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**ASSESEMENT OF PERFORMANCE APPRAISAL: THE CASE OF ACTION
FOR DEVELOPMENT**

**BY
MARKOS WONDAFRASH**

**June, 2017
Addis Ababa, Ethiopia**

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FOR DEVELOPMENT**

BY MARKOS WONDAFRASH (SGS/0295/2008A)

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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June, 2017

Addis Ababa, Ethiopia

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

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Ass.Professor Showa Jemal. 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.

MarkosWondafrash_____

Signature

St. Marys University, Addis Ababa June, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's University, school of graduate studies for examination with my approval as a University advisor.

Ass. Professor Showa Jemal_____

Signature

St. Mary's University, Addis Ababa

June, 2017

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Acronyms

AFD- Action for Development

NGO- Non Governmental Organization

PA- Performance Appraisal

PAS- Performance Appraisal Systems

PMS- Performance Management System

Abstract

Employee performance appraisal is one of the most commonly used management tools in the organization irrespective of their type, size and objective. The study has the general objective of assessing employee performance appraisal practice of AFD. An assessment of performance appraisal system has been studied as a significant factor in employee acceptance and satisfaction. This study assesses the performance appraisal system of AFD. Data were obtained via questionnaire from 90 participants at the Addis Ababa head office, Bale, Wadera, Yabello and Jinka Field office staffs. The findings of the study indicated that Majority respondents of (60%) agreed that performance appraisal should be done twice a year and the role of subordinate in the evaluation process should not be overlooked, 43.48% of employee said that the purpose of performance appraisal system is for salary increments. 55.56% of the employee believed that bias in evaluating performance and 33.33% no link between evaluation criteria and employee jobs were problems applies to Appraisal System of AFD. With this context the management effort to the betterment of the appraisal system will result in reliable performance measurement.

KEY WORDS: Performance Appraisal, Performance Appraisal System, Performance Standard, Organizational Commitment, Job Satisfaction, Productivity,

CHAPTER ONE

INTRODUCTION

1.1 An Overview of Performance Appraisal

Performance Appraisal practice are now considered as one of the key contributing factors to the success of an organization. But in Ethiopia it is relatively a new human resource practice. An organization success or failure is highly determined by effective and efficient utilization of resources at its disposal, such as human, material, financial and information resources. Among this four resource, the human resource is the most important part and crucial of all resources for the survival of an organization or business firms.

The degree of human resource contribution should be evaluated in the development of the organization or business firm and is called Performance Appraisal. PA can be used as a motivational tool for communicating performance expectation to employees and providing them with feedback (Thomas & Bertz, 1994). PA is the identification, measurement and management of human performance in an organization (Gomez 2001). Additionally, information obtained during the appraisal process can be used as a basis for personnel manager, carrier training and promotion, lay off, transfer, salary increments and criteria for selection procedure by applying various appraisal methods.

This research paper focus on Action for Developmenta local nongovernmental humanitarian organization who has commenced the transition towards performance management in the holistic framework of strategic management, being operationalized through its Balanced Score Cards(BSC). The transition to performance management requires the application of periodic staff performance review and appraisal as an integral

part of the holistic performance management framework. AFD has been conducting staff appraisal annually with the help of established performance review and appraisal guidelines prepared for use by Line Managers at all levels of the organization to facilitate and refine the process of participatory staff appraisal with a view to enhancing employee and organization effectiveness and accountability. It is, moreover, hoped that it will make possible a performance management process that is fair, transparent, participatory and objective.

1.2 Statement of the problem

PA is the key task of human resource manager if it is properly appraised with the help of clearly stated objectives and work plan. The main reason for focusing in Action for Development is to identify whether or not the current appraisal practice of the organization contributes for the attainment of the stated objectives of the organization and to check whether or not the system in place for measuring employee performance is accurate and free from bias. The techniques applied should be valid and reliable for any human resource decisions to depend on the result of performance appraisal.

In many cases, however, it is not possible to obtain objective performance measure on an individual base. Besides, existing objective measure usually correspond only to part of employee tasks, which may lead to distorted incentives (Milgram& Roberts, 1988, Holmstorm&Milgram, 1991). Therefore, many firms implement some kind of subjective performance evaluation (Grund&Przemeck, 2008)

Many empherical studies have shown that subjective performance ratings of supervisors are subject to the centrality and leniency bias (Grund&Przemeck, 2008)

In Action for Development, performance evaluation is conducted once a year and there are six types of standardized forms. i.e.

- EPA 001- PA form for support and programme staff below Grade VI, except DFs (Amharic Version)
- EPA 002- Review feedback provider's nomination list (Amharic Version)
- EPA 003- Stakeholders review feedback form (Amharic Version)
- EPA 004- Nomination list for review feedback providers (For programme staff)
- EPA 005- Stakeholders review feedback form (For programme staff)
- EPA 006- Performance assessment form for program staff

The PA forms for support staffs and program staff below Grade VI contains more of subjective type questions but for Programme and above Grade VI both subjective and objective type questions are included in the forms..

1.3 Research Objective and or Research Questions

1.3.1 General Objective

The major objective of this research is to assess, identify and analyze the practices and problems of Performance Appraisal in AFD, and to give recommendations based on the principles and concepts in the literature review, and the empirical findings of the study

1.3.2 Specific Objectives

The specific objectives are:

- To explore the objectives of performance appraisal of AFD

- To illustrate the nature of performance appraisal practices and related problems within AFD.
- To assess the criteria/instrument used to conduct performance appraisal capability of measuring the employees' true performance in AFD.
- To explore the potential sources of problems underlying the performance appraisals in AFD.

1.4 Research Questions

This research has tried to give answers to the following research questions.

- How does the performance appraisal process of AFD conducted?
- Is the performance appraisal system of AFD meeting its intended objectives?
- Are the criteria used in the system applicable?
- What are the major problems underlying the appraisal system of AFD?
- What to assess or job outcome to observe and measure?
- How to communicate assessment results?
- Does the PA system affect employee's motivation?
- Does the system affect a specific category of employees
- How do employees perceive the PA

1.5 Significance of the study

The research paper tries to cover the performance appraisal of AFD. The paper proposes important recommendations and suggestions for inappropriate methods, if practiced. The study may serve as a spring board for researchers to conduct further study in this area. Last but not least is it serving as a partial fulfillment of the Masters Degree in Business Administration.

1.6 Scope and limitation of the study

The research paper is limited to the specific company which is found in Addis Ababa city. It covers performance appraisal system, method and the problems associated with the evaluation of employees. Due to limitation of time and resources, the report may not be detail. The other limitation of this project is that the findings are based on sample and thus the sample may not be representative of the total population.

1.7 Organization of the study

This research paper has five chapters; the first chapter deals with an overview of performance appraisal, Statements of the problem, Objective of the study and research question, general objectives, specific objectives, research questions, significance of the study, scope and limitation of the study and organization of the study. The second chapter deals with review of related literature. The third chapter has methodology. The fourth chapter has findings and analysis of the data. The last chapter has made summery, conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2.1 Performance Appraisal System

2.1.1 Meaning of performance:

There are different views on what performance means. According to Brumbrach(1988, cited in Armstrong, 2000):'Performance can be actions as well as their consequences. Behaviors originate from a performer and convert performance from a concept to an act. Not just the instruments for results, behaviors are also outcomes in their own right - the product of mental and physical effort applied to tasks - and can be judged apart from results.

The above definition considers performance to be involving both the actions, in other word behaviors, taken during the process in attempting to achieve goals and outputs obtained as a result from the effort.

