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SCHOOL OF GRADUATE STUDIES

ASSESSMENTS OF EMPLOYEE PERFORMANCE APPRAISAL

PRACTICE IN AWASH BANK SHARE COMPANY

BY

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AWASH BANK SHARE COMPANY**

**BY
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
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LIST OF ACRONYMS

HR	Humane Resource
MBO	Management by Objective
PA	Performance Appraisal
PM	Performance Management
GTP	Growth Transformation Programs

Abstract

Human resources are among the fundamental resources available to any organization. Performance appraisal is part of human resource management which a formal system of periodic review and evaluation of an individual's (employees) job performance. Performance Appraisal (PA) helps in measuring and evaluating performance of the employees in an organization. PA serves as a multiple purpose objective. On one hand, it helps in identifying skill gaps present in the employees on the other hand; it recognizes meritorious employees on the basis of their work and helps to design an effective reward system for organizations. The research paper tries to address basic research questions, the employee performance appraisal practice in Awash Bank. More particularly, the performance appraisal practice in terms of well developed, result oriented and leading to organizational objectives components is assessed both on individuals and teams working in Awash Bank. The paper assessed prevailing performance appraisal practices in the bank implementing descriptive method of research. This helped to present the existing merits and drawbacks in performance appraisal of the Bank quantitatively, which later helped to propose recommended solutions to the problems. The target population for the study was all staffs currently working in Awash Bank. Amongst, sample of employees which include managers, officers and non-clerical staff in Awash Bank was taken based on sampling formula to determine sufficient number suits to answer the research questions. Further primary and secondary data and information is gathered through appropriate instruments including structured questionnaire. Adequate responses were collected for further analysis using tabular arrangements, statistical analysis on descriptive approach using SPSS software. The findings indicate that employees are evaluated by their immediate supervisor and next in-line supervisor, review committee and finally results are approved by senior managers. The company's major findings are frequency and timing of evaluation, lack of knowledge about the purpose and objective of evaluation and absence of training and discussion about the evaluation method are the major problems identified. It advisable that the bank resolve the understaffed situation by lowering down some of the responsibilities held by managers or supervisors to lower level staff by delegations. In addition, the organization needs to fill the gap by giving training for those who are involved with the measurements of performance appraisal system of the company.

Key words: *Performance appraisal practice, HRM, employee, Performance Standards*

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**ASSESSMENT OF EMPLOYEE PERFORMANCE APPRAISAL
PRACTICE THE CASE OF AWASH BANK SHARE COMPANY**

CHAPTER I

1. INTRODUCTION

1.1 BACK GROUND OF THE STUDY

In any organization the idea and practice of performance measuring of an employee is one of the main aspects that is done in an organized and professional manner for the growth of the organization and the career development of an employee. Performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives (Abu-Doleh et al, 2007).

In addition performance management is among the human resource management function which is a strategic and integral process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of an individual contributor and team (Armstrong, 1994). Information management system provides information to management about employee's performance which can be used for succession plan by identifying people with potentials. It helps management to take administrative decisions such as pay increase, promotion, placement, transfer and lay off to help supervisors know their subordinates and gives an opportunity to the subordinates to know where they stand with the boss (Spring and Mumma, 1991).

On the other hand, Awash Bank (AB) was established as the first private commercial bank in Ethiopia after the renaissance of Ethiopia's private sector, on November 10, 1994 by 486 founding shareholders with a paid-up capital of Birr 24.2 million and started banking operations on February 13, 1995. Currently the Bank's paid-up capital reached near to 3 billion as of June 30, 2017/18 and the number of shareholders grew over 3500. comparison made among private commercial banks reveals that , Awash Bank is leader in almost all parameters of measurements which includes profit, asset, capital, and earning per share. Further, The Bank is the first in history to break gross profit ceiling of one billion earning Br. 1.04 billion at the end of 2017/18 financial year. The question is that does the Bank progressed to this high due to employee commitment which is justified by reliable employee performance appraisal which pays both the employee and the Bank or realized at the cost of employees scarifies without reliable and true employee performance appraisal practices which are conducted forsake of formality. In this regard

the lots of researches have been conducted in different countries looking separately various industries. Bard et al,(2006) studied the real employee performance appraisal practices in European banks and come with findings pointing out strong relationship between performance appraisal practices and both positive contributions to employee career development and the bank's achievements. But the overall difference in study geography urged this study to consider domestic practice in banking industry, particularly that of Awash Bank. Similarly, lots of research works have been conducted in the area. The difference here is , the studies focuses on NGO's and public sectors which did not include banking industries, more specifically Awash Bank. Messay (2016) for instance assessed employee appraisal practices in non-government organizations to be ineffective and lacks consistency. The author called for additional research on the area due limitations on the study. Therefore, this research work has gone through the banking industry employee appraisal practice related to Awash Bank revealing its existence with accordance to standards, its merits to employee career development and benefits and drawbacks using scientific research methods to date.

1.2 Statement of the Problem

Assessment of employees' performance is one of the common practices in almost every organization as it is an essential trend to brought better performance of employees and organizations as well. In creating better performance of the organization, satisfied employees play a crucial role (Karimi, Malik & Hussain, 2016). Employee satisfaction with job is pleasurable or positive emotional state resulting when one's personal expectations at work are in line with the outcome (Sharma & Khanna, 2014; Khan, 2007 cited by Karimi, Malik & Hussain, 2011). Performance appraisal practices, if performed correctly and logically are now considered as one of the key contributing factors to the success of an organization. Organizations have to put increased emphasize on performance appraisal to identify the strengths and weaknesses of their employees, to improve their productivity which in turn helps the organizations to gain competitive advantage with human resource.

Many empirical studies have shown that subjective performance ratings of supervisors are subject to the centrality and leniency bias (Grund & Przemec, 2008) In Awash Bank, performance evaluation is conducted twice a year. There are three types of standardized

forms, i.e. for supervisory level employees, clerical employees and non-clerical employees. Most of the questions in the forms are more of subjective. This makes it difficult for raters to accurately rate the performance of their subordinates. The organization further noted that on a couple of occasions they tried to base some human resource decisions like pay raise and bonus on the result of performance appraisal but failed because almost all Employees rating were more than 80% and it was not possible to differentiate the good performers from that of bad ones (Awash Bank, Internal research,2016). Therefore, it was later recognized irrespective of employee performance appraisal results, the Bank offered similar pay raise and bonus. In addition, while conducting interview on mid-October, 2018 with dozen of employees who are working on non-managerial positions of Awash Bank, complaints have been presented towards the appraisal system of the bank in which current appraisal results of the employees are based on their past result and are uniformly similar to their past evaluation results as the person in charge of appraisal didn't see the current performance of the employee. Besides there is a significant difference in the appraisal results from branch to branch in which the highest of one's branch may be the average on the other branch and when there is transfer of employees from branch to branch this will have impact on the employee's subsequent appraisal result regardless of their performance. Moreover some of them believed that, the appraisal practice goes from end to the start point as the supervisors or managers decide the final result at first and then allocate it to the various appraising criteria and while doing it sometimes they may give contrary result for similar criteria. In addition to the above, these employees have also complained that most of the supervisors or managers give the result based on the employee's relation or closeness towards them. Due to these complaints, the researcher is motivated to assess the existing performance appraisal practice of Awash Bank S.Co.

1.3 Research Questions

To address major research question, the study attempted to sort out the following research questions:

1. To what extent does the performance appraisal practice in the bank is in line with the overall goals and objectives of Awash Bank?
2. How does the performance appraisal process is conducted in Awash Bank?

3. How does post performance appraisal result communicated to the each of staff Awash Bank?
4. What are the potential sources of employee dissatisfaction on performance appraisal system in Awash Bank?

1.4 Objectives of the study

1.4.1 General objective of the study

The study has been carried out with the general objective of assessing performance appraisal practice in Awash Bank.

1.4.2 Specific objectives of the study are

- To examine the effectiveness of performance appraisal system of Awash Bank
- To identify employees attitude with the current PA system of the Bank;
- To assess how post PA result is communicated to the whole staff.
- To identifying the potential source of employee dissatisfaction regarding performance appraisal system employed by the Bank;

1.5 Significant of the Study

This study could clearly show the Bank's employees perception on the PA system application and make strategic improvement on the PA system currently in place, indicating the gap found in the research finding. Moreover, the study may also serve as a stepping stone for other researchers who are interested in to conduct research in the area. Further, the study will also be used as a basis for further researchers to conduct on this area. Besides it will serve as a reference material for both academicians and practitioners

1.6 Scope or Delimitation of the Study

The study is restricted to Assessments of performance appraisal system in the case of Awash Bank, Addis Ababa area. The Bank has above 370 branches country wide and out of these 60 percent is located in outlying area. Because of limited time and money in undertaking the these all outlying area branches, the researcher used purposive method to distribute questionnaires to Addis Ababa area branches staffs only; and group questionnaire administration method was used for Awash Bank employees; and due to busy nature of the bank job, interview conducted with selected branch managers only.

