



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

**ASSESSMENT OF EMPLOYEE'S PERFORMANCE
APPRAISAL PRACTICES AND CHALLENGES: THE CASE
OF NIB INTERNATIONAL BANK SHARE COMPANY**

BY

SHIMELS ANELEY TAYE

June, 2020

ADDIS ABABA, ETHIOPIA

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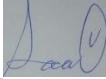
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Acronyms/Abbreviations

HR	Human Resource
HRM	Human Resource Management
HRD	Human Resource Development
PA	Performance Appraisal
PM	Performance Management
ATM	Automated Teller Machine
FX	Foreign Exchange
NIB Bank S.C	Nib International Bank Share Company
ProMES	Productivity Measurement and Evaluation System
M	Mean
Std. Deviation	Standard Deviation

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Abstract

The main objective of the study was to assess performance appraisal practice and challenges at NIB S.C. The researcher has used descriptive research method and has used stratified sampling method to select the sample that is representative which is nine branches and headquarters. From those branches and headquarters 235 employees have been taken as a sample. The researcher has used questionnaires and semi structured interview to collect data from managers and non-manager employees. The data that was gathered through questionnaire and interview were analyzed by using a software package called SPSS. The study found out that the Bank uses performance appraisals mostly to promote capable employees and to give bonus and is conducted semiannually, at the end of December and June. The bank does not communicate the performance standards that are developed to evaluate performance.

The study also found that the major challenges of performance appraisal in the bank are subjectivity, recency of events error, lack of rater ability to evaluate employee performance, rater bias in evaluating performance, lack of focus and carelessness by some branch managers and lack of communicating performance standards. The HR department of the bank takes the ultimate responsibility for appraisal and supervisors take the lion share by filling appraisal forms for most of the employees. Generally, the researcher recommended that the HR department should follow each activity in performance appraisal practices, the standards should be communicated with Employees and 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: Employee Performance, Performance Appraisals, Rater's Error, Performance Standards

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Management is the process of efficiently achieving the objectives of the organization with and through people. To achieve its objective, management typically requires the coordination of several vital components that we call functions (DeCenzo and Robbins 2010), this definition states that organizations achieve their objectives through people. Therefore, it is obvious that the human resource of the organization is one of the major resources to achieve organizational objective and it needs to be managed.

Performance management is defined as a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Aguinis, 2009). This definition notes two issues as factors that distinguish performance management from the traditional performance appraisal practice: it is a continuous process and that there is an alignment with strategic goals.

Performance management is also defined as a process of establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance (Armstrong, 2009).

Performance management is one of the cornerstones of Human Resource practice in organizations. No matter where you work, how big or small your organization or how simple or complex the business model, effective performance management is a key requirement if you have any number of employees (Church and Waclawski2009), According to the definition the basic thing for human resource management, which helps the organization to be success on its objective, is performance management.

There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with

specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At companies with effective HRM, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community Noe, Bary, Raymond, Holleneck and Wright (2011).

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements (Armstrong, 2006). Performance management includes several activities. These are defining performance, measuring performance, and feeding back performance information. First, the organization specifies which aspects of performance are relevant to the organization. These decisions are based on the job analysis. Next, the organization measures the relevant aspects of performance by conducting performance appraisals. Finally, through performance feedback sessions, managers give employees information about their performance so they can adjust their behavior to meet the organization's goals Noe et al. (2011).

The growing competitive nature of the global business environment places enormous responsibilities on managers to create an enabling operating environment that can trigger desirable attitude from employees towards the organizations set goals and objectives (Inyang, 2008) as cited by Ayanyinka and Emmanuel (2013).

The attitude has to be in the interest of the organization and must sincerely show strong evidence for improved organizational performance. This is imperative owing to the vast role employees' play in ensuring the corporate existence of the business. However, for organization to command this high level of dedication from employees the organization must design an unbiased, objective and fair measure that seek to identify, recognize and

reward employee's contributions to the organizations success, and ensure it is ultimately link to the organizations goal and objectives (Aguinis, 2007).

Performance Appraisals is the assessment of individual's performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health (Decenzo, 1999).

Although performance management is a continuous process it is still necessary to have a formal review once or twice yearly. This provides a focal point for the consideration of key performance and development issues. A performance appraisal also referred to as a performance review, performance evaluation, (career) development discussion, or employee appraisal is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations.