Following this, Armstrong (2000) emphasizes the need for managers to deal with the potential of employees and accomplishments while managing performance.To determine if performance has been achieved, measures have to be developed to appraise the accomplishments and establish the rate at which it has been accomplished. Above all, performance should be about the decision and action taken with available information at any existing situation.

2.1.2 Theories of PA

Even though there are many theories related to performance appraisal, the researchers believe that equity and expectancy theories (Kellogg and Negros, 2002; Richer, 2002; Vroom, 1964) and goal theory (Armstrong, 2006) are appropriate for the current study.

2.1.2.1 Equity Theory

Equity simply means fairness. Workers are motivated when they discover that they are treated fairly in compensation, promotion and that there is transparency in their evaluations. Workers reduce their efforts if they feel that they are treated inequitably (Hyde, 2005).

2.1.2.2 Expectancy Theory

Expectancy theory (Vroom, 1964) indicates that employees will be motivated to exert high level of effort when they believe that their efforts will lead to higher performance (expectancy), higher performance will lead to rewards (instrumentality) and rewards are valuable to them (valence). This effort will lead to good performance appraisal and followed by organization rewards such as bonus, salary increment or promotion which later satisfy personal goals (Vroom, 1964). This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Salaman, 2005).

Goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him/her for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic (Salaman, 2005). The theory emphasizes the important relationship between goals and performance.

Research supports predictions that the most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance. The motivational impact of goals may be affected by moderators such as ability and self-efficacy. Managers widely accept goal setting as a means to improve and sustain performance (DuBrin, 2012). Based on hundreds of studies, the major findings of goal setting is that individuals who are provided with specific, difficult but attainable goals perform better than those given easy, nonspecific, or no goals at all. At the same time, however, the individuals must have sufficient ability, accept the goals, and receive feedback related to performance (Latham, 2003).

2.1.3 History of PAS

The history of performance appraisal is fairly concise. Appraisal really began with the Second World War. It was used to assess results. Dulewicz (1989) says that there is an indispensable human inclination to judge the work of other people as well as one's own work. It can thus be said that appraisal is both unavoidable and universal. Even without the existence of a planned appraisal system, one can have a tendency and find it natural to evaluate the job performance of another easily and subjectively.

Performance appraisal was seen in the industry in early 1800. Randell (1994) identified its use in Robert Owen's use of "silent monitors" in the cotton mills of Scotland. The Silent monitors were in terms of blocks of wood with different colours painted on each visible side and it was hung above each employee's work station. At the end of the day, the block was turned so that a particular colour, representing a grade of the employee's performance, could be seen by everyone.(Weise and Buckley, 1998) Subjective evidence indicates that this practice had a facilitating influence on subsequent behavior.

Spriegel(1962) and Weise and Buckley(1998) affirm that by the early 1950s, 61 per cent of organizations regularly used performance appraisals, compared with only 15 per cent immediately after World War II. DeVries et al. (1981) pointed out the primary tool to be the trait-rating system, which focused on past actions, using a standard, numerical scoring system to appraise people on the basis of a previously established set of dimensions. The main tool, used under here was trait rating system.

The concept of Management by Objective (MBO) was first proposed by Peter Drucker in 1954. Mcgreror then used it in the appraisal process in the year 1957. He suggested that, employees should be appraised on the basis of short-term goals, rather than traits, which are jointly set by the employee and the manager. Weise and Buckley (1998) affirm that this method was very advantageous as it lead to a transformation of a manager's role from being a judge to a helper. It also showed that employees' productivity ultimately leads to performance. However, when employees' performance was measured on the basis of units, then MBO was ineffective. This lead to new development in the appraisal process and the employees were evaluated on the basis of 'behaviour based rating'. Smith and

Kendall (1963) designed the first tool to focus on behaviors and it was the Behaviorally Anchored Rating Scales (BARS).

2.1.4 Modern Appraisal

Today's performance appraisal process has evolved into a more planned and formal process. It is used as a means which helps identify and compare employees' performances. The appraisals data are frequently being used to review several Human Resources decision. It can determine any need for career developments and trainings. For issues such as raise in salaries, rewards and promotions, employers are more and more making use of the appraisals' results.

Appraisals have now developed into a regular and intervallic system in organizations, normally carried out at least once a year. When talking about the modern approach to appraisal, the term feedback cannot be ignored. The one-to-one discussion between supervisors and subordinates gives rise to feedback and is referred to as the feedback process. This process can improve communication all through the organization but also it can reinforce employees' relationships with their superiors. This is so as the workers have the feeling that they do matter to the organization and that their needs are being taken into consideration.

The performance appraisal system has most likely become a future-oriented approach as it aims to improve future performances by considering present problems.

2.1.5 Performance Management System (PMS)

Noe et al (2006) define performance management as "the process through which managers ensure those employees' activities and outputs are congruent with the organization's goals. The concept of performance management has contributed a lot in the development Human Resource Management in recent years. The concept was first coined by Beer and Ruh in 1976. However, it is barely in the mid 1980's that it had been accepted as a distinctive approach.

Performance Management is widely being used in organizations so as to obtain the best results by trying to improve performance of the workforce. Goals and standards are being planned well beforehand in order to get satisfied outcomes.

2.1.6 Performance Appraisal System (PAS)

Performance appraisal also known as performance review, formally documents the achievements of an individual with regards to set targets. It is a component of PMS. The system has become an essential management tool in today's organizations. Managing employees' performance can be said to be as important as any other work that all managers execute during the year.

Grote (2002) describes performance appraisal as a formal management tool that helps evaluate the performance quality of an employee. Schneier and Beatty as cited in Patterson (1987) define it as a process which apart from evaluating also identifies and develops human performance.

According to Karol (1996) performance appraisal includes a communication event planned between a manager and an employee specifically for the purpose of assessing that employee's past job performance and discussing areas for future improvement.

2.1.7 Purposes of PAS

The most known purpose of performance appraisal is to improve performance of individuals. Cummings and Shwab (1973) held that performance appraisal has basically two important purposes, from an organizational point of view and these are:

1. The maintenance of organizational control
2. The measurement of the efficiency with which the organizations human resources are being utilized.

Still, there are also a variety of other declared purposes for appraisal as per Bratton and Gold (2003) and Bowles and Coates (1993) and some are; improving motivation and morale of the employees, clarifying the expectations and reducing the uncertainty about performance, determining rewards, identifying training and development needs, improving communication, selecting people for promotion, discipline, planning corrective actions and setting targets.

Furthermore, Bowles and Coates (1993) conducted a postal survey of 250 West Midland companies in June 1992, where organizations were asked questions pertaining to the use of Performance management in the organization. These questions included the apparent purpose of PA in the management of work, its strengths and weaknesses. Through their survey they found out that PA was beneficial in the following ways:

- ✓ PA was favorable in developing the communication between employer and employee
- ✓ It was useful in defining performance expectations
- ✓ It helped identified training needs.

Performance appraisal can thus be used as an effective tool to improve employees' job performance by identifying strengths and weaknesses, meeting of targeted goals and providing training if needed.

2.1.8 Use of PA

The main reason for appraising performance is to enable employees to use their effort and ability so that organizations achieve their goals and consequently their own goals. Generally, the following are the main uses of performance appraisal (Werther& Davis, 1996).

2.1.8.1 Performance improvements

Performance feedback allows the employee, the manager and personnel specialist to intervene with appropriate actions to improve performance (Werther& Davis, 1996).

2.1.8.2 Compensation adjustments

Performance evaluation helps decision maker determine who should receive pay raises. Many firms grant part or all of their pay increase and bonuses on the basis of merit, which is determined mostly through performance appraisals (Werther& Davis, 1996).