1.7 Organization of the Paper

The research paper has five Chapters, chapter one is an introductory chapter which that describes the overall structure of the research paper ,here the back ground of the study ,back ground of the organization ,statement of the problem, research questions, objectives of the study, significance of the study ,scope and delimitation of the study ,and organization of the paper are presented. Chapter two consists of related literature review. Chapter three presents the research design and methodology ,in this chapter the type of research ,sample size ,method of data collection ,data analysis methods are described .The forth chapter discusses and analyses ,the results of the research ,it will focus on the major finding of the research .The fifth chapter consists of the summary of finding conclusion and recommendations drawn based on the overall findings.

1.8 Definition of Terms

In any research or study statement of the study/problem indicates what kind of work done and what importance the results have. Statement of problem is usually a declarative statement and indicates variables of interest to researcher. Researcher always interested to investigate specific relationship between those variables. The statement which defines variables or key words of problem in determined limits by researcher is so called operational definition. According to Whitney, after the problem has been selected, the next task is to define it in a form amenable to research. “To define a problem means to put a fence around it, to separate it by careful distinctions from like questions found in related situation of need.” Accordingly, these are operational definition of terms in the study.

Performance Appraisal: a periodic review and evaluation of an individual's job performance.

Performance Standards: performance standards are what we use to differentiate between acceptable and unacceptable behavior.

Performance Goals: Characteristics of performance goals, in particular, Specific, attainable, measurable, reliable and bounded by time

Employee: any person, excluding a n independent contractor, who works for another person or for the state and who receives or is entitled to receive, any remuneration

CHAPTER II

2. REVIEW OF RELATED LITERATURE

This chapter contains theoretical and empirical literatures regarding the performance appraisal system and also conceptual framework developed based on the literature.

2.1 Theoretical literature review

It deals with the concept of performance appraisal, purpose of performance appraisal, the performance appraisal process, performance appraisal methods, and performance appraisal errors. It also discusses about the requirements of effective performance appraisal system and employees' perception on performance appraisal.

2.1.1 The concept of performance appraisal

Performance appraisal can be defined as a structured formal annual or semi-annual interaction between the subordinate and supervisor to examine and discuss the work performance of the subordinate by identifying strength and weakness as well as opportunities for improvement and skill development (Bhatia & Jain, 2012). Belete, Tariku & Assefa (2014) defined performance appraisal as a systematic evaluations of an employees' performance skill and other necessary qualities for carrying out the job successfully. Performance appraisal is the process of obtaining, analyzing and recording information about the worth of an employee so as to evaluate the performance and understand the abilities of an employee for further growth and development (Manjunath, 2015). Lansbury (1988) defined performance appraisal as "the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance." cited by (Seniwoliba, 2014: 601). Deepa & Kuppusamy (2014) defines performance appraisal as a process in which the work performance of the employee is identified as strength and weakness so that the organization could use it in providing proper training to them and improve the organization's performance. According to Khan (2013: 66) "performance appraisal as a formal, structured system of meaning and evaluating an employee's job related behavior and outcome to discover how and why the employee is presently performing on the job

and he the employee can perform more effectively in the future so that the employee, organization and society get the benefit.”

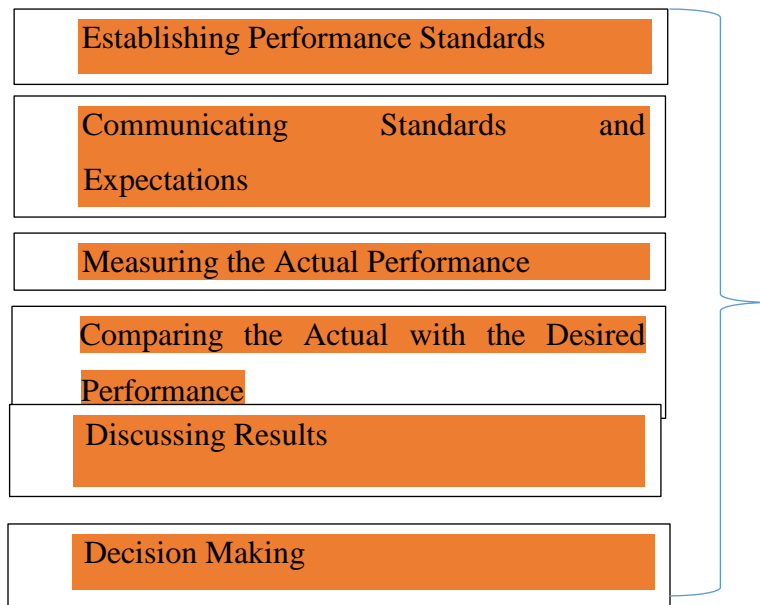
2.1.2 Purpose of performance appraisal

Performance appraisal is taken as the most important and crucial tools for the organization as it provides information which is very useful for decision making about different personnel aspects like promotions and merit increases (Obisi, 2011). Gomez-Mejia and coworkers (2012) state that appraisals are usually performed for administrative and /or development purposes. Behn (2000) cited by Mamimine and coworkers (2015) had also stated that, Performance appraisal is used administratively when the information gathered from it is used as a basis for decision regarding the work conditions of the employee. According to Rahim (2012: 386) “One of the most common uses of performance appraisal is for making administrative decisions relating to promotions, fringes, layoff, and merit pay increases.” As per Kondrasuk (2011) cited by Mamimine and coworkers (2015), developmental purpose is the other major purpose of conducting performance appraisal. Providing feedback, consultation on effective work behaviors, training and other learning opportunities to employees based on their performance appraisal results so as to improve their performance and strengthening their job skills is the developmental uses of appraisal (Gomez-Mejia and coworkers, 2012). Wangithi and Muceke (2012) indicate that one of the major uses of performance appraisal is to indicate performance areas that could get improved if appropriate training is provided.

2.1.3 The performance appraisal process

If a systematic performance appraisal process is followed, the ability to generate accurate and reliable data will be enhanced as a result the information that can serve the organization’s goals and that compiles with the law will be provided (Ivancevich, 2004). According to Rao & Rani (2014), unfair procedures of the performance appraisal create job dissatisfaction. Manjunath (2015) has listed the following steps for developing such systematic process;

Figure 2.1 Performance appraisal process



Source: Adopted from Manjunath (2015)

2.1.3.1. Establishing performance standards

It is the process of setting key performance criteria which could be used to judge the actual performance of employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives (Manjunath, 2015). According to Khan (2013), these four dimensions of performance which are competencies, behaviors, results or outcomes and organizational citizenship behaviors should be considered in performance appraisal. Besides the performance criteria should be based on the up –to – date job description so as to ensure that the performance criteria are relevant to work practice. As Gomes (2003) cited in Subekti and Setyadi (2016) has argued that the quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative and personal qualities are some indicators which become a performance appraisal measurement.

2.1.3.2. Communicating the standards

After setting the performance standards, the management should communicate it with the employees of the organization. There should be clear explanation of the standards to employees so that they could understand their roles and know what exactly is expected from them (Manjunath, 2015).

2.1.3.3. Measuring the actual performance

Measuring the actual performance or the work done by the employees during the specified period of time, is the most difficult part of the performance appraisal process. It is a continuous process involving monitoring the performance all through the year which requires the watchful selection of appropriate techniques of measurement, making sure there is no individual bias, and providing support instead of interfering in employee's work (Manjunath, 2015).

2.1.3.4. Comparing the actual with the desired performance

In order to know that whether there is a positive or negative deviation in the organizational performance, the actual performance of an employee will be compared with the desired outcome or the standard performance. It includes recalling, evaluating and analysis of data related to the employees' performance (Manjunath, 2015).

2.1.3.5. Discussing results

Here the results of the appraisal will be communicated and discussed with the employees on one-to-one basis with the aim of problem solving and agreement. Feedback will also be given with a positive attitude so as to have a positive effect on employee's performance and motivation (Manjunath, 2015).

2.1.3.6. Decision making

After discussing the results, the last step is to make a decision on either to improve the performance of the employee, take the necessary corrective action or the related human resource decisions like promotion, rewards, transfers and the like (Manjunath, 2015).