1.2. Background of the Organization

Nib International Bank (NIB) was established on 26 May 1999 under license no. LBB/007/99 in accordance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994 with the paid up Capital of birr 27.6 million and authorized capital of Birr 150 million by 717 Shareholders. The Bank commenced its operation in 28 October 1999 by 27 employees. It joined the banking industry as the sixth private bank licensed in the country.

Other than rendering fulfilled Domestic and International Banking services the Bank implemented Mobile and Internet Banking through which it is issues NIB cards and has placed its ATM's at various locations throughout the Country to provide its diversified products in convenient ways to our esteemed customers. Moreover, to enhance the application of modern banking technologies and provide competitive service via a wide range of card banking services, the Bank has established a strategic partnership with MasterCard, VISA and Union Pay branded cards which is one of the breakthroughs to provide international payment service. A full-scale preparation to upgrade the Bank's T24 application to the latest and robust release is completed.

With a view to introduce new types of products, other than the previous innovative products and services Gojo-Guzo Foreign Exchange (FX) linked deposit and loan products, credit products to employment agencies and employees working abroad to enhance FX generation and Murabaha interest free financing products were developed.

The development of the 3rd strategic plan is now at implementation phase and putting a new structure formulating policy manuals and cascading the various targets of the strategic plan to the implementing units.

The Billion Birr construction projects of NIB's Headquarter and Hawassa buildings are enhanced as per the schedule and the construction of Arat Killo and Hosahna buildings would be fully completed in 2018/19 budget year.

Among others, the Bank has registered a steady growth and achievement in all aspects of its operations since its establishment. At the end of March 2018/19, its total deposits and loans and advances stood at about Birr 25.1 billion and Birr 17.5 billion respectively. Total assets also grew to about Birr 31.1 billion and paid up capital to Birr 2.5 billion. The level of net profit before tax reached Birr 673.1 million in March 2018/19. The Bank's shareholders are close to 4,585 and the total number of customers exceeds 812,627. The Bank's employees reached more than 4,797 as at March 2019.

1.3 Definition of key Terms

The following are operational definitions of key terms in the study.

Human Resource Management (HRM) - is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees (Mandy et al.1999).

Performance Appraisal (PA) - is a method of evaluating the behavior of employees in the work spot, normally including both quantitative and qualitative aspects of job-performance (Rao, 2004).

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

Managerial Employees – are employees of the bank that work on the position that starts from assistant branch manager, branch manager, department manager up to the president

Performance appraisal Purposes: are the reasons underlying any performance evaluation practice.

1.4 Statement of the Problem

As per DeCenzo and Robins (2010), no performance appraisal system is perfect. Performance appraisal is a formal system of intervallic review and evaluation of an individual's job performance. It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success.

Failure to have a carefully crafted performance appraisal, can probably lead to failure in the business process itself. Generally, problem associated with performance appraisal are: employees are not provided with performance feedback on time, there are no documented criteria used to allocate organization rewards, there is less communication between the employees and administration.

Organizational performance is the synergetic sum total of the performance of all employees in the organization. This being the fact, employee performance has to be closely planned, coached and appraised to ensure that it is in line with the interest of organizations, Armstrong (2009). However, it seems that performance appraisal is not given proper attention by NIB international bank and is exercised periodically more as a usual practice than as a tool of motivation on the basis of which various administrative and developmental decisions are taken.

The researcher inspired to fill the gap which problem occurred and complaints presented by the bank's staff at different levels following to the bank failed to do performance appraisal in a way of improving and encouraging employees due to evaluators are not be aware of the factors that can cause problems with the process.

The banking industry in Ethiopia has been experiencing an intense competition in the past few years. In connection with this fact, in order to gain competitive advantage over

competitors in the industry the organization must carefully handle this sensitive issue of employee performance appraisal.

Different researches indicate that one of the most critical inputs for a business is its people (human resources) from which a firm can develop sustainable competitive advantage.

Based on observations made by the researcher in different web sites and more than three years of experience even if there are a lot of researches that have been done regarding performance appraisal practice, there was no research that was done to assess performance appraisal practice in NIB international Bank Share Company. Therefore in this study the researcher will assess performance appraisal practice in detail in NIB international Bank Share Company.

1.5 Research Questions

The following research questions have been designed based on the above statement of the problem with the view to provide possible solutions.

