	23	10.4%

Source: Own Survey (2019)

The interview response from key informants about using the information generated through performance appraisal for the improvement of employee performance in specific and organization in general is not far from the employees' response mentioned above, meaning the bank use it most of the time as a matter of formality, and differentiating one employee from the other for the purpose of bonus.

As per Grubb (2007), one aim of appraising employee's performance is to identify deficiencies and suggest trainings and developmental options. In assertion to this purpose table 6 shows that some of the respondents (37%) believe that the performance appraisal system of the bank has the capacity of identifying the strength and weakness of an employee to some extent while the rest 48% strongly suggested that the system fails to identify the same.

Vance (2006) insisted that after identifying the key tasks, duties and goal priority of the job, measureable performance standards should be established. In a company that uses key performance indicators and other objective measurement tools PA would serve a lot in achieving organizational goals beforehand. The majority of participants in this study (65% of them) reflected in a rather negative manner to the statement that claimed the bank's PA system is in support of organizational goals and targets. Despite the above response 24% of the sampled employees actually believed that PA system of the bank is in support of the bank's goal. As attested by 67% of the representative samples in this study the PA system of the bank is not really serving its purpose like it is supposed to do highly affecting employees' satisfaction and their understanding towards the bank.

Answers in table 7 to set of questions provide an idea about attitude of employees on PA system of the Bank. On questions related to fair & unbiased performance appraisal and supplement of adequate feedback the response rates indicate that employees "Disagree" or "Strongly disagree". Highest number (48.9%) of "Disagree" replies are on the statement "Assessments of my performance are consistent, fair & unbiased" while a little bit more than 16% of the participant strongly disagree with this statement. 22% of the participants believe that the assessment done on them is fair consistent and unbiased.

Despite its primary objective and peculiar nature, the appraisal system of the bank is accused of not providing feedback and lessons on areas of improvement by 56% of the staffs who took part in this study while a much proportion of the sample population i.e. 25% argued that they receive feedback on areas of improvement from their supervisors.

A majority of the participants ranging 60-65% also characterized the PA system of the bank as subjective and non-participatory which made it very difficult to actually differentiate best performers from those employees performing poorly or below the standard set by the bank. The

non-participatory nature of the PA system of the bank have played on employees' resistance to accept performance results.

Table 7- Attitudes of employees towards performance appraisal.

Variables	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Frq.	%	Frq.	%	Frq.	%	Frq.	%	Frq.	%
	Assessments of my performance are consistent, fair & unbiased	20	9.0%	28	12.7%	28	12.7%	108	48.9%	37
I receive adequate feedback and lesson of performance evaluation results	26	11.8%	30	13.6%	41	18.6%	90	40.7%	34	15.4%
Performance appraisal results are objective	5	2.3%	21	9.5%	51	23.1%	80	36.2%	64	29.0%
Existing PA system is participatory and satisfactory	18	8.1%	33	14.9%	28	12.7%	81	36.7%	61	27.6%
I use to work hard only making sure that my supervisor watched what I am doing	27	12.2%	54	24.4%	35	15.8%	53	24.0%	52	23.5%
My supervisor associates evaluation with specific incidents of good and poor performances	24	10.9%	61	27.6%	41	18.6%	54	24.4%	41	18.6%
My supervisor gives equivalent ratings to avoid resentment and rivalry among colleagues	21	9.5%	98	44.3%	41	18.6%	36	16.3%	25	11.3%

Source: Own Survey (2019)

As indicated in table 7, though there were a higher number of employees who actually did their job to serve and achieve the organizational goals of the bank, a little bit more than 36% of the participants actually said that they perform at their working place knowing that they are being watched and just for the sake of making their performance results better.

The tendency of supervisors to associate good or bad incidents with appraisal results of employees were also attested by 42% of the participants in the study. While 39% of the sampled employees argued that their performance results are the cumulative evaluation of their effort throughout the year.

In fear of resentment and revelry with and among employees of the bank, most supervisors give equivalent rating to staffs under their domain. This is witnessed from the response given by 54% of the respondents in this study.

NIB Bank Should Developed well-articulated PA system and motivated employees to enhance productivity/service quality, so that organizational goals are achieved. Organizational goals are there to increase productivity and to ensure business growth. A performance appraisal that does not serve the purpose is nothing more than annual ritual, a process is limited to filling up the document with words and figures or marks, which anyway ends up in the personnel office.