2.1.4 Performance appraisal methods

Since employee's appraisal system is used as a basis for successful employee performance management and also provides valuable information to other HRM functions, it has to be properly designed and realized (Aggarwal and Thakur, 2013). There are a number of methods available to measure the employee's performance. These methods can be broadly classified into two groups: traditional methods (past oriented) and modern methods (future oriented) (Aggarwal and Thakur, 2013; Shaout and Yousif, 2014)

Methods of Performance Appraisal

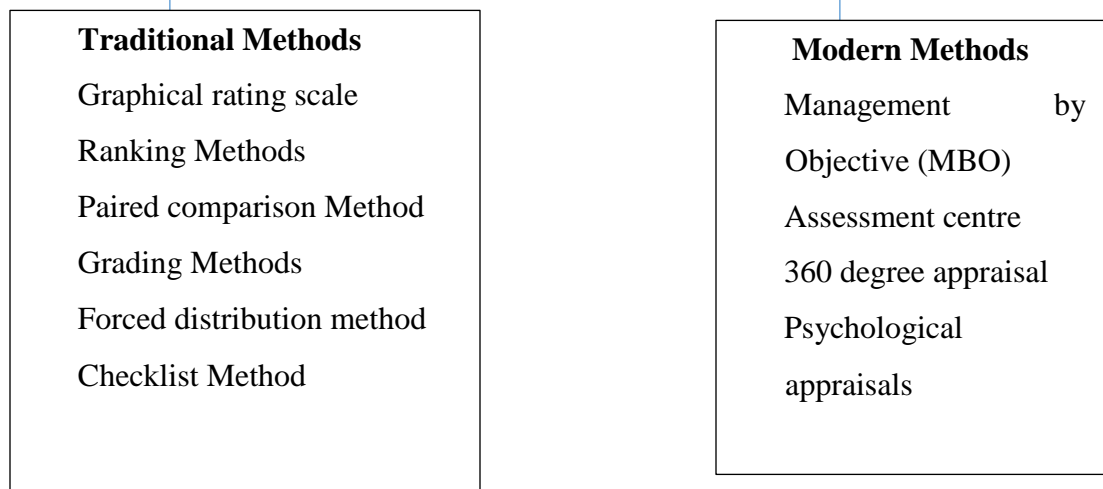


Figure 2.2 Performance appraisal methods

2.1.4.1. Traditional performance appraisal methods

Traditional methods are relatively older methods of performance appraisals which are based on the personal qualities of the employee including the knowledge, initiative, loyalty, leadership and judgment. These methods were past oriented approaches which concentrated only on the past performance (Aggarwal and Thakur, 2013).

2.1.4.1.1. Graphical rating scale

It is a popular and simple method used to compare individual performance to an absolute standard. It is a scale which lists traits such as quality and reliability and the range of performance values from unacceptable to outstanding. The employee is then graded by identifying the score that best defines his or her level of performance for the trait (Lunenburg, 2012; Shaout and Yousif, 2014).

2.1.4.1.2. Ranking method

It is an alternative method to graphic rating scale in which the employees are ranked based on their performance effectiveness one after the other from best to worst (Shaout and Yousif, 2014). According to Lunenburg (2012), the usual procedure in ranking method is that the rater will write the name of the best subordinate on the top of list, then the worst at the bottom and continue this sequential procedure until all the subordinates are listed.

2.1.4.1.3. Pared comparison method

This is a method where each employee is paired with every other employee in the same framework and then the raters make a two –way comparison. This is a useful method

only where the number of comparisons made is less otherwise it will become ineffective when the number of employees increases (Khan, 2013; Lunenburg, 2012).

2.1.4.1.4. Grading method

In this method, certain categories of grading of performance like excellent, very good, good, average, poor, very poor etc will be defined in advance and employees are put in a particular category depending on their traits and characteristics. However, this method has one basic limitation which is the rater may give higher grades for most of the employees (Khan, 2013).

2.1.4.1.5. Forced distribution method

Under this method of performance appraisal, the rater after assigning the point to the performance of each employee has to distribute his ratings in the pattern to conform the normal frequency distribution curve. The major drawbacks of this method occurs when organizations have a tendency to organize certain key departments with good employees and some other discards and laggard because relatively good employees of key departments get poor rating and relatively poor employees of laggards' departments' get good rating (Khan, 2013).

2.1.4.1.6. Checklist method

It is a simple method of performance appraisal where the supervisors are given a list of statements or questions in the form of yes or no based questions and asked to check against employee's performance. After completing the checklist, it will be sent to HR departments for further processing. The questions in the checklist may have more or equal weight depending on their importance (Khan, 2013; Khanna and Sharma, 2014). (Khan, 2013; Khanna and Sharma, 2014).

2.1.4.1.7. Critical Incident method

It is concentrated on certain critical behaviors of employee that makes significant difference in the performance. When such an action, a "critical incident," affects the department's effectiveness significantly, either positively or negatively, the manager writes it down. At the end of the appraisal period, the rater uses these records along with other data to evaluate employee performance. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the past few weeks or months (Shaout and Yousif, 2014).

2.1.4.1.8. Essay or free form appraisal

It is a method where the raters are asked to write or give a description on the employee's performance on the job at the end of evaluation time. This method tends to focus on extreme behavior in the employee's work rather than on routine day-to-day performance (Aggarwal and Thakur, 2013). According to Lunenburg (2012), some organizations have combined the graphic and essay methods by providing space for comments on the graphic rating scale. However, the variation in the writing skills of the rater is a major limitation.

2.1.4.1.9. Confidential report

It is highly secretive and confidential in which the employee's performance will be presented in the form of annual confidential reports (Khan, 2013). Khanna and Sharma (2014) stated that this type of appraisal is usually used in government departments and the ratings may be with respect to attendance, self-expression, team work, leadership, initiative, technical ability, reasoning ability, originality and the like.

2.1.4.2. Modern performance appraisal methods

Modern methods of performance appraisal were developed to improve the limitations like biasness and subjectivity of the traditional methods (Ashima and Thakur, 2013; Yousif and Shaout, 2014).

2.1.4.2.1. Management by objective (MBO)

Management by objective is a result oriented process in which first supervisor and subordinate jointly establish objectives and individual area of responsibility, then the employee performance will be measured by examining the extent to which predetermined work objectives have been met (Khan, 2013). In management by objectives, as performance is evaluated based on the achievement of the established objectives, it can be said that this method of appraisal is mostly concerned about the results achieved or goals attained but not the ways on how the employees performed it (Khanna and Sharma, 2014).

2.1.4.2.2. Assessment center

It is "a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Appraisees are requested to participate in in-basket exercises, work groups, computer simulations, fact finding

exercises, analysis/decision making problems, role playing and oral presentation exercises” (Shaout and Yousif, 2014 : 967).

2.1.4.2.3. 360 degree appraisal

A performance appraisal technique which comprises evaluation inputs from various sources in the firm like supervisor, colleagues, subordinates and external sources like customers, suppliers too. It provides information to people about the effect of their action on others in the work area (Shaout and Yousif, 2014). According to Khanna and Sharma (2014), 360 degree measures the manners, capacities, efficiencies of teamwork, character and leadership. Besides, it improves listening, planning and goal setting skills.

2.1.4.2.4. Psychological appraisals

This type of appraisals are more intended to assess the employees’ potential for future performance by focusing on emotional, intellectual, motivational, and other personal characteristic which affect their performance. It is done using In-depth interview, Psychological tests, discussion with supervisors and review of others evaluation (Khan, 2013; Khanna and Sharma, 2014).

2.1.5 Performance appraisal errors

Evaluating another individual’s performance accurately and fairly is not an easy thing to do; moreover, errors often result in this process. According to Rao and Rani (2014), performance appraisals are designed for assessing the performance and potential of employees, however due a variety of limitations on their use, it may not be a valid indicator of what they are intended to asses. Performance appraisal errors affect the validity and dependability of the performance appraisal system, and they could be discussed as follows:

2.1.5.1. Judgment error

Performance appraisal is HRM activity which entails teamwork between line managers or supervisors and HR specialists. The appraiser is supposed to have detail knowledge about the job content, the contents to be appraised and standards of content. Evaluators may commit mistakes due to the biasness and inadequate training and these errors are called rater errors or judgmental errors (Rao and Rani, 2014).

2.1.5.1.1. Halo effect

It occurs when a single positive or negative dimension of a subordinate’s performance influence the supervisor’s rating of that subordinate on other dimensions and resulting a

constant rate of high, medium or low in all the performance appraisal dimensions. The subordinate's performance is completely appraised on the basis of a perceived positive quality, feature or trait (Lunenburg, 2012).

2.1.5.1.2. Stereotyping

It is when the rater overestimates or underestimates the employee's performance based on the generalization made to the employee's behavior on the mental picture of rater about the sex, age, religion and the like (Rao and Rani, 2014).

2.1.5.1.3. Central tendency errors

Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. It fails to discriminate between subordinates and offers a little information for HRM decision making regarding compensation, promotion, training or what should be feedback to rates and the use of evaluations (Ivancevich, 2004).

2.1.5.1.4. First impression (primacy effect)

It is an error arising when the evaluator made an assessment based on the employee's first impression which may be positive or negative and if it is positive primacy effect, the employee is considered as a good performer while in negative primacy effect, the employee is a bad performer (Rao and Rani, 2014).

2.1.5.1.5. Recency of events error

Ideally, performance appraisals should be based on the data collected about the subordinate's performance over an entire evaluation period which is usually six months to a year. However, the rater is likely to forget the past behavior and gives over emphasis on recent performance. Thus, many people are evaluated more on the results of the past several weeks than six months' average behavior which is called the "recency of events" rating error (Ivancevich, 2004; Lunenburg, 2012).

