



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
GENERAL MBA PROGRAM**

**THE EFFECTIVENESS OF EMPLOYEE PERFORMANCE APPRAISAL
SYSTEM: THE CASE OF ETHIOPIAN ROADS AUTHORITY**

BY

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**JUNE, 2019
ADDIS ABABA
ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION**

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ACKNOWLEDGEMENTS

I am grateful to the Lord Almighty for His mercies and grace to have finished this work. I could not have even started without Him.

I would like to extend my gratitude to my advisor Prof. Belete Mebratu, under whose supervision and unreserved comment this project has been completed.

I am highly indebted and would like to thank my sister Zinash Hailegebriel for her kindness and support with all my life. Second, I would like especially to thank Ato Hailu Taye, Ato Zelalem G/selasie, Ato Gelana Bedada, W/ro Zehara Beshir, W/rt Kamlaknesh Kussia, W/ro Meseret Tadesse, Endashaw Tesfaye and those who are participated in one another on the preparation of this thesis.

ACRONYMS AND ABBREVIATIONS

ERA – Ethiopian Roads Authority

BSC- Balanced Score Card

HRM- Human Resource Management

HR- Human Resource

KPI- Key Performance Indicator

PA- Performance Appraisal

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ABSTRACT

The major objective of this study was to investigate the effectiveness of the current employee performance appraisal system. As result, its effectiveness has been determined by selecting seven major effectiveness variables and other related concepts. This research has a descriptive nature which describes the existing phenomenon as it exists. Furthermore, four work units/strata have been selected based on their population size out of 996 permanent employees 278 employees were taken as a sample by using stratified systematic sampling technique and questionnaires were distributed proportionally. The findings indicate that the organization's performance appraisal system is miss-formulated and also based on the selected effectiveness variables; it is observed that the performance appraisal system is less effective across all the divisions. Furthermore, problems which hinder effectiveness of the appraisal system were identified and comparison on their occurrence was also made. As a result, lack of participation of employees in the appraisal process was identified as one of the big problems while lack of well-tailored measurement system and lack of well-designed procedures and process were also identified as the critical problems. Finally, it is observed that there is no significant perception difference among employees towards the current performance appraisal system. Hence, it was recommended that the organization should revisit its employee performance appraisal system and take corrective actions. For instance, alignment of the appraisal system with organization's objective, reward policy and development objectives should be maintained. Moreover, the organization should also work a lot on the identified effectiveness variables;(objective setting, performance standard, communication, measuring performance, compare actual performance against standard, feedback and action) to enhance effectiveness of the current performance appraisal system. Likewise, the organization should give emphasis for employees' participation in appraisal related matters.

Key words: Performance Appraisal, Effectiveness, performance objective, performance standard, Communication, Measuring Performance and Feedback.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Now days there are numerous firms, organizations and companies in Ethiopia both existing and emerging. These organizations need for man powers differ depending on the nature of the firms, some may need few man powers were as others need a vast number of manpower both skilled and unskilled. However, with the fast economy growth of the country, the organizations need to keep up with their effectiveness, and this among other things is why we need to have an effective performance appraisal system. Human resource is a very crucial thing for the success of these organizations. For the consumption of this paper i choose ERA (Ethiopian Roads Authority) because the Organization under study is contributing a significant role in order to minimize unemployment and as well as boosting growth of the country. To be effective the organization has practicing performance appraisal in order to utilize the maximum effort of its employees. Performance appraisal is a continuous process of setting objective and standard, communicating the standard, evaluating actual performance, giving feedback and taking corrective action on the performance of individual employees and teams by aligning performance with the strategic goals of the organization. Moreover organizations also benefited more by ensuring their employees' effort and ability to make contribution for organizational success. An effective performance appraisal system provides data that is consistent, reliable and valid; to do this the collected data should be valid and reliable.

As stated in Noe; et al (2011), there are several important human resource practices that should support the organization's strategy through different ways for instance analyzing work and designing jobs, determining number of employees, with specific knowledge and skills are needed, attracting potential employees, choosing employees, teaching employees how to perform their jobs and preparing them for the future, evaluating their performance, rewarding employees, and creating a positive work environment. An organization performs best when all of these practices are managed well.

Moreover, performance appraisal is the key ingredient of performance management (Varsha Dixit, 2007). In a workgroup, members, consciously or unconsciously, make opinion about others. The opinion may be about their quality, behavior, way of working, etc. Such an opinion becomes basis for interpersonal interaction. In the same way, superiors form some opinions about their subordinates for determining many things like salary increase, promotion, transfer, etc. In large organizations this is formalized and takes the form of performance appraisal.

According to (Keith Davis, 1978), performance appraisal will always has in any group a person's performance will be judged some way by others. From management point of view appraisals necessary in order to 1) allocate resources in a dynamic environment, 2) reward employees, 3) give employees feedback about their work, 4) maintain fair relationships within groups and 5) coach and counsel employees. Therefore, appraisal systems are necessary for strategic and tactical planning motivation, communication and equity.

As stated on the organization's manual, ERA [here in after the organization] since 1951 has been established and re-established in different proclamation no. to accomplished the specific purpose, now ERA has re-established as regulatory body by the council of Ministries Regulation No.247/2011 with responsibility to plan and manage the road network and supervise road works and accountable to Ministry of Transport. The organization Head office situated in the middle of the city around Mexico in front of Shebelle Hotel.

The organization needs to have a performance appraisal system because it enables to create a good working environment. Carefully rated performance appraisal has a big advantage to both the employee and the organization in achieving the organization goals and objectives some of the advantages are it motivates employees, clarify their current status, and provides well organized document about the employee performance and the manager can use it for organizational decision making purpose.

However, having the performance appraisal system by itself doesn't ensure that it serves its intended purpose. Rather, there are critical factors which determine effectiveness of the performance appraisal system as a whole. Having this in mind, effectiveness of performance appraisal system of ERA will be evaluated by taking in to consideration major factors; set a clear performance objective and standard, communication, measurement of the actual

performance, comparison of actual performance with the standard, give feedback, and the respective action accordingly. In other words, every organization has to continuously assess its system in the eyes of these determinant factors so that it will be easy to identify the gaps and come up with necessary corrective actions. Furthermore, the research strives to find out the major problems or challenges for effectiveness of the performance appraisal system of the given organization under consideration.

This research paper is inspired to see the effectiveness of performance appraisal system of ERA and the gaps existing in the system. By providing detail information on the performance appraisal practices of the organization the research intends to recommend for management of the organization a better performance appraisal system in order to fill the existing gaps and/or take corrective action on the system in a way that enables to achieve the objectives of the organization.

1.2. Statement of the Problem

It is known that the road sector in Ethiopia has been experiencing strong problem in completing projects according to contract agreement because of these, time and cost that incurs government additional cost. One of the major reasons is lack of strong control and supervision which is directly relate to the performance of employees. Accordingly the organization should carefully handle this sensitive issue of employee performance appraisal. Different researches indicate that one of the most critical resources for organization is its people (human resources) from which a firm can develop sustainable competitive advantage.

Roads are pathway used to facilitate the movement of people and exchange of commodities in a country. Organizations need to have a performance appraisal system because it enables to identify scope and means of performance improvement, pinpoint training and development needs of individuals, used as a base for remuneration and reward purpose, for succession planning, and as a powerful means of managerial control through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these. Mere installation of the performance appraisal system doesn't guarantee its effectiveness. Therefore, organizations should continuously evaluate their appraisal system against those identified factors which determine effectiveness of the performance appraisal system.

SAMPLE PROJECTS OVERRUN COST & TIME

No.	Project Name	Total km	Total Cost		Commencement year	Completion		Total to date
			original	Revised		Original	Revised	
1	Ambo-Welliso	64	1,203,480,403.65	1,198,954,124.04	9- Mar-15	8- Mar-18	24-Mar-18	397,451,640.41
2	Dima-Rad Bridge	60.28	926,797,267.06	856,811,042.90	16-Mar15	14-Sep-17	14-Feb-18	328,710,973.46
3	Kong-Bogundi Wenbera	69.60	400,602,188.69	894,939,506.41	11-Jan-13	10-Jan16	30-May18	987,407,723.58
4	Gedo-Menebegna	80.5	1,142,567,661.24	979,261,694.71	26-Mar-14	24-Mar-17	7-Mar-18	264,346,263.95
5	Mizan-Dima	91.6	1,133,472,329.44	1,259,227,607.14	23-Sep-13	22-Sep16	8-May-18	901,759,632.47
6	Bedele-Meto Lot 1	61	696,807,378.91	691,439,181.26	22-Apr-13	21-Apr-16	28-Feb-18	455,935,344.40
7	Durgi-Gibe-Rever (Con. 1)	26.5	376,996,880.19	341,623,093.28	1-May-13	30-Apr-16	8-Mar-17	268,203,290.21
8	Aycid-Cong	61.72	602,600,000.00	543,939,248.03	10- Mar-15	9-Mar18	No	378,740,942.44
9	Adura-Akobo & Adura-Burbe	125.54	823,697,031.20	833,462,865.17	16-May-09	16-Mar-13	30-May-19	716,112,052.67
10	Bonga-Felegeselam	51.8	842,661,582.01	884,241,311.28	1-Apr-13	30-Sep-16	21-Feb-18	462,550,000.00

The organization is currently implementing a performance appraisal approach which is called Balance Scorecard (BSC).The appraisal is conducted under the rules and manuals of employee performance appraisal evaluation and implementation which is distributed for all government organizations from the Federal Democratic Republic of Ethiopia Ministry of Public Service & Human Resource Development but the organizations can amend the issues for the use of their specific purpose. BSC is classifying Key Performance Indicator (KPIs) as per the four measurement dimensions. i.e. financial, customer, internal process and learning and growth. BSC is the tool consists of Performance objectives, Weight for each objective, Target per objective, Initiatives per objective, Rating, and Comparison with the target. However, on top of researchers' observation, a preliminary gap assessment has been conducted by the researcher and gaps were reviled regarding the expected gaps area those are setting clear performance objectives and standards, structured and open communication channel, clear measurement, awareness among the rater and employees, and rating errors.

Ethiopian Roads Authority has a huge responsibility of creating road access for all Ethiopians that is why the organization has been made a lot of reformations to meet public demand. Furthermore, road sector development is a key government focus areas which requires big investment. Even though, the organization has performance appraisal system, there is no prior research regarding the effectiveness of the appraisal system in the organization.

Therefore, the main purpose of this study is to fill knowledge gab by assessing the effectiveness of the current employee performance appraisal system of ERA based on the above selected effectiveness variables.

1.3 Basic Research Questions

Having the above stated research problem in mind, this study was conducted to address the following research questions:-

1. How is current performance appraisal system formulated at ERA?
2. What kind of performance review approach does the ERA use?
3. What are the problems which affect effectiveness of the performance appraisal system at ERA?

4. What is the perception of employees towards the current performance appraisal system?
5. To what extent the performance appraisal system is effective?

1.4. Objective of the Study

1.4.1. General objective

The main objective of this study is to assess effectiveness of the employee performance appraisal system in the case of ERA (Ethiopian Roads Authority) at the head office level.

1.4.2. Specific Objectives

To be specific, the study has the under listed objectives:

- To assess how the current performance appraisal system is formulated at ERA.
- To review the performance approaches that the organization uses.
- To investigate the problems which affect effectiveness of the performance appraisal system & to give recommendations.
- To understand the perception of employees towards the current performance appraisal system.
- To point out the level of the performance appraisal system effectiveness.

1.5. Definition of Terms (Operational Term)

In this part the researcher has put operational definition of terms as used in the study.

Performance Appraisal: - is understood under this research as evaluating an employee's current and/or past performance relative to his or her performance standards Dessler and Gary (2013).

Performance Evaluation: - is the activity used to determine the extent to which an employee performs work effectively (Ivancevich, 2004).

Performance Management: - is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values (Michael Armstrong, 2006).

1.6. Significance of the Study

It is intended that the findings of this research project help the organization to assess and evaluate the level of effectiveness of the current performance appraisal system and to gain knowledge about the problems which are affecting its effectiveness and fill the gap. These findings could be used for correction of the current performance appraisal system in a way that enables to achieve the objectives of the organization. Furthermore, this research could also be used as a ground for further researches in this title.

1.7. Scope of the Study

This study is delimited to effectiveness of the performance appraisal practice of Ethiopian Roads Authority at the head office level in Addis Ababa. It mainly focuses on perception of employees and facts collected from the Human Resource Directorate. Time scope of the study covers from 2017 to 2019 in Gregorian calendar. The reason is to assess the existing performance appraisal system. The study also delimited by seven effectiveness variables those are; objective setting, performance standard, communication, measuring performance, compare actual performance against standard, feedback and action.

1.8. Limitation of the Study

The researcher has faced the following some limitations during conducting the research:

- Some of the employees were not willing to fill the questionnaire because they are busy on their daily routine. Moreover, some of them thought that it could be against the organization's norm and policy to tell for someone about the internal issues.
- Questionnaires were not returned on time because some of the employees were out of their principal work place for field works. As a result, the response rate is to some extent negatively affected.
- The given time budget for the study was very limited.

1.9. Organization of the Study

The study contains five chapters. The first chapter contains background of the study, Definition of terms and concepts, statement of the problem, research questions, and objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study. The second chapter will have review of related literature which is related with the topic of the study. The third chapter presents research design and methodology; research design, source of data, data gathering tools, sample size and sampling techniques, and method of data analysis. The fourth chapter depicts data analysis and interpretation and the fifth chapter, focuses on summary of findings, conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Performance Appraisal

Wayne F.Cascio, (2003) indicated that performance appraisal is an exercise in observation and judgment, it is a feedback process, and it is an organizational intervention. It is a measurement process as well as an intensely emotional process. In general, appraisal serves a twofold purpose; 1) to improve employees' work performance by helping them realize and use their full potential in carrying out their firms' missions, 2) to provide information to employees and managers for use in making work related decisions.