4.3 PA’s Effect on Carrier Development and Challenges Encountered

Table 8-Challenges faced by participants on the process of PA system of the bank

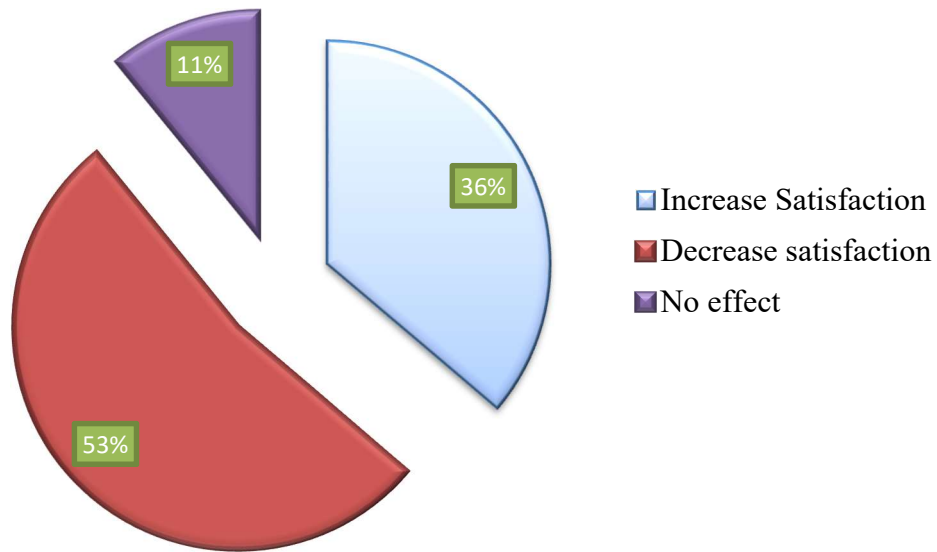
PA related challenges	No		Yes		Total
	Frequency	%	Frequency	%	
Evaluators inconsistency	94	42.5%	127	57.5%	N= 221 %= 100
Non-participatory evaluation	59	26.7%	162	73.3%	
Inconsistent parameters	110	49.8%	111	50.2%	
Lack of PA measuring tools	173	78.3%	48	21.7%	
Personal biased	67	30.3%	154	69.7%	
PA as a formality	81	36.7%	140	63.3%	
No KPI's	99	44.8%	122	55.2%	
Leniency	79	35.7%	142	64.3%	
PA results clustered at high end	80	36.2%	141	63.8%	
Inaccurate implementation of PAS	169	76.5%	52	23.5%	
No challenge	168	76.0%	53	24.0%	

Source: Own Survey (2019)

Table 8 comprised responses of sampled staffs on the types of challenges faced throughout the process of PA at NIB bank. As per the response gathered, the highest proportion was taken by the Non-participatory nature of the PA followed by personal biased (70%) leniency (64%), PA done just for the sake of formality (64%) and clustering of PA results at the higher end (64%). If not in an equivalent manner inconsistency in evaluations, usage of inconsistent parameters, lack of KPI’s, and inaccurate implementation of the PA system were also some of the other challenges cited by the participants. These same challenges were forwarded and reflected up on by the KII.

Figure 4-Effect of current PA system on employee's satisfaction

Title: Effect of PA system on employees satisfaction

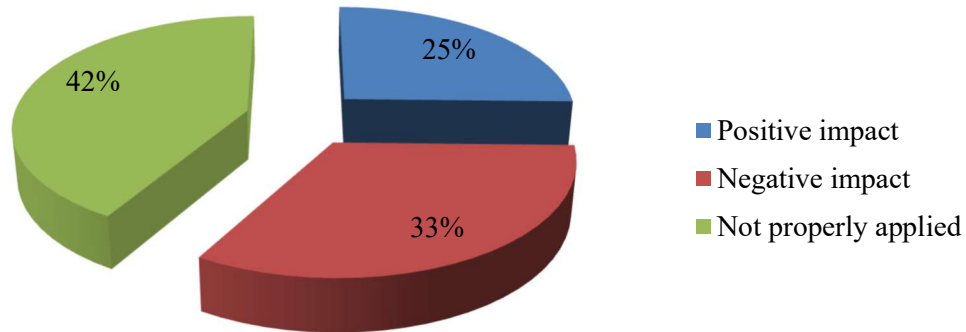


Source: Own Survey (2019)