2.1.8.3 Placement decisions

Promotion, transfer, and demotions are usually based on past or anticipated performance. Often promotions are a reward for past performance (Werther& Davis, 1996).

2.1.8.4 Training and development needs

Poor performance may indicate a need for retraining. Likewise, good performance may indicate untapped potential that should be developed (Werther& Davis, 1996).

2.1.8.5 Career planning and development

Performance feedback guide career decisions about specific career paths one should investigate (Werther& Davis, 1996).

2.1.8.6 Staffing process deficiencies

Good or bad performance implies strengths or weakness in the personnel departments staffing procedures (Werther& Davis, 1996).

2.1.8.7 Informational inaccuracies

Poor performance may indicate errors in job analysis information, human resource plans, or other parts of the personnel management information system. Reliance on inaccurate information may have led to inappropriate hiring, training, or counseling decision (Werther& Davis, 1996).

2.1.8.8 Job design errors

Poor performance may be a symptom of ill-conceived job designs. Appraisals help diagnose these errors (Werther& Davis, 1996).

2.1.8.9 Equal employment opportunity

Accurate performance appraisals that actually measure job related performance ensure that internal placement decisions are not discriminatory (Werther& Davis, 1996).

2.1.8.10 Feedback to human resources

Good or bad performance throughout the organization indicates how well the human resource function is performing (Werther& Davis, 1996).

According to Gomez-Mejia et.al (2001), Organizations usually conduct appraisals for administrative and/or developmental purposes. Performance appraisals are used administratively whenever they are the basis for a decision about the employee's work conditions including promotions, termination and rewards.

Development uses of appraisal which are geared toward improving employees' performance strengthening their job skills, including counseling employees on effective work behaviors and sending them for training.

The major functions of PA are to give employees feedback on performance, to identify the employees' developmental needs to make promotion and reward decisions, to make demotion and termination decisions and to develop information about the organizations selection and placement decisions, as Nelson and et al. (1997, pp. 345-346) and Mondy, Noe and Premeaux (1999) discuss the PA purpose as performance appraisal data are potentially valuable for use in virtually every human resource functional areas such as:

- a) Human Resource Planning
- b) Recruitment and selection
- c) Training and development
- d) Career planning and development
- e) Compensation programs
- f) Internal employee relation
- g) Assessment of employee potential

2.1.9 Techniques of PAS

There are several commonly used techniques of performance appraisal as reviewed by Oberg (1972). They are as follows:

Essay Appraisal, Paired Comparison, Graphic Review Scale, Weighted Checklist, Person to Person Rating, Forced Ranking, Critical Incidents.

The above techniques were the traditional ones but the methods most widely used today are:

I. Management by Objectives

Employees are requested to put up their own performance objectives. They are then judged through these objectives by verifying whether they were satisfied or not. However, in many cases organizations themselves set their standards and goals even after consulting employees.

II. 360 Degree Feedback

360 Degree Feedback is a process in which employees receive private and anonymous feedback from the people who work around them.

Kettley (1997) says that when an individual receives feedback from different sources of the organization, including peers, subordinate staff, customers and themselves, the process is called 360 degree feedback or appraisal. The employee is then assessed using those received feedback

2.1.10 Feedback

Feedback about the effectiveness of an individual's behavior has long been recognized as essential for learning and for motivation in performance-oriented organizations. Ilgen et al.(1979) stated that feedback is considered as an important tool in performance appraisal process. Feedback can be a useful tool for development, especially if it is specific and behaviorally oriented, as well as both problem-oriented and solution-oriented according to Murphy and Cleveland (1995). One of the basic purposes of formal appraisal process is the provision of clear and performance based feedback to employees. Carroll and Scheiner(1982) affirmed that some organisations use feedback as a development tool,while in some organizations it is used for merit evaluation and compensation adjustment. McEvoy and Buller(1987),Wohlers and Gallagher(1990) contributed that feedback is very essential for the employees because it forms a baseline for the employees which help them to get a review of their past performance and chance to improve their skills for the future. Ashford (1986) says that when feedback is considered as a valuable resource, then only the individuals feel motivated to seek it, which helps in reducing uncertainty and provides information relevant to self-evaluations. There is also evidence that performance feedback (if given appropriately) can lead to substantial improvements in future performance (Guzzo et al., 1985; Kopelman, 1986; Landy et al., 1982)

Fedor et al. (1989); Ilgen et al. (1979) identified that it is commonly accepted that negative feedback is perceived as less accurate and thus less accepted by recipients than positive feedback.Furthermore, Fedoret al. (1989) found that negative performance

appraisal feedback was less accepted and perceived as less accurate than positive performance appraisal feedback.

2.1.11 Views Organizations & Employees have on P.A.S

Evans (1986) asserts that many employees believe that their promotion or salary increments depend mostly on their performance. Employees therefore are in a dilemma and consider this situation as 'survival of the fittest'. They know for a fact that, their performance will only be taken into consideration at the end of the day. So, in order to grow in the company they need to be proactive towards their work. The feedback the employee receives from his superior, may simply describe the level of performance achieved.

Hence, it becomes important for the managers to conduct the appraisal technique correctly. Employees can only accept criticism if it is useful and important to them. Managers should therefore know how to give information regarding progress made in performance and how to present criticism as well.

Meyer et.al (1965) carried out a study in General Electric Company where certain points relating to performance feedback was highlighted. In this study, 92 employees were appraised by their managers on two occasions over two weeks. The study was carried out using questionnaires, interviews and observation. The first appraisal highlighted performance and salary while the second one underlined performance and improvement. It was observed that lots of criticisms were pointed out by the managers, which lead to defensive behaviour of the employees. The conclusion of the study was that criticism leads a negative impact on the motivation and performance of the employees. Also

feedback sessions designed to improve performance should not at the same time consider salary and promotion issues.

Ilgnet.al (1979) add that employees who believe that the appraisal system is under any kind of bias, are most likely to be dissatisfied by their work and can also leave their jobs.

On the other hand Murphy and Cleveland highlighted one possible reason for the widespread dissatisfaction with performance appraisal in organization as the systems used by these help neither them nor their employees in meeting the desired goals.

Landy et al. (1978), Klasson et al. (1980), and Tang and Sarsfield-Baldwin (1996) found evidence that the assignment of raters influences perceptions of fairness and accuracy in performance appraisals and hence about the whole process itself.

Nevertheless, according to Jacobs, Kafry&Zedeck (1980) employees perceive PA to give them a proper understanding of their duties and responsibilities towards the organization. Likewise, organization sees it as a tool to assess employees on a common ground and one which helps in salary and promotions decisions, training and development programs.

In many circumstances appraisal plans are interpreted by managers as a system that helps an organization to change regular priorities and usual ways of working and in so doing to alter its strategic direction. Hence, in circumstances where change cannot be attained by managerial proclamation, appraisal takes on the character of an engine of change. When managers look at appraisal from this angle they hope that it will bring about a change in strategic direction and organizational behaviour.

Researchers have suggested that reaction to performance appraisal is critical to the acceptance and use of a performance appraisal system (Bernardin& Beatty, 1984;

Cardy& Dobbins, 1994; Murphy & Cleveland, 1995). Reactions may even contribute to the validity of a system (Ostroff, 1993). Cardy and Dobbins (1994) suggest that "with dissatisfaction and feelings of unfairness in process and inequity in evaluations, any performance appraisal system will be doomed to failure" (p. 54). Murphy and Cleveland (1995) stated that "reaction criteria are almost always relevant, and an unfavorable reaction may doom the carefully constructed appraisal system".

2.1.12 Benefits of PAS

Possibly the most important benefit of appraisal is that, in the rush and pressure of today's working life, it allows the supervisor and subordinate to have "time out" for a one-on-one discussion of indispensable work problems that might not otherwise be addressed.