1. To what extent performance appraisal is linked with the strategic plan?
2. What are the practices that NIB S.C uses to conduct performance appraisal?
3. What are the objectives of employees' performance appraisal in NIB S.C?
4. What are the major challenges managements says in the process of performance appraisals?

1.6 Objective of the Study

1.6.1 General Objective of the Study

The general objective of the study is to assess employee's performance appraisal practices and challenges in NIB international bank Share Company.

1.6.2 Specific Objectives of the Study

1. To assess the linkage between performance appraisal with strategic objectives.
2. To examine the processes that NIB S.C. uses to conduct employees performance Appraisal.

3. To examine the objectives that NIB S.C. uses to evaluate an employee's performance.
4. To examine the major problems in the practices of performance appraisal of employees.

1.7 Significance of the Study

The findings of this study expected to provide a lot of advantage for different organs. The major benefits of this study are the following;

- ❖ It helps as a steppingstone for those who want to make further study on this topic.
- ❖ It helps students in the field and practitioners as a reference material to get deep insight with regard to performance appraisal practice as well as theory.
- ❖ It informs the bank any gaps in its practice of performance appraisal and help to make the necessary adjustment.
- ❖ It helps employees of the bank to know about how they are evaluated and to identify purposes of the performance appraisal of the bank.

1.8. Scope of the Study

The researcher delimited the study as geographically, conceptually, and methodologically as follows.

For a reason of time constraint that is fairly expected to occur due to wide geographical coverage of the branches, homogeneity of the contents of the jobs and job description and uniformity of the appraisal format, the study has covered those employees with at least a minimum of one year of working experience at the head office and selected branches located in Addis Ababa only.

The scope of this paper was not included other elements of the organization's human resource management programs and also not cover other elements of the company's overall business practice. The research conceptually focuses on employee's performance appraisal.

As Robson asserted the object of descriptive research is to portray an accurate profile of persons, events or situations (Robson 2002:59), as cited in Saunders et al. (2009). Similarly, the research method used by the researcher is descriptive research with qualitative and quantitative approaches. Descriptive research approach is a research type

which describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issues.

1.9 Limitation of the Study

This study is geographically limited to Addis Ababa City. The outcome of the study is solely dependent on the individual responses of the respondents that participate in the study. Moreover, as the sample is small, the results might not be generalized beyond the specific population from which the sample is drawn, considering the many number of branches that has all over the country. In addition to this, a Corona virus (Covid 19) which is an epidemic disease challenges the study to collect necessary information's from the respondents. As the disease was transmitted from one person to the other with proximity the interviewing process is highly challenged, As a result, relevant information which supports the study may be lost.

1.10 Organization of the Paper

The research paper has been organized in five chapters, The first Chapter presents the Introduction section, Under this part of the study the researcher was present the background of the study, the basis up on which the study was made (problem statement), research questions, objective of the study (both general and specific), significance of the study, scope of the study and organization of the paper as per the assessment of performance appraisal practice and challenges on NIB international bank S.C. The second chapter presents review of literatures in the area of study. The third chapter details with methodology such as population, sample size, source and method of data collection and tools for analysis. The fourth chapter has included data presentations analysis, and interpretation of the collected data. Finally, the last chapter has included summary of findings, recommendations and conclusion of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

2.1.1 Definitions of Performance Appraisal

Performance is often defined simply in output terms – the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it. The Oxford English Dictionary confirms this by including the phrase ‘carrying out’ in its definition of performance: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ High performance results from appropriate behavior, especially discretionary behavior, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results. The concept of performance has been expressed by Brumbrach (1988 as cited in Armstrong, 2006) as follows:

Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. 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.

This definition of performance leads to the conclusion that when managing performance both inputs (behavior) and outputs (results) need to be considered. It is not a question of simply considering the achievement of targets, as used to happen in ‘management by objectives’ schemes. Competency factors need to be included in the process. This is the so-called ‘mixed model’ of performance management, which covers the achievement of expected levels of competence as well as objective setting and review (Armstrong, 2006).

Performance appraisal is a formal method for assessing how well an individual employee is doing with respect to assigned goals. Its ultimate purpose is to communicate personal goals, motivate good performance, provide constructive feedback, and set the stage for an effective development plan.