According to Longenecker, (1997) performance appraisal is two rather simple words that often arouse a raft of strong reactions, emotions, and opinions, when brought together in the organizational context of a formal appraisal procedure. Most organizations throughout the world regardless of whether they are large or small, public or private, service or manufacturing, use performance appraisal, with varying degrees of success, as a tool to achieve a variety of human resource management objectives. Organizations use different tools and have a number of goals for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems. However, at its core, the performance appraisal process allows an organization to measure and evaluate an individual employee's behavior and accomplishments over a specific period of time (Wiese and Buckley, 1998). Yong (1996) defines performance appraisal as "an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of performance based on the job content, job requirement and personal behavior in the position". Therefore, HR development, begins with the orientation of new employees, HR training and development, and also includes the necessary information to accommodate technological changes.

Therefore; performance appraisal is normally done in order to keep a track or record of the behavior, attitudes as well as opinions of the employees towards their jobs. Appraisal of employees tells as to how efficiently the employee is performing in his/her job. Appraisal of the employees is also done to know their aptitudes and other qualities necessary for

performing the job assigned to them. But having the performance appraisal system by itself doesn't ensure that it serves its intended purpose. Rather, there are critical factors which determine effectiveness of the performance appraisal system as a whole. In other words, every organization should be continuously assess its system in the eyes of these determinant factors so that it will be easy to identify the gaps and come up with necessary corrective actions.

2.2 Appraisal System

Traditionally performance appraisal systems have provided a formalized process to review the performance of employee. They are typically designed on a central basis, usually by the human resource function, and require each line manager to appraise the performance of their staff, usually on an annual basis. This normally requires the manager and employee to take part in performance review meeting. Elaborate forms are often completed as a record of the process, but these are not living documents, they are generally stored in the archives of the human resource department, and issue of performance is often neglected until the next round of performance review meeting. The nature of what is being appraised varies between organizations and might cover personality, behavior or job performance (Derek Turrington, 2005).

2.3 The Purpose of Employee Performance Appraisals

Two decades ago, the typical supervisor or manager would sit down annually with his or her employees, individually, and critique their job performance. The purpose was to review how well they did toward achieving their work goals. Those employees who failed to achieve their goals found the performance appraisal to result in little more than their super visor documenting a list of their shortcomings. Of course, since the performance appraisal is a key determinant in pay adjustments and promotion decisions, anything to do with appraising job performance struck fear into the hearts of employees. Not surprisingly, in this climate managers often wanted to avoid the whole appraisal process, and in many instances formal appraisal programs yielded disappointing results. Their failure was often due to a lack of top-management information and support, unclear performance standards, lack of important skills for managers, too many forms to complete, or the use of appraisal for conflicting purposes. Ronald R. Sims; (2002)

2.4 Benefits and Uses of Performance Appraisal

It's not uncommon for both managers and employees to believe that performance assessments should be used to justify salary increases. Actually, many HR experts urge separating the timing of appraisals from when salary reviews are conducted by as much as three months. This way, employees won't think in terms of how their rating translates into dollars; they'll be able, instead, to focus on the specific observations of their appraiser. So, if performance appraisals shouldn't be used in conjunction with raises, how should they be used? Diane Arthur; (2008)

Performance management to be effective requires a direct interaction between the management and work force, for most purposes on system appraisal provides this. Informal appraisal system, there needs to be an assessment of the individual performance over a period of time. Self-assessment by the individual is one way of measuring this, as is peer assessment or your own evaluation of how a person is performing in their current job. However, objective measures of performance are preferable and much fairer to the individual has he or she achieved an overall, agreed standard of performance against criteria which were known in advance. Andrew Thomson, (2004).

2.5. Source of Appraisal

There are three general sources of performance evaluation data: self, peer, and 360-degree feedback. Dianna L. (2008)

2.5.1. Self-Appraisal

Dianna L. (2008) states that accordingly, most organizations employing self-ratings of performance typically do not use these ratings as the sole indicator of performance but rather in conjunction with immediate supervisor's appraisal. Research indicates that the application of self-rating in performance appraisal may be sensitive to cultural influences. In a comparison of self- versus other ratings, Farh, Dobbins, and Cheng (1991) found that Taiwanese workers actually rated their performance lower than their supervisors rated them. This effect was later replicated in relation to Chinese workers (Yu & Murphy, 1993). This "modesty bias" has been explained as demonstrating cultural differences in relation to collectivism and individualism.

2.5.2 Peer Appraisal

Dianna L. (2008) explains as work contexts have changed to incorporate more team-based work structures, it makes more sense to incorporate coworker or team member evaluations of each other into the overall rating scheme. Thus, organizations have begun to implement peer ratings as an integral facet of their performance appraisal systems. Whereas some scholars have asserted that peer ratings are the most accurate indicator of employee behavior Wexley and Kilmoski (1984), meta-analytic results indicate that peer ratings are most valid when raters have interacted with ratees long enough to understand their qualifications, objective criteria are used for evaluation, and raters believe the data will be used for only research purposes (Norton, 1992). As with other rating formats, peer ratings are sensitive to the functional and demographic similarity among the rater and ratee.

2.5.3 360-Degree Appraisal

Dianna L. (2008) states that multisource or 360-degree feedback incorporates all of the above sources of performance information in addition to ratings from the ratee's immediate supervisor and, when applicable, subordinates. The objective of this type of rating scheme is to establish convergence across the various sources. To the degree that convergence is obtained, these ratings are believed to be a more accurate representation of an employee's actual job performance. Despite the use of multiple sources of rating information, 360-degree feedback systems may still be sensitive to cultural considerations. Therefore, confidentiality regarding performance is important and the performance data obtained may be seen as intrusive.

2.6 Types of Performance Appraisal

According to Chris Obisi (2011) truly speaking, there are basically three types of appraisals. These include confidential or secret appraisal, open appraisal and we also have semi open and semi-secret. In addition to that, Mamoria (1995) and Ryars and Rule (1979) identified three types of appraisals, confidential, open appraisal, and semi-open & semi-secret.

2.6.1 Confidential Appraisal

In confidential appraisal, Murthy (1989) writes that the individual is not involved in the appraisal exercise as the appraisal outcome is not at all communicated to the person being appraised. In essence, the person's strengths and weaknesses are not communicated to him or her.

2.6.2. Open Appraisal

Open appraisal system reveals to appraise his or her strengths and weaknesses, his contributions and failures which are discussed with him or her during performance counseling interview. Mukundan (1989) writes that open appraisal method would reveal and create self-awareness, which is a process of giving insight into one's own performance. It helps the employee become more reflective and objective about himself and future planning, which establishes an action plan for the coming year in terms of fixing targets, activities, responsibilities etc. it also makes the employee aware of his key performance areas and the contribution that he is making to the organization.

2.6.3. Semi Open and Semi-Secret Appraisal

This is an appraisal process whereby performance appraisal procedure would be made open at the beginning and later made secret. For instance, if an appraise is asked to fill an appraisal form and superior rates the subordinate and return his rating to the subordinate to sign and after signing, the subordinate would not hear anything again about his final performance outcome. In some cases the subordinate would be given the form to fill and after filling and returning the form, the subordinate receives no further communication. Chris Obisi, phd, (2011)

2.7 Recognizing the Roles of Performance Appraisal

As per Ken Lloyd, PhD, (2009) managers who view performance appraisal as an isolated annual event tends to regard documentation as its sole and primary purpose. Although documentation has a place in the process, it sits beside numerous equally important functions, Motivating and educating employees, clarifying performance expectations, increasing self-awareness, communicating and reinforcing organization values, building your managerial skills, establishing performance goals, training

&developmental goals, and reviewing its effectiveness, setting the bases for promotions, transfers, and raises and preventing legal problems.

2.8 Objectives of Performance Appraisal

Performance appraisal is undertaken for a variety of reasons. According to V.Dixit, (2007), review of organizational practices shows that organizations undertake performance appraisal exercises to meet certain objectives which are in the form of salary increase, promotion, identifying training needs, providing feedback to employees and putting pressure on employees for better performance.

The overall purpose of Performance appraisal is to provide information about work performance. According to Gomez-Mejia, et al; (2001: 226) (cited by S. Govender, 2006), this information can serve a variety of purposes, which generally can be categorized under two main headings, administrative purposes and developmental purposes.

Developmental purposes of performance appraisal can serve individual development purposes by:

- Providing employees with feedback on strengths and weaknesses
- Aiding career planning and development and
- Providing inputs for personal remedial interventions, for example, referral of an Employee Assistance Program.

According to Chris ObisiPhd, (2011) performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotions and merit increases. Performance measures also link information gathering and decision-making processes, which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation. If valid performance data are available, timely, accurate, objective, standardized and relevant management can maintain consistent promotion and compensation policies throughout the total system, Burack, Elmer and Smith (1977). Performance appraisal also has other objectives, which McGregor (1957) says includes:

- It provides systematic judgment to the organization to back up salary increases
- It is a means of telling a subordinate how he is doing and suggesting needed changes in his behavior, attitude and skill or job knowledge. It lets him know where he stands with the boss.
- It is being used as a base for coaching and counseling the individual by the superior.

These roles of performance appraisal are quite important. However, as stated by J. Edmonstone, (1996), these roles can be performed only when there is systematic performance appraisal and various relevant decisions are made objectively in the light of result of performance appraisal. To be systematic and objective in performance appraisal managers require an understanding of various intricacies involved in performance appraisal like methods of performance appraisal, problems in performance appraisal and how these problems can be overcome. Thus, appraisal can work automatically as control device.

Rogers 1999 (cited by J. Mooney, 2009) highlights that setting objectives and targets remain the core activity of performance appraisal, but in practice is poorly conducted, with little regard for ensuring that organization and individual objectives are aligned as closely as possible.

2.8.1 Primary Objective of a Performance Appraisal

The primary objective of a performance appraisal is to ensure the maximum utilization of every employee's skills, knowledge, and interests. At first glance, this deceptively simple statement appears to be completely employee-directed. In truth, organizations that focus on the full use of each individual's abilities and areas of interest have a more motivated workforce; this, in turn, positively affects productivity, thereby increasing the organization's competitive edge. In the end, everyone benefits. Diane Arthur, (2008)

2.8.2 Secondary Objectives of a Performance Appraisal

Performance-Appraisal objectives extend beyond the primary focus cited above. They also serve to enhance employer employee relations. This is accomplished by strengthening the overall working relationship between managers and employees; developing a mutual understanding between managers and employees about

performance expectations, goals, and measured criteria; encouraging employees to express themselves openly concerning performance-related issues; encouraging managers to examine their own strengths and areas requiring improvement; and helping managers to coach and counsel their employees as needed. Performance appraisals also permit HR to perform key tasks more effectively by providing supportive data for decisions concerning salary increases, promotions, and disciplinary action. Diane Arthur, (2008)

2.9 Reason for Appraisal

As quoted on Gerald Cole, (2005) there are several reasons why appraisals are carried out in organizations. These may be summarized as follows

- To identify an individual's current level of job performance, employee strengths and weaknesses, training & development needs and potential performance
- To enable employees to improve their performance
- To provide information for succession planning and basis for rewarding employees in relation to their contribution to organization goals
- To motivate individuals

According to Varsha Dixit, (2007)states that performance appraisals are also essential for career and succession planning. Performance appraisals are important for staff motivation, attitude, and behavior development, communicating organizational aims, and fostering positive relationships between management and staff. Performance appraisals provide a formal, recorded, regular review of an individual's performance, and a plan for future development. Annual performance appraisals enable management and monitoring of standards, agreeing expectations and objectives, delegation of responsibilities and tasks. In short, performance and job appraisals are vital for managing the performance of people and organizations.

2.10 Challenges and Problems of a Performance Appraisal System

According to V. Dixit, (2007) explained that every organization undertakes performance appraisal, either formally or informally. There are certain barriers, which work against

effective appraisal system. Some of them are more pronounced and need to be identified so that suitable measures can be taken to reduce their impact to a minimum level.

- Distortion – distortions occur in the form of biasness and errors in making the evaluation. For instance, an appraisal system can have a distortion like halo effect, central tendency, first impression, horn effect and stereotyping.
- Poor appraisal forms – the appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
 - ✓ The rating scale may be quite vague and unclear
 - ✓ The rating form may ignore important aspects of job performance
 - ✓ The rating form may contain additional, irrelevant performance dimensions
 - ✓ The form may be too long and complex
- Lack of rater preparedness – the raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee's is going to be evaluated by a rater who has limited functional specialization in that area. The rater may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the rater may not be competent to do the evaluation owing to a poor self-managing and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

2.10.1. Absence of Clear Explanation on Performance Standards

Plunkett 1996: 481 (cited by S. Govender, 2006) states that unless supervisors clearly define and properly communicate the standards of performance, when gathering information and making observations of their subordinates, they will not be able or capable of making and sharing adequate appraisals.

2.10.2. Standards which are not Tailored to the Nature of Jobs

According to Dessler, 1997: 344 (cited by S. Govender, 2006), standards must be job related; reasonable and challenging in order to have the most potential to motivate. Standards without objective evaluation criteria will cause the raters to make subjective guesses or feelings towards performance.