Likewise, the existence itself of an appraisal system indicates to employees that the organization is genuinely concerned with their individual performances and advancement. This only can have a positive impact on the employees' sense of worth, commitment and belonging.

Appraisal offers the rare chance to focus on employment activities and objectives, to spot and correct existing problems and to enhance favorable future performance. Thus the performance of the whole organization is improved.

Performance appraisal usually provides employees with acknowledgment for their work efforts, if any and as a result it brings them satisfaction. Actually, there are facts supporting that human beings will even prefer negative recognition in rather than no recognition at all.

During performance appraisals, feedbacks are obtained. These provide vital information on whether training and development needs should be considered. The presence or lack of working skills, for example, can become very obvious. The supervisor and subordinate can thus agree upon any demand for training. As far as the organization is concerned, the overall appraisal results can provide a regular and efficient training needs audit for the organization as a whole.

The information obtained from appraisals can also give indication on an organization's recruitment and selection practices. This can be done by screening the performance of recently hired workers. The general quality of the workforce can also be monitored by assessing any improvement or decline performances. Changes if needed in the recruitment strategies can then be considered.

2.1.13 Criticisms related to P.A.S

There are several problems in the actual performance appraisal primarily due to rater bias. Some supervisors are too lenient and thus have a tendency to rate all employees positively rather than really measuring their performance. Another problem is the 'central tendency' where supervisors position the majority of the employees in the center of the performance scale, even though they deserve a better or worse grade.

The halo effect is another error usually made during appraisals. This arises when a supervisor's general feeling about an employee influences the overall judgment.

Performance appraisal systems are at times criticized for weaknesses in the system design itself. Sometimes they assess the wrong behaviours or consequences, or focus on employees' personality instead of on their work performances. Very often standards for

appraising employees are not related to the work itself. As a consequence employees may not likely be interested in such a system where performance standards are unsuccessful in highlighting important aspects of the jobs.

Some organizations found that PAS is a constant cause of tension, since evaluative and developmental concerns come often into disagreement. It is said that the appraisal can serve only one of them at a time. Also they find it dehumanize and demoralize to pass on judgments which then become source of apprehension and stress to employees.

Many researchers such as Derven (1990) expressed doubts about the effectiveness and dependability of the appraisal process. Some found the process to be imperfect in nature.

Moreover, Gabris & Mitchell found a disturbing bias in the appraisal process called the Matthew Effect. It is said to take place in cases where employees keep on receiving the same evaluation each year. This denotes that there is the belief that if an employee has work well, he or she will continue on that pace. The Matthew Effect advocates that even if employees struggle to do well, their past appraisal reports will discriminate their future progress.

Accuracy is important in appraisals. However for raters to appraise employees accurately, they should give unbiased results. Unfortunately accurate ratings are quite impossible as researchers affirm that personal liking, look, former impressions, gender and race will certainly manipulate appraisals, that is, there will always be some kind of biasness.

2.1.14 Conclusion about PAS

There are various schools of beliefs as to the validity and reliability of performance appraisals. While Derven (1990) doubts about its dependability, Lawrie (1990) finds it to be the most important aspect of organizations.

A recent survey concluded that more than fifty per cent of the workforce wishes that their supervisors list the performance objectives much more specifically and clearly. The same survey revealed that 42 per cent of the employees were rather disappointed their organisation's performance appraisal system.

Many supervisors make the wrong use of appraisal. They use it as a punitive tool rather than helping their subordinates to improve their performance and overcome work problems.

According to Shelley Riebel, as in the Detroit News (April 11, 1998) often managers are unsuccessful to explain what they really expect from their employees and fail to well describe the criteria used for assessing their performance.

The data obtained during the appraisal process should be wisely used and considered. Still, for performance appraisal to be successful, it is important to carry it out on a regular and consistent basis. This will allow supervisors to follow and review employees' work. Raters often make the mistake of emphasizing too much on mistakes committed by the employees. Rather, if ever some problem is spotted by the supervisor, the issue should be discussed with the employee concerned and both should try work on a solution.

2.2 Motivation & Performance Appraisal System

2.2.1 Introduction to Motivation

Motivation can be defined as the driving force that moves us to pursue a certain goal, or trigger a particular action. It can be considered as the desire within a person causing him or her to act. People generally act for a motive and that is to achieve a specific objective.

Two main types of motivation have been noted, namely intrinsic and extrinsic. Intrinsic motivation comes from the inner self while extrinsic motivation arises when external factors require one to perform something.

According to Passer and Smith (2004) the concept 'motivation' refers to a course of action that influences the determination, direction and dynamism of goal-directed behaviour. Similarly, Kreitner and Kinicki (2007) assert that motivation represents psychological practices that stimulate voluntary actions. In the work context, as confirmed by Coetsee (2003), motivation entails the readiness of individuals and groups to put much effort so as to achieve organizational goals. From the above, it can be construed that there exists no single and general definition for "motivation". Yet, Boje and Rosile (2004) regard motivation as an authoritarian ideology, a way to manipulate performance and where visions of self-actualisation need gratification. This view might be too negative to consider, but the rise in capitalism has been driven by high concentration motivation programmes which sometimes turn employees into production machines.

2.2.2 Motivation and P.A.S in Organization Today

Motivation can be the key to a successful organization. It is often claimed that the best businesses have the best motivated workers. Well motivated employees are said to be more productive and perform quality work. It remains however one of the most challenged tasks for managers to motivate their staffs as everyone is unique. A supervisor

should strive to tie in the company's goals together with the employees' individual goals through performance management. Moreover, the whole performance appraisal process and its result can affect an employee's motivation. As highlighted by Cummings and Swabs (1973), employee's performance is the outcome of the employee's motivation to perform. In an organisational context, the performance is appraised by assessing the employee's aptitudes and potentials to achieve the set goals.

2.2.3 Theories of Motivation related to P.A.S

2.2.3.1 Edwin Locke's Goal Setting Theory

A main element for efficiently coaching employees is by using goal setting. Edwin Locke (1968) introduced the Goal Setting Theory whereby employees get motivated to work for the organization when they are given specific and pronounced goals to achieve. This theory emphasizes that hard goals produce a higher level of performance than easy goals. Secondly, particular hard goals produce higher level of output and lastly, behavioral intentions lead to choice behavior.

Many, who study the relationship between performance and motivation in organizations, will agree that goal-setting and explanation creates confidence in the workers. By clearly explaining the meaning of the goals, employees will have a clear view on what the organization wants to achieve. Coetsee (2003) affirms that the most performing workers are goal-directed. Set goals allow employees to accomplish organizational vision, aims and strategic objectives. The assumption made here is that when people recognize and understand what is expected from them and how they are to be met, they will be motivated to achieve them within the time-limit.

With regard to coaching, goal-setting theory has been used more than any other as a framework to motivate employees to improve their performance.

The early work of Maier (1958) and Meyer et al. (1965) emphasized goal setting in the appraisal process. In a study, Latham et al. (1978) found that consistent with the theory's predictions, employee participation in setting the goals resulted in higher performance than assigning them, not because of greater goal commitment, but rather due to high goals being set. According to Dossett et al. (1979), a similar result was observed with Weyerhaeuser's word processing employees.

Goals and objectives set by the employers and employees should be discussed regularly. Erez (1977) asserted that for difficult goals to result in high performance, sufficient feedback is very important.

2.2.3.2 Behavior Maintenance Model (BMM)

Cummings and Swabs presented the Behavior Maintenance Model (BMM) to illustrate how people are motivated to perform efficiently in an organization. This model emphasizes on the significance of outcomes in the motivational process.