As per Greg and Kenneth (2009), performance appraisal is the process of measuring what employees contribute to the organization. It is the necessary but difficult part of managing others. Indeed, for many managers, performance appraisal is near the top of the list of undesirable duties. What makes this task so tough? One reason managers dislike performance appraisal is the difficulty of capturing all areas of contribution. Employees contribute in a number of different ways, and it is often hard to accurately evaluate their efforts with a numerical score. Another reason is that many employees seem to feel that performance ratings are biased. They see the process as sometimes unfair. A starting point for thinking about performance measure is to consider ways in which evaluations can be inaccurate.

Performance appraisal is the specific and formal evaluation of an employee to determine the degree to which the employee is performing his or her job effectively. Some organizations use the term performance appraisal for this process, while others prefer to use different terms such as performance evaluation, performance review, annual review, employee appraisal, or employee evaluation. The outcome of this evaluation is some type of score or rating on a scale. These evaluations are typically conducted once or twice a year (Angelo and Ricky 2008),

Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals (Paul and Laurel 2010),

Performance appraisal (PA) is often considered one of the most important human resource practices (Boswell and Boudreau 2002; Judge and Ferris 1993), and is one of the more heavily researched topics in work psychology (Fletcher, 2001).

Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and is now a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001).

2.1.2 Performance Appraisal as Part of Performance Management

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

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

Performance appraisal has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers. It has been perceived by many commentators such as Townley (1989 as cited by Armstrong, 2006) as solely a means of exercising managerial control. Performance appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time-consuming and irrelevant.

Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. As Armstrong and Murlis (1998), assert, performance appraisal too often degenerated into ‘dishonest annual ritual’ (Armstrong 2006,).

2.1.3 Uses of Performance Appraisal

The use of PA is elaborated by Mullins (1996) as a formalized and systematic appraisal scheme can also form the basis of a review of financial rewards and planned career progression. Performance appraisal is therefore, a crucial activity of the personnel function and the management of human resources. Also, the use of PA discussed by Henenman (1996) as PA is used to identify the dimension of performance, and also to set standards of contributions for each performance dimensions step.

And also Mondy, Noe and Premeaux (1999) stated as: “virtually every American business firm is affected by global competition. For survival and success, it is imperative that these organizations remain competitive. Continued competence can only be maintained ceaseless development of human resources’. A potential mechanism for this growth is employee “PA”. Mathis and Jackson (1997), finally discussed about the role (use) of PA as follows. “PA has two roles in organizations. One role is to measure performance for rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might hinge on these ratings making them difficult at times. Another role is development of individual potential. Different institutions/ organizations use PA for different purposes as different scholars stated. The following are some Examples:

Managers often believe that the most significant PA outcome involves the contributions employees make to the organizations goal attainment. Higher performing employee’s successfully meets their responsibilities and thereby make a contribution to the goals of the organization. Mullins (1996) Performance appraisal is a vital component of a broader set of human resource practices;

It is the mechanism for evaluating the extent to which each employee’s day-to-day performance is linked to the goals established by the organization (Coutts and Schneider 2004),

According to Armstrong (2000) a PA function is a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams.

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 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 et al. (1997) 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

The system involves several steps, which can be considered as continuous, however periodic. Performance appraisal objectives can be classified in a number of ways. One of the best known classifications was produced by McGregor (1987) who grouped the objectives as follows:-

Administration: Providing an orderly way of determining promotions, transfers and salary increases.

Informative: Supplying data to management on the performance of subordinates and to the individual on his or her performance.

Motivational: Creating a learning experience that motivates staff to develop themselves and improve their performance. Finally, Henenman et al, (1996) classified the purpose of PA into three conditions:

Administration Decisions: those are for employee promotion, choosing employee, and making salary increments recommendations. And also these scholars presented this for administrative purpose which helps to place employees in positions where their abilities can be best use or helpful in assigning employees to appropriate future positions. Mathis and Jackson (1997), moreover state the administrative aspect of PA as follows: PA system is often the link between the reward employees hope to receive and their productivity. Decisions on promotion, termination layoff, and transfer assignments are some of the administrative use of PA that are very important to employees. When organizations terminate, promote or pay people differently, PAs are necessary as they are a crucial defense if employees sue over such decisions.

Employee feedback and development is another purpose of PA is to employees know where they stand relative to performance objectives and organization expectations. As Mathis and Jackson (1997), also stated that PA can be primary source of information and feedback for employees, which is the key for their future development. When supervisors identify the weakness, potentials, and training needs of employees about their progress, discuss what skills they need to develop and workout development plans. Here the main purpose of developmental feedback lies to change or reinforce individual behavior rather than to compare individual as in the case of administrative users of PA.