2.10.3. Rating Error

Furthermore, raters' evaluations are often subjectively biased by their cognitive and motivational states (DeNisi and Williams, 1988; Longenecker et al., 1987), and supervisors often apply different standards with different employees, which results in inconsistent, unreliable, and invalid evaluations (Folger et al., 1992). Concentration on goal attainment contributes to the fairness of the system by lending an air of rational objectivity to performance appraisal (Mount, 1984).

2.10.4. Lack of Clarity on How Performance is Going to be Measured

Goal-setting theory suggests that appraisal criteria and performance goals should be clear and understandable so as to motivate the appraisee, otherwise the appraisee would not know what to work towards (Locke and Latham, 2002). This knowledge may well decrease job ambiguity, a source of stress for some individuals.

2.10.5 Lack of Well-Designed Process and Procedures

According to Beer (1987) many of the problems in PA stem from the appraisal system itself: the objectives it is intended to serve, the administrative system in which it is embedded, and the forms and procedures that make up the system. In addition, the performance system can be blamed if the criteria for evaluation are poor, the technique used is cumbersome, or the system is more form than substance. If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (Pan and Li, 2006; Ivancevich, 2004).

As cited by Zachary Dechev (2010), Walters (1995) outline the main Performance Appraisal challenges in the performance appraisal process:

- Determining the evaluation criteria. Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.
- Lack of competence. Evaluators should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the

training necessary to carry out the appraisal process objectively.

- Errors in rating and evaluation. Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.
- Resistance. The appraisal process may face resistance from the employees because of the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well as the process of appraisal. The standards should be clearly communicated and every employee should be made aware of what exactly is expected from them.

2.11 Rating Scales in Performance Appraisals

As per Gerald Cole, (2005) states that we have just seen that appraisal criteria are generally either personality oriented or result oriented. Within each of these orientations appraisers still have to 'measure' individual performance. They do so by using one or more scales for rating performance, the principal options available are:

- Linear or Graphic Rating Scales, in which the appraiser is faced with a list of characteristics or job duties and required to tick or circle an appropriate point on a numerical, alphabetical or other simple scale.
- Behavioral scales, in which the appraiser has a list of key job items against which are, ranged a number of descriptors, or just two extreme statements of anticipated behavior. Another scale, dealing with customer relations, could demonstrate a range of possible behavior from the best, eg 'deals politely and efficiently with customers at all time'. To the worst 'is barely civil to customers, is inefficient.'
- Result/Target set
- Free Written Reports, in which appraisers write essay-type answers to a number of questions set on the appraisal document.

2.12 Measurement and Assessment Issues

It can be argued that what gets measured is often what is easy to measure. And in some jobs what is meaningful is not measurable and what is measurable is not meaningful. It was

asserted by Levinson (1) that: ‘The greater the emphasis on measurement and quantification, the more likely the subtle, non-measurable elements of the task will be sacrificed. Quality of performance frequently, therefore, loses out to quantification.’ Measuring performance is relatively easy for those who are responsible for achieving quantified targets, for example sales. It is more difficult in the case of knowledge workers, for example scientists. But this difficulty is alleviated if a distinction is made between the two forms of results – outputs and outcomes. Michael Armstrong (2006)

2.12.1. Output Measures or Metrics

Financial measures – income, shareholder value, added value, rates of return, costs; units produced or processed, throughput; level of take-up of a service; sales, new accounts; time measures–speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times.

2.12.2. Outcome Measures

Attainment of a standard (quality, level of service etc.) changes in behavior; completion of work/project; acquisition and effective use of additional knowledge and skills; reaction – judgment by others, colleagues, internal and external customers.

2.13 Guidelines for Effective Performance Appraisals

It’s probably safe to say that problems like these can make an appraisal worse than no appraisal at all. However, problems like these aren’t inevitable, and you can minimize them. Do five things to have effective appraisals. Gary Dessler, (2013)

Know the Performance Appraisal Problems: - First, learn and understand the potential appraisal problems (such as central tendency). Understanding and anticipating the problem can help you avoid it.

Use the Right Appraisal Tool: - Second, use the right appraisal tool or combination of tools. Each has its own benefits and drawbacks. For example, the ranking method avoids central tendency but can cause bad feelings when employees’ performances are in fact all high. In practice, employers choose an appraisal tool based on several criteria. Accessibility and ease-of-use is probably first.

Keep a Diary: - Third, keep a diary of employees' performances over the year. One study involved 112 first-line supervisors. The conclusion of this and similar studies is that compiling critical incidents as they occur reduces appraisal problems.

Get Agreement on a Plan: - Fourth, the aim of the appraisal should be to improve unsatisfactory performance (and/or to reinforce exemplary performance). The appraisals end product should therefore always be a plan for what the employee must do to improve his or her efforts.

Ensure Fairness: - Fifth, make sure that every appraisal you give is fair. Studies confirm that, in practice, some managers ignore accuracy and honesty in performance appraisals. Instead, they use the process for political purposes (such as encouraging employees with whom they don't get along to leave the firm). The employees' standards should be clear, employees should understand the basis on which you're going to appraise them, and the appraisals should be objective and fair. One study found that a number of best practices, such as have an appeal mechanism, distinguish fair appraisals.

2.14 Criteria for Effectiveness of Performance Appraisals

As quoted on Kate Walsh & Dalmar Fisher, (2005) explained research has identified seven criteria of effective performance appraisals: setting objective and standard, communicating the standard, evaluating actual performance, giving feedback and taking corrective action. Some argue that to the degree organizations can ensure these issues are fairly and competently addressed in their systems, performance appraisals will be more effective at achieving their intended uses (Kane and Lawler, 1979). Others argue that effectiveness is not determined solely by the objective characteristics of the appraisal process but is ultimately a question of how satisfied the employee is with the outcome, including its associated rewards, and consequently, how motivated he or she feels to improve performance (Longenecker, 1997).

2.15 Effectiveness of a Performance Appraisal System

Sean McPheat, (2010) Effective appraisals are only a formal conversation about the things you've already discussed with the employee. It is a time for you to acknowledge the employee's contributions in an outlined procedure that is simply an official record of what

you have been telling them on a regular basis. If there are performance issues, again, this should be no surprise to the employee. The effective appraisal becomes yet again just an official record of information you have already shared with the employee. When appraisals are done effectively, the employee should actually look forward to the appraisal because it gives them the chance to share their own triumphs and their own input as to how the coming year should be structure with respect to goals and objectives.

Developing an appraisal system that accurately reflects employee performance is a difficult task. Performance appraisal systems are not generic or easily passed from one company to another; their design and administration must be tailor-made to match employee and organizational characteristics and qualities Henderson (cited by F. Boice and H. Kleiner, 1997). They also identified the following major factors which determine effectiveness of performance appraisal systems:

2.15.1. Organizational and Employee Objectives

One of the first steps in developing an effective performance evaluation system is to determine the organization's objectives. These are then translated into departmental and then individual position objectives – working with employees to agree their personal performance targets. This allows the employee to know “up front” the standards by which his/her performance will be evaluated. This process involves clarifying the job role, job description and responsibilities – explaining how the role and responsibilities contribute to wider goals, why individual and team performance is important and just what is expected within the current planning period. Objectives developed in this way should be reflective of the organizational goals and provide linkages between employee and organizational performance.

Richard Rudman (2003) an organization must have a clear purpose for its performance planning and review system. Ideally, the focus should be tightly on performance. This can include what performance is expected and achieved as well as how employees carry out their job responsibilities and relate to others in the workplace. To keep the focus on performance, some organizations separate performance planning and review from performance or personal development.

2.15.2. Carefully Designed Measurement System

According to Varsha Dixit, (2007), a criterion is the standard of performance the manager desires of his subordinates and against which he compares their actual performance. Criteria are hard to define in measurable or objective term. Ambiguity, vagueness and generality of criteria are difficult hurdles for any process to overcome. The actual measurement or grading system used to rate employee's performance needs to be designed carefully. A performance appraisal system which ranks employees according to a numerical rating tends to lead to a great deal of average performers.

In developing a rating system, a clear definition of each level of performance must be provided and disseminated to all employees. Employees and all supervisors must clearly believe that a rating higher than average is achievable and attainable. Of course, they should also clearly believe that ratings lower than averages are achievable and will be given if appropriate. This again will help the employees to clearly understand that the measurement system is accurately reflecting the true level of performance for every employee. Armstrong and Baron 1998 (cited by J. Mooney, 2009), describe how many organizations now use SMART criteria (specific, measurable, agreed, realistic and time related) for performance measurement.

According to S. Govender, (2006), whether performance is evaluated according to goal achievement, or value added, a common problem are inconsistencies of standards between raters. The main problem lies in the way that different people define standards. 'Good', 'average' and 'fair' do not mean the same thing to everyone (Dessler, 1997:344).

Carrell et al. 1998: 267 (S. Govender, 2006), maintains that the methods chosen and the instruments (or forms) used to implement these methods, are crucial in determining whether the organization manages its performance successfully. In addition, Carrell et al. (1998: 267) state that the dimensions listed on the performance appraisal form often determine which behaviors employees' attempt, and raters seek and which are neglected. Performance appraisal methods and

instruments should signal the operational goals and objectives to the employees, groups and the organization at large.

2.15.3. Encourage Participation

Managers and employees should discuss and preferably agree with their performance plans and reviews, yet many people find this difficult. Discussion easily descends into resentful arguments or sullen silence. Talking about previously agreed targets is likely to be more constructive and less emotionally charged. Performance discussions must produce results, for both managers and employees. They should not be seen negatively as tools of administration. They should be forward looking, not merely an audit of the past year. The employee should be an active participant, not just a passive object for analysis. Richard Rudman (2003)

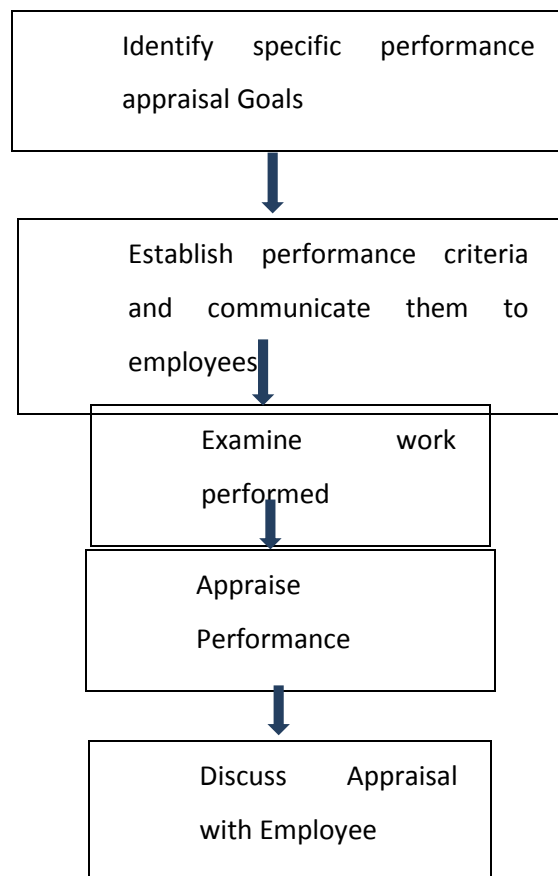


Figure 2.1 Performance Appraisal Process

2.16 Characteristics of an Effective Appraisal System

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 concerning pay increases, promotions, transfers, or terminations. In addition, the appraisal system must be legally defensible. Although a perfect system does not exist, every system should possess certain characteristics. Organizations should seek an accurate assessment of performance that permits the development of plan to improve individual and group performance. The system must honestly inform people of how they stand with the organization. The following factors assist in accomplishing these purposes. Wayne Mondy, (2012)

2.16.1 Job-Related Criteria

Job relatedness is perhaps the most basic criterion needed in employee performance appraisals. The uniform guidelines on employee selection procedures and court decisions are quite clear on this point. More specifically, evaluation criteria should be determined through job analysis. Subjective factors, such as initiative, enthusiasm, loyalty and cooperation may be important; however, unless clearly shown to be job-related, they should not be used. Wayne Mondy, (2012)

2.16.2. Performance Expectations

Managers and subordinates must agree on performance expectations in advance of the appraisal period. How can employees function effectively if they do not know what they are being measured against? On the other hand, if employees clearly understand the expectations, they can evaluate their own performance and make timely adjustments they perform their jobs, without having to wait for the formal evaluation review. 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 based on clearly understood performance expectations. Wayne Mondy, (2012)

2.16.3. Standardization

Firms should use the same evaluation instrument for all employees in the same job category who work for the same supervisor. Supervisors should also conduct appraisals covering similar periods for these employees. Regularly scheduled feedback sessions and appraisal interviews for all employees are essential. Wayne Mondy, (2012)

Formal documentation of appraisal data serves several purposes, including protection against possible legal action. Employees should sign their evaluations. If the employee refuses to sign, the manager should document this behavior. Records should also include a description of employee's responsibilities, expected performance results, and the role these data play in making appraisal decisions. Although performance appraisal is important for small firms, they are not expected to maintain performance appraisal systems that are as formal as those used by large organizations. Courts have reasoned that objective criteria are not as important in firms with only a few employees because in smaller firms top managers are more intimately acquainted with their employees' work. Wayne Mondy, (2012)

2.16.4. Trained Appraisers

A common deficiency in appraisal system is that the evaluators seldom receive training on how to conduct effective evaluations. Unless everyone evaluating performance receives training in the art of giving and receiving feedback, the process can lead to uncertainty and conflict. The training should be an ongoing process in order to ensure accuracy and consistency. The training should cover how to rate employees and how to conduct appraisal interviews. Instructions should be rather detailed and the importance of making objective and unbiased ratings should be emphasized. An e-learning training module may serve to provide information for managers as need. Wayne Mondy, (2012)

2.16.5. Continuous 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. There should be few surprises in the performance review. Managers should handle daily

performance problems as they occur and not allow them to pile-up for six months or a year and then address them during the performance appraisal interview. Continuous feedback is vitally important to help direct, coach, and teach employees to grow and improve performance. When something new surfaces during the appraisal interview, the manager probably did not do a good enough job communication with the employees throughout the appraisal period? Even though the interview presents an excellent opportunity for both parties to exchange ideas, it should never serve as a substitute for the day to day communication and coaching required by performance management. Wayne Mondy, (2012)

2.16.6. Conduct Performance Review

In addition to the need for continuous communication between managers and their employees a special time should be set for a formal discussion of an employee's performance. Since improved performance is a common goal of appraisal systems, withholding appraisal results is absurd. Employees are severely handicapped in their developmental efforts if denied access to this information. A performance review allows them to detect any errors or omissions in the appraisal or an employee disagree with the evaluation and want to challenge it.