This framework shows that goal aspirations results in goal attainment and motivation. When goal attainment is achieved by the employee, it leads to job satisfaction which in turn leads the employee to become motivated.

2.2.3.3 Victor Vroom's Expectancy theory

Expectancy theory is an idea that was introduced by Victor Vroom. The theory as explained by Kreitner&Kinicki (2007) is based on the assumption that people are motivated to act in ways that will be followed by valued and desired outcomes. The theory says that an employee might be motivated when there is a belief that a better performance will result in a good performance appraisal which will help in the realization of personal goals. The theory focuses on motivation as the combination of valence, instrumentality and expectancy. Valence is the value of the alleged result. Instrumentality is the point of view of an individual whether he or she will really obtain what they want. It shows that successful act will eventually lead to the desired result. Expectancy refers to the different level of expectations as well as confidence regarding one's capability. Employees believe that these create a motivational force and this force can be represented by the formula: $Motivation = Valence \times Expectancy$

The theory focuses on three things:

1. Efforts and performance relationship
2. Performance and reward relationship
3. Rewards and personal goal relationship

2.2.4 Conclusion: Performance Appraisal as Motivator?

From the above reviews, it can be seen that no such research has been done to show if performance appraisal really acts as a motivator to employees. Bratton and Gold (2003) and Bowles and Coates (1993) claimed motivation to be one of the purposes of appraisals. It remains unconditional to know whether performance appraisal has a role to play in employees' motivation.

2.3 Performance Appraisal Methods

Many appraisal methods can be used to evaluate employee's performance. Because of many existing appraisal methods, some different categorizations of them were made by researchers (e.g., Decenzo& Robbins, 1998). In literature, most common and popular categorizations are firstly two-group one (Cascio, 1991):

1. Absolute appraisals;
2. Relative appraisals;

And secondly three-group one (Fisher et al., 1999);

1. Comparative appraisals;
2. Behavioral appraisals;
3. Output-based appraisals.

Although there were some studies that used two-group categorization (e.g., Roch et al., 2007, Goffin et al., 1996; Jelley&Goffin, 2001; Nathan & Alexander, 1988; Wagner &Goffin, 1997, Heneman, 1986), it is not easy to directly put every PAM into one category. Even if they may be forced to be in one category, the methods in the same category may have different features in terms of appraisal errors, which are chosen as an evaluation criterion of PAM, in this study. Then, instead of evaluating the performance appraisals' categories, it was preferred to evaluate PAMs individually. By reviewing the literature, PAMs are determined as shown Below Performance appraisal methods (HakanTurgut& Ibrahim Sani Mert,2014).

Performance Appraisal Methods Explanations

1. Comparison (Sorting)

In this method, the rater ranks his/her subordinates on their working performance. Working performance of employees is compared and then sorted from the best to the worst. By putting a subordinate in a rank order, the relative position of each subordinate is tested in terms of his/her numerical rank. Paired comparison of subordinates, that involves comparing the working performance of each subordinate with every other subordinate, is also a version of this method (HakanTurgut& Ibrahim Sani Mert,2014).

2. Forced Distribution

This is an appraisal method that requires assignment of the subordinates to a limited number of categories. In this method; employees (subordinates) are inevitably evaluated according to the normal distribution. For example; 10 % of employees are at the very top of scale, 20 % of employees are at the top of scale, 40 % of employees are at the middle of scale, 20 % of employees are at the bottom of scale, 10 % of employees are at the very bottom of scale (HakanTurgut& Ibrahim Sani Mert,2014).

3. Graphic Rating Scales

Managers evaluate the employee according to defined factors, as the attributes printed on an evaluation form. Form has performance levels regarding attributes. There are numbers or scales (very good, good or weak) across the attributes on the form. Manager chooses one of them. Being an oldest and most widely used method, the graphic rating scales are forms on which the evaluator simply checks off the subordinate's working performance (HakanTurgut& Ibrahim Sani Mert,2014).

4. Checklist

In this method; a checklist that presented work related descriptive statements, is used for every work position. Manager chooses “Yes” or “No” option that represents the effective or ineffective behavior on job that rater familiar with these work related descriptive statements (HakanTurgut& Ibrahim Sani Mert,2014).

5. Forced Choice

Manager is given some pre-defined expressions (a series of statements) to evaluate the performance of worker for each item. Managers indicate which items are most descriptive of the employee. Manager does not know the score equivalent of the expressions (HakanTurgut& Ibrahim Sani Mert,2014).

6. Composition (Essay)

Manager simply writes a narrative describing the performance of employee. This is a composition about the worker to define the worker and designates successful, unsuccessful, weaker or powerful sides of worker. This method is a non-quantitative method and rather than focusing day-to-day performance of employee it focuses on generally observed work behaviors of an employee to present a holistic view (HakanTurgut& Ibrahim Sani Mert,2014).

7. Critical Incidents

Manager writes down the extreme performances both negative and positive. These performances are named as critical incidents/events. These critical events should affect directly the success or failure of worker. This method requires the written records to be kept as highly effective and highly ineffective work behaviors. The manager maintains the logs of each employee to record the critical incidents to use them to evaluate the

employee's performance at the end of the rating period (HakanTurgut& Ibrahim Sani Mert,2014).

8. 360-Degree Feedback

Data from all sides, from multiple levels within the organization and from external sources, is collected in this method. Employees are assessed by his superior, inferior, work friends, clients and by themselves. By the way, this method provides an enhanced self-awareness for an employee about his/her work performance (HakanTurgut& Ibrahim Sani Mert,2014).

9. Management by Objectives

This is a method necessitating the attainment of the pre-defined objectives. According to this method, managers and employees determine collectively the objectives for employees to meet during a specific period. Attainment of an objective is more important than "how it was attained". Employees are then evaluated with a view to how they have achieved their determined goals (HakanTurgut& Ibrahim Sani Mert,2014).

10. Assessment Centers

Evaluation process is performed objectively by specialists or Human Resources (HR) professionals in the center. In this center the job of worker is simulated and worker is observed. Additionally, some tests, social and unofficial events and exercises are used to support assessment. This method is preferred by some organization due to difficulty faced with appraisal process and tends to use an assessment center as an adjunct to their appraisal system (HakanTurgut& Ibrahim Sani Mert,2014).

11. Team Based Performance Appraisal

As today's work life values the team work, rather than the individual performance, it is better to evaluate an individual performance as a team member. Then, employees are assessed not as individuals but as a team. there are many performance appraisal techniques/methods that have different features and evaluation procedures as presented above, it cannot be stated that only one method can be used in a definite situation, sector organization. We can easily see that even if some organizations that act in the same sector, have equal number of employees, similar structures, resembling visions and missions, these organizations may use different appraisal methods depending on their choice rather than the features they have. At this point, choosing the most effective appraisal method arises as a problem that (HR) practitioners' face. Though, whichever method is chosen, it is more important to reach a precise evaluation at the end of the performance appraisal process. One of the most important factors helping to realize this, is to decrease appraisal errors being made by evaluators or at least minimize it by applying the most appropriate method(s) that prevent(s) appraisal errors (HakanTurgut& Ibrahim Sani Mert,2014).

2.4 Time to Conduct Performance Appraisal

In any administration activity of an organization, PA also has its own time to be conducted. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period (Mullins 1996 pp. 501): With the majority of schemes, staff receives an annual appraisal and for many organizations this may be sufficient. Also more frequent appraisals may be appropriate for new members of staff,

those recently promoted or appointed to a new position or for those whose past performance has not been up to the required standard. And also Mathis and Jackson (1997 pp 345-346) broadly explained as follows:

First an informal appraisal is conducted whenever the supervisor feels it is necessary. The day-to-day working relationships between a manager and an employee performance have to be judged. This judgment is communicated through conversation on the job or over coffee or by on-the-spot examination of a particular piece of work. Informal appraisal is especially appropriate when time is an issue. The longer feedback is delayed the less likely it is motivating behavior change. Frequent information feedback of employee can also avoid surprises (and therefore problems) later when the formal evaluation is communicated.

Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it should not take the place of formal appraisal. When a formalized or systematic appraisal is used, the interface between the HR unit and the appraising manager becomes more important.

Therefore, systematic appraisals typically are conducted once or twice a year. Appraisals most often are conducted once a year, usually near the employee's anniversary date. For new employees, an appraisal for 90 days after employment, again at six months, and annually these after is common timing.

This regular time interval is a feature of formal appraisals and distinguishes them from informal appraisals. Both employees and managers are aware that performance will be

reviewed on a regular basis, and they can plan for performance discussions. In addition, informal appraisals should be conducted whenever a manager feels they are desirable.

2.5 Performance Appraisal Errors Explanations

2.5.1 Perceived meanings of performance standards

This error emerges from misunderstanding of performance appraisal standards stated in the appraisal forms. Using a standard appraisal form consisting of the same criteria aiming to measure specific qualities does not always lead to standard appraisals due to different perceptions among the appraisers. This error results from lack of common understanding of the performance standards (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.2 Halo/Horn effect

Evaluator's general perceptions of an employee influence his/her perception on specific dimension. This error has two opposite sides. One is the general evaluation of the employee according to his/her strengths (halo effect) and overlooking the other possible weaknesses. The other, the horn effect, is the opposite of the halo effect, where the employee is generally evaluated according to his weaknesses and his/her strengths is overlooked (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.3 Central tendency error

This error is ignoring the strengths and weaknesses of an employee and mainly tending to appraise the personnel in an average score. Some raters, rather than giving extreme poor or good grades, to evaluate all ratees tend to an average scoring even if the performance actually varies (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.4 Positive or negative leniency error

Positive leniency is the tendency to give high evaluation points in general, usually above the deserved level. Negative leniency is vice versa, that gives generally low evaluation points, regardless of the deserved level. It can be said that positive leniency is more frequent than negative leniency, since, some raters are concerned about damaging a good working relationship by giving poor or negative rating (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.5 First impression and /or regency error

This error results from putting too much emphasis of the evaluator's on his/her first impression of the employee or more commonly from focusing on recent interactions with the employee. Since the recent events or employee behaviors are more noticeable than the former ones, recent events are weighted more heavily than they should be, in the performance appraisals. As a result of this, some raters only tend to regard the latest events and/or behavior of the employee regardless of employee's actual performance (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.6 Similar-to-me error

This error results from situations where the evaluator sees his employee's background, education, attitudes, characteristics very similar to himself/herself, therefore grading higher in performance appraisals. Due to this error, evaluators may tend to perceive others similar to themselves more positively than they perceive those who are dissimilar (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.7 Contrast error

Contrast error is observed where the evaluator compares one employee with the other instead of the criteria dictated in the appraisal form. This often results in the under evaluation of some employees due to comparing him/her with an employee who is seen very successful by the evaluator (HakanTurgut& Ibrahim Sani Mert,2014).

2.5.8 Insufficient Observation

In some cases, employees are evaluated with lack of sufficient information or observation on how they really perform on their work. Here the evaluator gives his/her evaluation point or comments on his/her general perception without detailed idea about the employee over a specific criterion. (HakanTurgut& Ibrahim SaniMert, 2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The major purpose of this research is to study the practice and problems of employee's performance appraisal: the case of Action for Development, focusing on permanent program, support and administrative staffs. This is a descriptive research that has been conducted to assess performance appraisal system of AFD. According to C.R. Kothari, (2004), the purpose of descriptive research is to portray accurately the characteristics of an individual, situation or a group. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present.

The data collection method has been both qualitative and quantitative in nature. The qualitative method has been used to obtain qualitative data from managers using structured interview and the quantitative method has been used to collect quantitative data using self-administered questionnaire. Primary and secondary data has been used to support and study. The primary data has been collected from pre-organized self-administered questionnaires and the secondary data has been obtained from annual publications of AFD progress reports.

3.2 Population and Sampling Techniques

Currently AFD has four project offices in Balle, Guji, Yabello and Jinkaworedas and Head Office in AA with total employees of 199. To select sample respondent's Stratified Sampling technique was employed and from each stratum simple random sampling technique was applied.

For the study a total of 90 employees from the Administrative, Support and Programme departments have been selected to fill the questionnaires. To draw the sample size from the total population in the stratum the following Taro Yamane (1967) sampling formula, which is appropriate for small size population has been employed.

$$n = \frac{N}{1+N(e^2)}$$

Where,

n= Sample Size

N= Total Population Size and,

e= the standard error with 95% confidence level.

Total Number of Administrative staffs 11

Total Number of Support Staffs 59

Total Number of Program Staff 30

1. Sample size taken from Administrative Staff

$$n = \frac{N}{1+N(e^2)}$$

$$n = \frac{11}{1+11(0.05^2)} \text{ , 11 Staffs}$$

2. Sample size taken from Support staff

$$n = \frac{N}{1+N(e^2)}$$

$$n = \frac{59}{1+59(0.05^2)} \text{ 51 Staffs and}$$

3. Sample size taken from Programm Staffs

$$n = \frac{N}{1+N(e^2)}$$

$$n = \frac{30}{1+30(0.05^2)} \quad 28 \text{ Staffs}$$

3.3 Sources of Data and Data Collection Tools Used

The data collected for the study includes both primary and secondary data. The primary data were obtained from feed backs of the employees which were collected through pre organized self-administered questionnaire and manager's view which was collected using structured interview. The primary data can provide the appropriate data about the assessment of performance appraisal system in AFD. In addition, secondary data were obtained from different policies and procedural manuals, journals annul reports and periodic progress reports of the organization. Different books, articles and journals have been also referred to get relevant information and strengthen the theoretical framework of performance appraisal system.

Questionnaires that contain 14 questions including 5 demographic variables were prepared and distributed to staff members of AFD. In order to gather primary information, a questionnaire that comprises three parts was developed. The first section of the questionnaire has 5 demographic variables which are asking the respondents gender, age, educational qualification, and their length of service in the organization.

The second part of the questionnaire has a total of 14 questions that give a general data about purpose, methods, and problems factors of performance appraisal system of AFD. The last part of the questionnaire contains subjective type questions, which ask the respondents to write their comment or anything they think is relevant to the study, but not

incorporated in the questionnaire. This is expected to be helpful to collect information that was not specifically addressed by the questionnaire, but relevant to the study.

3.4 Data Collection Procedures

The questionnaire has been distributed by the researcher himself. The study has attempted to gather data from both primary and secondary data sources. Primary data is collected using a structurally designed self-administered questionnaire for 90 employees'. The selection of respondents has made using purposive sampling and it incorporates Administrative, Programm and Support Staffs of AFD.

3.5 Data Analysis Method

The data has been analyzed according to the objective of the study. The individual analysis of each objective is presented in the following section. Demographic characteristics has been summarized using number and percentages for all variables including age, sex, years in the organization, years on the current job/position and educational level. Numbers, percentage and graphs have been used in analyzing data regarding assessment of performance appraisal systems. In this regard a powerful statistical tool, SPSS have been used.

3.6 Ethical Considerations

Study respondents' willingness to participate in the study is respected and verbal consent was taken. Name of personalities were not mentioned in the report without consent in any case. Any information that can be found spoiling the goodwill as well as the reputation of the organization is not included in the report.