Armstrong (2009) also stated employees' feedback and development as functions as a continuous and evolutionary process in which performance improves overtime. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams. The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important

Evaluation of policies and programs implemented: are another method of PA to influence work behavior. That means, one can observe the purpose of PA keeps determinant effect and needs to be well known and done for the effectiveness of the

organization task and employee relative stand on his/her job. Mondy, Noe and Premeaux (1999) stated that the purpose of PA, “A system which is properly designed and communicated can help to achieve organizational objectives and also increases employee performance. Actually, PA data are potentially useful for use in every human resource function area such as in every human resource planning and development of employee potential.

2.1.4 Performance Appraisal System

Aguinis (2005) indicated that performance management system usually include measures both behaviors (what an employee does) and results (the outcomes of an employee’s behavior). In order to realize the purpose of performance appraisal, organizations should carefully design appraisal system and implement accordingly. According to Gomez-Mejia (2001) the first step in the performance appraisal process is identifying what is to be measured. This process seems fairly simple at first glance. In practice, however, it can be quite complicated.

Identification of performance dimensions is the important first step in the appraisal process. If a significant dimension is missed, employee morale is likely to suffer because employee who do well on that dimension is missed, employee will not be recognized or rewarded.

If an irrelevant or trivial dimension is included, employees may perceive the whole appraisal process as meaningless.

The Second step in performance appraisal process is measuring employees’ performance. Measuring employee performance involves a number to reflect an employee’s performance on the identified characteristics or dimensions. Technically numbers are not mandatory. Label such as “Excellent”, “Good”, “average” and “Poor might be used instead.

2.1.4.1 Approaches of Performance Appraisal

Numerous techniques for measuring performance have been developed over the years. According to Gomez-Mejia (2001) Techniques of measuring performance of employees involve wide array of appraisal formats from which to choose. Here we discuss the formats that are most common legally defensible. These formats can be classified in two ways: (1) the type of judgment that is required (relative or absolute), and (2) the focus of the measure

(trait, behavior, or outcome). PA roots in the early 20th century and its existence consists of different approaches in its history. The three approaches that deal with PA are presented below. Henenman et al. (1996)

The traditional trait rating scale approach: involves rating an individual's personal traits or characteristics. Commonly assessed traits are: initiation, decisiveness and dependability. Although the trait approach is widely used by managers and it is generally considered by experts to be the weakest. It contains different method during application.

Behaviorally anchored rating scale approach: is done on job –by-job basis. The steps in developing a behavioral anchored rating scale are both time consuming and rigorous. It contains different method, during application.

Management by objectives approach: focuses on the product of one's efforts. It is the most common format for the results approach. Also, it contains different methods during application. Henenman et al. (1996)

2.1.4.2 Effectiveness of PA systems

To meet the vision, mission, objective, goals and targets of an organization or an institution, everyone should set clear and precise methods of PA system objectivity. If so, effective output of PA system leads an organization to prosper specially, in the environment where formal learning and other similar activities are held. As a result of, every employee's awareness leads to set and control how to implement effective PA system. Nelson et al. (1997) discusses that an effective PA system has about five main characteristics.

- **Validity:** Comes from capturing multiple dimensions of person' job performance.
- **Reliability:** comes from capturing evaluation from multiple sources and at different times over the course of the evaluation period.
- **Responsiveness:** allows the person being evaluated some input in to the final outcome.
- **Equitableness:** results in fair evaluations against established performance criteria, regardless of individual differences

Again clear and very important statements, about the effectiveness of PA system are expressed by Mathis and Jackson (1997), as follows. An understanding what an appraisal is supposed to do is very critical whichever of the method is used. It usually works if PA is used to develop employees as a source. When management uses appraisal as a punishment or when raters fail to understand its limitations it fails.

What and whichever the appraisal method is used, the main point is that managers and employees must understand the purposes of PA system. So, consistent with the strategic mission of the organization, useful as an administrative tool, legal as development tool, as documentation of employees' performance are points of chances to be obtained if and only if PA is practiced properly.

2.1.4.3 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) 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), 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.

2.1.4.4 Responsible Body to Conduct Performance Appraisal

PA is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. Rossi and Carroll (1986), said (wrote) as follows: "Performance evaluation by one's superior, groups of management at higher levels subordinated or peers. It has been department and for certain purposes, self-ratings are used."