2.1.5.1.6. Horn Effect

It is when the evaluator bases on the perceived negative quality or feature of the employee in appraising performance which results a lower rating (Rao and Rani, 2014).

2.1.5.1.7. Strictness or Leniency

Some raters consider everything as bad and some consider as good which are referred as strictness and leniency errors. Leniency occurs when ratings are restricted to the high

portion of the rating scale and strictness occurs when ratings are restricted to the low portion of the rating scale (Lunenburg, 2012).

2.1.5.1.8. Contrast Effects

This error occurs when evaluation of a ratee's performance is affected by comparisons with other people recently encountered. The rater lets another employee's performance influence the ratings that are given to someone else. It can also occur when a supervisor unknowingly compares employee's present performance with their past performance which could have impact on the rating (Ivancevich, 2004).

2.1.5.1.9. Spillover effect

It is a type of a rater error in which the current performance of the employee is evaluated based on the past performance by assuming the good performer employee in the distant past is good at the present and bad performers in the past are still bad in the present too (Rao and Rani, 2014).

2.1.5.2. Poor appraisal forms

The appraisal process is affected by the appraisal forms to be used. If there is ambiguity and lack of clarity in the rating scale or if the forms are too long and complex, they can cause perceptual difference in the meaning of the words used to evaluate employees. The rating form may also ignore important aspects of the job performance (Rao and Rani, 2014).

2.1.5.3. Ineffective organizational policies and practices

Most of the time, the sincere appraisal report is not suitably rewarded and this diminish the motivation to perform the job thoroughly and sincerely (Rao and Rani, 2014).

2.1.6 Requirements of effective appraisal system

Performance appraisal process is a key contributor to successful HRM as it is highly related to the organizational performance (Erdogan, 2002 cited by Rao and Rani, 2014). According to Beardwell and Claydon, (2007) cited by Wangithi and Muceke (2012), an incorporated and effective appraisal system could increase organizational performance and employee motivation. It recognizes successful performance and guides on the required skills, competences and behaviors to meet the expectation. In order to develop an effective performance appraisal system, the raters should be trained on the process of managing, motivating and evaluating employee performance (Goff & Longenecker, 1990 cited by Ochoti and coworkers, 2012). The key requirements for sound appraisal system

will be discussed as follows: **Relevance:** implies that there is a clear relation between the performance standards and organization's goals and also clear links among the crucial job elements and the dimensions to be rated on an appraisal form (Khan, 2013; Cascio, 2003).

Sensitivity: the performance appraisal system is capable of distinguishing high performers from low performers in which the high and low performers receive criterion scores that precisely represent the variation in their performance (Ivancevich, 2004; Cascio, 2003).

Reliability implies consistency of judgment in which appraisals for any given employee made by different raters must reach to similar conclusions about the quality of that worker's output (Ivancevich, 2004; Cascio, 2003).

Acceptability: is the most important requirement of all as the appraisal systems that are acceptable to those who will be affected by them guide to more favorable reactions to the process and also enhance trust for top management (Cascio, 2003).

Practicality: Understanding and using the appraisal instruments are easy for managers and employees that is the criterion is measurable and the data collection is efficient (Ivancevich, 2004; Cascio, 2003)

2.1.7 Employees' perceptions on performance appraisal

In managing organizations effectively, it is important to any top management to set accurate performance appraisal system and meet the employees' perception of fairness. Perception of performance appraisal procedure unfairness could have an adverse effect on employee's organizational commitment, job satisfaction, trust in management, performance, work-related stress, and theft (Belete, Tariku & Assefa, 2014). According to Ochoti and coworkers (2012) employee reaction to the performance appraisal system is significant aspect to the acceptance as well as effectiveness of the system. Hui and Qin-xuan (2009) cited by Malik & Aslam (2013) have indicated that if employees' perceive performance appraisal as unfair, it will be turned to ineffective management tool and if they perceived as fair, it can be welcomed and resulted into positive attitude of the employees. Employees most likely perceive the performance appraisal as accurate and fair when; appraisals are conducted frequently, there is a formal system of appraisal, supervisors have high degree of job knowledge, there is opportunity for the ratees' to appeal, performance dimensions are seen highly relevant, and when there is formulating

action plans to deal with present weakness (Murphy & Cleveland, 1995 cited by Belete, Tariku & Assefa, 2014; Murphy & Cleveland, 1995 and Landy et al, 1978 cited by Ochoti and coworkers, 2012). As indicated by many scholars, employees' satisfaction on performance appraisal is very necessary, therefore in order to get the desired attitude and behavior in achieving their goals, organization should focus on employee's reaction or perception of employees about fairness and satisfaction towards performance appraisal (Ilgen and Fisher, 1979; Pearce and Porter, 1986 cited by Malik & Aslam, 2013)

2.2 Empirical literature review

Migiro and Taderera (2011) empirically evaluated the performance appraisal system in the bank of Botswana using stratified sampling to divide the sampling frame into strata and then simple random sampling was applied from each stratum. The study aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana. It has concluded that, the following issues need to be addressed for the Bank's performance appraisal system to be effective and meet its objectives: regular training for both the employees and the evaluators; transparency in the implementation of the appraisal system; provision of continuous feedback to employees on their performance and reduction of inconsistency in the system used across the bank. Based on these the study has recommended that; the bank should provide training to both the evaluators and the employees on the pay-based appraisal system, the bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of assessing performance such as multirater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors. Mishra (2013) has studied the Employee Appraisal System in Hong Kong and Shanghai banking Corporation (HSBC Bank) and concluded that the process of performance appraisal has to be a continuous activity which should be conducted on a regular basis. Performance appraisal plays a vital role in achieving the predetermined goals of the organizations thorough the efforts of HR which ensures the accomplishment of tasks by judging the behavior of employees and overall performance within the organization. The performance evaluation and feedback with the employee also facilitate in gaining the organization results. The study has also suggested that the process of performance

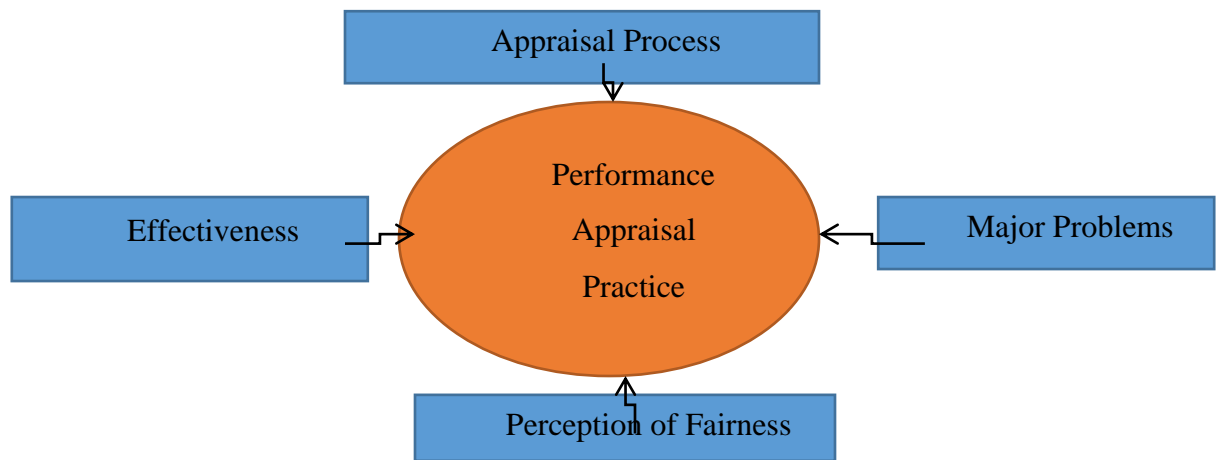
appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization. Atta-Quartey (2015) in the research entitled “Evaluation of the annual performance appraisal system at the University of Cape Coast” has investigated staff’s perception on the effectiveness of the annual assessment system and also examined the motivation status of staff after assessment by applying convenience sampling technique and the data collection methods used were both quantitative and qualitative. The study has concluded that the current appraisal system of the university is ineffective and performance appraisal, likewise performance management at the University of Cape Coast, lacks policy direction. Without the use of guiding principles for monitoring performance and appraising staff, it is possible that many people are actually not performing and therefore assessments at University of Cape Coast suffer a variety of judgmental errors and biases due to subjective appraisals. The study has recommended that the Division of Human Resources (DHR) should review the appraisal system from start to end and introduce new appraisal system for various levels of administrative staff. It was also suggested that training has also be arranged to all supervisors in order to provide them appropriate assessment skills like communication of feedback to staff so as to make them to have a meaningful interaction which will motivate the staff in improving their work. In designing the appraisal forms, the Human resource has also recommended to include guiding principles to the appraisal form which enables the supervisors to do more objective appraisals. A study made by Aschalew (2015) has assessed employee performance appraisal practice of Dashen Bank S.C. by applying purposive sampling technique with a sample size of 300. This study has founded that the there is no written policy which can guide performance appraisal system of the bank as a result the system lacks uniformity and consistency. Moreover, the employees of the bank have no awareness about the purpose of the performance and they are not a participant in setting performance criteria. It has been observed that there is no training for the rater about the ways of conducting performance appraisal. The study has mainly recommended that Dashen Bank S.C is better if it establish a written policy and guideline about performance appraisal process and system. The study has also suggested that appraisal criteria of the bank must be developed from job analysis by letting the employees to participate on it and also the objective of performance appraisal should be clear to all employee of the

bank. In addition, the study has also recommended that it would be better if training is provided for the rates or supervisors.