Analyzing the responses from a question presented to survey participants on the effect of current PA system on their satisfaction level, the findings showed that a bit more than half of the respondents, 53%, believed that the current PA system has decreased their satisfaction. However, another group of respondents, 36% believed otherwise. A third group of small participants, 11% said the PA system has not affected their level of satisfaction. This result indicates that the PA system of the bank is a determinant factor on the satisfaction level of employees. Hence, as much as a satisfied employee make an effort and strive hard to attain the bank's objectives a dissatisfied employee could slow down the pace of the bank in going forward (look figure-4).

According to Armstrong (2009), the emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important.

Figure 5- Effect of current PA system of the bank on career development



Source:

Own Survey (2019)

Fig-5 presented the responses given by the respondents on effect of current PA system on career development. According to Berman (2005) performance appraisal is very essential for succession and career planning for employee jobs and as well as for organization.

Despite the above claim the findings in figure 5 indicate that a significant amount of 93 respondents (representing 42% of the participants) indicated that the current PA system is not properly implemented as a means of enhancing career development plan of the bank. Similarly, quarter of the participants (33%) said the current PA system has impacted them negatively regarding to career development. Contrary to the two groups, the remaining 25% of respondents implied that the current PA system has contributed to their career development. This result indicates that the PA system of the bank fails to contribute to career development of employees. Despite the PA result, employees are expected to pass additional tests to be promoted to a certain post resulting in an increased number of employee turnover.

In line with the above results, McCourt & Eldridge (2003, pp. 211 – 212), have indicated in their study that if there are no proper systems and plans to deal with the findings of the performance appraisal, the expected benefits of the PA process for the organization may not be realized. Further still, although good performance appraisal may be good for an organization, it may be bad if not professionally handled. Depending on the appraisal feedback; negative or positive, its

impact to the employee may damage the organization if not taken well by the employee. It can demoralize the employee and sometimes may lead to losing the key employees just because they could not take the appraisal feedback and feel that they will be better off somewhere else (McCourt & Eldridge, 2003, pp.211 – 212).

According to Mathis and Jackson (1997), rater bias occurs when a rater’s values or prejudices distort the rating. Rater bias may be unconscious or quite intentional. If a manager has a strong dislike of certain ethnic groups, this bias is likely to result in distorted appraisal information for some people. Age, religion, seniority, sex, appearance, or other arbitrary classifications may be reflected in appraisals if the appraisal process is not properly designed. Examination of rating by higher level managers may help correct this problem.

Table 9-Error and biases encountered by participants in PA system.

Errors and biases	No		Yes		Total
	Frequency	%	Frequency	%	
Subjectivity	44	19.9%	177	80.1%	N= 221 %= 100
Attribution	93	42.1%	128	57.9%	
Attractiveness effect	116	52.5%	105	47.5%	
First impression effect	57	25.8%	164	74.2%	
Past performance effect	62	28.1%	159	71.9%	
Recency effect	59	26.7%	162	73.3%	
Stero typing	102	46.2%	119	53.8%	
Halo effect	95	43.0%	126	57.0%	

Source: Own Survey (2019)

Responding to a set of choice in Table-9 above, employees showed mixed feelings on performance appraisal system error and biases. Most of the participants have revealed that subjectivity, attribution, attractiveness effect, first impression effect, past performance effect, recency effect, stereotyping, and halo effect are the main error and biases they encounter in the performance appraisal practice of the bank. They claimed that the PA system carry some biases and largely fails to meet its objectives. Whilst some believe, the attributed error and biases are not affecting their evaluation.

Of the respondents who claim to have encountered error and biases, a significant amount labeled Subjectivity, first impression effect, recency effect, and past performance effect as the most

predominant type of bias and errors in the PA practice, with each bias type scoring between 70-80% response. Employees feel that the bank failed to provide adequate rater training and raters use appraisal criteria that are too subjective and lack job-relatedness.

