



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

**ASSESSMENT OF EMPLOYEE'S PERFORMANCE APPRAISAL
PRACTICE IN LION INTERNATIONAL BANK S.C (LIB)**

**By
DAWIT TAREKEGN**

**JANUARY, 2019
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
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Statement of Declaration

I, Dawit Tarekegn, declare that this thesis entitled "Assessment of Employee's performance appraisal practice in Lion International Bank Share Company" is the outcome of my own effort and study. All sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the research advisor. This study has not been submitted for any degree in this University or any other University.

Dawit Tarekegn Abay

Signature _____

Date _____

Endorsement

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

Tiruneh Legesse(Asst.Professor)

Research Advisor

Signature

Date

St. Mary University, Addis Ababa

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List of Acronyms

BARS- Behaviorally anchored rating scales

BOS- Behavioral observation scales

HR- Human resource

HRM- Human resource management

HRMD- Human resource management department

LIB- Lion international Bank

MBO- Management by objective

OBM- Organizational behavior modification

PA- Performance appraisal

ProMES- Productivity measurement and evaluation system

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Abstract

This study tries to assess the employee's performance appraisal practice in Lion International Bank S.C. The researcher has used descriptive research method. The necessary data collection tools were interviews questionnaire and document review. The study obtained information from two hundred fifty two (252) respondents. The researcher has used proportionate stratified random sampling method. Lion International bank performance appraisal serves as a multiple purpose objective. One is it helps in identifying skill gaps present in the employees. the other is, it recognizes meritorious employees on the basis of their work and helps to design an effective reward system for Lion bank and also try to find out the potential of the human skill available in that organization. While the practice by Lion International Bank S.C. has been that immediate supervisors are the people in charge of appraising employees, The bank has peers, subordinates, self, customers, or any combination of these should not be allowed to participate in performance appraise. The performance standards of the bank try to addresses issues such as quantity, quality, timelines and strategic relevance but it fails to address stability or consistency or the extent to which individuals tend to maintain a certain level of performance over time. The finding indicates in Lion bank employees performance appraisal practice sees most of the raters has insufficient information, raters lack skill and knowledge, raters error like halo/horns, situational influence etc and the remaining is the problem of the system. The appraisal result in Lion International bank used only for making promotion, bonus payment and annual increment decisions not for fill the gap, employees satisfaction and carrier development. Performance review discussion does not take place in Lion International bank and also supervisors do not provide continuous feedback and open communication unless an employee comes up with grievances. Generally the outcome of the research confirmed that the performance appraisal practice of Lion International Bank S.C. have problems and weaknesses that need to be improved, But critically the study suggested that give training and crate transparent and open communication, on that Lion bank should ensure the effectiveness of their performance appraisal and feedback systems. Moreover Lion International bank should ascertain that every supervisor's and employee of the bank has a clear understanding of the purpose of having a performance appraisal process.

Key Words: *Performance Appraisal, Performance standard*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Management is the process of efficiently achieving the objectives of the organization with and through people. To achieve its objective, management typically requires the coordination of several vital components that we call functions (DeCenzo & Robbins, 2010). This definition states that organizations achieve their objectives through people. Therefore it is obvious that the human resource of the organization is one of the major resources to achieve organizational objective and it needs to be managed. As employees are one of the most valuable assets of the organization that can make things happen, the practice of performance evaluation is an inherent and inseparable part of the organizations' life.

The evolution of Performance appraisal practice started as old as human being started social life but well designed and planned performance appraisal system has emerged during Industrial revolution in Europe. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting based on predetermined goals (Armstrong, 2006).

Performance appraisal is the systematic process of weighting and measuring of employee Performance against standards set or predetermined goals and these standards are obtained by the Help of job analysis. Performance appraisal means evaluating an employee current and or past Performance relative to his or her performance standards (Desseler, 2013). According to Desseler (2013), the main reasons to performance appraisal are the following:- most employer still base pay, promotion and retention decisions on the employees appraisal, appraisal play a central role in the employers performance management process, appraisal lets employer and the subordinate develop plan for correcting any deficiencies and to reinforce the things the subordinate does right, appraisal should facilitate career planning they provide opportunities to

review the employees career plan in light of his or her exhibited strengths and weakness and supervisor use appraisal to identify employees training and development needs and appraisal should enable the supervisor to identify if there is a performance gap between the employees performance and his or her standards and it should help to identify the causes of such gap and the remedial steps required.

Other aspects of individual employees are considered as well, such as, accomplishments, potential for future improvement, strengths and weaknesses, etc. In many organizations appraisal will take place formally at predetermined intervals and will involve a discussion or interview between a manager and an individual employee (Bratton & Gold 1999).

According to Bratton & Gold (1999), the purposes of such discussions can be broadly categorized into the making of administrative decisions concerning pay, promotions and careers, work responsibilities and the improvement of performance through the discussion of development needs, identifying training opportunities and the planning of action. Both purposes require judgments to be made Managers may be required to make a decision about the value of an employee's both in the present and the Future, and this may cause some discomfort.

The process of performance appraisal as much as possible must be job related instead of rating employees based on subjective and personal judgments. Improper usage of appraisal makes employees to have a negative attitude towards it and is affect employee's moral and reduces productivity and job satisfaction level of workers and the organization (Bratton & Gold, 1999).

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. However, regardless of its panacea, ineffective appraisal system can bring many problems including low morale, decreased employee productivity, a lessening of an employee's enthusiasm and support for the organization.

Therefore, these studies were attempted to assess employee's performance appraisal practice in Lion International Bank. S.C.

1.2 Background of the Organization

Lion International Bank S.C, it is a privately owned share company, established on October 2, 2006 in accordance with proclamation No: 84/94 and commercial code of Ethiopia official in inaugurated for public services on January 6, 2007. The has a vision to be the leading Bank in Ethiopia by 2035 and also has a mission to be committed to maximize its customer's satisfaction and stockholders' value through quality banking service delivery, technological leadership, diversified product service and motivated employees.

Currently, the bank has had over 190 branches throughout the country, its paid up capital has surpassed Birr 1.3 Billion and has 2,108 and 7,942 employees and Shareholders respectively.

Lion International Bank S.C is one of the private banks that contribute to the Socio-economic development of the country through creation of employment opportunity and fulfilling responsibilities of tax collections and payments.

1.3 Statement of the Problem

The overall aim of performance appraisal is to establish a high performance culture in which individuals and teams take for responsibilities for the continuous improvement of business process and for their own skill and contribution within a frame work provided by effective leadership. (Folan, 2005).To this end, employees need to be convinced with the fairness of the performance appraisal of their respective organizations.

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance. It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that give to improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success. Failure to have a carefully crafted performance appraisal, can probably lead to failure in the business process itself.

Organizational performance is the synergetic sum total of the performance of all employees in the organization. This being the fact, employee performance has to be closely planned, coached and appraised to ensure that it is in line with the interest of organizations. However, it seems that performance appraisal is not given the proper attention by Lion International Bank and is exercised periodically more as a usual practice than as a tool of motivation on the basis of which

various administrative and developmental decisions are taken. it is not unusual that most employees perceive performance appraisal as evaluative in which case they consider it as a tool of punishment for unfavorable performance, even as a threat to their stay with the organization, than as one that aims at stimulating better future performance through enabling employees to learn from their past mistakes so that they contribute their best to the good of both parties in the future.

Some researches indicate that one of the most critical inputs for a business is its people or human capital, from which a firm can develop sustainable competitive advantage. The banking industry in our country has high competition in the past seven years. So in order to gain competitive advantage over competitors in the industry the organization must carefully handle this sensitive issue of employee performance appraisal. The researcher observed that many researches that have been done regarding performance appraisal practice; there was no research that was done to assess performance appraisal practice in Lion International Bank Share Company.

The researcher inspired to fill the gap which problem occurred and complaints presented by the bank's staff different levels. The purpose of this study is to assess employee's performance appraisal practice in Lion international Bank S.C (LIB). In this regard, the researcher assessed performance appraisal practice detail in Lion Bank S.C.

1.4 Research Questions

This study answer the following research questions

1. What performance appraisal practice method employed in LIB?
2. What are the major problems for conducting employee's performance appraisal practice in LIB?
3. To what extent employees understand the purpose and outcomes of performance appraisal practice in LIB?
4. To what extent the employees satisfied with the performance appraisal practice in LIB?

1.5 Objective of the Study

At the end of this study the researcher has plan to achieve the following general and specific objectives.

1.5.1 General Objective

The main objective of the study was to assess performance appraisal practice in Lion International Bank S.C (LIB).

1.5.2 Specific Objective

The Specific Objectives of the study includes

1. To assess the method of how applying performance appraisal practices in Lion International Bank S.C.
2. To assess and examine the major problem for conducting performance appraisal practice in Lion International Bank S.C.
3. To examine the level of employees understanding about the purpose and outcomes of employee Performance Appraisal in Lion International Bank S.C.
4. To assess and examine employee satisfaction regarding performance appraisal system in Lion International Bank S.C (LIB).

1.6 Operational Terms

In this part the researcher has listed definition of terms from theoretical perspective and practical definition of terms given by the researcher.

Performance Appraisal 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).

Performance Management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (James, 2009).

Managerial employees are employees of the bank that work on the position that starts from assistant branch manager, branch manager, section head, and department manager up to the executive management.

Clerical employees are employees of the bank that work starting from grade V (five) like typists, junior trainee tellers, accountants, loans officers, auditors, customer service officers, secretaries and clerks up to positions below assistant branch managers.

Non clerical employees are employees of the bank that work on positions from grade I-IV (one up-to four) like janitors, messengers, securities, issues and cash office boys/girls etc.

1.7 Significance of the Study

Employees are the core assets of the organization. Hence, organizations must give due attention to this core asset because organizations success highly depend on the quality of their employees. The Findings of the study identify the gaps in the current performance appraisal practices and give signal to the bank to take remedial actions to minimize the gaps. Moreover, it help the management and the employees of the bank to understand the performance appraisal system, and how each sees the feedback given contributing to the awakening of the necessary motivational attitudes and initiates the bank to reassess its existing practices and put a renewed emphasis on this undermine and yet core human resource functions performance appraisal with a view to maximizing its benefits, and it gives the researcher the opportunity to gain knowledge in performance appraisal practice. Beside this the study also use as an input for researchers who want to make further improvement in this area of study.

1.8 Scope of the Study

This study is paramount importance for Lion International Bank S.C to assess employee's performance appraisal practice. LIB has **190** branches all over the country and it is difficult to include all branches in the study due to time, financial and human resources limitation. The scope of this study was conducted among selected representative samples of LIB employees working at head office, and twelve selected Grade III, II, I, & sub branches located at Addis Ababa only. Based on the homogeneity of each grades branch and sub branches like contents of the jobs, Uniformity, job required, Number of staff, Service delivery and other issues the

researcher select twelve branches from each grade branches and sub branches. Yeka, Atlete HaileG/Silasie, Gofa, Grade III, CMC, Shalla, Kazahnehies Grade II, Sheger, Weha Limat, Bole Bulbula Grade I, CMC Michael, Kolfe and Tulu Dimtu sub branches respectively.

The scope of this research does not include other elements of the organization's human Capital management programs, and not address other elements of the company's overall business practice.

1.9 Limitation of Study

Some respondents were not able to return the questionnaire timely. This may create difficulty to finalize the research timely. On the other hand in the time of data collection from respondents, the real data which is hundred percent accurate is not obtained. These are some expected limitation of the study. To deal with these limitations the researcher were explain the purpose and benefit of the research and the confidentiality of their responses to participants.

1.10 Organization of the Study

The organization and overall content of the study have five chapters. The first chapter deals with the introduction part of the study which includes background of the study, statement of the problem, research question research objective, significance of the study, scope of the study, limitation of study and organization of study. review of related literature presented in the second chapter. The third chapter focuses on research methodology. The fourth chapter were concentrate on data analysis and on the fifth chapter summary of findings, conclusions and recommendation presented. At the end of the chapters references and three annexes attach.