2.3 Conceptual Framework

Effective performance appraisal strategy is crucial in making sure that the business is operating effectively and also on a track to achieve strategic goals as a result organizations must be capable of installing it so as to achieve competitive advantage (Femi, 2013). Performance appraisal is not a still evaluation activity but a dynamic process in which organizations can identify the strength and weaknesses of an employee and address how to improve the performance of the employee Femi (2013).

Figure 2.3 Conceptual framework of the study



Source: Own Work, (2016)

The above Figure 2.3 shows that the effectiveness, process, appraisal errors, and employees' perception towards the fairness of the appraisal system are taken in to consideration in performance appraisal practice of an organization. This is because if organizations failed to have effective performance appraisal system, it couldn't increase organizational performance and employee motivation. The process of performance appraisal is taken in to consideration as accurate and reliable data will be generated when the systematic performance appraisal process is followed. In the same manner, the problems which may be judgmental error, or poor appraisal forms or ineffective organizational policies and practices affect the validity and dependability of the performance appraisal system. Employees' perception towards the fairness of performance appraisal system is also a significant aspect to the acceptance of the system.

CHAPTER III

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Method

Quantitative research is “an inquiry into a social or human problem based on testing a theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true.”(Creswell, J. Sage: 2009.). It is "a formal, objective, systematic process in which numerical data are utilized to obtain information about the world” (Burns & Grove, as cited by Cormack, 1991, p. 140). Generally, quantitative research (i.e. positivist or scientific paradigm), leads us to regard the world as made up of observable, measurable facts (Glesne and Peshkin, 1992) – their assumption that ‘social facts have an objective reality and variables can be identified and relationships measured. A quantitative researcher attempts to fragment and divide phenomena into measurable or common categories (parts) that can be applied to all the subjects or similar situations (Winter, 2000). To this particular research paper, quantitative method is adapted primarily to measure, make comparisons, examine relationships, make forecasts, and construct important outcomes of the study in recommendation section related to performance appraisal practice in Awash Bank

3.2 Research Design

There are numerous types of research design that are appropriate for the different types of research projects. The choice of which design to apply depends on the nature of the problems posed by the research aims. Each type of research design has a range of research methods that are commonly used to collect and analyze the type of data that is generated by the investigations. Among currently used research designs three possible types of research designs that can be undertaken while conducting research are exploratory, descriptive and explanatory studies. An exploratory study pertains to research that aims at shedding new light on a given subject and is often done to clarify the General understanding of a certain problem. The most general way in which an exploratory study is conducted, is through reviewing literature, interviewing subject area experts and by means of focus group interviews. Descriptive studies on the other hand,

aim to describe persons, Occurrences and situations. Lastly, explanatory studies are studies that show relationships between variables in order to explain certain problems or events (Saunders, et al., 2007). For the purposes of this research report, descriptive approaches were followed. Ultimately, due to the objectives of the research paper, descriptive type of research design suits to answer the questions listed in the first section of this study.

3.3 Population and sampling Frame

The target population for this study includes employees and the management of Awash Bank working at head office and selected branches .Currently the bank has nearly 370 branches located throughout the country the number of permanent employees reached around 7500. On the other hand sampling frame is List of all the sampling units from which sample is drawn. We here study performance appraisal at organization level. But the unit comfortable to study the characteristics of the problem is employees in the organization. Therefore we can frame the population into distinct and non-overlapping frame which are branches in case of Awash Bank. This can help to take specific samples of branch from Awash Bank and from each branch sufficient number of staff can be selected for distributing research instrument.

3.4 Sampling and Sampling Technique

Sampling is the process of choosing actual data source from a large set of possibilities (Given 2008).Accordingly, it will be better to use a sample to count the practice of employees appraisal system in Awash bank S.C rather than taking the whole population in different branches of the bank, because as described by (Churchill and Irving 2008) first complete count on population of moderate size very costly and unmanageable. Also one can select a sample over a census for the purpose of accuracy. Census involves larger filed staffs, which in turn introduce greater potential for non-sampling errors (ibid).Therefore; the researcher will collect information from the employees by taking a sample of respondents to gather about the larger group. As reported on the annual report of the bank, as of June 30, 2017, for this study the permanent employees working in the head office level and selected 10 branches of the bank are considered as target population As mentioned earlier due to time and budget constraints the researcher was forced to take only a representative sample which will represent the total population. The sample will be determined by using a simple random sampling method, where it uses a group's size in

the population as a sole influence. Using a formula (Yemmane, 1997) $n = \frac{N}{1 + N(e)^2}$, where N size of the population n=sample size e=error to be faced, the minimum sample size was determined. Thus using this formula, the sample is determined as indicated below. N=7500, e=5%, and 95% confidence level then the sample size was determine using the above formula that is around

$$\frac{7,500}{1+(7,500(0.05)^2) = 380}$$

3.5 Data Source and Tools of Data Collection

The researcher used both primary and secondary sources of data in order to conduct the study.

3.5.1 Primary sources of data

Primary data is collected from Awash Bank's employees through questionnaires developed to solicit their opinion regarding the PA overall practice and implementation.

3.5.2 Secondary sources of data

The researcher used secondary sources available which include, progress reports of Awash Bank, Awash Bank Web sites, Awash Bank's annual journal articles, and mainly Awash Bank staff record which supported the development of the study.

3.5.3 Data Collection Procedure

In collecting the necessary primary data, first questionnaire is prepared and distributed at head office where senior and top managers usually obtained and across selected branches for collecting employee information regarding performance appraisal practices. Accordingly the distributed questionnaires will be collected back for analysis after it has been properly filled.

3.6 Data Analysis Methods Used

The data analysis process of this research occurred in three main stages, the first stage deals with data management prior to data entry. After the data collection, it was managed to allow computerized data entry for the statistical analysis (SPSS 20). This process was carried out both prior to and immediately following data input to check its accuracy and quality. The second stage focuses on the initial data analysis to check the suitability of the data after data entry .Initial data analysis was carried out in order to test for assumption

underlying the data, to gain descriptive data ,and to help determine the property of the measurement .Thus ,this stage of data analysis consists of initial or preliminary data analysis ,to describe the sample ,check for data errors ,check for the reliability of measures for this sample ,construct scale scores ,factors analysis for different dimensions. Finally the third stage of the data analysis, the researcher used statistical techniques for answering research questions .The analysis and interpretation of data in this study is done using qualitative and quantitative data analysis techniques. Therefore, the analysis focuses on cumulating and representing the entire responses by parameter figures which summarizes overall feelings and Reponses from employees in the bank. this are mean scores, separate frequencies and cumulative frequencies of responses presented in tabular forms.

3.7 Ethical Considerations

A policy of secrecy for the respondent's and organization was adhered as various confidential data were accessed by the researcher. Respondents were informed to not include their name, address in order to make sure they don't have any doubts on their identities being exposed so it can help in getting the required and honest information great care has been also taken in writing the report using appropriate language which is free from bias. The report reflects the information obtained from the respondents.

3.8 RELIABILITY

Reliability refers to the degree to which measures are free from random error and therefore yield consistent results (Zikmund 1977.) Thus the extent to which any measurement procedure produces consistent results over time and an accurate representation of the total population under study is referred to as reliability. In this research Cronbach's Alpha is a reliability coefficient that indicates how well items in a set are positively correlated to one another (Sekaran,2003).

According to Darren et al. (2001), coefficient alpha is a measure of internal consistency based on the formula;

$$\alpha = \frac{rk}{(I + (k - I)r)}$$

Where k is the number of variables in the analysis and r is the mean of inter -item correlation. However the alpha value is inflated by a large number of variables so there is no set interpretation as to what is acceptable. Nevertheless, a rule of thumb that specifies that applies to most situations is given as:

- $\alpha > .9$ - Excellent
- $\alpha > .8$ - Good
- $\alpha > .7$ - Acceptable
- $\alpha > .6$ - Questionable
- $\alpha > .5$ - Poor
- $\alpha \leq .5$ - Unacceptable

Table 3.1 Summary of Reliability Test from Employee Responses on Scale Items

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.869	0.943	380

Source: Researcher Computation from SPSS Software on field data

Thus with regard to results from table c above, the Cronbach alpha coefficients of 0.869 obtained from the SPSS computation is considered good and affirms as the instrument is reliable.