This chapter presented the results and overall findings of the research study. The main purpose of these analyses has been to answer the relevant research questions. To achieve these objectives, various analyses methods were applied to the data using descriptive statistics and the analyses was organized in to three main categories. The first sub topic entitled Demographic characteristics of the respondents – comprised employees gender, age, banking experience, position held and field of specialization. Finding from these sub topics showed employees between the ages of 25-45 take the major share and individuals with social studies field of specializations in BA/BSc Degree and Master's Degree are the leading employees of the bank.

Addressing the Performance appraisal practice of the bank and employee's perception, the second sub topic revealed that the bank has PA system but employees were not cognizant or satisfied of the standards used. A higher percentage of respondents have claimed that performance results are not being used as the main source of identifying knowledge gaps and training needs thereof. Result from likert scale analysis on practice of PA and ratings of employees, the purpose of performance appraisal, and attitudes of employees towards performance appraisal also exhibited dissatisfaction and that the Bank's performance appraisal goals were not collaboratively set by the supervisors. Likewise, participants were skeptical on issue like Training provision, performance gap identification, feedback, rater's knowledge level, and PA system.

Finally, the last and third sub topic of this section dealt with participant's perception of PA on carrier development and challenges encountered. Analysis result indicated that participants of the study perceived that the current PA system in not properly implemented as a means of enhancing career development. As well, a higher number of respondents have claimed that they are not satisfied with the PA system and has faced challenges from Non-participatory nature of the PA, personal biases, leniency and a PA done just for the sake of formality. The next chapter presents detailed discussions of the findings of this study.

4.4 Result of KII Analysis

Key informant interviews provide a deeper insight and understanding of the lived experiences, opinions, and perspectives of experts and experienced peoples in the area. Those interviewed were experts in their respective fields having a closer association with the subject matter under review. A total of 4 key informant interviews were conducted with 4 participants from HR, Training and Development, Senior External Consultant and one Department Director selected due to their expertise on the area and association with the bank. Figure 10 shows the number of interviews conducted per key informant and their response.

Analysis of responses from Key informant Interviews (KII) is done thematically (refer Table 10). Consequently, five themes have emerged and informant's responses were summarized under the supplementary themes as follows:

Theme 1-Low employees Attitude and biased perception towards PA: Key informants have indicated that PA has not been implemented objectively and it has been associated with monetary rewards only , thus employees perceive it not more than a simple rewarding scheme.

“I believe that employees are not benefitted as much as they expected from PA, thus there's a lot of biased perception towards PA and its impact for career development”

— R1

“Since PA is mainly associated with the bank's annual bonus, employees usually are seen dwelling on pleasing their superiors than building a consistent professional character and this applies to the managers as well, where they use it as a tool to penalize employees they have disagreement with” — R2

Theme 2-Inefficient PA system: almost all the KII participants agree that Employees are highly dissatisfied with the current PA system and has affected employee satisfaction, loyalty, commitment to organization, consequently leading to resentment and eventual departure from the bank. One respondent said:

“Employee's satisfaction levels are associated with monetary rewards and incentives rather than developmental objectives” — R4

Theme 3-Less focus on career development: responding to question related to Effectiveness of the banks PA on career development, informants indicated that PA system of the bank has little or no effect on the developmental plans of employees and that it does not have a career development plan. Further elaborating they said that the system doesn't use PA's feedback for developmental purpose as PA are usually conducted twice in a year for the purpose of rewarding bonus to staffs who has performed best.

Theme 4-Biased and non-standard PA system: Key informants pointed out the biases and gaps observed in the PA system. Accordingly, the major points mentioned were; Lack of objectiveness, Incompetency of raters, Non-uniform standards of performance measurement, lack of KPI, non-participatory nature of the system and fear of resentment. Elaborating on the last point a key informant said:

“Sometimes employees resent their colleagues thinking that they took another employees fortune because the PA is only associated with bonus rewards and there's no objective measures that can convince all” – R1

Theme 5 -Integrating organizational goals with PA matrix through a standard tool:

As a suggestion of improvement to the main gaps mentioned in relation to PA, informants have forwarded the following points:

Clearly define objectives and augment those objectives in the PA system, collect feedbacks on employee appraisals and use the feedback for developmental purpose, Develop a participatory PA system, training raters, employee modern appraisal systems, avoid subjectivity, bench mark best practices of the banking industry, use PA for career development planning inputs, and ensuring fairness in the Appraisal process.