CHAPTER TWO

2. REVIEW OF RELATED LITRATURE

2.1 Theoretical Review

What is Performance?

According to Armstrong M., (2009) there are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments. Job performance is a function of two different things: what the person accomplishes and how the person goes about doing the job. Probably all of us have encountered people who were excellent at one and fail at the other. Thus, for an organization to be successful, both behaviors and results are important (Grote, 2002).

Almost all definitions given in one way or another are concerned about the same thing: behavior and result. That is why Armstrong M., (2009) said a more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. Thus performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. This definition of performance leads to the conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered.

2.2 Overview of Performance Appraisal

Competitiveness in many of today's industries is based on the effectiveness of human assets on the ability of employees to create, to apply their skills and accumulated knowledge, to work effectively together, and to treat customers well. Yes, physical and financial assets are often essential, but in many instances, creativity and human resourcefulness are more important as "differentiators" and as sources of long term competitive advantage. Perhaps this is the case in many industries (Harvard, 2006).

The importance of human assets in business competition explains why every company and every manager needs a system for making the most of the company's people resource. Everyone benefits when an organization has effective performance management:

- ❖ Shareholders observe better results, because the human assets of the Organization are top notch and working in unison toward key goals.
- ❖ Managers are more successful, because their subordinates are doing the right things well.
- ❖ Employees experience greater job security, career advancement, and fatter paychecks, thanks to outstanding performance (Harvard, 2006).

In order to check whether employees are giving what is expected of them for their organization or to gain the necessary competitive advantage organizations need to conduct performance appraisal. This study has given answer for different issues that are raised with regard to Employee's performance appraisal practice.

Different scholars define performance appraisal more or less in a similar way. Performance appraisal is one of the most important human resource practice. Appraisal is one part but an important part of the larger system of performance management.

2.3 Definition of Performance Appraisal

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

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

Performance appraisal means evaluating an employee's current or past performance relative to the performance standards. Appraisal involves setting work standards, assessing the employee's

actual performance relative to these standards and providing that person to eliminate deficiencies or to continue to perform above par. (Desseler, 2003).

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance (Mondy & Noe, 1990). It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success. Moreover, performance appraisal data enables management:

- ❖ To help with career planning, training and development, pay increases, promotion and placement decisions.
- ❖ To assess the success of recruitment, selection, placement, training and development programmers, and other related activities. (Armstrong1989)

2.4 Uses of Performance Appraisal

The main reason for appraising performance is to enable employees to use their effort and ability so that organizations achieve their goals and consequently their own goals. Generally the following are the main uses of performance appraisal.

1. Performance improvement
2. Placement decisions
3. Career planning and development
4. Informational inaccuracies/Job-design errors
5. Feedback to human resources (Werther & Davis, 1996).
6. Compensation adjustments
7. Training and development needs
8. Staffing process deficiencies
9. Equal employment opportunity

2.5 Performance Appraisal as part of Performance Management

Performance management is often conflated with performance appraisal and vice versa. Performance appraisals are concerned with individual performance, whereas performance management looks at individual, team, and organizational performance. The appraisal may be just another HR technique used by an organization, while performance management attempts to link the appraisal process to the wider values and objectives of the firm (Foot & Hook, 2008 as cited on David & Geoffrey2009). However, appraisals constitute an integral part of the performance management process (David & Geoffrey, 2009).

As per Armstrong (2006) it is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. In contrast, performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future.

Performance appraisal has been discredited because too often it has been operated as a top down and largely bureaucratic system owned by the HR department rather than by line managers. It has been perceived by many commentators such as Townley (1989 as cited by Armstrong 2006) as solely a means of exercising managerial control. Performance appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. As Armstrong and Murlis (1998) assert, performance appraisal too often degenerated into 'dishonest annual ritual' (Armstrong 2006).

2.6 The Performance Appraisal Process

As per DeCenzo (2010) performance appraisal process includes the following six steps.

These steps are briefly discussed below,

1. Establishing Performance Standards

The appraisal process begins with establishment of performance standards in accordance with the organization's strategic goals. These should evolve out of the company's strategic direction and, more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are articulated in ambiguous phrases that tell us little, such as "a full day's work" or "a good job." What is a full day's work or a good job? A supervisor's expectations of employee work

performance must be clear enough in her mind so that she will be able to, at some later date, communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards. (DeCenzo 2010)

2. Communicating Standards to Employees

Once performance standards are established, it is necessary to communicate these expectations; employees should not have to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and without employee input. Communication is a two way street: mere information transfer from supervisor to employee is not successful communication. (Ibid)

3. Measuring Performance

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

4. Comparing Performance with Standard

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

5. Discussing Appraisal with Employees

As we mentioned previously, one of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences. (Ibid)

6. Initiating Corrective Action

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as “putting out fires,” whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow. (Ibid)

2.7 Performance Appraisal methods

We can manage performance by focusing on employee attributes, behaviors, or results. In addition, we can measure performance in a relative way, making overall comparisons among individuals' performance. Finally we can develop a performance measurement system that incorporates some variety of the preceding measures, as evidenced by the quality approach to measuring performance (Noe et al 2008).

2.7.1 The comparative approach

The comparative approach to performance measurement requires the rater to compare an individual's performance with that of others. This approach usually uses some overall assessment of an individual's performance or worth and seeks to develop some ranking on the individuals within a work group. At least three techniques fall under the comparative approach: ranking, forced distribution, and paired comparison. (Ibid)

A. Ranking

Simple ranking requires managers to rank employees within their departments from highest performer to poorest performer (or best to worst). Alternation ranking, on the other hand, consists of a manager looking at a list of employees, deciding who the best employee is, and crossing that person's name off the list. (Ibid)

B. Forced Distribution

The forced distribution method also uses a ranking format, but employees are ranked in groups. This technique requires the manager to put certain percentage of employees into predetermined categories. Such performance ranking takes several forms. Most commonly, employees are grouped into three, four, or five categories usually of unequal size indicating the best workers, the worst workers, and one or more categories in between. (Ibid)

C. Paired comparison

The paired comparison method requires managers to compare every employee with every other employee in the work group, giving an employee a score of 1 every time he or she is considered the higher performer (Ibid).

2.7.2 The attribute approach

The attribute approach to performance management focuses on the extent to which individuals have certain attributes (characteristics or traits) believed desirable for the company's success. The techniques that use this approach define a set of traits such as initiative, leadership, and competitiveness and evaluate individuals on them (Ibid).

A. Graphic rating scales

The most common form that the attribute approach to performance management takes is the graphic rating scale. List of traits is evaluated by a five points (or some other number of points) rating scale. The manager considers one employee at a time, circling the number that signifies how much of that trait the individual has. Graphic rating scales can provide a number of different points (a discrete scale) or a continuum along which the rater simply places a check mark (a continuous scale). These appraisals consisted of supervisors' rating subordinates on a number of undefined dimensions such as volume of work, quantity of work, job knowledge, dependability, and cooperation (Noe et al, 2008).

B. Mixed standard scales

Mixed standard scales were developed to get around some of the problems with graphic rating scales. To create a mixed standard scale, we define the relevant performance dimensions and then develop statements representing good, average, and poor performance along each

dimension. These statements are then mixed with the statements from other dimensions on the actual rating instrument.

Note that mixed standard scales were originally developed as trait oriented scales. However, this same technique has been applied to instruments using behavioral rather than trait oriented statements as a means of reducing rating errors in performance appraisal (Noe et al, 2008).

2.7.3 The Behavioral approach

The behavioral approach to performance management attempts to define the behaviors and employee must exhibit to be effective in the job. The various techniques define those behaviors and then require managers to assess the extent to which employees exhibit them (Noe et al, 2008).

A. Critical Incidents

The critical incidents approach requires managers to keep a record of specific examples of effective and ineffective performance on the part of each employee. However, many managers resist having to keep a daily or weekly log of their employees' behavior. It is also often difficult to compare employees because each incident is specific to that individual (Noe et al, 2008).

B. Behaviorally anchored rating scales

A behaviorally anchored rating scale (BARS) builds on the critical incidents approach. It is designed to specifically define performance dimensions by developing behavioral anchors associated with different levels of performance (Noe et al, 2008).

To develop a BARS, we first gather a large number of critical incidents that represent effective and ineffective performance on the job. These incidents are classified into performance dimensions, and the ones that experts agree clearly represent a particular level of performance are used as behavioral examples (or anchors) to guide the rater. The manager's task is to consider an employee's performance along each dimension and determine where on the dimension the employee's performance fits using the behavioral anchors as guides. This rating becomes the employee's score of that dimension (Noe et al, 2008).

C. Behavioral observation scales

A behavioral observation scale (BOS) is a variation of BARS. Like a BARS, a BOS is developed from critical incidents. However, a BOS differs from BARS in two basic ways. First, rather than discarding a large number of the behaviors that exemplify effective or ineffective performance, a

BOS uses many of them to more specifically define all the behaviors that are necessary for effective performance (or that would be considered ineffective performance). Instead of using, say, 4 behaviors to define 4 levels of performance on a particular dimension, a BOS may use 15 behaviors (Noe et al, 2008).

D. Organizational behavior modification

Organizational behavior modification (OBM) entails managing the behavior of employees through a formal system of behavioral feedback and reinforcement. This system builds on the behaviorist view of motivation, which holds that individuals' future behavior is determined by past behaviors that have been positively reinforced. The techniques vary, but most have four components. First, they define a set of key behaviors necessary for job performance. Second, they use a measurement system to assess whether these behaviors are exhibited. Third the manager or consultant informs employees of those behaviors, perhaps even setting goals for how often the employees should exhibit those behaviors. Finally, feedback and reinforcement are provided to employees (Noe et al 2008).

E. Assessment Centers

Although assessment centers are usually used for selection and promotion decisions, they have also been used as a way of measuring managerial performance. At an assessment center, individuals usually perform a number of simulated tasks, such as leaderless group discussions, in basket management, and role playing. Assessors observe the individuals' behavior and evaluate their skill or potential as managers (Noe et al 2008).

2.7.4 The Results Approach

As per Noe et al (2008) the results approach focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to organizational effectiveness. The researcher examined two performance management systems that use results: management by objective and the productivity measurement and evaluation system.

A. Management by Objectives

Management by objectives (MBO) is popular in both private and public organizations. The original concept came from the accounting firm of Booz, Allen, and Hamilton and was called a

"manager's letter." The process consisted of having all the subordinate managers write a letter to their superiors, detailing what their performance goals were for the coming year and how they planned to achieve them (Noe et al 2008).

In an MBO system, the top management team first defines the company's strategic goals for the coming year. These goals are passed on to the next layer of management, and these managers define the goals they must achieve for the company to reach its goals. This goal setting process cascades down the organization so that all managers set goals that help the company achieve its goals. These goals are used as the standards by which an individual's performance is evaluated (Noe et al 2008).

B. Productivity measurement and evaluation system (ProMES)

The main goal of ProMES is to motivate employees to higher levels of productivity. It is a means of measuring and feeding back productivity information to personnel. ProMES consists of four steps. People in an organization identify the products, or the set of activities or objectives, the organization expects to accomplish. The staff defines indicators of the products. Indicators are measures of how well the products are being generated by the organization. The staff establishes the contingencies between the amount of the indicators and the level of evaluation associated with that amount. Feedback system is developed that provides employees and work groups with information about their specific level of performance in each of the indicators. This approach minimizes subjectivity, relying on objective, quantifiable indicators of Performance. (Noe et al 2008).