3.7 Reliability and Validity of Data Collection Tools

Content validity of the data collection instrument in providing adequate coverage of the topic under study is confirmed. By using a universally accepted sampling method a representative sample of the population was drawn.

Due emphasis was given to make the questions objective type and understandable so that the employees can answer the questions properly based on what they know. Vague and confusing wordings were avoided not to mislead the employees on the time of filling the questionnaires.

The questionnaire distributed for the respondents were fully collected. Responses completeness and accuracy were reviewed carefully. Each response was coded and categorized and carefully feed in to frequency table using Microsoft excel sheet. Variables were summarized in to 1st, 2nd and 3rd based on frequency of employees' response. The first top three variables with the greater percentages were rated as 1st. The second top three variables having the second top three percentages were rated as 2nd. And the third thee top variables having the third top three variables were rated as 3rd.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS & INTERPRETATION

4.1 Introduction

In order to get a representative data 90 questionnaire were prepared and distributed to employee of the company for those who are found in Addis Abeba, Bale, Wadera, Yabello and Jinka Offices. Thus the analysis is based on the valid 90 questionnaire responses. The data was analyzed using Microsoft excel program. Descriptive statics was used for presentation and interpretation of data.

4.2 Demographic Data of the Respondents

To analyze the data, the respondents were categorized in to five demographic variables by sex, marital status, academic qualification, length of service and position held. Each data is explained in detail hereunder indicated in table below.

Table.4.2.1. Profile of the respondents.

Sex	Number	Percentage
Male	74	82.22%
Female	16	17.78%
Total	90	100%
Marital Status	Number	Percentage
Married	60	66.67%
Single	29	32.22%
Divorced	1	1.11%
Widowed	0	0%
Total	90	100%

Source AFD Staff Profile record sheet, 2017G.C

From the above information 60 (66.67%) of the employee who answered the questionnaire are married and 29 (32.22%) of the respondents are single, this indicates that majority of the respondents has felt the responsibility to accurately answer the questions in the questionnaire

Academic background of the respondent is presented as below.

Table.4.2.2. Academic background of the respondents

Academic Qualification	Number	Percentage
Grade 12 th and less	47	52.22%
Certificate	4	4.44%
Diploma	10	11.11%
BSC	23	25.56%
MSC	6	6.67%
Total	90	100%

Source AFD Staff Profile Record Sheet, 2017

From the above table given 52.22% of employees are grade 12 and below, 4.4% of employees are certificate holder, 11.11% of employees are diploma holder, 25.56% of employees are BA degree holder and 6.67% of employees are MSC holders. This shows that the organization has more support staffs for the implementation of its objectives; therefore staffs need to be provided with the proper training and development program.

The following data shows the number of years the employees has served the company.

Table.4.2.3. Years of Experience of Employees

Years of Experience	Number	Percentage
Less than 2 years	13	14.44%
2 – 5 years	23	25.56%
5 – 8 years	12	13.33%
8 – 11 years	10	11.11%
11 – 14 years	13	14.44%
Above 14 years	19	21.11%
Total	90	100%

Source AFD Staff Profile Record Sheet, 2017

Longer years of experience show that there is relatively lower employee turnover. These benefit the organization by keeping employees loyal to the company and reduce cost of hiring new employees. 85.56% of the employees serve the organization for greater than 3 years.

4.3 Respondents Opinion towards Performance Appraisal System

The respondent response and answers are presented below based on the sequence of the question written in the questionnaire. It is prepared both in English and Amharic languages to collect the necessary data from all level of employees.

1. The first question asked to them was how often the organization evaluates performance, since this is the fact of the organization practice all employees respond that it is conducted annually.

2. Employees answered as follows for the questions that say; in your opinion how often do you think performance appraisal should be conducted?

Table.4.3.1. Employees Opinion on the Frequency of Performance Appraisal

How often PA Conducted	Number	Percentage
Quarterly	2	2.22%
Semiannually	54	60%
Annually	34	37.78%
Total	90	100%

Source; own survey 2017

37.78% & 2.22% of the respondent agreed that performance appraisal should be conducted annually and quarterly respectively. But the majority of the respondents (about 60%) respond that it should be conducted semiannually. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period (Mullins 1996 pp. 501) but based on the above analysis and some literatures it is better to conduct performance appraisal for short period to remember and measure an employee's performance for that period.

3. Different employees have different attitude as to who should evaluate employee's performance. For these employees are given five choices; immediate supervisor, peer, subordinates, employee him/her self or appraisal by others. Results from respondents are as follows.

Table.4.3.2. Who Should Evaluate Employee's Performance

Who Should Evaluate Employees	Number	Percentage
Immediate Supervisor	47	27.17%
Peers	50	28.90%
Subordinate	41	23.70%
Self- Rating	35	20.23%
Other	0	0%
Total	90	100%

Source; own survey 2017 and AFD rule of evaluation

Based on the above evaluation table most of the employees agreed that evaluation should be conducted by immediate supervisors, peers, subordinates and self-rating appraisals respectively. The existing rules of the evaluation of the organization are conducted by immediate supervisors, peers and self-rating only.

4. Performance evaluation result has been used for many human resource management activities. Regarding AFD the questionnaire requests employees for what purpose performance appraisal result is used on their company. The responses are given bellow;

Table.4.3.3 Purpose of Performance Appraisal System

Purpose of PA	Number	Percentage
Training and Development	36	22.36%
Salary Increment	70	43.48%
Bonus	0	0%
Promotion	40	24.84%
Other	0	0%
Don't Know	15	9.32%
Total	90	100%

Source; own survey 2017

Majority of employee (43.48%) said that the purpose of performance appraisal system is for salary increment, 22.36% of employee of the employees agreed that PA used for provision of training and development, 24.84% of the employees said PA used for promotion and 9.32% of the total employee do not know the purpose of PA.

5.Different employees have different attitude as to the performance appraisal system being employed in the company. These employees are given five choices; assessment center. MBO,360 degree feedback & balanced scorecard. The response is given below.

Table.4.3.4. Performance Appraisal Systems Employed in the Organization

PA Systems	Number	Percentage
360 Degree Feedback	0	0%
Balanced Scorecard	90	100%
MBO	0	0%
Assessment Center	0	0%
Total	90	100%

Source; own survey 2017

All employees agreed that balanced scorecard appraisal system was employed in AFD.

6. The impact of a poor appraisal system in the overall performance of the organization.

Table.4.3.5. Poor PA Result

Effect of Poor PA Results	Number	Percentage
Termination	10	11.11%
Demotivation	50	55.56%
Ineffective Teamwork	30	33.33%
Total	90	100%

Source; own survey 2017

Majority of employees (55.56%) said that the effect of poor performance appraisal system lead to demotivation whereas the rest 11.11% and 33.33% of employee said that termination and ineffective teamwork respectively. this implies that poor performance appraisal system does not reflect the actual performance of employees at the same time does not reflect the actual objective of performance appraisal systems.

7. Respondents opinion about the criteria used to evaluate performance appraisal are as follow.

Table.4.3.6. Criteria Used to Evaluate PA is Appropriate

Criteria Used To Evaluate PA is Appropriate	Number	Percentage
Yes	10	11.11%
No	50	55.56%
I Don't Know	30	33.33%
Total	90	100%

Source; own survey 2017

Majority of the respondents (55.56%) said that the criteria used to evaluate performance appraisal are not appropriate, whereas 11.11% of the respondent reflect that the criteria used to evaluate performance appraisal system is appropriate and 33.33% of the respondents they do not know. This implies that performance appraisal system attain its purpose, the employee must understand the criteria which their performance is measured just as it is mentioned in the literature review by (Werther and Davis, 1996).