CHAPTER FIVE

5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study attempted to assesses the existing practice of performance appraisal in Nib International Bank S.C and its role on employee career development. It also had the aim of describing the purpose of PA, as it exists at NIB international Bank and tried to reveal the real problems related to performance appraisal practice of the bank. Furthermore, the paper tried to look at what the attitude of employees of the bank looks like with respect to performance appraisal practices and the impact it has on their level of satisfaction. The study employed both interview and questionnaires to collect primary data. The interview was held with 14 directors of the bank to triangulate the data collected using the survey. The information gathered was further analyzed descriptively by comparing it with the conceptual, theoretical and empirical frameworks Thus based on such analysis the following conclusions are drawn:

5.1 Summary

The study attempted to assesses the existing practice of performance appraisal in Nib International Bank S.C and its role on employee career development. It also had the aim of describing the purpose of PA, as it exists at NIB international Bank and tried to reveal the real problems related to performance appraisal practice of the bank as cited by participants of the study. Furthermore, the paper tried to look at what the attitude of employees of the bank looks like with respect to performance appraisal practices and the impact it has on their level of satisfaction. The study employed both interview and questionnaires to collect primary data. The interview was held with 14 directors of the bank to collect a balancing and accurate information on the actual practice of performance appraisal and related issues. The information gathered was further analyzed descriptively by comparing it with the theoretical aspects gained from secondary sources in the subject matter. Thus based on such analysis the following conclusions are drawn:

- ✚ Even though the bank seriously takes its corporate social responsibilities undergoing through a tedious and tiresome recruitment process on a yearly basis the data collected from the samples staffs of the bank shows that an employee on average would spend

four years without being promoted. If it was as per the primary purpose of the PA employees of the bank having a great potential of growth should have been identified and promoted to the best compatible post that enhances organizational operation. Owing to this problem employee often leave the bank in search of better opportunities.

- ✚ Though the bank has a formal performance appraisal process conducted twice a year, due to its non-participatory nature a number of employees had no idea of the standards or any aspect of the process, which made it even harder for them to accept the result. In addition to this except displaying a numerical value, the system failed to actually identify the knowledge gap, strength and weakness of employees, which would have been quite instrumental for the acquisition of the proper training and development.
- ✚ The raters who monitor and evaluate employee's performance may have adequate knowledge as well as potential on the supervisory task they have been assigned to. However; the responses from the key informants of the study and sampled staffs of the bank also depicted the fact that most supervisors on the task of rating received no formal training on the subject matter which makes it even harder to identify the real purpose of the PA and its application to the benefit of the employee in specific and the bank in general.
- ✚ The PA practice of the bank does not motivate employees of the bank and do not give recommendations for a work done well. Though a rather strong belief have been seen on the side of the respondents that the PA practice helps employees to spot their performance deficiencies and gaps, the system applied at NIB is not serving its purpose and identify their strength and weakness, which shows application deficiency on the practitioners of the bank.
- ✚ From the finding, it is only fair to say that the PA system of the bank is not attached with strategic objectives of the bank. As per the response gathered from some of the key informants the bank so far has not developed standard objectives or KPI's and much of the measurements attached on the performance appraisal format of the bank are generalized and subjective in nature which made it difficult to view the system as a the supporter of the organizational goal.
- ✚ Moreover, PA has always been taken as a formality rather than as a useful instrument of identifying training to be given to the employees as per their performance results, as

its primary purpose is supposed to be showing their deficiencies and performance gaps. Therefore, we can conclude that that the developmental purpose of the PA is not advocated well.

- ✚ The respondent's associate the PA system of the bank with reward/ benefit and punishment rather than as an instrument of identifying their performance gaps and deficiencies and as a key instrument enhancing organizational performance. It also is evident that the system is neither participatory nor satisfactory as well as suffering from subjectivity. The PA practice depends on the personal sentiment of the rater that leads to inability to identify employee's strength and weakness somehow forcing best performers out of the bank.
- ✚ The system fails to provide feedback-citing areas of improvements for employees. The result is more important as employee identifying instrument for the purpose of monetary rewards rather than promotional. An employee who does not know his/her weakness will remain at its current post hardly contributing to the achievement of strategic objectives of the bank.
- ✚ The bank does not use the results of PA for the identification of employee potential, which is the basic and mandatory subject matter in career development. Despite the existence of the system, employees of the bank spend a number of years on the same post without being promoted creating a higher possibility of joining other organizations.
- ✚ The criteria of measuring employees performance is not clearly defined and is not objective oriented. Beside to that the performance appraisal is not on the base of employees' accomplishments and achievements.
- ✚ The bank's PA is vulnerable to various errors and biases adding to the dissatisfaction of employees and finally leading to their departure.