Constant employee performance documentation is vitally important for accurate performance appraisals. Although the task can be tedious and boring for managers, maintaining continuous record of observed and reported incidents essential in building a useful appraisal. Wayne Mondy, (2012)

2.16.7. Due Process

Ensuring due process is vital. If the company does not have a formal grievance procedure, it should develop one to provide employees an opportunity to appeal appraisal results that they consider inaccurate or unfair. They must have a procedure for pursuing their grievances and having them addressed objectively. Wayne Mondy, (2012)

2.17 Conceptual Framework

This chapter tries to deal with review of literature on performance appraisal and effectiveness. Organizations need to have a performance appraisal system because it enables to create a good work environment, identify scope and means of performance improvement, pinpoint training and development needs of individuals, used as a base for remuneration and reward purpose, for succession planning purposes, and as a powerful means of managerial control through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these. Mere installation of the performance appraisal system doesn't guarantee its effectiveness. Therefore, organizations should continuously evaluate their appraisal system against the bellow identified factors which determine effectiveness of the performance appraisal system.

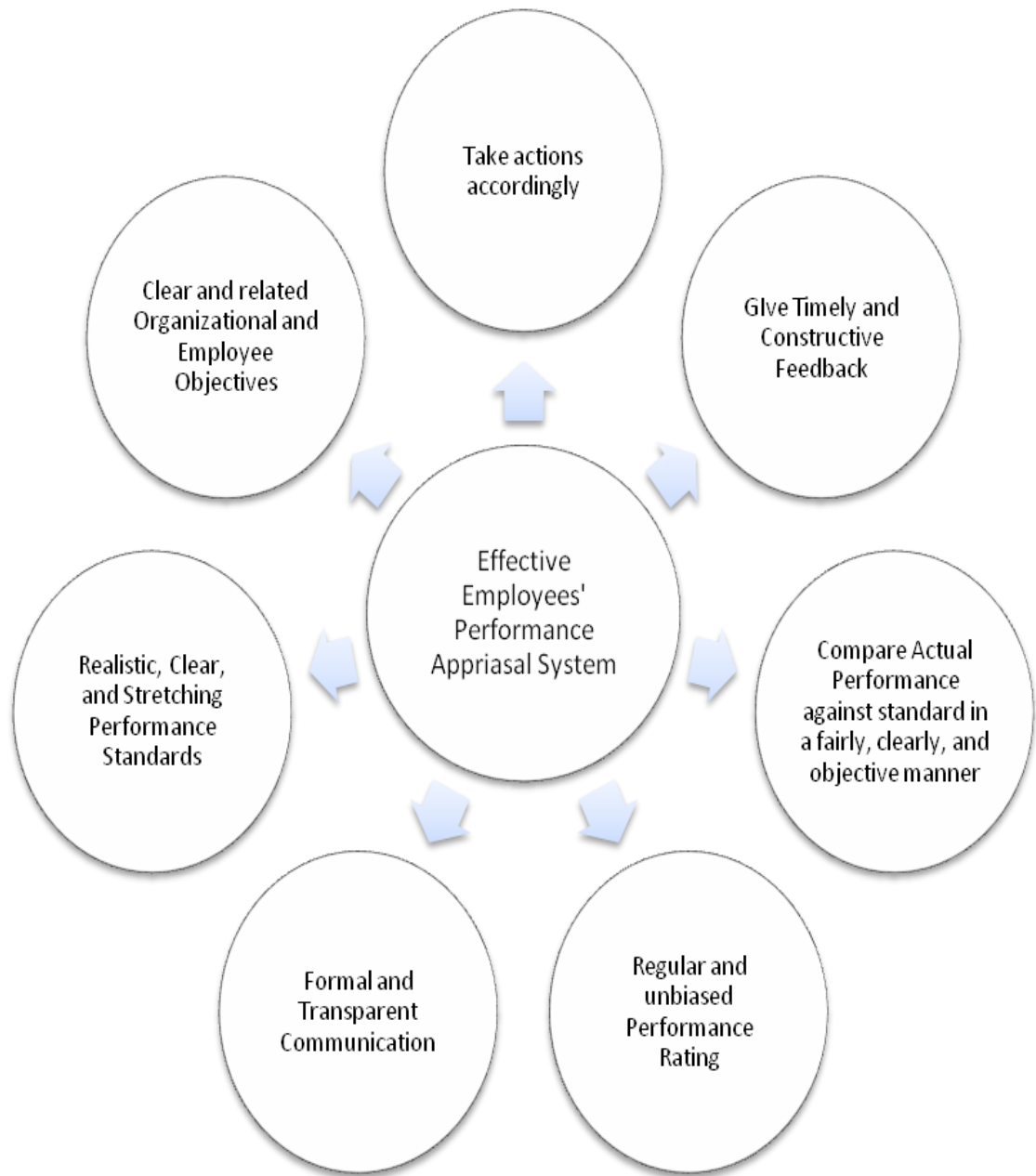


Figure 2.2. Conceptual Framework of the Study

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design and Approaches

3.1.1. Research Design

The research conducted through descriptive research method with a quantitative approach to obtain sufficient data. Descriptive research method used to describe the phenomena in gathering, summarizing, presenting and interpreting the information on a specified subject. The researcher also utilized the survey strategy for this study because it creates room for gathering large amounts of data from a sizeable population in a cost-effective manner. The researcher used a likert scale to measure the respondents' perception. Because it helps to answer the research question and assess the practice of performance appraisal and its effectiveness. According to Brian Allison, (1995), a large proportion of all research is descriptive research. In a very real sense, description is fundamental to all research. Therefore, to better see effectiveness of the organization's performance appraisal system, the role of each identified effectiveness variables are described in detail

3.1.2. Research Approaches

Based on the consideration of the stated research questions and related variables, the research has determined the suitable research design and approaches. The design shows the relationships among variables (dependent and independent). According to Coopers and Schindler (2006), suggested that the research design is the structure of investigation aimed at identifying variables and their relationships to one another. It refers to the blue print, plan and guidelines utilized in data analysis with respect to the study. It is a necessary step required in a research process if research questions and problems are to be adequately addressed. Finally, the research design leads the research to describe the types of statistical analyses used in the research study.

3.2 Population, Sample Frame, Sample Size and Sample Techniques

3.2.1. Research Population

Ethiopian Roads Authority is organized with different interrelated directorates. This structure is made based on the different nature of tasks conduct within the organization. Based on this the populations have heterogeneous behavior and the target population of this research is the permanent employees of the organization from the interrelated directorates. The organization has 966 permanent employees at the head office so this is the total population of the study. As a result, from the given scope the sample would be from Human Resource, Finance, Technical Support and others as a stratum.

3.2.2. Sample Frame

This is the list of employees used as a representative of the population in a study. It refers to a collection of all employees that constitute a population from which the sample is drawn (Osuagwu; Ngechu, 2006). In this research, the sample frame is the list of employees of Ethiopian Roads Authority (ERA) from different department at the head office level.

3.2.3. Sample Size

One of the important activities of any research is determination of sample size. Sampling is concerned with the choice of a subgroup of individuals from the target population to enable the estimation of the characteristics of the entire population (Singh and Masuku, 2014). It is vital to use an adequate number of sample size as to ensure a higher probability that results of the study has been more generalize and interpretable (Mugenda, 2008).

Sample size determination is an important element in any research. Exact test to check sample size is adequate for the analysis can be carried out by using statistical methods such as significance tests (John, et al, 2007). Therefore, representative sample of these employees was calculated based on formula for sample size determination for finite

population. To determine the sample size, the below sample determination formula has been used.

A Simplified Formula for Proportions

Yamane (1967:886) provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes in Tables 2 and 3 and is shown below. A 95% confidence level and $P = .5$ are assumed for Equation 5.

$$n = \frac{N}{N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision. When this formula is applied to the above sample, we get Equation 6.

$$n = \frac{N}{1+N(e)^2} = \frac{996}{1+996(0.05)^2} = \underline{285}$$

Given that the target population is the 996 permanent employees, the sample size is determined as 285 referring the above sample determination formula. Yamane (1967:886) 3.2.4. Sampling Techniques.

Taking in to account the nature of the study and structure of the organization, the researcher has implemented a stratified systematic sampling technique to have a more representative sample. In other words, each division has been considered as a stratum and the sample was determined proportionally in each of the stratum. If the population from which a sample is to be drawn does not constitute a homogeneous group, then stratified sampling technique is applied so as to obtain a representative sample (R. Kothari, 2004)

3.3. Types of Data and Tools/Instruments of Data Collection

3.3.1. Sources of Data Collection

Data collection will involve gathering of relevant and important data used for conducting a particular research work. Collection of data is the basis for any statistical analysis and the data collected must be accurate. Inaccurate and inadequate data leads to faulty analysis and decisions taken are misleading. So care must be exercised while collecting data. The data are two types of data source; primary and secondary data. The data collected by the investigator

himself for specific purpose of investigation is called primary data. On the other hand, data which are not originally collected but obtained from published or unpublished sources are known as secondary data. S P Rajagopalon & R Sattanathan, (2006)

3.3.2. Instrument for Data Collection

The main data collection method is questionnaire that was distributed to employees, and an interview has been made with the HR managers of the organization who are working in the organization.

The primary data were collected through questionnaire and interview. It includes open ended and close ended questions. According to R. Kothari, (2004), this method of data collection is quite popular, particularly in case of big enquiries. He also mentioned that using a questionnaire as an instrument has the following merits:

- There is low cost even when the universe is large and is widely spread geographically.
- It is free from the bias of the interviewer; answers are in respondents' own words.
- Respondents have adequate time to give well thought out answers.
- Respondents, who are not easily approachable, can also be reached conveniently.
- Large samples can be made use of and thus the results can be made more dependable and reliable.

The secondary data has been accessed from the organization's work processes, policies, procedures, forms and other documents which are linked with the performance appraisal system and also from different literatures on the area. Especially, the data has been available in Human Resource Management Directorates, Systems Management Directorates and Public Relation and Communication Management Directorates.

3.4. Procedure of Data Collection

In order to assess effectiveness of current performance appraisal system, the researcher has used a survey method with primary data collection which is collected through a self-administered questionnaire, which was administered through face-to-face distribution to the targeted employees in an established systematic way. Interview and observations has also been administered and other secondary data were collected from document review, records and reports.

3.5. Reliability and Validity

In order to achieve the objective of this thesis, the researcher has used a well-designed questionnaire and a pilot survey questionnaire had been designed and distributed to the systematically selected employees, team leaders and human resource management experts of the organization for pointing out any problems with the questionnaires instructions, for instances where items are not clear, formatting and other typographical errors and issues. Therefore; to ensure the reliability of the response, the researcher has distributed some questionnaires as a pilot test and then make some adjustments if there any inconsistency. Finally, reliability of the questionnaire has been tested by using Cronbach's Alpha. Therefore, the SPSS result shows that the questionnaire's reliability is .873.

Table 1. Reliability Test Table (SPSS result)

Reliability Statistics	
Cronbach's Alpha	N of Items
.873	41

3.6. Method of Data Analysis

To analyze the collected data has been clearly presented by using tables and charts which is expressed in the form of frequency and percentage. Then, descriptive data analysis technique has been used to analyze and interpret the organized data through closed ended and open ended. Meanwhile, SPSS was used as the main tool to conduct the analysis. Summary of statistics has organized in the form of qualitative and quantitative measure. Regarding the interpretation of the variables use on likert scale: measurement used on the basis of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. Then based on the information that obtained from the analysis, interpretations has been made to reach out some conclusions and based on the conclusion made, possible solutions have been forwarded.

3.7. Ethical Considerations

In order to effectively conduct this research the following ethical issues has been considered. Accordingly, the willingness of the selected respondents in providing the necessary data has been

assured. It may not be ethical to ask employees to answer questionnaires while they are at their duty station. Therefore, longer time should be given to respondents so that they can either take the questionnaire to their home or use their break time. Respondents are not forced to respond questions which they don't like to respond. They are informed that the study used for academic purposes. Any respondent's responses are respected and ethically included in the report. The participants have been assured that the data sought from the respondents has been kept confidential and the information related to the participants were not used other than that of the academic and research objectives; thus no violate of confidentiality take in place.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter focuses on presentation and analysis of the data gathered for the purposes of this study and discusses the findings, as discovered by the results of the analysis regarding effectiveness of the current performance appraisal system of Ethiopian Roads Authority. The theoretical part concerned with the performance appraisal system is covered in the literature review; here the presentation, analysis and interpretation of data are based on the gathered information from respondents (employees of ERA.) and the Human resource Directorate director of the organization. The resource use interview and questionnaire to gather primary data and the secondary data have been obtained different annual reports and document review. A questionnaire was distributed to the employees of the organization in a way which enables to get reliable information. Accordingly, 285 written questionnaires were distributed and 230 were completed by the respondents and returned and the remaining 55 questionnaires are unreturned. Which means the response rate is 82.73%.