Additionally, Mathis and Jackson (1997) also wrote as follows: Again performance appraisal can be done by any one of familiar with the performance of individual employees. Possibilities are including the following.

- Supervisors who rate their employees
- Employee who rate their supervisors
- Team members who rate each other
- Outsider sources
- Employee self-appraisals
- Multi-score (360°) appraisal

2.1.4.5 Performance Appraisal Criteria

According to Armstrong (2009) the criteria for reviewing performance should be balanced between: achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance (competencies); the degree to which behavior upholds the core values of the organization; day-to-day effectiveness. As per Mathis and Jackson (1997), stressed

performance criteria are standards commonly used for testing or measuring performances. Criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based.

Trait based criterion: identifies a subjective Character trait such as “pleasant personality”, “initiative,” or “creativity and has little to do with the specific job. Such traits tend to be ambiguous, and courts have held that evaluation based on traits such as “adaptability” and general demeanor” are two vague to use as the basis for performance-based HR decisions.

Behavior-based criterion: focus on specific behaviors that lead to job success.

Results-based criterion: look at what the employee has done or accomplished. For some jobs where measurement is easy and appropriate, a result based approach works very well.

Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. But there are also problems with these criteria. Mathis and Jackson (1997), again said, jobs usually include many duties and tasks, and so measuring performance usually requires more than one dimension.

If the performance criteria leave out some important job duties, they are deficient. If some irrelevant criteria are included in the criteria, the criteria are said to be contaminated. Managers use deficient or contaminated criteria for measuring performance much more than they should.

2.1.5. Performance Appraisal Methods

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

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

Broadly all methods of appraisal can be divided in two different categories (according to website <https://corehr.wordpress.com/performance-managment/performance-appraisal-method/>)

- Past Oriented Methods
- Future Oriented Methods

Past oriented methods

- 1. Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived
- 2. Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and human resource department does the actual evaluation.
- 3. Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. Human resource department does actual assessment.
- 4. Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution
- 5. Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents.
- 6. Field Review Method:** This is an appraisal done by someone outside employees' own department usually from corporate or human resource department.
- 7. Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful.
- 8. Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promote

ability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee.

9. Comparative Evaluation Method (Ranking & Paired Comparisons): These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.

- **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explanation.
- **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under.

Future Oriented Methods

1. Management by Objectives: It means management by objectives and the performance is rated against the achievement of objectives stated by the management. Management by objective process goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

2. Psychological Appraisals: These appraisals are more directed to assess employee's potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance.

3. Assessment Centers: This technique was first developed in USA and UK in 1943. An assessment center 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.

4. 360-Degree Feedback: It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self.

2.1.5.1. The Comparative Approach

The comparative approach to performance measurement requires the rater to compare an individual's performance with that of others. This approach usually uses some overall assessment of an individual's performance or worth and seeks to develop some ranking on the individuals within a work group. At least three techniques fall under the comparative approach: ranking, forced distribution, and paired comparison Noe et al. (2008).

2.1.5.2 The Attribute Approach

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

2.1.5.3 The Behavioral Approach

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

2.1.5.4 The Results Approach

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

2.1.5.5. The Quality Approach

Thus far we have examined the traditional approaches to measuring and evaluating employee performance.

Two fundamental characteristics of the quality approach are a customer orientation and a prevention approach to errors. Improving customer satisfaction is the primary goal of the quality approach. Customers can be internal or external to the organization. A performance management system designed with a strong quality orientation can be expected to:

- i. Emphasize an assessment of both person and system factors in the measurement system.
- ii. Emphasize that managers and employees work together to solve performance problems.
- iii. Involve both internal and external customers in setting standards and measuring performance.
- iv. Use multiple sources to evaluate person and system factors.

Statistical process control techniques are very important in the quality approach. These techniques provide employees with an objective tool to identify causes of problems and potential solutions. These techniques include process-flow analysis, cause-and-effect diagrams, Pareto charts, control charts, histogram, and scatter grams Noe et al. (2008).