2.7.5 The Quality Approach

Thus far we have examined the traditional approaches to measuring and evaluating employee performance. Two fundamental characteristics of the quality approach are a customer orientation and a prevention approach to errors. Improving customer satisfaction is the primary goal of the quality approach. Customers can be internal or external to the organization.

2.8 Responsibility for Appraisal

Effective Performance appraisals can be done by those who have:

- The opportunity to observe performance,
- The ability to translate observation into useful assessments
- The motivation to provide useful performance evaluations (jee, 1995).

This being the case, the following are responsible for employee's performance appraisal.

Immediate Supervisor

An employee's immediate supervisor is a common alternative for appraising job performance. There are several valid reasons for this approach. These are:

- ❖ The supervisor is the one most familiar with the individual's performance
- ❖ In most jobs, the supervisor has the best opportunity to observe actual performance.
- ❖ Since the supervisor has the proper understanding of organizational objectives, needs and influences, he/she is best able to relate the individual's performance to departmental and organizational goals (Ibid).

Moreover, since the supervisor is in a better position, he can link effective performance with rewards such as pay and promotion.

Peer Evaluation

In work place, peer is an individual working with and at the same level as the employee. In this evaluation approach the co-workers must know the level of performance of the employee being evaluated. For the approach to work effectively it is desirable for the peers to trust each other and evaluation should not be seen as means for pay raises and promotions rather than a means to improve work performance. Peer appraisal is reliable if work group is stable over a reasonably long period of time and performs tasks that require considerable interaction (Mondy & Noe, 1990).

Self-Appraisal

If employees understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are in the best position to appraise their own performance (Mondy & Noe, 1990). Since there is a tendency of over-exaggerating work achievement, this evaluation approach acts as inputs into supervisory appraisals or as employee development tools.

Subordinate Evaluation

In the subordinate evaluation system, it is believed that employees are in a good position to view their immediate bosses' managerial effectiveness. In academic environment: Students appraise the teaching performance of their instructors & Faculty members evaluate department heads, and deans.

Group Appraisal

Group appraisal involves the use of two or more managers who are familiar with the employee's performance to evaluate it as a team (Mondy & Noe, 1990). For example, if an individual regularly

works with the administrative and financial managers, these two managers might jointly make the evaluation.

Combinations

The combination of the above appraisal approaches can provide greater insight into an employee's job performance. The section head's employee appraisal can be supplemented by peer and by the head of the department. For example, in order to minimize subjectivity, Regional Presidents' maybe rated by Bureau Heads, Woreda and Zone Administrators, and people in the regions.

2.9 Problems affecting Performance Appraisal

The main problems that a rise in conducting performance reviews are:

- ❖ Identifying performance measures and criteria for evaluating performance;
- ❖ Collecting factual evidence about performance;
- ❖ The existence of bias on the part of managers;
- ❖ Resolving conflict between reviewers and the people they review;
- ❖ Defensive behavior exhibited by individuals in response to criticism.

There are no easy answers to these problems, no quick fixes. It is wise never to underestimate how hard it is for even experienced and effective managers to conduct productive performance review meetings. (Armstrong 2006).

Basically, the performance evaluation process is seen as a simple process whereby a supervisor or manager only needs to observe the work performance of their staff and give feedback on their performance from time to time. In reality, this process is not that simple. The supervisor or manager as well as the staff often have different opinions on performance evaluation. Some of the factors that lead to the failure of the performance evaluation process, according to Bohlander, (2001). are:

- ❖ The supervisor or manager does not have enough information on employees' real work performance.
- ❖ The standard of measuring performance is not clear.
- ❖ The supervisor or manager does not have the skills to evaluate employee performance.

- ❖ The supervisor or manager is not prepared to evaluate employee performance, as he or she does not want to be seen as a judge who is giving out an unfair sentence.
- ❖ Employees do not receive constant performance feedback.
- ❖ The supervisor or manager is not sincere during the performance evaluation process.
- ❖ Performance evaluation is not focused on employee development.
- ❖ The supervisor or manager uses language that is unclear to the employees during the performance evaluation process.
- ❖ Employees feel that the organization does not allocate enough resources for performance rewards.

The explanations above are able to influence the effectiveness of the performance evaluation process and create a gap in the relationship between supervisor and staff. Performance evaluation activities are also often referred to as an annual activity and focus more on employees' annual salary movement. The disagreement that exists and the misunderstanding of performance evaluation have caused the performance evaluation process to fail. Therefore, support from the top management is important in order for performance evaluation to succeed so that the organization will be able to compete in the market (Khulida, 2009).

As per Greg L. Stewart & G. Brown (2009) the following are common problems with performance appraisal measures: rater errors and bias, situational influences, and change over time.

Rater errors

Research suggests that raters commit a number of errors when they rate employee performance. Rating error occurs when raters provide assessments that follow an undesirable pattern or when the rater does not properly account for factors that might influence assessments.

Central tendency error: a rating error that occurs when raters give almost all employees scores in the middle of the scale (Greg and Brown 2009).

Contrast error: a rating error that occurs when raters unknowingly allow comparisons among employees to influence ratings (Greg and Brown 2009).

Similar to me: is the error that the rater makes when he/she judges those who are similar to him/her more highly than those who are not (Noe et al 2008).

Halo error: a rating error that occurs when raters allow a general impression to influence ratings on specific dimensions of performance.

Horns error: works in the opposite direction to halo error: one negative aspect results in the rater assigning low ratings to all the other aspects (Noe et al 2008).

Recency error: a rating error that occurs when raters place too much emphasis on performance observed right before the measure is taken.

Primacy error: a rating error that occurs when raters place too much emphasis on performance observed at the beginning of the measurement period (Greg and Brown 2009).

Frame of reference training: training that focuses on building consistency in the way different raters observe and evaluate behaviors and outcomes (Ibid).

Rater Bias Substantial problems occur when rater errors operate in such a way that people with certain characteristics are consistently rated lower than others. Consistently providing lower ratings to people with certain characteristics, such as women and minorities is known as rater bias (Ibid).

Situational influence Factors that affect performance but that are outside the control of the employee being rated. Research suggests that subjective ratings are frequently contaminated and deficient because raters fail to account for situational influences. However, it is at least possible for raters to adjust subjective evaluations to control for situational factors. Situational influences present a greater problem for objective, outcome-oriented performance measures (Ibid).

Changes over time

Another problem with measurement is that performance may not be consistent across time. Performance can vary over time because of differences in motivation. For example, an incentive such as bonus may motivate employees to achieve high performance for a short period. Measuring this short-term achievement may result in an assessment that is quite different from an assessment that reflects typical performance on most days (Ibid).

2.10 The characteristics of an Effective Performance Appraisal Program

The basic purpose of a performance appraisal system is to improve performance of individuals, teams, and the entire organization. The system may also serve to assist in making administrative decisions such as pay increases. In addition, the appraisal system must be legally defensible. Although a perfect system does not exist, every system should possess certain characteristics. An

accurate assessment of performance should be sought that permits developing a plan to improve individual and group performance. The system must honestly inform people how they should stand with the organization. The following factors assist in accomplishing this purpose (Mondy et al 1999).

Job related criteria

Before any appraisal is conducted, the standards by which performance is to be evaluated should be clearly defined and communicated to the employee. These standards should be based on job-related requirements derived from job analysis and reflected in the job descriptions and job specifications. When performance standards are properly established, they help translate organizational goals and objectives into job requirements that convey acceptable and unacceptable levels of performance to employees (Monday et al 1999).

The criteria used for appraising employee performance must be job related. The uniform guidelines and court decisions are quite clear on this point. More specifically, job information should be determined through job analysis. Subjective factors, such as initiative, enthusiasm, loyalty, and cooperation, are obviously important. Unless they can be clearly shown to be job related, however, they should not be used (Monday et al 1999).

Performance expectations

Managers and subordinates must agree on performance expectations in advance of the appraisal period. Evaluating employees using criteria that they know nothing about is not reasonable.

The establishment of highly objective work standards is relatively simple in many areas, such as manufacturing, assembly, and sales. For numerous other types of jobs, however, this task is more difficult. Still, evaluation must take place, and performance expectations, however elusive, should be defined in understandable terms (Monday et al 1999).

Standardization

Employees in the same job category under the same supervisor should be appraised using the same evaluation instrument. Also important is that appraisals be conducted regularly for all employees and that they cover similar periods of time. Although annual evaluations are most common, employees are evaluated more frequently by many successful firms. Feedback sessions and appraisal interviews should be regularly scheduled for all employees. A legal aspect of standardization is formal documentation. Employees should sign their evaluations (Monday et al 1999).

Trained appraisers

Responsibility for evaluating employee performance should be assigned to the individual or individuals who directly observe at least a representative sample of the worker's job performance. Usually, this person is the employee's immediate supervisor. However, as previously discussed, other approaches are gaining in popularity. Training in performance appraisal should be an ongoing process to ensure consistency. The training should cover how to rate employees and conduct appraisal interviews. Instructions should be rather detailed and stress the importance of making objective and unbiased ratings (Monday et al 1999).

Open communication

Most employees have a strong need to know how well they are performing. A good appraisal system provides highly desired feedback on a continuing basis. A worthwhile goal is highly to avoid surprises during the appraisal interview. Even though the interview presents an excellent opportunity for both parties to exchange ideas, it should never serve as a substitute for day-to-day communication and coaching required by performance management (Monday et al 1999).

Due process

Ensuring due process is vital. If a formal policy does not exist, one should be developed to permit employees to appeal appraisal results they consider inaccurate or unfair. They must have a procedure for pursuing their grievance and having them addressed objectively (Monday et al 1999).

2.11 Performance Review Meeting

The performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role: coaching and providing support and guidance (Armstrong 2006).

There should be no surprises in a formal review if performance issues have been dealt with as they should have been – as they arise during the year. Traditional appraisals are often no more than an

analysis of where those involved are now, and where they have come from. This static and historical approach is not what performance management is about. (Armstrong 2006).

2.12 Criteria of Performance Appraisal

What aspect of a person's performance should an organization evaluate? In practice, the most common sets of appraisal criteria are traits, behaviors, and task outcomes (Gilley, Gilley, Quatro, & Dixon, 2009).

A. Traits: Many employees in organizations are evaluated on the basis of certain traits such as attitude, appearance, initiative, etc.

B. Behaviors: When an individual's task outcome is difficult to determine, it is common to evaluate the person's task related behavior.

C. Task Outcomes: If ends are considered more important than means, task outcomes become the most appropriate factor to evaluate.

D. Improvement Potential: Some attention must be given to the future and the behaviors and outcomes that are needed to not only develop the employee, but also to achieve the firm's goals. This involves an assessment of the employee's potential.

2.13 Empirical Literature Review

Many study shows Employee performance appraisal is an effective tool or vehicle for assessment of employee performance and implementation of strategic initiatives for the improvement of employee performance (Lawler and McDermott, 2003). However, a considerable literature stream also suggests that there exist dissatisfaction in employees regarding performance appraisal system (Mercer, 2002; Roberson and Stewart, 2006; Moullakis, 2005). For instance, Morgan (2006) Revealed that performance appraisal in many organizations has not met expectations of employees.

Kuvaas (2011) conducted a research with the purpose of testing the relationship between PA reactions and employee outcomes in terms of affective organizational commitment and work performance. This study found that positive PA reactions need to be accompanied by high levels of perceived regular feedback in order to be positively related to work performance. Accordingly, even though perceived regular feedback is unrelated to work performance, it may represent a necessary condition for PA to result in increased work performance. While satisfaction with PA is associated

with employee commitment, perceived helpfulness of PA was positively related to affective organizational commitment in the current study. This particular finding highlights the importance of positive PA reactions as the point of departure in positively influencing employee attitudes.

Flynn (2011) stated that the more we try and manage employee motivation directly, the more it will elude us. Motivation is personal and internal. It is not manageable directly – we cannot “do” motivation to employees. As managers and employers we should work on the “environmental management,” put meaning back into work and leave employees to their own motivational devices.