3.9 Validity

Validity on the other hand, can be described as the extent to which the instrument measures what it purports to measure. According to Healy et al, (2000), validity determines whether the research truly measures that it was intended to measure. Thus validity measures how truthful the research results are or the extent to which scores truly reflect the underlying variable of interest. Therefore, after design, the questionnaire was given to advisor, supervisors and experts for their comment and suggestions. Repeated corrections and improvements were made on the questionnaire to ensure refinement and content validity.

CHAPTER IV

4. DATA ANALYSIS AND INTERPRETATION

The data collected using questionnaire and interview as primary data collection tools were analyzed using descriptive statistics. Thus, the data were categorized and tabulated, and analyzed using frequency count and percentage. Moreover, the data were interpreted based on the facts and concepts accessed from the literature review.

4.1 Socio-demographic Characteristics of Respondents

Descriptive statistics such as frequencies and percentages relating to the socio-demographic characteristics of respondents are presented in Table 4.1. More than half of the respondents (51.1%) were male, and the rest (48.9%) were female bank employees, which indicates that the financial sector is recruiting female work force more than ever.

Table 4.1 Socio-Demographic Characteristics of Respondent

SDC	Var.	Freq.	Percent	Valid Percent	Comm.
Sex	Male	194	51	51	51
	Female	186	49	49	100
	Total	380	100	100	
Age	18 - 25	75	20	20	20
	26-30	194	51	51	71
	31-40	84	22	22	93
	over 45	27	7	7	100
	Total	380	100		
Marital Statuses	single	213	56	56	56
	Married	161	42	42	98
	Divorced	6	2	2	100
	Total	380	100	100	
Educational Level	Diploma	13	3	3	3
	BSc/BA	309	81	81	85
	MA	52	14	14	98
	PHD	6	2	2	100
	Total	380	100	100	
Length of Service in the Bank	< One	141	37	37	37
	1-3 years	89	23	23	61
	5-Mar	47	12	12	73
	>5	103	27	27	100
	Total	380	100	100	
Current Salary Range	<3000	6	2	2	2
	3000-5000	45	12	12	14
	5000-7000	284	75	75	88
	7,000-15,000	45	12	12	100
	Total	380	100	100	

Source: Field Data Collection- November 2018

The majority of employees (51.1%) were in the youth and active age group of (26-30 years) with only 7.1 % being 45 years or more. Due to the relative youthful nature of the respondents, 42.3% are married and the larger proportions i.e. (56 %) were unmarried young employees. The level of education of respondents was mostly bachelor's degree (81.3%) due to the fact that respondents were officers, middle and top management personnel and usually, a first degree is required for such positions in these Awash Bank under. The monthly income of respondents however varied significantly. Out of 423 respondents, only 1.7% received below Br.3, 000 with 98.3 % earning Br. 3,000 or more. Most of respondents (37.1%) remained for less than one year in their respective bank and 60.5 % served the bank less than three years. Only 27.1 % of the respondents were in their bank for more than 5 years which indicates presence staff volatility.

4.2 I know all the aspects and standard used to evaluate my performance.

Description/question	Agree		Neutral		Disagree	
	Freq.	%	Freq	%	Freq.	%
I know all the aspects and standard used in PA to evaluate my performance.	214	56	82	21.6	84	22.1

Source: Researcher Primary Data Collection

As indicated in the table from respondents who are asked if they understand the measures used to evaluate their performance and 214(56) % of the respondents agree they do understand the criteria used to evaluate them and 82 (21.4) % of the respondents are neutral while 84 (22.6) % of the respondents disagreed and say they did not understand the measures used. From the above data we can see that the measures used are partially understandable which are related to the work of the employees and further do not comprehend the criteria used can evaluate the actual performance accurately. The aggregate some of neutral respondents and who disagree with the issue sum up to 43.7 percent. The figure is far more than one third and even closer to half. it indicates discomfort in the standard used to evaluate performance evaluation in Awash Bank.

4.3 I believe that the performance appraisal system is vibrant in our Organization

Description/ Question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
I believe that the performance appraisal system is vibrant in our organization	127	33	149	39	107	28

Source: Researcher Primary Data Collection

In the above question the opinion of employees are shown that the majority of 39% employees are neutral on presence of energetic performance evaluation system, while 28% disagree, and 33% of the employees agree that the PA system is vibrant. Even though, the majority of the employees are neutral about the performance appraisal vibrant nature, the sum of neutral and disagreed employees i.e. 67% is a good justification for lack of energetic performance appraisal system in the Awash Bank.

4.4 Counseling service is done before the performance appraisal is done

Description/ Question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
Counseling service is done before the performance appraisal is done	95	24.8	135	35.2	153	40

Source: Researcher Primary Data Collection

From the above question the majority of the employees 135 (35.2%), are indifferent about whether counseling service is done before or after PA result which tells us that there is poor communication and gap on how PA process undergoes. The remaining 40% and 24.8% answered as they disagree and agree about the question under consideration. The importance of consulting an employee before technical appraisal system is vastly discussed in section two of the paper. Accordingly 75.2% without psychological readiness is somewhat the Bank advised to give due attention.

4.5 Performance appraisal is participatory and satisfactory

Description/Question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
Performance appraisal is participatory and satisfactory	99	25.8	96	25.1	188	49.1

Source: Researcher Primary Data Collection

The fact in the above table that 188 (49.1%), of respondent disagreed that the existing PA system in the bank has been or still is participatory and satisfactory 99 (25.8%), agreed and 96 (25.1%) are neutral to it. In general terms, performance appraisal results are to be said subjective and respondents attitude seems to be dissatisfied and never been participated in the system.

4.6 I have no issue with the frequency of performance appraisal

Description/Question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
I have no issue with the frequency of performance appraisal	243	63.5	65	17	75	19.6

Source: Researcher Primary Data Collection

As per the Table, the majority 63.5% of the respondents agree with the statement that performance appraisal should be done continuously while the 19.6% disagree and 17% remain neutral to the above statement. Most of the employees agree with the statement that As per the Table, the majority 63.5% of the respondents agree with the statement that performance appraisal should be done continuously while the 19.6% disagree and 17% remain neutral to the above statement. Most of the employees agree with the statement that the Bank undertake the employee performance appraisal practice periodically without interruption in the middle.

4.7 The performance appraisal is two way communications in our company

Description/ Question	Agree		Neutral		Disagree		
	Items	Freq	%	Freq	%	Freq	%
The performance appraisal is two way communication in our company		113	29.5	101	26.4	169	44.2

Source: Researcher Primary Data Collection

After setting the performance standards, the management should communicate it with the employees of the organization. There should be clear explanation of the standards to employees so that they could understand their roles and know what exactly is expected from them. The responses collected and analyzed in the study exposed the Bank lack proper two way communication with 70.6 percent of the sample employee responded absence of two way communication. on contrary, only 29.5 percent agree with the case.

4.8 There is a meeting after performance appraisal is done

Description/ question	Agree		Neutral		Disagree		
	Items	Freq	%	Freq	%	Freq	%
There is a meeting after performance appraisal is done		110	28.7	54	14.1	219	57.2

Source: Researcher Primary Data Collection

Nelson and Villalobos, Jorge (1997) noted that the major function of PA is to give employees feedback on performance, to identify the employees' developmental needs to make promotion and inward decisions, to make demotion and termination decisions and to develop information about organizations selection and placement decisions.

According above Table, the majority 57.2% of the total respondent are disagreed, while 28.7% agree, and 14.1% are neutral regarding the usage of information for employees'

feedback, this shows us there is no trend that no meeting will be done after PA is done the human resource department heads were interviewed as informants according to their information. The employees are given the right to see their

4.9 The Performance Appraisal set equal measurement and weight for all employees

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
The Performance Appraisal set equal measurement and weight for all employees	95	24.8	111	29	177	46.3

Source: Researcher Primary Data Collection

As indicated in above Table the respondents were requested to express their level of agreement with the statement “the rater gives equal measurement for all employees “. Accordingly, majority of the respondents, 177(46.3%) express their disagreements with the statement .on the other hand 95(24.8) % agree with the statement. 111 (29%) of the respondents neither agreed nor disagreed. From the responses, it can be inferred that most of the raters do not give equal rating to all employees irrespective of their level of performance. Managers /supervisors usually will not give equal rating to their subordinates to get rid of complaints that are likely to arise because of rating disparities. This practice will however diminish the moral of hardworking and outstanding employees and consequently hamper the overall performance of the whole organization.

4.10 I agree with my performance appraisal result

Description	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
I agree with my performance appraisal result	104	27.1	84	21.9	195	50.9

Source: Researcher Primary Data Collection

From the above Table it was discovered that 50.9% of the respondents disagree with the statement that, they disagree with the results of their performance appraisal results;

21.9% are neutral which tells us that there is complain that staff doesn't need to explain for different reasons and 27.1% of them agree with the statement this will inform us majority of the employees are dissatisfied with their result. As human resource department manager the Bank is working hard that employees to get good working environment as the result with proper implementation of performance management the bank vision and will be achieved with proper management of their employee's performance management.