2.1.6 Objectives of Performance Appraisal

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

1. Promotion
2. Confirmation
3. Training and development
4. Compensation reviews
5. Competency building
6. Improve communication
7. Evaluation of HR program
8. Feedback and grievances

2.1.7 Standards of Performance Appraisal

A performance standard can be defined as a statement of the conditions that exist when a job is being performed effectively. Performance standards are used when it is not possible to set time-based targets. Standards are sometimes described as standing or continuing objectives, because, their essential nature may not change significantly from one review period to the next if the key task remains unaltered, although they may be modified if new circumstances arise (Armstrong, 2003)

As per Armstrong (2009) the criteria for reviewing performance should be balanced between:

- i. Achievements in relation to objectives;
- ii. The level of knowledge and skills possessed and applied (competences or technical competencies);
- iii. Behavior in the job as it affects performance (competencies);
- iv. The degree to which behavior upholds the core values of the organization
- v. Day-to-day effectiveness.

The criteria should not be limited to a few quantified objectives as has often been the case in traditional appraisal schemes. In many cases the most important consideration will be the job holders' day-to-day effectiveness in meeting the continuing performance standards associated with their key tasks. It may not be possible to agree meaningful new quantified targets for some jobs every year. Equal attention needs to be given to the behavior that has produced the results as to the results themselves (Armstrong, 2009).

Realistic, measurable, clearly understood performance standards benefit both the organization and the employee. It is important to establish standards before the work is performed so that all involved will understand the level of accomplishment expected (Mathis and Jackson, 1994)

As per Mathis and Jackson (1994), Standards often are established for the following:

- i. Quantity of output.
- ii. Quality of output.
- iii. Timelines of result.

- iv. Manner of performance.
- v. Effectiveness in use of resources.

2.1.8 Performance Appraisal Process

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

2.1.8.1 Establish Performance Standards with Employees.

The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

2.1.8.2 Communicate the Standards

Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

2.1.8.3 Measure Actual Performance

The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

2.1.8.4 Comparing Actual Performance with Desired Performance

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standard set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating, and analysis of data related to the employee's performance.

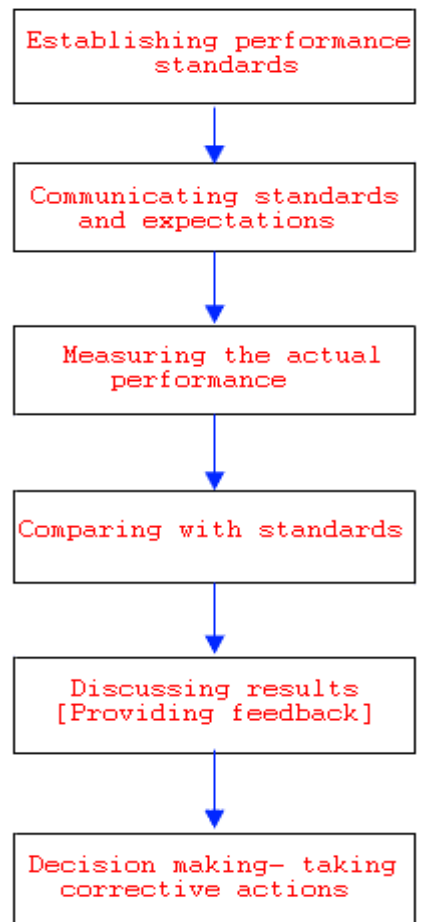
2.1.8.5 Discussing Results (Feedback)

The result of the appraisal is communicated and discussed with the employee's one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may leads to emotional outburst if it is not handing properly.

2.1.8.6 Decision Making-Taking Corrective Actions

The purpose of conducting employee performance appraisal is for making decisions about employees without any bias by the HR manager. Decision-making by HR managers about employees rewarding, promotions, demotions, transfers and sometimes suspensions/dismissal of employees are depended upon the employee performance appraisal. The decision taken by HR manager should match exactly with performance appraisal results of employees to avoid grievance or disturbances in between them, as they affect overall performance of the organization.

The performance appraisal process diagram



www.whatishumanresource.com

Figure1 Performance appraisal process

2.1.9 Challenges of Performance Appraisal

Problems related to performance appraisal can be of three general types. These are: human errors, problems of criteria, and problems of confidentiality (Saiyadain, 1999:204-207).

2.1.9.1 Human Errors (Rating Biases)

Human errors are not called so because they just happen and supervisors may know about them nor have much control over them. To the degree that the following human factors are prevalent, an employee's evaluation is likely to be distorted:

2.1.9.1.1 Single Criterion

A typical employee's job is made up of a number of tasks. Where employees are evaluated on a single job criterion, and where successful performance on the job requires good performance on a number of criteria, employees will emphasize the single criterion to the exclusion of other job-relevant factors (Saiyadain, 1999:204-207).