Thurston (2001) was conduct a research and addressed the specific aspects related with performance appraisal and also reveals that effectiveness and success of appraisal system depends on reactions and feedback of employees. This suggests that employee feedback is critical factor in assessing effectiveness of appraisal system. This feedback can be positive or negative regarding outcomes of appraisal system. The results of the study provide sound understanding about that employees have fair perception about performance appraisal. This also reveals that respondents think that performance appraisal outcomes are accurate and significant towards employee performance.

In the same vein, prior findings by Smither and London (2009) have elucidated that 80-90% managers reflect that performance appraisal has not been effective in improving employee and organization’s performance. On the other hand, employee perception of fairness also measures effectiveness of performance appraisal outcomes (Youngcourt et al., 2007).In this respect, previous studies have suggested that justice or fairness of performance appraisal can be evaluated into three dimensions. These are distributive, interactional fairness and procedural.

2.14 Conceptual Framework

This chapter tries to deal with review of literature on performance appraisal and organizations’ under the study background. Attempts was be made to briefly begin with evolution and over view Management and human resource management followed by the general concepts of performance and then performance appraisal such as purpose, methods, uses, process, criteria importance, time, problem, and other related information’s are presented in very precise manner.

The Conceptual framework which developed based on Literature review

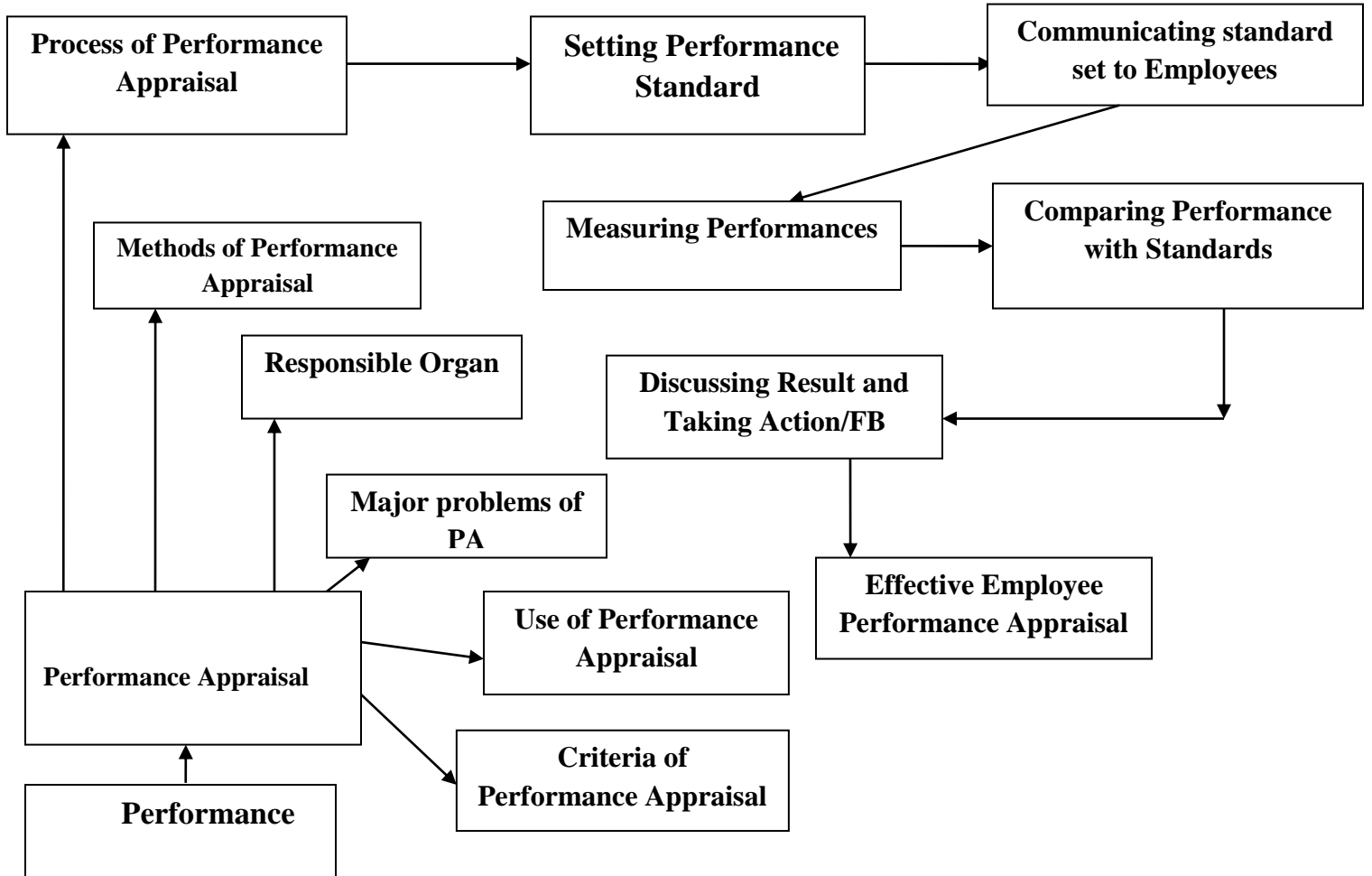


Figure 2.1 Conceptual framework of the study

CHAPTER THREE

3. Research Design and Methodology

This study attempted to assess the Performance Appraisal practices of Lion international bank S.C. Therefore this chapter includes research design, sample and sampling technique, instrument for data collection, procedure of data collection, method of data analysis, reliability and validity and ethical consideration issue.

3.1 Research Design

In order to achieve the objectives of the study, the research were use descriptive research. The research approach is mixed, both qualitative and quantitative. According to Creswell (1994), descriptive method enables researchers to focus and show the different facts, information, and factors regarding the standing or position of the issue or problem as it current happen during the time of the study. Data collected using the questionnaire and interview. The questionnaire includes close ended questions with predetermined scale for response and open ended questions providing respondents with freedom to express their perception. The responses were analyzed and interpreted in a meaning full way and summary and conclusions were given from the findings and also recommendations are drawn.

3.2 Population and Sampling Design

The target population of this study was managerial, clerical and non-clerical employees of the bank who have experience of more than or equal to one year. These employees were selected as respondents because they at least face performance appraisal one times in Lion International bank. The bank has 2,108 employees working in **190** branches located in different parts of the country, the number employees working in Addis Ababa city branch and head office is **849**. Thus, the study excluded those employees who have less than one year experience. In addition, staffs of outlaying branches were not considered because of the remoteness of data access.

3.3. Sampling Techniques

Sampling is the process of choosing actual data source from a large set of possibilities (Given 2008). Accordingly, Sampling method which were use for date is stratified sampling for better generalization of the study findings. Stratified sampling-with in stratum there is homogeneity but between the stratum there is heterogeneity. Decides the sample size, and decide how much sample to take from each stratum this could be done based on proportion to the size of the stratum.

According to the bank's report (2016/2017) the total employees of Lion International Bank S.C. are 2,108 (i.e. 280 managerial, 1,718 clerical and 110 non clerical) out of this employees **849** of them are working at Addis Ababa. For this study the researcher use sample from the total population due to time, resource and proper organization of data. From the given scope, sample only take from head office employees and twelve branches employees in Addis Ababa. Head office from various departments, Yeka, Atlete HaileG/Silasie, Gofa, Grade III, CMC, Shalla, Kazahnchies Grade II, Sheger, Weha Limat, Bole Bulbula Grade I, CMC Michael, Kolfe and Tulu Dimtu sub branches, the branch selected by each grades branches and sub branches.

There are several approaches to determining the sample size. These include using census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. (Glenn 1992).

A forth way to determine sample size is applying formulas to calculate a sample size, which provide the sample size for a given set of criteria. The researcher used Yamane's formula was used. The first and second approaches for determining the sample size are not appropriate for this study. Since the population of the study are many in number it was difficult to use census, and also imitating the sample size of similar studies was not possible because it was difficult to gate this kind of research that is done in the Lion bank. Therefore the researcher has used Yamane's formula to calculate a sample size for determining sample size. Yamane, (1967) cited in Glenn, 2012, Where n =sample size, N =population size, e =level of precision given that 95% Confidence level and $P = \pm 5\%$ will be assume.

$$n = 849 / 1 + 849(0.05)^2 = \mathbf{272}$$

The study was delimited to Addis Ababa city the population size of employees working in Addis Ababa and those have experience of one year and above were **849**. Therefore from the result Yamane's formula the population size of **849** is **272**. **272** were used as sample size for this study. The numbers of staffs who have more than one year experiences and distributed to the branches and head office listed as follows in the table.

Table 3.1 sample size

No' of Stratum	Item of Stratum	Name each Branch	Number of Employees	Sample size
1	Grade III	Yeka	26	17
		At. Haile G/Silasie	25	16
		Gofa	25	16
2	Grade II	CMC	16	10
		Shalla	15	10
		Kazanchies	15	10
3	Grade I	Sheger	12	8
		Wiha-Limat	10	6
		Bole Bulbula	10	6
4	Sub branch	CMC Michael	6	4
		Kolfe	6	4
		Tulu-Dimtu	8	5
5	Various Dep't	Head office	248	160
Total			422	272

Source: Own Survey, 2018

The total numbers of samples from the branches are **112** employees and the remaining **160** was taken from different departments in head office by using proportionate stratified random From

many aforementioned sampling technique. The reason for taking the number of samples from Head office more than branch was based on the proportion of the number of staff found. The number of staff working in Head office at various departments is **248**.

Sampling possibilities the researcher uses Yamane formula for determining sample size, since the other is not suitable for this research.

3.4 Data collection method

The researcher was used both primary and secondary data as a source. The primary data was by means of questionnaires, interview and personal observation. For the secondary source, the researcher were used review published journal articles, human resource books, organizational manuals, annual report, brochures, and its website.

3.4.1 Questionnaire

The main data gathering instruments of this study is questionnaire. The questionnaire was self-administered and checked by researcher advisor. It systematically categorized in order to make it easily understandable by the respondents. The type of questions that were raised in the question was open ended with the structured format. The questionnaires were distributed to all employees in the selected branches and head office with experience equal to or more than one year. Because the researcher believe that those employees who have more than one year experience have faced performance appraisal at least twice, they have prior experience and better understanding about the topic under study.

Data was systematically collected and categorize in order to as respondents easily understand and express their fillings. The researcher was use Likert scale that enables to understand respondent's level of agreement with each question. Each question allocated to five point Likert Scales ranging from strongly agree to strongly disagree.

3.4.2 Interview

Interview prefer for further clarity and credibility of the research and it used to substantiate data obtained through questionnaire and to get an in depth understanding of Performance appraisal practice in Lion international bank S.C. Interview was used as one tool for collecting data and is the best way to gate depth insight about the issue and help to gate answers for questions that are

not suitable to gate through questionnaire, it helps the researcher very much. Interview is also suitable to raise counter question with regard to the answers that are general, vague, and needs further explanation. Therefore interview was used as one of the major source for collecting data in this study.

3.4.3 Document Review

Data concerning the Performance Appraisal practices also gather from detail review of the HRM policy manuals and procedures of the bank and used to support the reliability of the information obtained through questioner and interview.

3.5 Data Analysis Method

Descriptive statistics was used to organize the data gathered through closed ended questions; the respondents' data was statistically analyzed using Statistical Package for Social Science (SPSS) version 20. Analysis has been done according to the objective of the study. Summary of statistics has organized in the form of qualitative and quantitative measures by using frequencies and percentage in table. Regarding to the interpretation for the variables use on likert scale: measurement used on the basis of survey 1=strongly agree, 2=agree, 3=neutral, 4=disagree and 5=strongly disagree. The data collected through interview and different organizational and other documents were also summarized, coded and presented in a way that communicates the major finding of the study.