5.2 Conclusions

Performance appraisal has many potential benefits to the organization as well as to the employees. On the other hand, it has many potential drawbacks, so it is helpful to identify performance gaps and deficiencies of employees, engage employees with proper training and development programs to minimize that gap, and help them with their career development. NIB employees its PA system twice a year, however, employees are not given a chance to take part

in developmental process of the system and are not informed about the standards of measurement in the appraisal process. Though most employees get the chance to review their appraisal results, they hardly have the power to reasonably make the supervisor change his/her mind on the grading. As neither the bank's objectives or key performance indicators have not been incorporated on the form the appraisal system contributes nothing or little to the general objective of the bank.

The study also showed that employees' performance assessment was inconsistent, unfair & biased Moreover; PA process is encumbered with various errors and subjective judgments, which usually shifts reward and recognition if any to a more likable employee rather than hard working one. Unrecognized efforts and potentials of employees have always resulted in numerous grievances and increased dissatisfaction of employees making the bank lose its best performers, which in effect decreases organizational performance and commutative advantages.

Hence, the above conclusion clearly shows the paramount importance of the study to the bank.

5.3 Recommendations

On the basis of the summary and conclusions discussed above, the following recommendations have been given:

- ✚ Raters potential and capabilities that monitor and evaluate employee's performance needs to be improved and built through appropriate training in order to have up-to-date and adequate knowledge on appraising employees;
- ✚ In order to avoid biases and errors the bank is best advised to develop employ objective performance measuring standards and tools.
- ✚ NIB is advised to cascade down organizational goals and objectives of the bank and attach it with performance appraisal system of the bank in an objective manner;
- ✚ NIB's Employees need be allowed to participate in the development of the appraisal forms and the vague understanding of the system needs to be cleared through the most suitable way of awareness creation;
- ✚ The bank is advised to make sure that, raters or evaluators give feedbacks after completion of the evaluation process to the ratee's and forward possible suggestions to their performance so that PA results will help both the bank and the employee.

Employees who knew where they stand strive to improve their performance. As a result, if their performance is improved, organization's efficiency will be improved as well.

- ✚ Since motivation enhances employees' moral for creativity and competition, creative mind innovates new product or services that shall improve productivity/service quality, which as a result brings about maximizing efficiency and effectiveness. This eventually brings about the attainment of organizational goals. Therefore, the organization understudy is strongly advised to work hard and use the information generated through performance appraisal for motivation of employees.
- ✚ NIB is recommended to use PA for the improvement of its employees' performance by developing policy that guides and create opportunities, for coaching, training and development programs, which can improve the performance of employees in their respective institutions.
- ✚ The Bank needs to devise and follow performance appraisal system that clearly and objectively identifies employees' strength, weakness, potential to grow and suitable placements and one that supplements a valuable information to strengthen career development path of employees and boost organizational productivity.
- ✚ NIB also is to benchmark best practices of peers and other banks worldwide for a better performance appraisal system.

5.4 Suggestions for Future Research

Although the present study has covered various issues in detail, Performance appraisal system on employee's career development at NIB bank being the core theme of the study, the researcher suggests the following areas of research for an in-depth finding of PA system assessment of the bank:

- Detailed statistical analysis would have been done with the availability of more relevant data avoiding discrepancy found, sometime between top and lower management.
- This study intrigues other researchers' aspiration to look the effect of performance appraisal systems employed in other organizations for the effective utilization of the country's greatest asset, which is the labor force.

- A comparative study can be made between results of and that of another appraisal model.
- Comparative studies of performance appraisal of Branches, including the ones out of Addis Ababa.
- A study can be conducted integrating International best practices and other bank experiences.