4.1. Demographic Information of Respondents

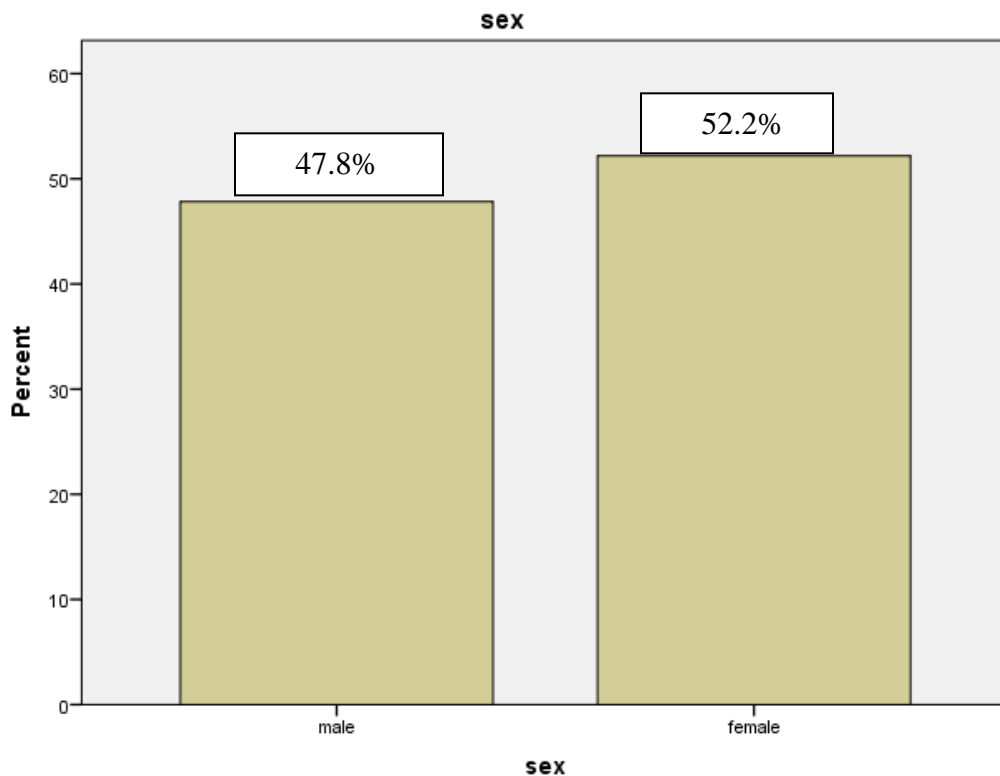


Figure 4.1 - Gender Proportion of Respondents

Based on the collected data, 47.8% of the population is male employees while 52.2% is covered by female employees. Therefore, from the collected fact, we can observe that ERA overall staffing composition.

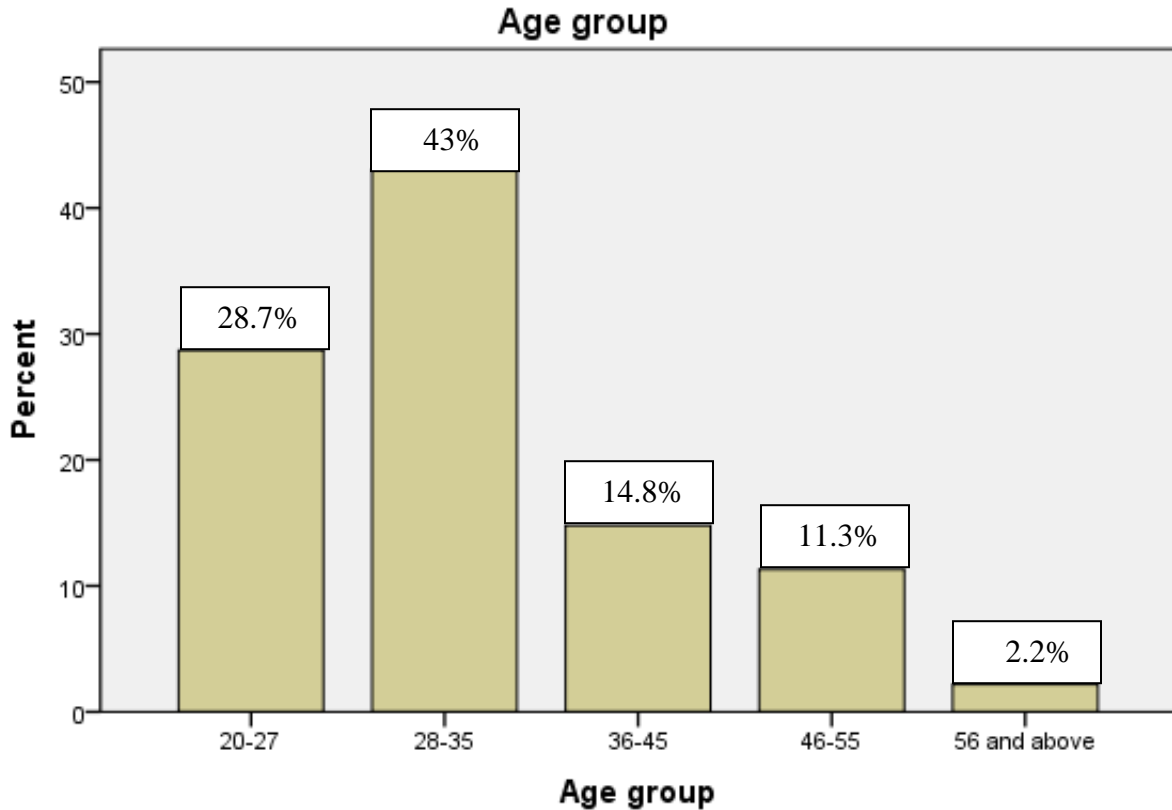


Figure 4.2 – Age Group of the Respondents

According to the above depicted chart, 28.7% of the employees are between age 20 and 27, 43% of respondents are between the age of 28 and 35, 14.8% are found between the age of 36-45, and 11.3% of the respondents are between 46 and 55 and finally the rest of 2.2% of the population are between the age of 56 and above. This indicates that the organization is staffed with different age group employees. In other words, most of the employees are belonging in the highly productive age group.

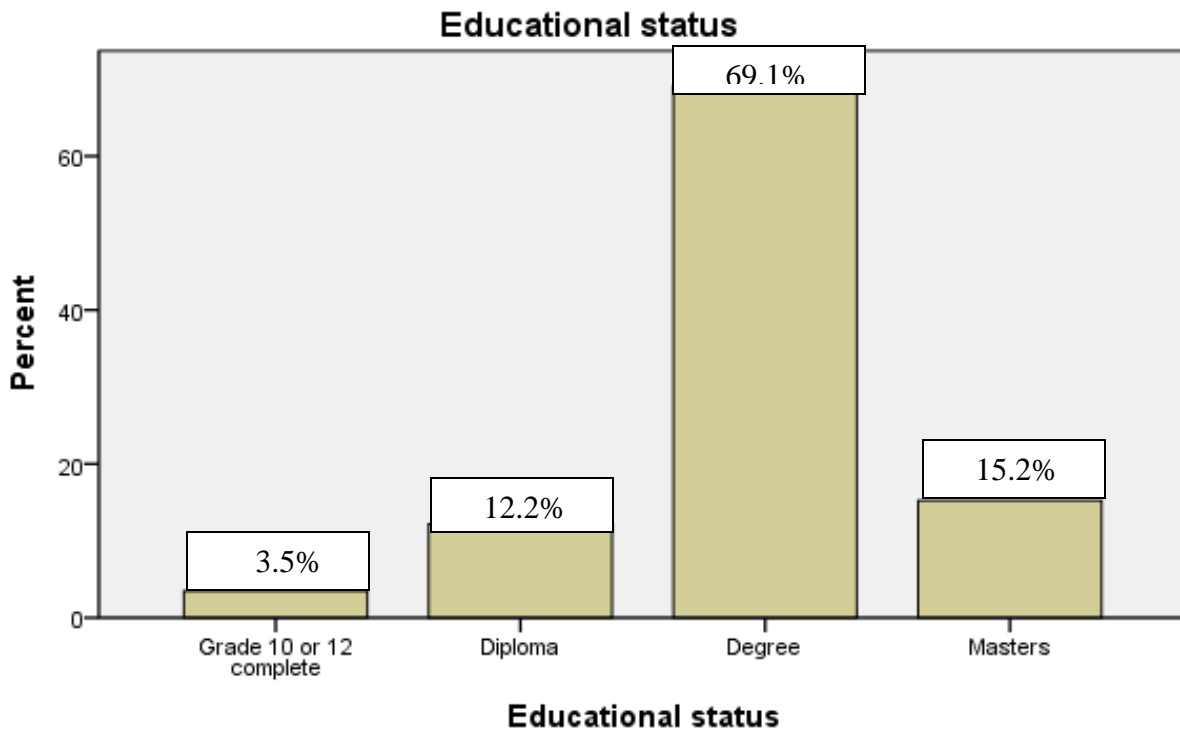


Figure 4.3 – Educational Status of the Respondents

According to the educational status of the respondents of the organization, 3.5% of employees are grade 12/10 complete, 12.2% of employees are diploma holders, 69.1% of the respondents are first degree holders and 15.2% of the employees have specialization at a master's level. Therefore, majority of the employees have at least a first degree. It implies that the respondents have attempted the questions with an understanding.

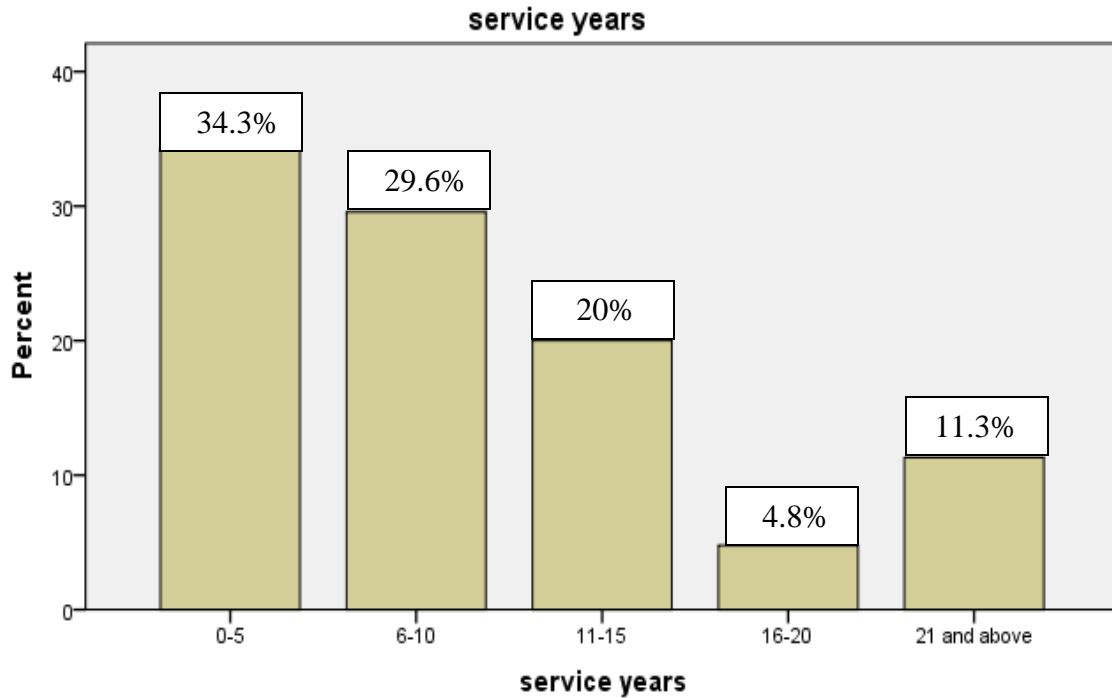


Figure 4.4 – Length of Service Years of the Respondents

As you see the above chart, the majority of the employees have relatively shorter duration in the organization. To be specific, 34.3% of the respondents have an experience between 0 and 5 years, whereas 29.6% of the respondents have been working with the organization for 6 up to 10 years, and 20% of the respondents have been working in the organization from 11 up to 15 years and 4.8% of the respondents have been working in the organization from 16 up to 20 years. Moreover, the other 11.3% of the respondents have an experience which spans from 21 and above years.