3.6 Validity and Reliability

According to Kothari, (2004), sound measurement must meet the tests of validity, reliability, and practicality. "Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure. Practicality is concerned with wide range of factors of economy, convenience, and interpretability." In order to ensure the content of validity and ethicality of the items incorporated in the instrument, it was given to the research advisor and one senior human resource officer for required comment. Accordingly, based on the given comments, necessary corrections were made to the instruments. Moreover, before distributing the questionnaire, the researcher made a pilot study, then the researcher randomly select 15 participants from head office. Among 15

questionnaires distributed, 10 returned. Based on the result of the pilot study the reliability of the questions checked.

Table 3.2 Cronbach's alpha reliability statistics of the questionnaire.

Cronbach's Alpha	Number of items
.710	31

Source: Own Survey, 2018

The reliability test alpha value must be exceed the minimum acceptable level of (**0.7**) suggested by scholars. This confirms that the reference used for questionnaire were credible.

3.7 Ethical Consideration

Ethics are norms of behavior that guide moral behavior in human relationships.

According to Bryman and Bell (2007) ethics in business research, deal with the following areas: confidentiality, anonymity, informed consent, invasion of privacy and deception. Anonymity refers to concealing the identity of the participants in all documents resulting from the research and confidentiality concerned with who has the right of access to the data provided by the participants. By considering this, the researcher assured the purpose of the research paper and confidentiality of any information on the introductory part of the questionnaire. In addition to this, Participants in the study were voluntary and the research objectives also explained to all participants in the study. Any information collected would never be used for any other purpose other than its academic purpose. Confidential information of the institute has not been disclosed.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The primary objective of this study was to assess performance appraisal practice in Lion International Bank S.C. Primary data was collected from the employees of Lion International Bank S.C. by using questionnaire and interview. Secondary data was collected through reviewing of different books, journal articles, company's manual, and exit questionnaires. The collected data analyzed and described with the help of SPSS version 20. Out of **272** distributed questionnaires, **252 (93%)** were returned.

4.1 Demographic Characteristics of Participants

The personal information of respondents obtained from returned questionnaires summarized and described as follows.

Table 4:1Demographic characteristics of participants

Items	Classification	Frequency	Percent
Gender	Male	124	49.2
	Female	128	50.8
	Total	252	100
Age of Respondents	18-30	117	46.4
	31-40	124	49.2
	41-50	11	4.4
	Above 50	-	-
	Total	252	100

Educational Background	12 Grade Complete	35	13.9
	Diploma	41	16.3
	First Degree	114	45.2
	MA Degree &Above	62	24.6
	Total	252	100
Service year in LIB	1-3	93	39.7
	3-6	136	58.1
	Above 6	5	2.2
	Missing	11	-
	Invalid	7	-
	Total	252	100

Source: Own Survey, 2018

As it is shown in the above table, among (252) respondents 124 (49.2%) are male, 128 (50.8%) are females and all of respondents tick their gender data, this show the respondents are almost balance in gender. In terms of age of the respondents, 117 (46.4%) are 18-30 years, 124 (49.2%) are 31-40 years, 11 (4.4%) are 41-50 years and no above 50 years from the respondents. This implies that majority of respondents (95.6) are young which is below 40 years. Therefore, if the Lion Bank satisfy and retain these young forces properly, they can be potential resource for the Bank to achieve its objective.

Regarding educational background of respondents, the majority 114 (45.2%) are first degree holders, 62 (24.6%) are master degree holders, 41 (16.3%) are Diploma holders, and 35 (13.9%) of respondents are 12th grade completed and below. This implies that majority of the respondents are well educated, first degree, masters and above holder. This gives the bank a competitive

advantage having qualified and skilled employee. Since the banking industry is in the competitive market.

Regarding service year of respondents, the majority 136 (58.1%) of the respondents are served their current organization for 3-6 years, 93 (39.7%) of the respondents are 1-3 years Experience and 5 (2.1%) of the respondents are above 6 years of work experience in the bank. From this data, we can understand that the majority of the employees joined Lion International bank during the last six years. This result ascertains that respondents have enough experience with the PA practices being undertaken in their respective organizations and this would allow each to share their experiences, understandings and knowledge of the practices via the questionnaire.

4.2 Responses on Performance Appraisal Practice

In this part detail analysis on employee's performance appraisal practice in Lion International Bank S.C. was discussed. The issues raised were performance appraisal methods, process of performance appraisal, standards of performance appraisal, major problems that affect employees' performance appraisal, responsible organ in employees' performance appraisal, purpose and understanding of performance appraisal, Characteristics of effective appraisal, employees satisfaction with performance appraisal and performance review discussion.

4.3 Analysis of Data Obtained from Interview

According to the interview the human resource department head the main objectives of performance appraisal practice of Lion International are: To review the performance of the employees over a given period of time, to judge the gap between the actual and the desired performance; to diagnose the strengths and weaknesses of the individuals and to identify the training and development needs, to strengthen the relationship and communication between management and employees, to judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development, to provide feedback to the employees regarding their past performance and to reward and promote employees based on their performance.

According to an interview the performance of employees was appraised by employee immediate supervisors. Additionally the performance appraisal is conducted semiannually, at the end of

December and June and Lion bank uses graphic rating scale technique to appraise their employees.

4.3.1 Performance appraisal Methods

In order to identify the performance appraisal method and how the PA practiced in Lion International Bank S.C. respondents were presented with items listed table below, and presented, analyzed and interpreted.

Table 4.2 Performance appraisal methods

S.N	Item	Level of Respondents Agreements					Total	
			SA	A	N	D		SD
1.	Employee's awareness on PA in the organization?	Freq'	88	140	13	6	5	252
		% age	34.9%	55.5%	5.2%	2.4%	2%	100
2.	My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance?	Freq'	6	4	5	135	102	252
		% age	2.4%	1.6%	2%	53.5%	40.5%	100
3.	Subordinates have the chance to evaluate their supervisors?	Freq'	1	13	36	121	81	252
		% age	.4%	5.2%	14.3%	48%	32.1%	100
4.	Individual employees assess their own performance?	Freq'	0	0	27	147	78	252
		% age	0	0	10.7%	58.3%	31%	100
5.	The bank has peer Staff PA practice?	Freq'	0	8	0	168	76	252
		% age	0	3.2%	0	66.6%	30.2%	100
6.	Appraisers use 360 degree feedback information for evaluation?	Freq'	5	2	22	146	77	252
		% age	2%	.8%	8.7%	57.9%	30.6%	100
7.	Raters consider employee performc' throughout evaluation period rather than looking the short term?	Freq'	6	28	2	140	76	252
		% age	2.4%	11%	.8%	55.6%	30.2%	100
8.	The rater standards for appraising employees' performance are based on job related requirements derived from job analysis?	Freq'	6	30	14	150	51	251
		% age	2.4%	12%	5.6%	59.8%	20.2%	100

Source: Own Survey, 2018

From the above table 4.2 it is possible to understand that the majority 228 (90.4%) know the existence and how to conduct perform performance appraisal practice in Lion International Bank. And very few respondents 11 (4.4%) didn't know or disagreed and some respondents 13 (5.2%) give neutral response. According to the interview conducted with the human resource management department head, employees know about the existence of PA at Lion international Bank and they confirmed about the subject matter usually through formal memo, personal contact or communication whenever they meet and also the employees knew very well. So this indicates most of the employee's are well known in the existence of PA in their organization and Performance Appraisal provides details of the organization's objectives and goals at the beginning of every performance time and motivates staff to take responsibility of their work better.

Response on description of Keeping a File on what Employees done during the Appraisal Period, it is possible to see that majorities 237 (94%) of employees disagrees while 5 (2%) neutral, and 10 (4%) agree. According to the interview conducted with human resource management department head, and learned from them there is no such practice of keeping file on what employees have done for evaluation purpose and almost all employees no grievance on this issue but there are very few supervisors who have such cultures of keeping file. Therefore, the bank supervisors were not keeping file for what employee have done during the appraisal period. Performance Appraisal helps supervisors have a realistic expectation of employees' performance, day to day operating activities and job done capabilities based on the performance standards, so they no need to file, but this ignores critical incidents approach. Critical incidents approach requires managers to keep a record of specific examples of effective and ineffective performance on the part of each employee.

(Noe etal, 2008) mentioned many managers resist having to keep a daily or weekly log of their employees' behavior and performance. It is also often difficult to compare employees because each incident is specific to that individual, so complain raised when that critical incidents forgotten.

Responses regarding the statement "Subordinates have the chance to evaluate their supervisors or managers performance" were 202 (80.1%) disagree and 36 (14.3%) neutral. Since the number of respondents agrees are 14 (5.6%), Responses regarding the statement "individual employees evaluate their own performance" were 225 (89.3%) disagree and 27 (10.7%) neutral. Since most of the respondents disagree and the number of respondents agrees is **zero** in number and also Responses regarding the question "the bank have peer staff performance appraisal practice " were most of the respondents or 244 (96.8%) disagree that performance appraisal among peer is common in Lion International Bank S.C. The remaining were 8 (3.2%) agrees.

According to the interview conducted with human resource management department head, there is no such kind of practice in the organization, but they plan to construct and develop other methods of PA practice. So this data indicates subordinates do not have the chance to evaluate their supervisors or managers performance, Individual employees do not assess/ evaluate their own performance and also peer performance appraisal practice is **not** conducted.

In general data indicated that others such as peers, subordinates, self, customers, or any combination of these should not be practiced in Lion Bank S.C. Lion bank not take in to account the benefit of peers, self and supervisor evaluation by their subordinates, it enable complete and relevant pictures of employees performance.

The table in S#6 shown that 223 (88.5%) of the respondents are disagree, 22 (8.7) are give neutral response and 7 (2.8%) agree. This response implies that appraisers in the bank do not use different information sources such as supervisors, customers, subordinates, and colleagues to evaluate employees' performance. Or it can be briefly said that **360** degree feedback in not practiced in Lion international bank S.C. The interview result revealed that first of all the responsible organ in the appraisal practice is the human resource management department of the bank. Assistant branch managers, section heads (HO) are those who fill appraisal results for employees by considering various standards. Employees also participate in the process by looking their results, describing their grievance on the form and putting their signature on the appraisal form.

The employees feeling on that the rater not takes into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure, 216 (85.8%) of the respondents are disagree, only 2 (.8) of the respondents are neutral and the

remaining 34 (13.4%) agree. According to the interview all the evaluators **not** take in to consideration short term achievement recognition or failure of the employees.

They see and consider the day to day activities of each employee based on the performance evaluation standard. So this data implies that the rater not take into consideration short term achievement or failure, they see the individuals attempting to mobilize the best possible efforts and achievement throughout the evaluation period.

Response regard to the standards for appraising employees' performance are based on job related requirements derived from job analysis and reflected in the job description and job specification, majorities 201 (80%) of the respondents are disagree, 14 (5.6) are neutral and the remaining 36 (14.4%) respondents are agree. One respondent are missing. According to the interview, she thinks the standard of appraising employees performance is based on job description (profile of the job) Derived from job analysis but **not** consider job specification (profile of the staff/personnel) because employees comes different undergraduate programs.

Therefore this data shows that the standards for appraising employees' performance are **not** based on job-related requirements derived from job analysis and does not reflected in the job description and job specification. Supervisors of the employees who claimed their subordinates with no provided job descriptions and clear performance expectations and standards and in the absence clearly defined performance expectations for which individuals would be held responsible and accountable, inefficiencies may creep in to the job performance.