4.11 The performance appraisal is based on clear and measurable objectives

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
The performance appraisal is based on clear and measurable objectives	148	38.7	86	22.5	149	38.9

Source: Researcher Primary Data Collection

From the above Table it was discovered that 38.9% of the respondents disagree with the statement that whether performance appraisal is based on clear and measurable objective or not and 22.5% of respondents are neutral which tells us that there are gaps which staffs doesn't need to explain for different reasons. However, 38.7% are believes that the Bank's performance appraisal is based on clear and measurable objectives.

4.12 PA determines my salary and promotion in our organization

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
PA determines my salary and promotion in our organization	86	22.5	84	21.9	146	38.1

Source: Researcher Primary Data Collection

Performance appraisal is used not only for employee feedback purposes, but also for pay and promotion determination purposes. If PA is to be effective it has to be connected with the benefits it bears, such as pay increment and promotion. Payment is a kind of material reward involving pay in cash or in kind. Whereas promotion is the move from a lower level to a higher level position comes with cash increment. This helps the organization as well as the incumbent employee in bringing about effectiveness and efficiency, which in turn increases productivity or service quality. Concerning the usage of information generated through performance appraisal for pay and promotion decisions by the Bank, data collected is presented in the above table is 38.1% of employees say performance appraisal is not attached in toward and promotion additionally 22.5% of employees agreed the PA evaluation is attached to reward and promotion, and this may be form low understanding of employees about the performance appraisal and is purposes. And from the total respondent employees 21.9 % are neutral about the use of evaluation generated to determine pay and promotion decisions for the purpose of triangulation the human resource departments were interviewed. According to their response, information generated through performance appraisal is barely used for promotion decision development and annual increment purposes.

4. 13 PA will support all aspects of organizational and corporate goals

Description/ Question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
PA will support all aspects of organizational and corporate goals	86	22.5	49	12.8	185	48.3

Source: Researcher Primary Data Collection

In addition, Grub, 2007 synthesized the strategic purpose of PA should be aimed at linking the organizations goals with department, team and individual goals. In fact 149(38.9%), of the respondents agreed on the PA of the bank is in support of organizational and corporate goals and 185 (48.3%), disagreed while 49 (12.8%), are indifferent towards it. As the respondents have shown it, we can say that the bank has not successfully implemented its PA strategic purpose. It has been argued that the results of performance appraisal of all employees provide insight into the effectiveness of the HR

system, the developmental and training needs for the whole organization, and the setting and articulating of organizational goals for the employees (Dessler, 2006).

4.14 PA result influence my future work performance

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
PA result influence my future work performance	86	22.5	53	13.8	148	38.7

Source: Researcher Primary Data Collection

From the above Table 47.5% believes that their PA result influences their future work performance the remaining 38.7% and 13.8% respondents are disagreed and neutral respectively about the statement under consideration which tells us that post PA result could affect their future work setting.

4.15 PA evaluators have enough knowledge and expertise for the task

Description/ question	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Freq.	%	Freq	%	Freq	%	Freq	%	Freq	%
PA evaluators have enough knowledge and expertise for the task	61	15.9	39	10.2	139	36.3	111	29	33	8.6

Source: Researcher Primary Data Collection

Study results depicted that 37.6% employees feel that their supervisors don't have enough knowledge on performance appraisal, On the other hand 36.3% remained neutral, and 26.1% agree, and this shows that employees have no confidence on the performance appraisal knowledge of their supervisors. As per the interview from HRD head supervisors who are engaged with appraisal have enough experience but they said we did

not give any kind of training to these supervisors on the basis of PA evaluation. And the total result shows that there is a skill gap on the side of the supervisors due to lack of training.

4.16 Supervisors may conclude a single case in the quarter as a whole year performance result

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
Supervisors may conclude a single case in the quarter as a whole year performance result	86	22.5	88	23	118	30.8

Source: Researcher Primary Data Collection

From the above Table it is possible to learn that majority i.e., 22.5 % of the employees agree, 30.8% disagree and 23% remain indifferent respectively with the statement supervisors conclude their result from a single incident. The halo effect occurs when a manager rates an employee high or low on all items because of one character which might be good or bad. An appraisal that shows the same rating on all characteristic may be evidence of the halo effect. Clearly specifying the categories to be rated ,rating all employees on one characteristic at a time, and training raters to recognize the problem are some means of reducing the halo effect.

4.17 I know why PA is carried out in the organization.

Description/question Items	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
I know why PA is carried out in the organization	86	34.7	96	25	154	41

Source: Researcher Primary Data Collection

From the above Table it is possible to learn that majority i.e. 41% doesn't even know well why PA is carried out in the bank, with this regard it has found as there is poor

communication and PA implementation process in the system on the other hand 34.7% agreed on the issue and however 25.1% are indifferent on the question provided.

4.18 PA mainly focuses on technical aspects of the task

Description/ question	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
PA mainly focuses on technical aspects of the task	86	22.5	86	23	102	27

Source: Researcher Primary Data Collection

As can be seen from table above respondents were asked to indicate their level of agreement with the statement PA focuses on the technical aspects of the work in your organization .Accordingly majority of the employees 195(50.9%) expressed their agreement with the statement. They feel that PA is carried out to evaluate the technical capability of employees .On the other hand, 99(26.6%) of the respondent disagree with the statement .According to them; the appraisal doesn't focus on the technical skill and /or capability of employees. The remaining 86(22.5%) chose to be neutral. This could be because different offices use different appraisal forms based on the nature of the job under their supervision. Nonetheless failure to focus on the technical skill of employees will not enable organization to determine the efficiency of its employees without technical knowhow; employees will be less efficient in performing their duties and responsibilities.

4.19 PA result clearly identifies employee's gaps and suggest relevant feedback to fill the gaps

Description/ question Items	Agree		Neutral		Disagree	
	Freq	%	Freq	%	Freq	%
	PA clearly identifies employees gaps and suggest relevant feedback	86	22.5	39	10	274

Source: Researcher Primary Data Collection

According to Grub 2007, the major purpose of performance appraisal is developmental purpose and this could be achieved in due process of identifying the performance deficiencies and performance gap of employees throughout the system of PA. Apparently, 70(18.3%), of the respondents agreed that the banks PA system identifies their performance deficiencies as well as gaps were as 274(71.6%), of them disagreed and 39 (10.2%), are indifferent to the idea.

4.2 Analysis of Data Obtained from Interview

4.2.1 General Objectives of the interview

- to understand the performance appraisal practices in Awash Bank.
- Identify effectiveness or weak areas of appraisal system in Awash Bank.
- to sort out major problems in the overall appraisal system implemented in the Bank.
- Conclude employee perception on the performance appraisal system applied in the Bank during their career in the Bank.

According to the interview the Bank uses graphic rating scale technique to appraise their employees. Appraisers are given format to appraise employees. The format contains characteristics, those are assumed can practically demonstrate the knowledge, practical experiences, cooperation on job with his/her immediate supervisor. In group working, initiative to help clients, job reliability and effectiveness, productivity and efficiency, property handling knowhow and personal attitude, ability to practice knowledge/training acquired, ability of performing assigned job qualitatively, contribution to the functional section in constructive manner, efforts to genuinely caring for morale of other coworkers, willingness to accept criticism and evaluation on the job working in harmony with coworker genuinely, ability to accomplish assigned tasks in organized and efficient ways, ability to control different tasks at a time, competency to pursue different methods to perform tasks using own creativity, concern for resource and property, effort shown to satisfy internal and external customers, ability to listen to customers" demand patiently, Practice of working hours of dressing style, Neat personality on working hour. In the process of filling performance evaluation forms supervisors shall refer to these performance evaluation levels. The point attached to each performance evaluation level shall serve as a multiplier for the specific weight of point attached to performance

criteria. For example if „job knowledge“ is given 10 points in the performance evaluation form and the supervisor thinks that the job knowledge of an employee is „exceptional“ then he shall use 100%(1) to 95% (.95) range as a multiplier to reach at the value of performance. The point to be given therefore out of 10 be between 10 and 9.5. The hand book of performance management of the bank presents the requirements for each performance level corresponding to each performance standard and indicator. Performance evaluators“ are advised to refer this handbook prior to starting to fill the comprehensive performance evaluation form so that they can better objectively evaluate the employee. To determine whether an employee is performing „poor“ and „very poor“ the evaluator must ascertain that the staff is performing at the „poor“ and „very poor“ expectation on 40% or more of the criteria for that standard.