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ANNEX

Table 10- Thematic Analysis of Key Informant Interview Responses

Key Question	Summary of responses	Number of Informants	Emerging Themes
KAP of employees towards PA system of the bank	Employees perceive PA as tool for monetary reward and punishment and thus developed a poor attitude towards it.	R1, R2, R3	- Low employees Attitude and biased perception towards PA
	Employees best perform in prior weeks of evaluation, thus associating PA as a temporary reward scheme		
	Most employees associate PA with monetary rewards rather than developmental		
	Due to the high degree of socialization best performing employees perceive that they snatched away monetary rewards of their fellow workers	R4	
Impact of the banks PA on employee's satisfaction	Employees are highly dissatisfied with the current PA system	R1, R2, R4	- Inefficient PA system
	Ineffective PA systems has negatively impacted employee satisfaction, loyalty, commitment to organization, resentment and eventual departure from the bank		
	Employees satisfaction levels are associated with monetary rewards and incentives rather than developmental objectives	R3, R4	
Effectiveness of the banks PA on career development	PA system of the bank has little or no effect on the developmental plans of employees	R1, R2, R4	- Low focus on career development
	The bank doesn't have a career development plan and doesn't use PA's feedback for developmental purpose	R4	
	PA are usually conducted twice in a year for the purpose of rewarding bonus to staffs who has performed best	R1, R2, R4	
	PA system of the bank do not give feedback on employees potential that could have been instrumental in planning employee development in the bank	R1, R2	
Challenges and gaps of PA in the bank	Lack of objectiveness	R1, R2, R3, R4	- Biased and non-standard PA system - The need to ensure effective supervision
	Incompetency of raters		

Key Question	Summary of responses	Number of Informants	Emerging Themes
	Non uniform standards of performance measurement		
	Raters fear of resentment from employees	R1, R2, R4	
	No KPI, thus leading to misunderstanding among management and employees	R1, R2, R3, R4	
	PA is not participatory		
Suggested improvement points	Bank should clearly define its objectives and augment those objectives in the PA system	R1, R2, R3, R4	<ul style="list-style-type: none"> - Coupling organizational goals with PA matrix and career development plan - Set standard PA tools
	The bank is recommended to collect feedbacks on employee appraisals and use the feedback for developmental purpose	R1, R2, R3	
	The PA system should be developed in collaboration with the employee and employees need to be informed of the matrix to be employed in evaluating them	R1, R2, R4	
	Raters need to be trained on ways and techniques of evaluating employees	R2, R4	
	The bank is advised to employee modern appraisal systems that best aligns with the nature of its business	R4	
	If could not be avoided subjective nature of the PA system need to be avoided by incorporating objective parameters in the system	R1, R2, R3, R4	
	The bank is best advised to bench mark best practices of neighboring banks in the industry		
	The bank is advices to develop and implement a policy that encourages the outcomes of PA to be effectively applied for developmental purpose		
	Need To Ensure Fairness In The Appraisal Process		

Note: R1= Human Resource Division senior officer, R2=Training and Development Department Senior Expert, R3=Department Director, R4=KPMG Analyst Expert.

APPENDIX

Appendix I- Survey Questionnaire

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Questionnaire to be filled by Staffs of Nib International Bank S.C

Dear Respondents, first I would like to express my sincere appreciation for your precious time, genuine and quick responses in advance.

This questionnaire is designed to collect information about the role of performance appraisal system of the bank on employees' career development. The information will be used as a primary data to the research I am conducting as a partial requirement of my study at St. Mary's University in completing my Master's Degree in Business Administration (MBA). I also want to assure you that this research is authorized by the St Mary's University and it will only have an academic purpose and your answers will be kept confidential.

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available, please tick (✓) in the appropriate box.
- For questions that demand your opinion, please briefly explain as per the questions on the space provided.

N:B. If you have any enquiries or need further assistance you can contact me in the following address Daniel Birhanu Tel. +251911 96 94 54

Thank you in advance!

Daniel Birhanu

Section I: Background Information

1. Gender: Male Female

2. Which of the following age categories describes you?

Below 25 25-35 36-45 46-55 Above 55

3. Total banking experience you have worked for (in years):

0-4 5-9 10-14 15-19 20 years and more

4. How long have you worked in the current position

5. Educational Qualification:

High school graduate Technical school graduate

College Diploma BA/ BSc Degree

Master's Degree

Other (please state) _____

6. Field of specialization in your highest educational status _____

7. What is your current position (job) in the bank? _____

8. In which department are you currently working? _____

Section II: Questions related to performance appraisal practices

Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess your attitude towards the performance appraisal purpose, practices and challenges in your bank.