Table 4.3 Performance appraisal practice problem

S.N	Item	Level of Respondents Agreements					Total	
			SA	A	N	D		SD
1.	Evaluators influenced by personal liking and disliking?	Freq'	11	15	2	109	89	226
		% age	4.9%	6.6%	.9%	48.2%	39.4%	100
2.	Evaluator influenced by specific dimension of performance (halo/horns)?	Freq'	102	118	5	19	8	252
		% age	40.5%	46.8%	2%	7.5%	3.2%	100
3.	Supervisors not have enough information on employee's work?	Freq'	7	34	31	146	31	249
		% age	2.8%	13.7%	12.4%	58.6%	12.4%	100
4.	Supervisor does not have enough knowledge and skills to evaluate employee performance?	Freq'	97	126	0	14	15	252
		% age	38.5%	50%	0	5.5%	6%	100
5.	Performance evaluation is not focused on employee development?	Freq'	63	38	29	8	14	252
		% age	25%	54.7%	11.5%	3.2%	5.6%	100
6.	PA in my organization mainly depends on attitude, appearance, and personality?	Freq'	1	7	7	133	104	252
		% age	.4%	2.8%	2.8%	52.8%	41.3%	100

Source: Own Survey, 2018

From the above table 4.3 shown that majority 198 (87.6%) of the respondents are disagree with supervisor influenced by personal liking and disliking, only 2 (.9%) respondents are neutral and the remaining 26 (11.5%) agree. Twenty six respondents invalid. According to the information acquired from human resource management department head through interview conducted, the degree of personal liking and disliking while appraising employees performance vary from supervisor to supervisor, however this type of biases can exist in the organization regardless of the degree of its existence low or high.

According to the table for percentile and interview response informant, it is possible to say that there is an agreement at a very low level of the existence of rater rating bias based on his personal liking and disliking. Supervisor influenced by personal felling, the effectiveness of the

performance appraisal practice of Lion bank create a gap the relationship between supervisor and staff, so this affect the organization achievement.

Majority of the respondents 220 (87.3%) are agree on that the rater most of the time influenced by specific dimension (halo/horns), and only 5 (2%) were give neutral response and 27 (10.7%) of the respondents disagree the existence of halo/horns error. According to Mathis and Jackson (1997), rater bias occurs when a rater's values or prejudice distort the rating. Rater bias may be unconscious or quite intentional. This data indicates that supervisors Draw general impressions about an employee on the basis of single characteristics and one negative aspect results in the rater assigning low ratings to all the other aspects, conclude their result from a single incident. Halo/horns error is one of the problems that affect Lion International bank S.C performance appraisal practice.

Majority 177 (71%) of the respondents are disagree, on supervisors does not have enough information on employees real work, 31 (12.4%) are neutral and the remaining 41 (16.5%) respondents are agree. Three of the respondents are missing and invalid. So the data revealed that supervisor or manager of Lion International Bank Share Company does have enough information on employee's real work performance and the activities extent and also taking into consideration the employees' real talents, capabilities and effectiveness to evaluate and pursue each employee under their domain. (Angelo and Ricky 2008) mention performance appraisal provides valuable and useful information about employees and organization's human resource planning and also help to knowing the distribution of qualified employees with suitable and appropriate work within the organization.

Responses regarding the question “supervisors does **not** have enough knowledge and skills to evaluate employee performances” were majority of the respondents or 223 (88.5%) are agrees and the rest of few 29 (11.5) respondents are disagrees. As per the interview from human resource management department head who is engaged with appraisal has enough experience but she said we did not give any kind of training to these supervisors because they have experience and skill to evaluate the employee's performance.

But 90% of respondents employees are agree on that supervisor or manager does **not** have enough Knowledge and skills to evaluate employees' performance, this show the management of the bank not give any training for the supervisor and it lack on this and the employees are not satisfied with their skill and knowledge. Employees do not receive constant and accurate performance appraisal, so that employees de motivated to work and the bank profitability decline.

The table 4.3 S#5 shown majority 201 (79.7%) of the respondents are agrees on the performance appraisal practice of the bank does **not** focus on employee development.29 (11.5) are give neutral response and the remaining 22 (8.8%) respondents agree. The interview session result revealed that performance appraisal is conducted to determine decision of Employee's development to make them more productive for their own development, (payment, increment, promotion and bonus) &organization achievement, and they come and feel they are most valuable staff in the organizations.

Responses regarding the question were most of the respondents 237 (94.1%) disagree, 7 (2.8 %) give neutral response and very few respondents 8 (3.2%) are agree. This data infer that most of the time performance appraisal does **not** depend on employee's recent action attitude, appearance, and personality.

As per the response from the interview major problems that affect performance appraisal practice of the bank are subjectivity, some raters focus on recent actions, raters conduct appraisal for formality only and the raters does not have give critical and full attention for performance appraisal. This implies that even if the bank has policy or guideline regarding appraisal practice the real practice faces the aforementioned problems.

Table 4.4 Performance appraisal purpose and outcomes.

S.N	Item	Level of Respondents Agreements						Total
			SA	A	N	D	SD	
1.	I know the purpose of PA in Lion bank?	Freq'	78	155	0	10	9	252
		% age	31%	61.5%	0	4%	3.5%	100
2.	PA system of the bank has purpose and output?	Freq'	88	138	0	26	0	252
		% age	34.9%	54.8%	0	10.3%	0	100
3.	PA is used to motivate subordinates through recognition and support?	Freq'	59	95	13	27	41	235
		% age	25.1%	40.4%	5.5	11.5%	17.4	100
4.	PA is an integral part of in our organization?	Freq'	104	120	8	17	3	252
		% age	41.3%	47.6%	3.2%	6.7%	1.2%	100
5.	PA used for HR department decisions like job rotation, job enlargement, and the like?	Freq'	0	1	19	173	50	243
		% age	0	.4%	7.8%	71.2%	20.6%	100
6.	PA is used to diagnose both organizational and individual problems based on performance Results?	Freq'	7	1	36	112	96	252
		% age	2.8%	.4%	14.3%	44.4%	38.1%	100
7.	PA in my organization helped me to improve my job performance based on my accomplishment and achievement?	Freq'	11	7	1	118	113	250
		% age	4.4%	2.8%	.4%	47.2%	45.2%	100

Source: Own Survey, 2018

From the above tables 4.4 S# One and Two shows that majority of the respondents are agree and very few respondents disagree. So we can understand that majority of employees know the purpose and outcomes of performance appraisal, and most of the respondents believe that it's have output performance appraisal is carried out in the organization, but this purpose and

outcomes not satisfied majorities of the employees. while few employees didn't know the purpose and outcomes of performance appraisal practice in the organization, and human resource management department Head were asked about the knowledge of employees regarding performance appraisal in their respective organizations during the interview sessions, and she response was that the employees knew very well the purpose and the outcomes of performance appraisal practice in the Bank. She does not believe employees do not know the purpose and outcomes of performance appraisal in the organization; few employees exist who don't know the purpose and outcomes, and these employees who don't know the purpose may work in their respective organization without knowing what is expected from them. This indicate employees of the organization know and adequate knowledge regarding purpose and outcomes of performance appraisal in the Bank.

From the above table 4.4 S#3 shown that majority 154 (65.5%) of the respondents are agree, 13 (5.5) are give neutral response and the remaining 68 (28.9%) respondents are disagree. Seventeen of the respondents are missing and invalid. According to the interview, were performance appraisal is used to motivational purpose and give recognition and support the employees for what they do/perform. So she explain performance appraisal practice of the bank motivate and give more attention for their day to day activities of the employees through recognition and best career development. This indicates the motivation level of employees at Lion Bank is good but still there are a number of employees who are not small in number who didn't believe or not exactly know PA practiced at their Bank used as a means of Recognition and motivating subordinate.

Majority 224 (88.9%) of the respondents are agrees on that Performance Appraisal being an integral part of company's success it was evident that they all shared a common point that Performance Appraisal if conducted appropriately it will help employees grow professionally and personally for it will identify strengths and areas of development of each employee which in turn contribute to the bottom line, overall success of the company.

The human resource management department head also mentioned in the interview that Performance Appraisal provides details of the organization's objectives and goals at the

beginning of every performance year to help individuals guide their performance towards the achievement of these goals and objectives at their levels. On the other hand, Performance Appraisal helps supervisors have a realistic expectation of employees' performance based on the performance standards.

Response regard appraisal data are used by the HRMD for other development decisions like job rotation, job enlargement, job enrichment and the like, majority 223 (91.8%) of the respondents are disagree, 19 (7.8) are give neutral response and one respondents only (.4%) agree. nine of the respondents are missing. so this implies that performance appraisal data is **not** used for development decisions like job-rotation, job enrichment and the like. Job enlarging and Rotating employees in the different work units of the Bank which would enable the employees to broaden their knowledge of the different task which would in turn give them the chance to identify those areas in which the employees would be best interested in, and help the employees to take the decision whether they should choose banking as their ultimate career and to identify the specific area within banking in which they should find themselves.

Lion bank PA practice diagnose both organizational individual problem based on performance result, majority 208 (82.5%) of the respondents are disagree, 36 (14.3%) are give neutral response and the remaining 8 (3.2%) respondents only agree. This implies that most of the respondent's bank employees feel that performance appraisal practice of the bank is not used to diagnose and solve employees and organization problem based on the result the employees is evaluated; they believe the performance appraisal is a waste of time it is just for fulfillment as a regular trend and only documentation purpose. Interview was conducted with HRM head, the response revealed **No** different from the information gathered through the questionnaires.

There were not much problem solving ability of the performance appraisal is seen or observed. According to Armstrong (2009), the overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Therefore the Bank must start to use effective PAP and fully solve employees and the bank problems

From the above table 4.4 S#7 shown that majority 231 (92.4%) of the respondents are disagree, 18 (7.2%) are give agree response and only one (.4%) respondents are neutral. two of the respondents are missing. This indicate that most of the employees are disagree on performance evaluation is not help to improve job performance and accomplishment and Performance Appraisal is not motivates them for better professional development and encourage for better result oriented achievement, and the bank employees performance is no link between some valuation criteria and employees tasks.

Table 4.5 Performance appraisal practice with employee satisfaction

S.N	Item	Level of Respondents Agreements					Total	
			SA	A	N	D		SD
1.	I am satisfied with the PA practice system of the bank?	Freq'	10	8	4	155	75	252
		% age	4%	3.2%	1.5%	61.5%	29.8%	100
2.	I am satisfied with the supervisor when evaluate the performance of the employees?	Freq'	4	7	14	162	65	252
		% age	1.5%	2.8%	5.6%	64.3%	25.8%	100
3.	I compare and satisfy my performance rating with my peer workers?	Freq'	13	16	10	110	78	227
		% age	5.7%	7%	4.4%	48.5%	34.4%	100
4.	There is counseling and advising session before the PA is done in the organization?	Freq'	14	10	14	142	72	252
		% age	5.6%	4%	5.6%	56.3%	28.5%	100
5.	My evaluator gives PA feedback to subordinate and the all staffs?	Freq'	0	24	14	89	125	252
		% age	0	9.5%	5.6%	35.3%	49.6%	100
6.	PA form used to evaluate my performance is capable of distinguishing effective from ineffective performers?	Freq'	46	108	1	75	7	237
		% age	19.4%	45.6%	.4%	31.6%	3%	100

Source: Own Survey, 2018

As per the responses of employees in the above Table 4.5 most of the respondents 230 (91.3%) are not satisfied with the performance appraisal system of the bank. While 4 (1.5%) give neutral response and very few 18 (7.2%) respondents agree. this revealed that the performance appraisal processes and procedures are **not** adhered to employees satisfaction. with, the system could not have been better and they would not be motivated either. Thus, the improper management of the system has led to the de motivation and dissatisfaction. Dissatisfaction from the PA system has the potential of bringing about de motivation which can affect productivity as well as corporate goal achievement of the bank.

The Bank should Developed well-articulated PA system and motivated employees to enhance productivity/service quality, so that organizational goals are achieved.