When a supervisor perceives that an employee is headed towards poor performance he/she should schedule a meeting with the employee as soon as possible to discuss this concern. 34

Prior to giving an „unsatisfactory“ rating, it is important that the evaluator meets with the employee a minimum of two times to discuss his/her performance, and private documentation, offer suggestions or assistance for improvement, and monitor performance aimed at improvement. Additionally, the evaluator is to provide detailed explanation (with incidents) in the comment section of the comprehensive evaluation form (From the performance management manual of Awash Bank). According to the information obtained from the human resource department head the grade level is not set for appraisal. However, the average rating method is used to compute the result of performance appraisal of employees in the Bank.

CHAPTER V

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF THE FINDINGS

1 The findings of the study are summarized as indicated below:

.in relation on how performance appraisal practiced in the organization.

The majority of respondents agree with the aspect and standards used to evaluate their PA, while moderate number of respondents disagree with the statement the say the respondents know the aspect and standard that evaluate their performance.

In regard to the vibrant system of the organization, respondents reaction were the majority of the respondents disagree and come to consensus with vibrant system for PA of the organization.

Regarding whether counseling service is done before the performance appraisal the majority of the respondents are neutral which shows there is poor communication between the supervisors and subordinates.

2 Problems related to current PA system of the Bank Degree of the rate agreement with the result of performance appraisal. According to the results from the table majority of the respondents disagree with the results of their performance appraisal, while moderate number of employees remains neutral, which shows that there is something or employees are not comfortable enough on the respective question.

- Regarding transparency in a way performance result is implemented. According to the table majority of the respondents feel that there is no transparency in the way the performance appraisal is put in place, which might bring problem in the organization and employees are uncomfortable in the implementation of the PA results.

- Concerning respondents view on their supervisors' knowledge while performance appraisal is conducted, the majority of respondents believes that their supervisors do not have enough knowledge regarding performance appraisal. Which is not good for the mind of the employees to be rated by their employees.

- According to the pool of respondents that majority agree with the statement that their supervisors conclude the results of their performance appraisal on a single incident, which is a very bad type of conclusions and it will harm the working environment and

employees should be evaluated from the work they perform during that PA period under consideration not a single incidents.

- Majority of the respondents know why the PA is carried out in the bank, which is a very good culture for the company and it will help its employees to grow and give their best to their esteemed customers because of the knowledge that they have and expected of them.

- Most of the respondents agree with the statement that PA is focused on the technical aspect of the work. From the total perspective technical part by itself is not good for an organization behavioral parts of the employees should be added for the betterment of the company.

3 Perception/view of employees on PA conducted the company.

- The majority of the respondents do not agree with the statement that supervisor's give equal rating for all employees in order to minimize any complain arise from the results.

- From the view of the respondents majority says PA appraisal is used to make promotion for those staffs with the higher rankings and pay increase for those with the same higher results achieved.

4 Satisfaction level of employee on the PA system currently in place.

- As the result indicate s that majority of the respondents dis-agree with the statement because of the time that it takes to do the PA.

- Majority of the respondents believe that performance appraisal in the company is a not a two way communication in this way this will bring a gap between an employees and supervisors.

- As confirmed by majority of the respondents, performance appraisal has the ability to affect employees 'future job performance.

- As the results indicate, majority of the respondents are not satisfied with the performance appraisal process of the organization.

- As the data indicate majority of the respondents feel that feedback is not given sufficiently by their supervisors after the end of performance appraisal session which is bad and raises suspicion.

- According to the majority of respondents, performance appraisal is not a waste, it is rather very important in that it helps employees to understand their level of status.

5.2 CONCLUSION

- Employees are the life blood of an organization and they should be treated and nurtured well in order to get the most out of it. When conducting performance management at organization level the management of the bank have found gap on seeing the angles that their workers are better off or worse of then they can plan and predict the future of their company human resource needs.
- From the research finding it has found that majority of respondents agree with the aspect and standards used to evaluate their PA.
- It has found that as some managers do not follow due process in reviewing the performance of their subordinates in the face-to- face discussion performance appraisal process which affects team work, morale and overall performance.
- Majority of the respondents doesn't even know well why PA is carried out in the bank, with this regard it has found as there is poor communication and PA implementation process in the system..
- In regard to the question provided whether PA system is vibrant in the Bank, majority of respondents respond shows as they don't believe as if it is vibrant enough .
- On the question forwarded to know employees perception as if they believe that they get equal rating on PA output it has found that as they do not agree with the equal rating for all employee.
- Though a two way communication builds a strong link between a management and staff,a clear gap has found in that dimension as indicated from respondent for the question forwarded.
- As the data output indicates majority of the respondents feel that as feedback is not given sufficiently by their supervisors after the end of performance appraisal session which has found as bad and raises suspicion on the process.

5.3 RECOMMENDATIONS

On the basis of the result that have been established and conclusions drawn from the research, the following recommendations are necessary.

- From the data gathered and the information from HRD department there is no training given to supervisors and employees about the relevance of performance evaluation, and need to be given training to those who are in need of the training in this way the bank can bridge the gap of knowledge.
- The bank has to continuously inform the employees so that they fully understand how performance is linked with the results of their performance appraisal.
- There is a need to be developing a good feedback system to ensure that appraisal is not completely separate from the actual performance development performance management process.
- Supervisors and front managers should be very careful not to use their own rating to judge their subordinates during performance appraisal and a good check and balance system needs to be done or practiced.
- Performance appraisal should be made in a well-planned and pre-stetted program than rule of thumb approach annual reviews.
- Supplementary training of management team on how to address poor performance within their teams, while giving the employees an understanding of the process along with proper monitoring and evaluation of performance rating should be done at corporate level.
- The Bank has to clearly inform all staffs on how PA result links regardless of their PA score for promotion as well to get short.
- The bank should devise a way to reward it employees those who performed well in their performance appraisal results and promote the same per their skill and attitude toward the growth of the bank, they can be of a great succession plan of the bank.
- Therefore the Bank must start to use the PA for decision making efficiently.
 - Continuous assessment is very vital for the productivity and the growth of both the individuals who working in the company and the organization itself. In doing so, the bank needs to work hard towards maintaining the workforce, because of the stiff competition in the industry. Carry out full case studies with in Awash Bank and in

general the Banking sector. Would give a better insight into the performance management systems and specifically performance appraisal system being used to provide an effective tool to benchmark best practices.

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Questions related on performance appraisal practice

St. Mary's University
Department of Marketing Management
Questionnaire for the Customer of the Company

Dear respondent, My name is Melattiruneh a student of MBA at St. Mary's University. I am conducting a research titled on *"Assessment of PERFORMANCE APPRAISAL PRACTICE IN THE CASE OF AWASH BANK*. The study is purely for academic purpose and thus not affects you in any case. So, your genuine, frank and timely response is vital for successfulness of the study. Therefore, I kindly request you to respond to each items of the question very carefully. You do not need to write your name.

Finally, I would like to thank you very much for your cooperation and sparing your valuable time for my request. Please circle one to show how much you agree or disagree.

Questions related on to examine how performance appraisal practiced in the organization.

S.No		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	I know all the aspects and standard used in PA to evaluate my performance.					
2	I believe that the performance appraisal system is vibrant in our organization					
3	Counseling service is done before the performance appraisal is done					
4	Performance appraisal is participatory and satisfactory					
5	I have no issue with the frequency of performance appraisal					
6	The Performance Appraisal is Two Way Communication in Our Company					

7	There is a meeting after performance appraisal is done					
8	The Performance Appraisal set equal measurement and weight for all employees					
9	I agree with my performance appraisal result					
10	The performance appraisal is based on clear and measurable objectives					
11	PA determines my salary and promotion in our organization					
12	PA will support all aspects of organizational and corporate goals					
13	PA result influence my future work performance					
14	PA evaluators have enough knowledge and expertise for the task					
15	Supervisors may conclude a single case in the quarter as a whole year performance result.					
16	I know why PA is carried out in the organization					
17	PA mainly focuses on technical aspects of the task					
18	PA result clearly identifies employee's gaps and suggest relevant feedback to fill the gaps					

Part II: - SHORT ANSWER AND INTERVIEW QUESTION

1. Do you think that performance appraisal solves organizational problem?
2. Do subordinates appeal to performance appraisal rating if they thought that it is biased or unfair?
3. Is there a need for training on performance a management system for managers?
4. Does the performance appraisal form have the ability to distinguish from good performer and bad ones?
5. Do you think the rater gives equivalent rating to all his employees in your company to avoid any rivalry between them in your organization?
6. Do managers and supervisors give feedback on after every appraisal meeting?
7. Do you believe that performance appraisal system is vibrant in your organization?
8. How often performance appraisal is conducted in your company?
9. How important is performance appraisal for the supervisors in your organization?
10. Are employees satisfied with performance appraisal process?
11. Is performance appraisal in your organization determines employees pay and promotion?
12. Why performance appraisal is carried out in your company?
13. What do you think is the most common error in performance appraisal in your company?
14. What is the use of performance appraisal in your organization?

ENDORSEMENT

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

Advisor

Signature

St. Mary's University , Addis Ababa

December, 2018