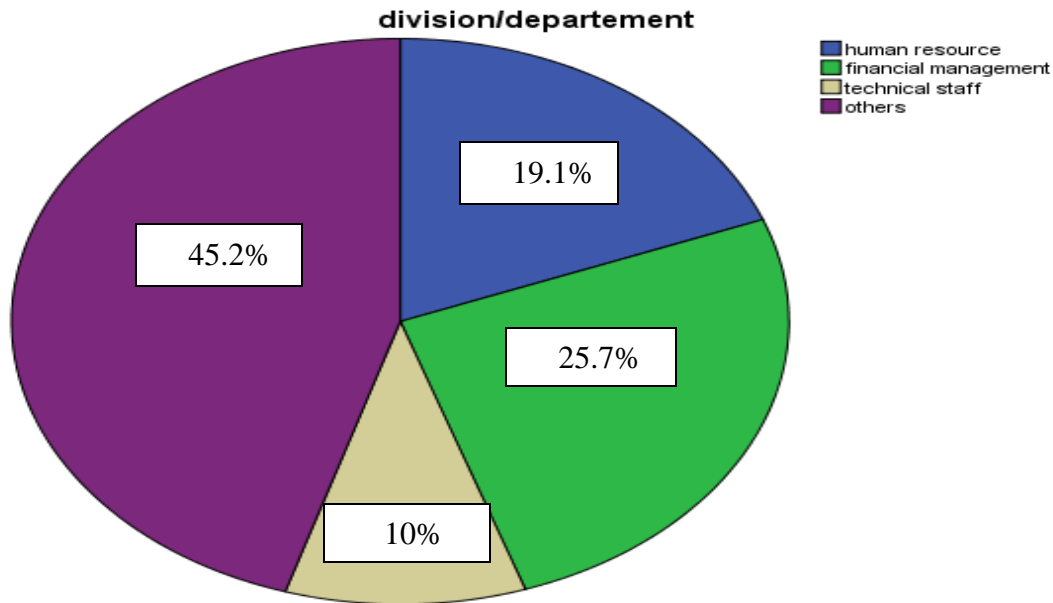


Figure 4.5 – Work Division / Department of the Respondents

For the reason of manageability, the researcher has selected four divisions as strata. Accordingly, out of 230 employees who are returned the questionnaire, 45.2% of the respondents belong to others directorates, 25.7% of respondents are from financial management directorate, 19.1% of respondents are from human resource management directorate and the rest of from under facility management directorate technical staff team.

4.2. Formulation of the Current Performance Appraisal System

This part covers the data analysis and interpretation on how the formulation of the current performance appraisal system looks like.

According to the information or interview from the human resource directorate management office of ERA, the performance appraisal system has been formulated in order to meet the following objectives:

- To enable the employees towards achievement of standards of work performance.
- To help the employees in identifying the knowledge and skills required for performing the job efficiently as this would drive their focus towards performing the right task in the right way.

- Boosting the performance of the employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism.
- Promoting a two way system of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.
- Identifying the barriers to effective performance and resolving those barriers through constant monitoring, coaching and development interventions.
- Creating a basis for several administrative decisions strategic planning, succession planning, promotions and performance based payment.
- Promoting personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills.

Table 4.1 – Employees’ Perception about Formulation of the Current Performance Appraisal System

The current performance appraisal system is directly related to the objectives of the job and of the organization			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	12	96	58	45	19	230
		Percentage	5.2	41.7	25.2	19.6	8.3	100
The performance appraisal is easy to use and understood by both immediate boss and employees			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	22	103	56	46	3	230
		Percentage	9.6	44.8	24.3	20.0	1.3	100
The performance appraisal system was developed with inputs from the employee			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	24	81	58	63	4	230
		Percentage	10.4	35.2	25.2	27.4	1.7	100

Survey Data; 2019

The question which is asked the respondent whether the current performance appraisal system is directly related to the objectives of the job and of the organization or not, 46.9% of the respondents replied that the current performance appraisal system is formulated without considering objectives of jobs specifically and of the organization in general. On the contrary, 27.9% of the respondent’s employees believed that the current performance appraisal system

is constructed by taking in to account specific job objectives and broader objective of the organization. The remaining 25.2% of respondents are neither of the two sides. From this fact, we can understand that only around 27.9% of the employees believe that the appraisal system and objectives of the organization are aligned each other whereas majority of the respondents do not agree with this viewpoint.

Concerning easiness of the performance appraisal system to use and whether it is well understood by the raters and subordinates, 54.4% of the respondents answered that the current performance appraisal system is not easy to use and also they believe that the system is not well-understood by both immediate boss and employees. On the other hand, 21.3% of respondents have agreed that the current performance appraisal system is easy to use and it is well understood by the raters and employees. The rest 24.3% of the respondents are at the middle they are neither agreed nor disagree. From this interpretation, we can comprehend that only around one fifth of the employees are agreed on the easiness of the current performance appraisal system and also well understood by employees. However, most of the respondents are not agree with this regard.

Regarding employee's participation in the development process of the current performance appraisal system, 45.6% of respondents replied that the system was developed without employees input and participation in the process. In contrast, 29.1% of the respondents have agreed that the current performance appraisal system was developed as per the input from employees. The remaining 25.2% of respondents are in between; they are neutral. As a result, it is possible to say that the current performance appraisal system is developed with a very minimal participation of employees.

4.3. Level of Effectiveness of the Current Performance Appraisal System

This part presents and analyzes to what extent the current performance appraisal system of the organization is effective.

Table 4.2- Objective Setting

Performance objectives are clearly defined in the appraisal process			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	8	84	66	57	15	230
		Percentage	3.5	36.5	28.7	24.8	6.5	100
My performance objective is directly related to the objectives of the organization			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	10	98	74	30	18	230
		Percentage	4.3	42.6	32.2	13.0	7.8	100
Discussion is made between the raters and me on the objectives			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	6	85	64	54	21	230
		Percentage	2.6	37.0	27.8	23.5	9.1	100
I'm encouraged to participate during objective setting			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
4	Respondents	Count	11	86	73	45	15	230
		Percentage	4.8	37.4	31.7	19.6	6.5	100

Survey Data; 2019

From the above table in item No. 1 for the question which asked employees whether the Performance objectives are clearly defined in the appraisal process or not, 40% of the respondents said that the organization doesn't have clearly defined objectives in the appraisal process. On the other hand, 31.3% of the respondents have agreed that the organization has clearly stated objectives. Moreover, the remaining 28.7% of respondents are neither agree nor disagree on the presence of clearly defined objectives. Even though about 31.3% of the respondent supported the presence of clearly defined objectives, having this in mind we can say that effectiveness of the current performance appraisal is compromised because of lack of clearly defined objectives in the appraisal process.

Item No. 2 Concerning with the performance objective is directly related to the objectives of the organization or not, 46.9% of the respondents replied that the current performance appraisal system is formulated without considering objectives of the organization in general and jobs specifically. On the other side, 20.8% of the respondents believed that the current performance appraisal system is constructed by taking in to account the objective of the organization and the remaining 32.2% of respondents neither of the two sides. From this fact,

we can understand that only around one fifth of the employees believe that the appraisal system and goals and objectives of the organization are aligned each other whereas majority of the respondents do not agree with this viewpoint.

Under item No. 3 employees were asked if discussion is made between immediate boss and his/her objectives. 39.6% of the respondents replied that no discussion is made between them while on the other dimension, 32.6% of the respondents believed that there is a discussion between employees and their immediate boss and 27.8% of respondents are neither of the two sides. From this fact, we can understand that effectiveness of the current performance appraisal system of the organization is negatively affected by the lack of adequate discussions on organizational and employee objectives.

As attested on the above table item No. 4 respondents were asked whether they are encouraged to participate during objective setting or not. 42.2% of respondents have replied that they are not participated in the objective setting process. In the contrary, 26.1% of the respondents have agreed that the current performance appraisal system gives chance for employees' participation. The remaining 31.7% of respondents are in-between. As a result, it is possible to say that the current performance appraisal system has gaps regarding employees' participation during objective setting based on the agreed respondent almost one fourth of the total respondent.

Table 4.3 – Performance Standard

The performance standards of my job are realistic.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	24	74	67	54	11	230
		Percentage	10.4	32.2	29.1	23.5	4.8	100
Clear performance standards are set before proceeding the performance appraisal process			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	23	79	76	44	8	230
		Percentage	10.0	34.3	33.0	19.1	3.5	100
The organization gives me standards which are related with my job.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	12	85	72	49	12	230
		Percentage	5.2	37.0	31.3	21.3	5.2	100

The performance standards make me stretch and use my full potential.		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
4	Respondents	Count	33	74	67	47	230
		Percentage	14.3	32.2	29.1	20.4	3.9

According to table 4.3 item No. 1, the question which was raised about whether performance standards are realistic or not, 42.6% of the respondents have replied that their performance stands are not realistic, on the other side 28.3% of the respondents have answered that they have realistic performance standards and the rest of 29.1% of the respondents are indifferent about the point or neutral. Based on the proportion of the result of respondent the performance standards are not realistic, we can say that achievability of performance standards didn't get the required emphasis in the organization.

Item No. 2, the question was about the practice of setting clear performance standards before proceeding to the performance evaluation which rose by the researcher. Consequently, 44.3% of the respondents have stated that the organization doesn't set clear performance standards. On the other hand, 22.6% of respondents reflected that the organization clearly set the required performance standards considering that it is a prerequisite to accomplish the evaluation activities. The remaining which is, 33% of respondents are in-between. Having this evidence in mind, it is possible to say most of the performance evaluations are conducted without having clearly pre-established performance criteria.

Regarding the item No. 3 employees were also asked to reflect their observation whether the organization gives standards which are related with their job. Consequently, 42.2% of the respondents have that the performance standards and their job is unrelated. On the other side, 26.5% of the respondents have agreed that the existing performance standards are related with the given job. In between these two perspectives, the remaining 31.3% of respondents are neutral on this point of view. By this fact, it can be said that the performance standards are prepared without considering the real features of the job and the existing context.

According to the above table item No. 4 which reflects whether the performance standards make employees to stretch and use their full potential, 46.5% of the respondents replied that the standard is not helping them to use their full potential and make not them to stretch. On

the contrary, 24.3% of respondents are agreed on the positive contribution of the standards towards a better achievement to stretch and use their full potential. Moreover, 29.1% of respondents are neither of the sides. This implies that the performance standards are not formulated in a way which let employees use their potential to the fullest possible.

Table 4.4 – Communication

I am clearly communicated about the purpose of performance appraisal			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	84	62	56	16	12	230
		Percentage	36.5	27.0	24.3	7.0	5.2	100
Formal communication processes are in place to ensure that I understand the organization's objective.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	44	103	57	22	4	230
		Percentage	19.1	44.8	24.8	9.6	1.7	100
There is a transparent discussion across the organization on performance appraisal issues.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	71	76	10	65	8	230
		Percentage	30.9	33.0	4.3	28.3	3.5	100

Survey Data; 2019

Based on the above table item No.1, 63.5% of respondents have agreed that they are not clearly communicated about purpose of the current performance appraisal system. To the contrary, 12.2% of respondents believed that they are clearly communicated about the current performance appraisal purpose and 24.3% of respondents have stated that they are neither of the two sides.

On item No.2 63.9% of respondents have replied that there is no formal communication processes are in place to ensure that they understand the organization's objective, on the other side 11.3% of the respondents are replied that there is formal communication processes to ensure that they understand the organization's objective and 24.8% of the respondents neither of the two option . From this fact, we can see that majority of the employees have agreed that they are not clearly communicated about the purpose of the appraisal system and there is no formal communication process which enables to make employees aware of the objectives of the organization. This implies that effectiveness of the appraisal system is negatively affected

because of lack of communication on performance appraisal purpose and on understanding of the organization objective.

On the other hand, in item No. 3 related with transparency, the researcher has raised for employees to reflect their observation whether transparent discussion on performance appraisal is there in the system and as a result 63.9% of respondents have reflected the absence of transparent discussions on performance appraisal matters. On the other end, 31.8% of the respondents have agreed that the organization have the required level of transparent discussion on performance appraisal. Finally, 4.3% of respondents take neither of the two sides. Having this evidence in mind, since majority of the employees believed that there is no transparent discussion; it is possible to infer that effectiveness of the existing performance appraisal system is highly affected because of lack of transparency within it.

Table 4.5 - Measuring Performance

My immediate boss discusses regularly my job performance with me.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	49	72	54	31	24	230
		%age	21.3	31.3	23.5	13.5	10.4	100
The performance rating is conducted as per the given standard.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	17	89	41	67	16	230
		%age	7.4	38.7	17.8	29.1	7.0	100
My immediate boss usually keeps a file on what I have done during the appraisal period to evaluate my performance			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	11	85	75	50	9	230
		%age	4.8	37.0	32.6	21.7	3.9	100
I am satisfied with the number of times I am appraised during the course of the year.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
4	Respondents	Count	14	83	74	50	9	230
		%age	6.1	36.1	32.2	21.7	3.9	100
The performance rating is conducted as per the given schedule/ period.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
5	Respondents	Count	27	115	41	40	7	230
		%age	11.7	50.0	17.8	17.4	3.0	100

Survey Data; 2019

As you see on the above table item No.1, respondents were asked whether their immediate boss discusses with them regularly their specific job performance accordingly 52.6% replied disagree, 23.5% were neutral, and the remaining 23.9% of the respondents have agreed. The above interpreted fact has shown that there is no regular discussion between majority of the employees and their respective raters. Therefore lack of regularly discussion between immediate boss and subordinates affects the objective of performance appraisal system.

As shown in item No.2, employees were asked if the performance rating is conducted as per the given standard, based on this 46.1% of respondents replied as performance rating is not conducted as per the given standard and on the other perspective 36.1% of respondents have agreed on it and 17.8% didn't support either of the two sides. From these all facts, since large proportion of the employees believe that their performance rating is not conducted as per the given standard. So, we can say that the rating process is vulnerable for biasness and performance rating standards didn't get the required emphasis in the organization.

In the same table of item No. 3, employees were asked if their raters usually keep a file on what they have done during the appraisal period to evaluate their performance, based on these parameter 41.8% of respondents have asserted that their immediate boss doesn't not keep a record on what they are doing throughout the appraisal period. On the contrary 25.6% of respondents have supported the existence of record keeping during the evaluation period. Apart from this, 32.6% of respondents are neither of the two sides. Based on the investigated fact, since one fourth of respondents supported the presence of performance record keeping during evaluation period, the organization should have to do to validate the evaluation result of employee's performance by keeping records.