Majority 227 (90.1%) of the respondents are not satisfied by the evaluator when evaluate their performances, 14 (5.6) are give neutral response and few 11(4.3) respondents only satisfied. This indicate that most of the respondents are not satisfied by the evaluators skills, knowledge, experience personal observation and other issues when evaluating the employees, so this revealed the value given to the supervisors and managers from the employees perspectives towards addressing and conducting effective, efficient and clear performance appraisal is done very poor and the evaluator eligibility and capabilities is very poor.

It is possible to understand from the above table 4.5 S#4 that supervisor the bank does not have practice to discuss with the employees and give counseling and advising session and receive feedback about their job performance, due to this the 5th step in performance appraisal process, discussing Appraisal with Employees is not practice in Lion International Bank S.C, and there is no good work relationship with their supervisor and the communication practice with this issue in the organization. Moreover, the availability of coaching and training from immediate supervisors received a very low affirmative response in the bank.

The bank rater does not advice how the employees perform the activities and achieving their own and organization objectives. The appraiser there are two major responsibilities creating the conditions that motivate, give guide & feedback, confronting and correcting any performance

problems. So the bank rater does not implement it, so it's come up with huge implication to gain competitive advantage and organization objective.

From the above table 4.5 S#5 shown that majority 214 (84.9%) of the respondents are disagree that managers gives performance appraisal feedback to subordinate, 14 (5.6%) are give neutral response and the remaining 24 (9.5%) respondents are agree. This revealed that managers of the bank may not realize the importance of providing feedback to their employees to enhance organizational growth and development. Feedback is a guidance that will enable an employee to learn as well as improve the quality of his or her work. It will also enhance the interpersonal relationship with the supervisor and supervisee.

Nelson and Villalobos, Jorge (1997) noted that the major function of PA is to give employees feedback on performance, to identify the employee's developmental needs to make promotion and inward decisions, to make demotion and termination decisions and to develop information about organizations selection and placement decisions. When correctly given, feedback helps improve job performance while promoting professional and personal growth in employees. Providing feedback offers many benefits, and when given at the right time with the right constructive and positive message, it can yield great results. It can also improve employee morale and reduce confusion regarding expectations and current performance.

Majority 154 (65%) of the respondents are agree on performances evaluation is used for distinguish effective from ineffective performers in the bank, 1 (.4%) are give neutral response and 82 (34.6%) respondents are disagree. fifteen of the respondents are missing. According to the interview conducted with the human resource management department head, she mentioned that Employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job and activities effectively throughout the evaluation period.

This indicate that majorities of the respondents believe in that the bank designing effective instrument form to measure effective and ineffective performers and understand the level of the capacity of employees in the bank in respect to other co-worker and standard set prior to appraisal.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, major findings are going to be summarized Based on the results of the study obtained through the questionnaire distributed to **252** employees of Lion International Bank and the interview conducted with the human resource management department Head and subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed to better enhance the organization performance appraisal practice.

5.1 Summary of Major Findings

As per the data gathered through questionnaire and interview the summary of major findings are presented in this section as follow.

The study findings indicate, it is difficult to say that the bank employees performance appraisal practice solves both organizational and individual problem in the company and the bank appraisal results not for identifying training needs, job rotation, job enrichment and increased employees responsibilities, and is not focused on employee job performance improvement and achievement, and also appraisal system of the bank is not used for employee development, success and carrier development and also Immediate supervisors only in charge of appraising employees, others such as peers, subordinates, self, or any combination of these should not be allowed.

The bank supervisor's has lack of adequate knowledge, well experience and less in sufficient skills to evaluate the performance of their subordinate's. In addition most of the employees are not satisfied with their supervisor performance measurement knowledge and also with the performance appraisal system of the bank. Supervisors most of the time influenced by specific dimension of performance and the rater depends more on recent actions than the distant ones (situational influence) and give general impression on the basis of single characteristics.

Additional findings indicate that performance appraisal practice of the bank lack information on job related requirement, subordinates, customers feedbacks, colleagues (360 feedback) and not

used other performance appraisal technique, raters conduct appraisal in the absence of performance expectation and standards that does depend on job description and job specifications derived from job analysis.

Lion bank employee has no pertaining to counseling and advising session and supervisors not communicate with their subordinate about the performance appraisal before carried out, and supervisor do not provide continuous feedback and the absence of open communication with employees, supervisors lacks the use and effectiveness of performance appraisal feedback.

5.2 Conclusion

Based on the finding of the study, the following conclusions are drawn.

The performance appraisal method currently practiced in Lion International Bank Share Company is the graphic rating scales method, other methods not practiced in the bank. While the practice by Lion Bank S.C. has been that only immediate supervisors are the people in charge of appraising employees, others such as peers, subordinates, customers, or any combination of these should not be allowed to participate. So it not full and appropriate to evaluate employees by immediate supervisors only some other party should participate. It is identified that the appraisal format addresses different aspects of employee performance with traits being the dominant ones. Although the existing practice of appraising employees in Lion bank twice a year, December and June. But some employees suggested a more frequent time period for increased effectiveness. Raters rating subordinate not on the basis of personal liking and disliking rather distinguishing effective and ineffective performers and understand the level of the capacity of employees in the bank for the achievement of employees and organization objectives.

Performance appraisal practice of the bank has many problems, performance appraisal process begins with establishing clear performance standards; but Lion bank does not follow performance appraisal processes set by different scholars. However the performance appraisal practice of Lion bank lack reliability or adequate knowledge, well experience it is not able to maintain certain level of performance over time. Supervisors do not provide continuous feedback for employees and absence of open communication, subjectivity, situational influence, one negative aspect results in the rater assigning low ratings to all the other aspects halo/horns, appraisal result is not used to make administrative and developmental decisions. Appraisers do

not get sufficient training, absence of performance expectation and standards. The banks workers in general disagree with the statement performance management improve communication between the supervisor and the employees. The supervisory not well trained to do communicate effectively with their subordinates about Performance appraisal practice in general.

The level of employees understanding of the existence, purposes and outcomes of having a performance appraisal in the bank employees possess as a good understanding. Moreover, besides understanding the purposes they also believed that performance appraisal is an integral part of an organization's success. Employees understand that Performance Appraisal motivates them for better professional development and encourages for better result oriented achievement and helps them focus on their objectives, and keep track of their performance while based on the results from the Performance Appraisal. Employees are not satisfied with Performance appraisal system of the bank, Performance appraisal processes and procedures are **not** adhered to employee's satisfaction. Which is not good for the mind of the employees to be rated by their Supervisor and PA system.

5.3 Recommendation

Based on Finding and Conclusion the following recommendations are forwarded.

Lion International bank need to use appraisal results for identifying training needs, job rotation, job enrichment, diagnose and solve both employees and organization problem and increased responsibilities and the bank need to be given training and development to those who are in need of the training in this way the bank can easily fill the gap of knowledge and skill how to evaluate effective performance appraisal.

Lion International bank should use 360 degree appraisal, performance information such as employee's skills, abilities and behaviors, is collected "all around" an employee, i.e., from his/her supervisors, subordinates, peers and even customers and clients. Customers are lifelines. As per one of the Mission of Lion bank "maximizing customer satisfaction "Lion bank facilitate to customer participate by filling at least some comments on each employees performance, who have direct contact in giving service to the customers, this source help to fill the gap on customer

satisfaction. This review method offers more comprehensive view towards the performance of employees, improves credibility of performance appraisal, feedback from colleagues will help strengthen self-development, increases responsibilities of employees to their customers, the mix of ideas can give a more accurate assessment, opinions gathered from lots of staff are sure to be more persuasive, and people who undervalue themselves are often motivated by feedback from others.

If Lion International bank need effective performance appraisal practice, the raters evaluate their subordinates based on the actual volume of work, the standard become job-related requirement, performance expectation and standards depend on job description and job specifications, transparent and clearly defined, and responsibility discharged over the period of evaluation rather than focusing only on single impression and lack information measurement so that the satisfaction and productivity of employees will be enhanced. It is often said and, of course, Substantiated by research that “a happy worker is a productive worker.” Hence employees who are satisfied with their job will have better performance than those who are not. Moreover, absenteeism and turnover will be less likely for satisfied employees than for dissatisfied ones.

Management of Lion International Bank may consider and apply evaluation by other parties a part from the existing practice of evaluation by immediate supervisors. Objectivity of the system and consequently its effectiveness can be enhanced provided other parties having direct or indirect work relations with employees were allowed to participate in evaluating performance of the employees, these enable complete and relevant pictures about the employee’s performance, and it is better to enhance the performance appraisal practice of the bank.

The bank need to use performance appraisal processes properly that are developed DeCenzo suggest. The fifth PA process is discussing the appraisal with employees but the supervisors not implement it. Giving performance appraisal feedbacks to employees, it benefits both the organizations and the employees. Employees who knew where they stand strive to improve their performance, effective positive communication between supervisors and employees must be part of the performance appraisal, As a result, if their supervisors maximize and developing a good

feedback system to employees, the performance both the organization and employees will be improved.

Lion International Bank should use PA for the improvement of their employees' performance by developing policy that guides and create opportunities, for coaching, counseling, advising and training and development programs, which can improve the performance of employees in their respective organization.

Lion bank consecutive rater error training and rater accuracy training. Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors. Rater accuracy training attempts to emphasize the multidimensional nature of performance and thoroughly familiarize raters with the actual content of various performance dimensions. Accuracy training seems to increase accuracy, provided that in addition the raters are held accountable for ratings, job-related rating scales are used, increase performance measurement knowledge and raters keep records of the behavior they observe. On this the bank minimizes situational influence, halo/horns, recency, conducting appraisal without considering employee's development and raters lack information and experience, Supervisors should be very careful not to use their own rating to judge their subordinates during performance appraisal.

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APPENDIX A

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES PROGRAM

MBA PROGRAM



Questionnaire

Dear respondents:

I am **MBA** student at St. Mary's University School of graduate studies and I am collecting data for my thesis. The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "**Assessment of Employee's performance appraisal practice in Lion International Bank Share Company.**"As partial fulfillment to the completion of Master of Business Administration at St. Mary's University. In this regard I kindly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks in advance for being a volunteer to devote your valuable time in filling this questionnaire.

Thank you in advance!

Direction

- No need to write your name.
- Answer by making a '√' mark.

Part One: Demographic Characteristics

1. Gender: Male female

2. Age: 18-30 years 31-40 years 41-50 years

Above 50 years

3. Educational Level:

Below 12th Grade complete 12th Grade complete
 Diploma First Degree
 Second/Masters Degree and Above

4. Years of experience (in present organization) -----

PART II Questions on performance appraisal practice of LIB.

Please read each statements in this part carefully and show the extent of your agreement on the statements by putting "√" mark in the boxes using the following rating scales(likert scales): Strongly agree (SA)=5, Agree(A) =4, Neutral(N) =3, Disagree(D) =2, and Strongly disagree(SD) =1.

Questions related with performance appraisal method

S.No	Questions	SA	A	N	D	SD
		5	4	3	2	1
1.	I know the existence of performance appraisal in the organization?					
2.	My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance?					
3.	Subordinates have the chance to evaluate their supervisors or managers performance in the organization?					
4.	Individual employees assess/evaluate their own performance Appraisal in the organization?					
5.	Appraisers use different information sources such as supervisors, customers, subordinate, colleagues and customers to evaluate employee's performance (360 degree Feedback)?					
6.	The bank have peer staff performance appraisal practice.					
7.	I feel that the rater takes into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure (change over time).					
8.	The standards for appraising employees' performance are based on job related requirements derived from job analysis and reflected in the job description and job specification?					