Q.No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Questions related to the practice of performance appraisal and ratings of employees.						
1	Employees are well informed about how performance is evaluated. I.e. you know all the aspects and standards that are used to evaluate your performance.					
2	I receive formal appraisal twice a year.					
3	Formal trainings are given as per performance need of employees.					
4	I am given a chance to review my performance ratings.					
5	The raters identify the actual performance gap of employees and suggest feedbacks					
6	The performance appraisal goals of the bank are set between supervisors and subordinates.					
7	The raters who monitors and evaluates employees have adequate knowledge and potential to apprise performance.					
8	I have got the opportunity to participate in the design of the performance evaluation form used to measure my performance.					

Questions related to the purpose of performance appraisal.						
1	The Performance appraisal practices of the bank motivate employees of the organization.					
2	The performance appraisal system identifies performance deficiencies and performance gap.					
3	Monitoring and performance evaluation are esteemed at all levels of the bank as a means of improving performance.					
4	The bank gives enough recognition for successful employees who accomplish their tasks well. (Non-monetary)					
5	The performance appraisal system helps to identify the strength and the weakness of the employee.					
6	The appraisal is in support with the aspects of organizational and corporate goals.					
7	In my opinion, the performance evaluation system is serving its purpose.					
8	Information gathered in performance appraisal motivates subordinates through recognition and support.					
9	The bank uses performance appraisal results for promoting employees					
10	I believe performance appraisal system of the bank affects employee satisfaction and their understanding towards the bank					
Questions related to the attitudes of employees towards performance appraisal.						
1	Assessments of my performance are consistent, fair & unbiased.					

2	I entertain adequate feedback and lessons of performance evaluation results.					
3	Performance appraisal results are objective.					
4	Existing performance appraisal system is participatory and satisfactory.					
5	I used to work hard only making sure that my supervisor watched what I am doing.					
6	My supervisor generally supports his/her evaluation with specific incidents of good and poor performances					
7	In order to avoid resentment and rivalry among colleagues, my supervisor gives equivalent ratings.					

Section III- Essay Questions

1. What challenges have you faced through the process of performance appraisal practice of the bank?

2. What are the effects of performance appraisal system of the bank on employee’s satisfaction?

3. What is the effect of performance appraisal system of the bank on employee career development?

4. Which of the following errors and biases do you encounter in the performance appraisal practice of the bank? Mark your answers using ✓ if there are any more please state them in the space provided below

Errors and Biases	Response	
	Yes	No
Subjectivity		
Attribution		
Attractiveness effect		
First impression effect		
Past performance effect		
Recency effect		
Stereotyping		
Halo effect		

5. What recommendations could you suggest in the evaluation, appraisal and implementation, process of performance appraisal practices of the bank in the future?

6. Other additional comments if any

Thanks for your cooperation!!



Appendix II- KII INTERVIEW QUESTIONS

This interview question is aimed to collect information about performance appraisal practice of Nib International Bank S.C and its role on employee's career development. The information shall be used as a primary data to the research I am conducting at St' Mary's University in completing my master's degree in Business Administration (MBA). Therefore, this research is to be evaluated in terms of its contribution to the understanding of the practices and its contribution to future improvements.

I want to assure you that this research is conducted only for academic purpose authorized by the St Mary's University. No other person will have access to the data collected in any sort of report I might publish, I will not include any information that will make it possible to identify any respondent. Thank you for your cooperation in advance.

1. Your position in the organization?
2. How long have you worked in the organization and in your current position?
3. How do you fare the KAP of employees towards performance appraisal system of the bank?
4. Do you think the existing performance appraisal format is up to date and considers current situations?
5. Do you agree that all the standards for evaluating performance are relevant?
6. What possible challenges have you witnessed in the process of performance appraisal practice of the bank?
7. What do you think is the impact of the banks performance appraisal system on employee's satisfaction?
8. Do you believe that NIB bank has effectively utilized the PA system for planning career development?
9. What are the major gaps of performance appraisal system of the bank and your suggestion of improvement?