According to item No. 4, employees were asked if they are satisfied with the number of times they are appraised during the course of the year. Hence, 42.2% of respondents replied that the existing rate of recurrence of the performance review is not satisfactory to well manage performance of the employees. On the other end, 25.6% of respondents believed that the existing frequency of appraisal is adequate to meet the required objectives of performance management. Moreover, 32.2% of respondents have preferred to be neutral. This fact indicates that larger proportions of employees are not satisfied with the existing frequency of appraisal in a year.

As per item No. 5, employees were asked about the performance rating is conducted as per the given schedule/ period and 61.7% have responded that employees are not evaluated as per the given schedule. On the other hand, 20.4% of respondents have replied that they are evaluated as per the given time and 17.8% replied neither of the two sides. This implies that majority of respondents disagreed with the issues. From this result we can say that the performance rating is not conducted as per the given time period and it needs more attention.

Table 4.6 - Compare Actual Performance against Standard

My immediate boss compares my actual performance with the standard in a fairly manner			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	15	85	69	49	12	230
		Percentage	6.5	37.0	30	21.3	5.2	100
The comparison between actual performance and standards clearly justifies the deviation.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	12	69	74	63	12	230
		Percentage	5.2	30.0	32.2	27.4	5.2	100
My actual performance is actually compared with the predetermined performance standard			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	68	77	12	65	8	230
		Percentage	29.6	33.5	5.2	28.3	3.5	100

Survey Data; 2019

Concerning the above table item No. 1, employees were asked about the fairness of the comparison of the actual performance with the standard based on these 43.5% of respondents have disagreed on the fairness of comparison actual with standard on the existing appraisal methods. On the contrary, 26.5% of respondents have supported that their performance is measured by comparing actual with the given standard in a fairly manner while 30% of respondents are indifferent. Therefore, it indicates that the current performance rating practice of the organization lacks fairness.

Regarding the item No. 2, employees were asked whether the comparison between actual performance and standards clearly justifies the deviation. Consequently, 35.2% of respondents don't believe that it clearly justifies the deviation between the actual performances and standard. On the contrary, 32.6% believed that their evaluation clearly justifies the deviations

between the standard and actual performance. Furthermore, 32.2% of the respondents replied neither of the two.

On the other hand, in item No. 3, it was raised if employees' actual performance is actually compared with the predetermined performance standard. Accordingly, 63.1% of the respondents replied that their actual performance didn't exactly compare with the predetermined standard. On the other hand 31.8% of respondents revealed that employees are just evaluated as per the pre-established performance standards. The remaining 5.2% of respondents are support either of these views. Taking in to consideration these all facts, we can deduce that actual performance of most of the employees doesn't accurately compare with the pre-established standard.

Table 4.7 – Feedback

My immediate boss gives me feedback on the moment I need coaching, appreciation, and counseling.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	68	71	46	28	17	230
		Percentage	29.6	30.9	20.0	12.2	7.4	100
I have been receiving continuous feedback from my rater			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	45	63	81	22	19	230
		Percentage	19.6	27.4	35.2	9.6	8.3	100
After the appraisal result my rater gives me a constructive feedback			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	50	93	48	25	14	230
		Percentage	21.7	40.4	20.9	10.9	6.1	100

Survey Data; 2019

On the above table Item No. 1, question was raised to the respondents if their rater gives them feedback on the moment they need coaching, appreciation, and counseling accordingly 60.5% of the respondents didn't agree that there is coaching, recognition and counseling whereas 19.6% replied that they have got the necessary coaching and counseling when they face such kind of performance gaps. The other 20.0% of the respondents confirm that they neither agreed nor disagree about the presence of such an intervention.

To see the continuousness of feedback on the current performance appraisal system, the researcher has raised a question whether employees have been receiving a continuous feedback from their respective boss. Thus, 47% of respondents have agreed on the absence of

continuous feedback from their immediate boss respectively. On the contrary, 17.9% of respondents have agreed that the required level of continuous feedback from immediate boss is there in the organization. Finally, 35.2% of respondents are in between that means they are neither agree nor disagree on the issue.

In addition, under item No. 3, employees were asked if their immediate boss gives them a constructive feedback accordingly the performance rating is completed 62.1% of respondents were disagree and 17% were agreed on the parameter while the remaining 20.9% are neutral. From this, we can understand that raters didn't give constructive feedback and the system is not as such well organized to forward constructive feedbacks in a kindly manner.

Table 4.8 - Action

The performance rating result is used as a determinant factor for compensation and benefit			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	56	59	85	22	8	230
		Percentage	24.3	25.7	37.0	9.6	3.5	100
Promotion is purely based on Performance Appraisal result			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	79	59	44	38	10	230
		Percentage	34.3	25.7	19.1	16.5	4.3	100
Information gathered through performance evaluation is used to motivate subordinates through recognition and support			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	21	48	74	69	18	230
		Percentage	9.1	20.9	32.2	30.0	7.8	100
After knowing the appraisal result the rater take the necessary action based on the given result			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
4	Respondents	Count	70	63	67	24	6	230
		Percentage	30.4	27.4	29.1	10.4	2.6	100
The performance appraisal rating is used as an input for coaching and development			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
5	Respondents	Count	73	60	50	27	20	230
		Percentage	31.7	26.1	21.7	11.7	8.7	100

Survey Data; 2019

Item No. 1, the researcher posed a question if employees' performance rating result is used as a determinant factor for compensation and benefit related decisions and as a result 50% of the

respondents have asserted that such decisions are made without considering employees' performance. On the contrary, only 13% of the employees have perceived that their compensation and benefit is determined as per the performance rating result of the period. The remaining 37% of the respondents were indifferent about the issue. From this interpretation we can infer that the organization is not using performance ratings as a base to determine employees' compensation and benefits. In fact, during the interview, the HR Directors have asserted that the organization is not directly using performance rating result as a base to determine compensation and benefit of employees.

As per the question of item No.2 of respondents are employees whether promotion is being made based on the performance appraisal result or not, accordingly 60% of the respondents have reflected promotions are given to employees without considering their respective performance appraisal result while on the other end only 20.8% of the respondents have replied that performance rating result is used as a factor to determine who should be promoted on a given post. Moreover, the rest 19.1% of the respondents are in-different or neither of the two sides. From this fact, we can deduce that majority of the employees believe that performance appraisal result is not considered as a factor to determine employee promotion within the organization.

Regarding the question raised under item No.3 on the above table which is, information gathered through performance evaluation is used to motivate subordinates through recognition and support, 50.9% of the respondents have asserted that the organization doesn't recognize or motivate good performances. On the other hand 16.9% of the organization respondent gives as there is proper emphasis for good performance. The remaining 32.2% didn't take either of the two sides. Therefore, we can reach on consensus that the current performance appraisal system is built without giving a proper attention for good performance recognition as an element for an effective performance appraisal system.

Employees were asked for after knowing the appraisal result the raters take the necessary action accordingly and 57.8% of the respondent answered that the rater didn't take any action after the appraisal while 13% of respondents replied that they have got the necessary action based on the appraisal result. The other 29.1% of respondents confirm that they are neither agreed nor disagree about the existence of such issue. From the result, we can infer that the

current performance appraisal system is not properly formulated and reinforced in a way which enables to take the necessary action based on the performance result of employees.

On the item no.5 question asked whether the performance appraisal rating is used as an input for development, 57.8% of employees answered that there is no development based on appraisal rating as an input and 20.4% of respondents replied that they have got the necessary development according to their performance rating and 21.7% were neutral. We can infer that the current performance appraisal system is not properly formulated in a way which enables too closely follow the performance of employees and to take the appropriate development as a correction when it is needed.

4.4. Problems of the Current Performance Appraisal System

This part covers the analysis and interpretation of problems which hinder effectiveness of the current performance appraisal system.

Table 4.9 – Problems which might affect Effectiveness of the Current Performance Appraisal System

There is Lack of alignment between performance appraisal system and objective of the organization			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
1	Respondents	Count	10	38	72	95	15	230
		Percentage	4.3	16.5	31.3	41.3	6.5	100
There are clear/accurate performance appraisal criteria.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
2	Respondents	Count	65	77	78	8	2	230
		Percentage	28.3	33.5	33.9	3.4	0.9	100
There is lack of emphasis for employees' participation in the appraisal process			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
3	Respondents	Count	10	20	69	97	34	230
		Percentage	4.3	8.7	30.0	42.2	14.8	100
There is lack of commitment from management for successful implementation of the performance appraisal system.			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
4	Respondents	Count	12	38	15	105	60	230
		Percentage	5.2	16.5	6.5	45.7	26.1	100
Employees are not clear about how their performance is to be measured			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
5	Respondents	Count	12	20	64	83	51	230

		Percentage	5.2	8.7	27.8	36.1	22.2	100
Employees are receiving an appropriate feedback about their job performance			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
6	Respondents	Count	62	77	51	28	12	230
		Percentage	27.0	33.5	22.2	12.2	5.2	100

Survey Data; 2019

On the above table item No. 1, employees were asked about there is lack of alignment between performance appraisal system and objective of the organization. Consequently, 47.8% of respondents have agreed that there exists lack of integration between the performance appraisal system and objective of the organization. Likewise, 20.8% of respondents have argued that there is the required level of alignment between the appraisal system and objective of the organization. Apart from this, 31.3% of employees have taken neither of the two sides. Having these all facts in mind, we can deduce that majority of the employees are just appraised for something which is not contributing for the achievement of the organization objective.

On the same table item no.2 the researcher has raised a question if there is a clear/accurate performance appraisal criterion. Accordingly, 61.8% of respondents replied that there is lack of clarity on the performance criteria. On the other hand, 4.3% of respondents are agreed on the existence of clear explanation regarding performance criteria and 33.9% of the respondent preferred to stay neutral on the matter. Considering these all facts, it is possible to say largest proportion of the employees believed that they are not clear about the existing performance criteria. It is possible to imply that performance appraisal criteria of the organization are affected from lack of clarity.

The researcher has also raised a question on the same table to see how much attention is given for employees' participation, and 57% of respondents have expressed their feeling as employees' participation is not considered as a crucial element for an effective performance appraisal system part. Next to the previous, from all respondents 13% have supported the presence of required emphasis for employees' participation and the rest of 30% of the respondents are neither of the options. Based on the above result, the organization is almost not giving an emphasis for employees' participation to accomplish an effective performance appraisal process.

As indicated in item No. 4, employees were asked about commitment from the management for successful implementation of the performance appraisal system and as a result 71.8% of the respondents have admitted that managements are not committed for the required effort for an effective implementation of the performance appraisal system. On the other side, 21.7% of employees have said that managements are committed for the successfulness of the system. Additionally, 6.5% of respondents preferred taking the neutral side. Hence, since majority of the respondents believed that managements are not committed enough for an effective implementation of the appraisal system so, we can infer that the organization is not having the required level of commitment from the management.

Concerning clarity of measurement as a challenge, 58.3% of respondents believed that they are not clear how their performance is going to be measured and 13.9% of the respondents are sure that employees are clear about the way their performance is to be measured. Moreover, the remaining 27.8% of respondents preferred to be neutral. From these all explanations, it is possible to deduce that the largest proportions of respondents are just evaluated while they are not clear about how they are going to be measured.

4.4.1. Open Ended Question

Employees were given the chance to write down if they observe any other problems related with the current performance appraisal in addition to the listed ones by the research. Therefore, the under mentioned points were just raised by the respondents as problems which are hindering effectiveness of the appraisal system.

- The performance rating is not performed within the given time frame
- Performance criteria and the system as well are not clearly communicated
- The appraisal should be done on weekly bases not on every 6 months
- The performance evaluation is done not for differentiating good performer from poor one
- There is no clear and written job responsibility; there is lack of clear job description which enables employees to know what their responsibilities and duties are.
- There is lack of clarity on the performance appraisal system.
- The performance standards lack relatedness with the task that they are performing.
- The performance appraisal process is vulnerable for biasness.
- Performance appraisal system of the organization is highly affected by personal affiliations.

- The raters are not well trained how the evaluation is to be done and there is no clear guideline on how to rate employees.
- Career developments are not related with performance appraisal system.
- The performance criteria are not as such diverse to the extent which enables to evaluate the overall contribution of employees.
- The Human Resource directorate has gaps in enforcing proper implementation of the performance appraisal process.

4.5. Interview Conducted with the HR Director

On top of the questionnaire, an interview has been conducted with the HR Director concerning the current performance appraisal approach, practice, and level of effectiveness.

Regarding the appraisal approach and important components of the rating tool, the director has stated that the following elements:

- Performance objectives which clearly specify what fulfillments are expected of each individual employee. The type and level of objectives are different across various work units and job position.
- Target for each performance objective that shows specific target of each semiannual of the year and over all target of the year as well.
- Initiatives of each performance objective which indicates what effort and creativities are required to achieve the specified targets of each performance objective.
- Employee actual rating where what the employee actually performed in each semiannual is put.
- Rating which compares the actual performance with the target and show the extent of achievement out of 100%

Similarly, regarding the role of the raters/immediate bosses, the director has explained that he/she is involved in the performance appraisal process being responsible for all of the appraisal steps from beginning to end, starting from the employee's first day on the job until the annual performance appraisal. To be specific;

- Explains to the employee how s/he helps the department attain its goals

- Works with the employee to define key result areas, goals, and performance standards and make sure s/he understands the job duties and expectations.
- Provide frequent informal coaching. Point out the good work that the employee is doing. Help employees with performance deficiencies to meet expectations.
- Work with the employee to create development plans.
- Make informal notes when the employee does a good job, follows through on development plans, or has problems doing so. These notes will help the rater with periodic reviews and the completion of the performance management process.
- Keep track of praise or complaints from customers regarding an employee's work.
- Put together all saved notes or documents about the employee's performance and assess their performance on job duties and behaviors.
- Ask the employee for feedback about how s/he performed during the year and complete performance appraisal, then discuss ratings and comments with the employee.