Questions related with performance appraisal problem

S.No	Questions	SA	A	N	D	SD
		5	4	3	2	1
9.	The evaluator is influenced by personal liking and disliking when evaluating my performance?					
10.	I observe that the rater most of the time influenced by specific dimension of performance (halo/horns)?					
11.	The supervisor or manager does not have enough information on employee's real work performance?					
12.	The supervisor or manager does not have enough knowledge and skills to evaluate employee performance?					
13.	I believe in my organization Performance evaluation is not focused on employee development?					
14.	Most of the time, I understand that performance appraisal in my organization mainly depends on attitude, appearance, only recent action and personality?					

Questions related with performance appraisal purpose and outcome

S.No	Questions	SA	A	N	D	SD
		5	4	3	2	1
15.	I know the purpose of performance appraisal in the organization?					
16.	I feel the performance appraisal system of the bank has purpose and output.					
17.	I believe Performance evaluation is used to motivate subordinates through recognition and support?					
18.	I believe/think performance appraisal is an integral part of in our organization?					
19.	I believe the appraisal data are used by the HR department for other development decisions like job rotation, job enlargement, job enrichment and the like?					
20.	Performance evaluation is used to diagnose both organizational and individual problems based on performance Results?					
21.	The performance evaluation in my organization helped me to improve my job performance and based on my accomplishment and achievement?					

Questions related with Employee’s Satisfaction with Performance appraisal practice

S.No	Questions	SA	A	N	D	SD
		5	4	3	2	1
22.	I am satisfied with the performance appraisal practice system of the bank?					
23.	I am satisfied with the performance appraisal appraiser, when evaluate the performance of the employees.					
24.	I always compare and satisfy my performance rating with my colleagues/peer workers?					
25.	There is counseling and advising session before the performance appraisal is done in the organization?					
26.	My evaluator gives performance appraisal feedback to subordinate and the all staffs?					
27.	In my opinion, the performance Evaluation form used to evaluate my performance is capable of distinguishing effective from ineffective performers?					

28. Do you have any suggestions for effective performance appraisal practice in Lion Bank S.C? _____

APPENDIX B

Interview Questions

1. Do you think the entire employee knows the purpose and existence of the performance appraisal practice in the organization?
2. Do the evaluator keeps file on what the employee done before for performance evaluation practice?
3. What is the use and output of performance appraisal in your organization?
4. What methods of performance appraisal practice implemented in the organization, peer evaluation, self evaluation, subordinate evaluation etc?
5. Do you think that performance appraisal practice solves both employees and organizational problem?
6. Is there a need for training on performance management system for managers?
7. Does the bank have deep knowledge and experience on performance appraisal?
8. Do managers and supervisors give feedback on after every performance appraisal is carried out?
9. In your bank practice do you think performance appraisal system is a waste of time or other critical issues rise in appraisal system?
10. What do you think is the most common error in performance appraisal in your company?

APPENDIX C

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	124	49.2	49.2	49.2
Female	128	50.8	50.8	100.0
Total	252	100.0	100.0	

	Frequency	Percent	Valid Percent	Cumulative Percent
18-30 Years	117	46.4	46.4	46.4
31-40 Years	124	49.2	49.2	95.6
41-50 Years	11	4.4	4.4	100.0
Total	252	100.0	100.0	

Educational Level

	Frequency	Percent	Valid Percent	Cumulative Percent
12 Grade complete	35	13.9	13.9	13.9
Diploma	41	16.3	16.3	30.2
First Degree	114	45.2	45.2	75.4
Masters D	62	24.6	24.6	100.0
Total	252	100.0	100.0	

Years of Experience

	Frequency	Percent	Valid Percent
1-3	93	36.9	39.7
3-6	136	54.0	58.1
Above 7	5	2.0	2.1
Total	234	92.9	100.0
Invalid	7	2.8	
Missing	11	4.4	
Total	18	7.1	
	252	100.0	

I know the existence of performance appraisal in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	88	34.9	34.9	34.9
A	140	55.6	55.6	90.5
N	13	5.2	5.2	95.6
D	6	2.4	2.4	98.0
SD	5	2.0	2.0	100.0
Total	252	100.0	100.0	

My rater usually keeps a file on what I have done during the appraisal period to evaluate my performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	6	2.4	2.4	2.4
A	4	1.6	1.6	4.0
N	5	2.0	2.0	6.0
D	135	53.6	53.6	59.5
SD	102	40.5	40.5	100.0
Total	252	100.0	100.0	

Subordinates have the chance to evaluate their supervisors or managers performance in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	1	.4	.4	.4
A	13	5.2	5.2	5.6
N	36	14.3	14.3	19.8
D	121	48.0	48.0	67.9
SD	81	32.1	32.1	100.0
Total	252	100.0	100.0	

Individual E-evaluate their own performance Appraisal in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid N	27	10.7	10.7	10.7
D	147	58.3	58.3	69.0
SD	78	31.0	31.0	100.0
Total	252	100.0	100.0	

Apprisers use 306 FB to evaluate employees

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	5	2.0	2.0	2.0
A	2	.8	.8	2.8
N	22	8.7	8.7	11.5
D	146	57.9	57.9	69.4
SD	77	30.6	30.6	100.0
Total	252	100.0	100.0	

The bank have peer staff performance appraisal practice.

	Frequency	Percent	Valid Percent	Cumulative Percent
A	8	3.2	3.2	3.2
D	168	66.7	66.7	69.8
SD	76	30.2	30.2	100.0
Total	252	100.0	100.0	

My rater use short term achievement or failure rather see throughout the evaluation period

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	6	2.4	2.4	2.4
A	28	11.1	11.1	13.5
N	2	.8	.8	14.3
D	140	55.6	55.6	69.8
SD	76	30.2	30.2	100.0
Total	252	100.0	100.0	

The standard of PAP of the bank is related with job discription and specification?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	6	2.4	2.4	2.4
	A	30	11.9	12.0	14.3
	N	14	5.6	5.6	19.9
	D	150	59.5	59.8	79.7
	SD	51	20.2	20.3	100.0
	Total	251	99.6	100.0	
Missing	Missing	1	.4		
Total		252	100.0		

The evaluator is influenced by personal liking and disliking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	11	4.4	4.9	4.9
	A	15	6.0	6.6	11.5
	N	2	.8	.9	12.4
	D	109	43.3	48.2	60.6
	SD	89	35.3	39.4	100.0
	Total	226	89.7	100.0	
Missing	Invalid	26	10.3		
Total		252	100.0		

My rater influenced by specific dimension of performance (halo/horns)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA	102	40.5	40.5	40.5
	A	118	46.8	46.8	87.3
	N	5	2.0	2.0	89.3
	D	19	7.5	7.5	96.8
	SD	8	3.2	3.2	100.0
	Total	252	100.0	100.0	

manager does not have enough information on employee's real work performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	7	2.8	2.8	2.8
A	34	13.5	13.7	16.5
N	31	12.3	12.4	28.9
D	146	57.9	58.6	87.6
SD	31	12.3	12.4	100.0
Total	249	98.8	100.0	
Missing Missing	3	1.2		
Total	252	100.0		

manager does not have enough knowledge and skills to evaluate employee performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	97	38.5	38.5	38.5
A	126	50.0	50.0	88.5
D	14	5.6	5.6	94.0
SD	15	6.0	6.0	100.0
Total	252	100.0	100.0	

my organization Performance evaluation is not focused on employee development?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	63	25.0	25.0	25.0
A	138	54.8	54.8	79.8
N	29	11.5	11.5	91.3
D	8	3.2	3.2	94.4
SD	14	5.6	5.6	100.0
Total	252	100.0	100.0	

Performance appraisal depends on attitude, appearance and personality?

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	1	.4	.4	.4
A	7	2.8	2.8	3.2
N	7	2.8	2.8	6.0
D	133	52.8	52.8	58.7
SD	104	41.3	41.3	100.0
Total	252	100.0	100.0	

I know the purpose of performance appraisal in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	78	31.0	31.0	31.0
A	155	61.5	61.5	92.5
D	10	4.0	4.0	96.4
SD	9	3.6	3.6	100.0
Total	252	100.0	100.0	

performance appraisal system of the bank has purpose and output.

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	88	34.9	34.9	34.9
A	138	54.8	54.8	89.7
D	26	10.3	10.3	100.0
Total	252	100.0	100.0	

Performance evaluation is used to motivate subordinates through recognition and support?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	59	23.4	25.1	25.1
A	95	37.7	40.4	65.5
N	13	5.2	5.5	71.1
D	27	10.7	11.5	82.6
SD	41	16.3	17.4	100.0
Total	235	93.3	100.0	
Invalid	5	2.0		
Missing Missing	12	4.8		
Total	17	6.7		
Total	252	100.0		

Do you believe/think performance appraisal is an integral part of in our organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	104	41.3	41.3	41.3
A	120	47.6	47.6	88.9
N	8	3.2	3.2	92.1
D	17	6.7	6.7	98.8
SD	3	1.2	1.2	100.0
Total	252	100.0	100.0	

Appraisal data are used by the HR for other development decisions like job rotation, enlargement, job enrichment etc.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid A	1	.4	.4	.4
N	19	7.5	7.8	8.2
D	173	68.7	71.2	79.4
SD	50	19.8	20.6	100.0
Total	243	96.4	100.0	
Missing Missing	9	3.6		
Total	252	100.0		

**PA is used to diagnose both organizational and individual problems
based on performance Results?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	7	2.8	2.8	2.8
A	1	.4	.4	3.2
N	36	14.3	14.3	17.5
D	112	44.4	44.4	61.9
SD	96	38.1	38.1	100.0
Total	252	100.0	100.0	

**The PA in my organization helped me to improve my job performance and
based on my accomplishment.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	11	4.4	4.4	4.4
A	7	2.8	2.8	7.2
N	1	.4	.4	7.6
D	118	46.8	47.2	54.8
SD	113	44.8	45.2	100.0
Total	250	99.2	100.0	
Missing Missing	2	.8		
Total	252	100.0		

**I am satisfied with the performance appraisal practice system of the
bank?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	10	4.0	4.0	4.0
A	8	3.2	3.2	7.1
N	4	1.6	1.6	8.7
D	155	61.5	61.5	70.2
SD	75	29.8	29.8	100.0
Total	252	100.0	100.0	

I am satisfied with the performance appraisal appraiser, when evaluate the performance of the employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	4	1.6	1.6	1.6
A	7	2.8	2.8	4.4
N	14	5.6	5.6	9.9
D	162	64.3	64.3	74.2
SD	65	25.8	25.8	100.0
Total	252	100.0	100.0	

I always compare and satisfy my performance rating with my colleagues/peer workers?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	13	5.2	5.7	5.7
A	16	6.3	7.0	12.8
N	10	4.0	4.4	17.2
D	110	43.7	48.5	65.6
SD	78	31.0	34.4	100.0
Total	227	90.1	100.0	
Invalid	6	2.4		
Missing Missing	19	7.5		
Total	25	9.9		
Total	252	100.0		

There is counseling and advising session before the performance appraisal is done in the organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SA	14	5.6	5.6	5.6
A	10	4.0	4.0	9.5
N	14	5.6	5.6	15.1
D	142	56.3	56.3	71.4
SD	72	28.6	28.6	100.0
Total	252	100.0	100.0	

My evaluator gives performance appraisal feedback to subordinate and the all staffs?

	Frequency	Percent	Valid Percent	Cumulative Percent
A	24	9.5	9.5	9.5
N	14	5.6	5.6	15.1
Valid D	89	35.3	35.3	50.4
SD	125	49.6	49.6	100.0
Total	252	100.0	100.0	

PA form used to evaluate my performance is capable of distinguishing effective from ineffective performers?

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	46	18.3	19.4	19.4
A	108	42.9	45.6	65.0
Valid N	1	.4	.4	65.4
D	75	29.8	31.6	97.0
SD	7	2.8	3.0	100.0
Total	237	94.0	100.0	
Missing Missing	15	6.0		
Total	252	100.0		