8. The other part of the questionnaire was asking the Weight assigned to the evaluation criteria is fair?

Tble.4.3.7 Weight assigned to the evaluation criteria is fair?

Weight Assigned To Evaluation Criteria Is Fair	Number	Percentage
Yes	10	11.11%
No	50	55.56%
I Don't Know	30	33.33%
Total	90	100%

Source; own survey 2017

For this question 55.56% of the respondent said No, while the remaining 11.11% of the respondent said yes and 33.33% said they don not know. This impels that the weight assigned to the evaluation criteria does not meet the intended purpose as stated in the literature review by (Werther and Davis, 1996).

9. The major question that says which of the following problems applies to the appraisal system of your organization?Therespondent's response is prepared and presented in the following table.

Table.4.3.8 Problems Applies to the Appraisal Systems of your Organization

Weight Assigned To Evaluation Criteria Is Fair	Number	Percentage
No Link Between Evaluation Criteria and Employee Job	30	33.33%
Lack of Ability To Evaluate Performance	0	0%
Bias In Evaluating Performance	50	55.56%
Non Participation In Setting Performance Evaluation Criteria	10	11.11%
Total	90	100%

Source; own survey 2017

Majority of the respondent (55.56%) agreed that the major problem applied to the appraisal system of the organization is bias in evaluating performance, 33.33% of the respondent said that no link between evaluation criteria and employees job and 11.11% of the respondents said non-participation in setting performance evaluation criteria respectively. This implies that the employee dislike his job, commitment and they are not initiative to intervene with appropriate actions to improve performance.

10. Are you allowed to see your performance result?

Table.4.3.9 Employees allowed to see their results

Allowed To See Results or Not	Number	Percentage
Yes	90	100%
No	0	0%
Total	90	100%

Source; own survey 2017

The response from the questionnaire show that 100% of the respondents answered they are allowed to see their performance appraisal result. After the appraiser has completed the appraisal, it should be communicated to the employee. Feedback helps employees realize their potentials. In addition providing feedback is believed to be the subordinate right to know. They are allowed to look in to PA result. By doing so, they will express their opinion towards the suggestion and recommendations given by different raters. Their opinion is to show their agreement or disagreement towards the given result.

11. The other part of the questionnaire was asking whether employees discuss about the performance appraisal result with their appraisers or not.

Table 4.3.10 appraisal result discussion with the appraiser

PA Results Discussed or not	Number	Percentage
Yes	90	100%
No	0	0%
Total	90	100%

Source; own survey 2017

For this question 100% of employees said they discuss the result with our appraiser. This implies that for the appraisal system to be effective, the employee must actively discuss the performance evaluation result, the participation will enhance employee motivation, commitments towards their jobs, and support the evaluation feedback.

CHAPTER FIVE

SUMMERY, CONCLUSION & RECOMENDATION

5.1 Summary of Findings

The major objective of the study was to find out appropriate answers for what the major performance appraisal problems in AFD. To achieve the objective, questionnaire methods were employed.

Based on the information gathered through the questionnaire distributed in AFD, the major findings that the researcher comes up with are;

1. Performance evaluation is made twice a year, which is long period to remember.
2. Performance Appraisal is done by Immediate Supervisor, Peers and by employees themselves
3. The major goal of Performance Appraisal is for salary increments purpose
4. Performance Appraisal System employed in AFD is Balanced Scorecard only
5. The criteria settled to evaluate Performance is inappropriate
6. The weight assigned to the evaluation criteria is unfair
7. Bias in evaluating performance was observed

If all the above mentioned problems are corrected the appraisal system of the organization will contribute to the success of the organization. Therefore, based on the problems the following recommendations are suggested as helpful to improve the system.

5.2 Conclusion

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

The aim of performance appraisal is to evaluate the job performance of employees so as to improve their performance and consequently the organization performance. In order to do so performance appraisal system should use job related criteria, appropriate method of appraisal for each purpose, qualified and well trained appraiser and participation of employees in one way or the other

The objective of the study is to find out the process and system of performance appraisal on improving employees moral and performance by making through assessments of performance appraisal system in AFD in doing so the study tries to analyze data that have been gathered through primary and secondary sources. In investigating the performance appraisal system of AFD, it has been found that Balanced Score Card or BSC scheme is used.

5.3 Limitation of the Study

The study focuses on assessment of performance appraisal system of AFD. Due to the limitation of time and resource, the report has not been detail. In addition because of inaccessibility to get similar information from other NGO the researcher focused only in performance appraisal system AFD only.

5.4 Recommendation

In views of the findings and the problems mentioned above coupled with the review of related literature the following recommendations are suggested.

1. The performance appraisal schedule of AFD is annually and based on literatures recommendation and the finding gathered it would be better if AFD rescheduled performance appraisal to be done twice a year.
2. The importance of Subordinate in performance appraisal practice of AFD is insignificant and overlooked by the procedure therefor it will be better if subordinates play important role in the future Employee Performance Evaluation.
3. In order to eliminate the bias regarding employee performance appraisal; AFD need to employee Assessment center.
4. The criteria of appraisal should be developed from the job analysis. The more the criteria of evaluation are related to the job analysis and evaluating is for better.
5. The objective of appraisal should be made clear to all employees before appraisal take place and employees should accept it.
6. It is better to include explanation of those criteria in the evaluation form especially the weight assigned for each criteria so that employees and appraisers will be in a position to understand them without considerable effort
7. AFD followed only Balanced Score Card method for employee performance appraisal. It is better to use other appraisal methods in line with BSc such as MBO, Assessment Center and 360 Degree Feedback methods too.

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Appendix 1 Questionnaire

St. Marry University

MBA Program

Dear respondents;

This questionnaire is prepared for employees of AFD. The objective of the questionnaire is to collect information about the effectiveness of the organization's Assessment of Performance Appraisal.

The information you provide will be valuable for the success of the research paper. Please be honest and objective while filling the questionnaire. The information you provide is used only for academic purposes and will be kept confidential.

Part I. Personal Details

1. Sex Male Female

2. Age Below 25

Below 30

Below 40

Below 50

Above 50

3. Educational level

Less than Grade 12th

Grade 12th complete

Certificate

Diploma

First Degree and above

4. Job Position_____

5. Years of Experience_____

Part II. Regarding Performance Appraisal

1. How often is your performance evaluated? _____
2. How often do you think performance appraisal should be conducted?
 - a) Quarterly b) Annually c) Semiannually d) Monthly
3. In your opinion who should evaluate employee performance?(You may think more than one)
 - a) Immediate supervisor b) Peers c) Subordinate d) Employee themselves
4. For what purpose is performance evaluation result used in your organization? (you may think more than one)
 - a) Training and development b) Salary increment c) Bonus d) Promotion e) I don't know
5. Which appraisal system is being employed in the company?
 - a) 360 degree feedback
 - b) Balanced score card
 - c) MBO
 - d) Assessment Centre
6. What do you think the effect of a poor appraisal system?
 - a) De-motivation
 - b) Retentions
 - c) ineffective teamwork
7. Do you think the criteria used to evaluate your performance appraisal are appropriate?
 - a) Yes b) No c) I don't know

8. Do you think that the weight assigned to the evaluation criteria is fair?

a) Yes b) No c) I don't know

9. Which of the following problems apply to the appraisal system of your organization? (

You may tick more than one)

a) Lack of ability to evaluate performance

b) No link between some evaluation criteria and employee job

c) Non participation in setting performance evaluation criteria

d) Bias in evaluating performance

10. Are you allowed to see your performance results?

a) Yes

b) No

11. Do you discuss performance results with the appraiser?

a) Yes

b) No