Moreover, the director has mentioned the following challenges which might affect the appraisal system:

- Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.
- Creating a rating instrument which focus on development and that can work for employees from different work units and positions.
- Some raters may not be up to the required expertise and knowledge to handle the overall performance appraisal process.
- Many rating errors are being committed by immediate bosses. Like halo effect, central tendency error, leniency, and so on.
- Resistance from some of the employees because of lack of awareness.
- There is lack of commitment from the management regarding working in collaboration with the HR directorate related with different intervention mechanisms in order to enhance effectiveness of the appraisal system.

Finally, the director was asked to measure the effectiveness of performance appraisal system of the organization and raised specifically they didn't measure before but they are working on that and they have a lot of gaps for instance:

- Awareness and understanding of employees as well as the management group;
- Having a formal and strong communication channel across the organization;
- Introducing a well-designed and finalized rating tool/instrument.
- Setting clear performance objectives and realistic performance standards.
- Collecting performance evidences of individuals on a weekly base.
- Conducting performance ratings with less/free from error.
- Conducting the performance rating within the given period/schedule

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Major Findings

This part of the study aims to summarize the findings that have emerged from the data analysis presented in the previous chapter. The purpose of this study was to investigate the effectiveness of the current employee's performance appraisal system of ERA. To do this the researcher has used effectiveness variables and related concepts and also statistical tools to meet the necessary. This research has a descriptive nature which describes the existing phenomenon as it exists. Moreover, four work directorates have been selected as strata on their population size and out of 996 permanent employees of the organization 278 employees were taken as a sample by using stratified systematic sampling technique and questionnaires were distributed proportionally and interview also used. Based on this the findings are shown as follows.

- Majority of the respondents replied that the appraisal system and objectives of the organization are not aligned with each other.
- The current performance appraisal system is not properly formulated in a way which enables too closely follow the performance of employees and take the appropriate coaching and counseling as a corrective action when it is needed.
- Larger proportion of the respondents responded that the current performance appraisal system is built without giving a proper attention for good performance recognition as an element for an effective performance appraisal system.
- Regarding organization and employee objectives, only below the average respondents have agreed that there is clear objective. Moreover, majority of the respondents replied that no discussion is made between employees and their immediate boss on organization and employee objectives. On the other side, significant proportion of the respondents also replied that the appraisal system doesn't reinforce the translation of overall objectives of the organization into specific job objectives.
- Related with communication, majority of the respondent agreed that they are not clearly communicated about the purpose of the appraisal system. In addition, majority of the

respondent have asserted that they have no clear direction about what they are going to do and they are not having a regular discussion regarding their performance.

- As far as measurement system concerned, largest share of the respondents have stated that performance standards of their respective job are not clear and realistic. Similarly, most of the respondents indicated that the current appraisal approach is developed in a way which gives a room for biased judgments or exposed for subjectivity. Additionally, most of the respondents asserted that the organization doesn't regularly review and discuss on the performance standards considering the existing context.
- The finding indicated that majority of the respondents have agreed on the absence of continuous feedback from rater, lack of performance evidence collection through the year. In addition, majority of the respondents replied that the existing rate of recurrence of the performance review is not satisfactory to manage well the performance of the employees.
- Majority of the employees believed that there is no transparent discussion regarding performance appraisal and also they replied that the system lacks confidentiality.
- Furthermore, most of the respondents argued that employees are not evaluated as per the pre-established performance standards, the existing performance appraisal doesn't show their performance in an objective manner, the current performance appraisal system doesn't as such support values/cultures of the organization, it doesn't show that much positive impact on ultimate performance improvement, and it doesn't properly differentiate between poor performers and good performers.

5.2. Conclusions

1. Based on the findings, most of the employees responded that the performance objective is not clearly defined in the appraisal process and performance objectives are not directly related to the objective of the organization. Hence, the fact indicates that effectiveness of the current performance appraisal system of the organization is affected by the absence of clarity and alignment between employee performance objective and objective of the organization.
2. Majority of the respondents believed that the system was developed without employees' input and participation in the process. Employees are unable to understand the current

performance appraisal system. This may be because of employees were not participated in the process of the current appraisal system formulation and execution as well.

3. The finding also revealed that majority of the respondents believed that the appraisal system and objectives of the organization are not aligned each other. Hence, even though the organization has already mentioned on paper as alignment is an important element of an effective performance appraisal system, it is not as such practiced yet.
4. As revealed in the findings, largest proportions of the respondents have stated that performance standards of their respective job are not clear, realistic and not related with job. Therefore, it indicates that the organization has no a well-designed performance standard which is one of the pillars of an effective performance appraisal system.
5. Based on communication concern, majority of the respondent reflected that the existing communication mechanism is not as such capable to clearly communicate about the purpose of the appraisal system and there is no formal communication process are in place in order to create awareness to the employees about the organization's objective. In addition, concerning transparency, majority of the employees believed that there is no transparent discussion. Therefore, it is possible to conclude that effectiveness of the current performance appraisal system is not working properly because of poor communication and it is possible to say that the organization has a lot to do to bring an effective performance appraisal system.
6. Largest portion of the respondents have stated that performance standards of their respective job are not measured and not regularly reviewed and discussed. Therefore, it indicates that the organization has no a well-designed performance measurement system which is used to ensure the effectiveness of performance appraisal system.
7. Even though the organization policy states that employee performance appraisal for permanent employees is conducted two times in a year with a semiannual review, most of the employees are not satisfied with it. Hence, it leads to conclude that the existing frequency of the appraisal is not adequate to manage performance of employees effectively.

8. Majority of the employees replied that their rating is not being evaluated against the required performance standard in a fairly manner. Hence, since fair evaluation system is the vital element of an effective appraisal system, effectiveness of the organization's current performance appraisal system is affected because of biasness.
9. The finding indicates that majority of the respondents replied that there is no coaching and counseling intervention at all and few employees believed that the organization is giving considerations for good performances. Therefore, even though the organization has awareness on the role of performance appraisal on reward and development, practically there is almost no relationship between them.

5.3. Recommendations

1. Since the major purpose of a performance appraisal system is to reinforce the efforts of employees towards the achievement of objectives of the organization, ERA has to do a lot to bring the required level of alignment between its performance appraisal system and objectives of the organization. To do so, the organization has to assess performance of employees based on the cascaded organizational objectives. Moreover, the system has to be constructed in a way which can be easily understandable by all the employees of the organization.
2. The organization needs to give a greater emphasis for employees' participation to incorporate employees' voice and ensure their ownership whenever there is any issue which affects its performance appraisal system.
3. One of the major purposes of a performance appraisal system is developing employees. Therefore, ERA has to work a lot to align its performance appraisal system and employee development objectives of the organization.
4. The ultimate objective of any performance appraisal system is obviously discriminating between good and poor performers. As a result, the organization needs to recognize those good performers and council and coach those who are performing below the standard in order to develop/improve their performance.
5. The organization needs to develop employee objectives which are cascaded down from the overall objectives of the organization and these objectives have to be clearly discussed between employees and their immediate boss and also as organization. Moreover, the

organization performance appraisal system should also be designed in a way which supports this alignment.

6. Communication is also the vital element of an effective performance appraisal. Hence, the organization has to install a well-formulated communication channel which enables employees to be aware of the purpose of the appraisal system, to be informed what they are going to do, and to frequently discuss with their rater about their performance.
7. Performance standards of the respective job have to be constructed in a clear, realistic and measurable manner and these standards have to be regularly reviewed and discussed. Moreover, the appraisal approach should also be free from biasness.
8. Related with frequency of the appraisal, the organization needs to adjust the current performance appraisal system in a way which enables to forward continuous feedback to subordinates from their immediate boss. In addition, since employees are not satisfied with the number of times that currently performance is conducted, the organization has to increase frequency of the formal performance review per year.
9. Since majority of the respondents believed that there is lack of transparency. Hence, the organization has to create an environment which enables employees and their raters to transparently discuss on performance issues. Otherwise, it has an impact on the effectiveness of the current performance appraisal system.
10. Concerning problems with the current performance appraisal system, the organization better give attention for all of the identified problems based on their extent of occurrence and resolve accordingly. For instance, problems; lack of emphasis for employees' participation in the appraisal process and employees are not rated according to the nature of their job has to be given due attention.

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APPENDICES

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

Survey Questionnaire

**MBA Research on the Effectiveness of Employee Performance Appraisal Questionnaire
to be completed by Ethiopian Roads Authority employees**

Dear Respondents:

The purpose of this questionnaire is to collect data to assess ERA's effectiveness of employee performance appraisal. The research contributes towards the fulfillment of the Master's Degree in business Administration (MBA).

The validity of your response has great contribution for the success of my thesis. Thus, I would like to ask with due respect to give me the right response. All responses that you provide are strictly confidential and will be used only for academic purpose.

Thanks for your cooperation.

Yours Faithfully,

Fitsum Hailegebriel

Contact Address:

If you have any query, please don't hesitate to contact me. At – Tele - +251 913080415 or

E-mail – fitsumeneh@gmail.com

Thank you in advance for your indispensable cooperation!

Instruction

- In filling the questionnaire you are not expected to write your name,
- put √ or X marks in the box provided
- write your brief answers in the space provided

Part One: Demographic Variables of Respondents

1.1. Gender: Male Female

1.2. Age Group: 20 –27 28-35
36-45 46-55 56 and above

1.3. Educational Status: Grade 10 or12 Complete Diploma
Degree Masters

Other please specify _____

1.4. Your service year: 0 – 5 6 – 10
11-15 16- 20 21 and above

1.5. Which division are you in?
Human Resource Admin.
Financial Management Directorate
Technical Stuff
Others

Part Two:

Opinion survey on performance appraisal

Instruction

Please indicate your level of agreement based on the following rating scale these are:

Where: 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

NO.	Statement	Rating Scale				
		1	2	3	4	5
Employee Perception on the Current Performance Appraisal						
1	The current performance appraisal system is directly related to the objectives of the job and of the organization					
2	The performance appraisal is easy to use and understood by both team leader or immediate boss and employees					
3	The performance appraisal system was developed with inputs from the employee					

No.	Statement	Rating Scale				
		1	2	3	4	5
Setting Performance Objectives						
1	Performance objectives are clearly defined in the appraisal process					
2	My performance objective is directly related to the objectives of the organization					
3	Discussion is made between the team leader/boss and me on the objectives					
4	I'm encouraged to participate during objective setting					
Performance Standard						
1	The performance standards of my job are realistic.					
2	Clear performance criteria (standards) are set before proceeding the performance appraisal process					
3	The organization gives me a clear standard related with my job.					
4	The performance standards make me stretch and use my full potential.					

Communication					
1	I am clearly communicated about the purpose of performance appraisal				
2	Formal communication processes are in place to ensure that I understand the organization's objective.				
3	There is a transparent discussion across the organization on performance appraisal issues.				
Measuring Performance					
1	My immediate boss discuss regularly my job performance with me				
2	The performance rating is conducted as per the given standard.				
3	My immediate boss usually keeps a file on what I have done during the appraisal period to evaluate my performance				
4	I am satisfied with the number of times I am appraised during the course of the year				
5	The performance rating is conducted as per the given schedule/ period				
Compare Actual Performance against Standard					
1	My team leader/boss compares my actual performance with the standard in a fairly manner				
2	The comparison between actual performance and standards clearly justifies the deviation.				
3	My actual performance is actually compared with the predetermined performance standard				
Feedback					
1	My team leader/immediate boss give me feedback on the moment I need coaching, appreciation and counseling.				
2	I have been receiving continuous feedback from my team leader/boss				
3	After the appraisal result my team leader/boss gives me a constructive feedback				
Action					

1	The performance rating result is used as a determinant factor for compensation and benefit					
2	Promotion is purely based on Performance Appraisal result					
3	Information gathered through performance evaluation in is used to motivate subordinates through recognition and support					
4	After knowing the appraisal result the rater take the necessary action based on the given result					
5	The performance appraisal rating is used as an input for coaching and development					

Where: 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

No.	Statement	Rating Scale				
		1	2	3	4	5
1	There is Lack of alignment between performance appraisal system and objective of the organization					
2	Is there clear/accurate performance appraisal criteria.					
3	There is lack of emphasis for employees' participation in the appraisal process					
4	There is lack of commitment from senior management for successful implementation of the performance appraisal system.					
5	Employees are not clear about how their performance is to be measured					
6	Employees are receiving an appropriate feedback about their job performance					

If there any other problems with the current performance appraisal system, please write down here;

.....

Thanks for your cooperation and giving time

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

MBA Research on the Effectiveness of Employee Performance Appraisal Interview to be completed by Ethiopian Roads Authority HR Manager

Dear Respondent:

This interview is prepared by graduate student of St. Mary's University in the field of Business Administration as the partial fulfillment of the requirement for Master's degree. This interview is prepared to assess the effectiveness of employee performance appraisal of Ethiopian Roads Authority. Collect data which can assist to prepare a thesis.

The validity of your response has great contribution for the success of my senior thesis. Thus, I would like to ask with due respect to give me the right response.

Interview

1. What are the objectives of the performance appraisal system?
2. What are the important components of the performance appraisal system format?
3. What is the role of rater?
4. What are the main challenges which might affect the appraisal system?
5. How do relationships and management styles affect the performance appraisal practice?
6. How do you measure the effectiveness of performance appraisal?

DECLARATION

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

Name

St. Mary's University, Addis Ababa

Signature

JUNE, 2019

ENDORSEMENT

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

Name

St. Mary's University, Addis Ababa

Signature

JUNE, 2019