2.1.9.1.2 Strictness or Leniency

Some supervisors tend to rate all their subordinates consistently low or high. These are referred to as strictness and leniency errors. The strict rater gives ratings lower than the subordinate deserves. This strictness error penalizes superior subordinates. The lenient rater tends to give higher ratings than the subordinate deserves. Just as the strictness error punishes exceptional subordinates, so does the leniency error (Lunenburg, 2012).

2.1.9.1.3 Halo Error

This is the tendency for an evaluator to let the assessment of an individual on one trait influence his or her evaluation of that person on other traits. A person may be good in one trait but is generally rated as overall good. Halo effect takes place when traits are not clearly defined and are unfamiliar. For example, the supervisor likes Tom because he is so cooperative. The halo effect leads Tom's supervisor to automatically rate him high on all appraisal dimensions. The result is that subordinates are rated consistently high, medium, or low on all performance appraisal dimensions (Saiyadain, 1999:204-207).

2.1.9.1.4 Central Tendency Errors

Some raters follow play safe policy in rating by rating employees around the middle point of the rating scale and they avoid rating at both the extremes of the scale. They follow play safe policy because of answerability to management or lack of knowledge about the job and/or the employee rated or the appraisers' lack of interest in their job (Rao & Rao, 2004:247).

2.1.9.1.5 Recency of Events

Ideally, performance appraisals should be based on data collected about a subordinate's performance over an entire evaluation period (usually six months to a year). However, as is often the case, the supervisor is likely to consider recent performance more strongly than performance behaviors that occurred earlier. This is called the recency of events error. Failure to include all performance behaviors in the performance appraisal of a subordinate can bias the ratings (Lunenburg, 2012).

2.1.9.1.6 Similarity Error

This occurs when appraisers rate other people giving special consideration to those qualities they perceive in themselves. The similarity between the rater and ratee may take one or more of the following forms: demographic similarity, affective similarity, perceived similarity & mutual liking (Schraeder & Simpson, 2006). Another very common critic is the performance rating suffer from many biases like age, ethnicity, gender, physical appearance, attitudes and values, in-group/out-group, personal like/dislike and so on (Cook Mark, 1995, as cited in Toppo and Prusty, 2012).

2.1.9.2 Problems of Criteria

Appraisal has to be against certain criteria. If a discrepancy between expected and actual performance is pointed out, the question is whether the expected was fully defined and communicated to the employee. In the absence of such an attempt, the appraisal reports can be questioned. The issue basically refers to job description. It is true that jobs can be clearly defined at the lower levels in the organizational hierarchy. However, as one goes up, it becomes more and more difficult to clearly specify the tasks one is supposed to perform (Saiyadain, 1999:204-207).

2.1.9.3 Problems of Confidentiality

One important issue in performance appraisal has to do with sharing or keeping secret the ratings on various items of appraisal report. While many organizations have a system of selective feedback to the employee, the general policy is not to share the total report with the employee. There are many reasons for this. First, each employee expects rewards if the report is better than average, which may not be administratively possible. Secondly, very often supervisors pass the challenge to top management by saying that while they did give good ratings to the employee; top management did not take that into consideration. Thirdly, giving rewards is not the only objective of appraising employees. Given these reasons, it is emphasized that supervisory ratings of employees should be kept confidential. On the other hand, it is claimed that since there will always be differences between the supervisor and employees perception of the subordinates job performance, perhaps the employee should fully be aware of how he/she has been rated (Saiyadain, 1999:204-207).

2.2 Empirical Review

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006).

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

The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Performance appraisal and evaluation is identified as the identification, Measurement and management of human performance in organizations and provides individuals with useful feedback and coaches them to higher levels of Performance.

Performance appraisals are important part of organizational life because they can serve a number of functions/purposes, including solving performance problems, setting goals,

administering rewards and discipline, and dismissal (Dickinson and Ilgen, 1993 as cited in Emami, 2011)

The criterion or criteria that management choose to evaluate, when appraising employee performance, will have a major influence on what employees do. Generally, content to be appraised is determined on the basis of job analysis. Content to be appraised may be in the form of contribution to organizational objectives (measures) like production, costs savings, return on capital, etc. (Rao & Rao, 2004:220).

Performance management includes several activities. These are defining performance, measuring performance, and feeding back performance information. First, the organization specifies which aspects of performance are relevant to the organization. These decisions are based on the job analysis. Next, the organization measures the relevant aspects of performance by conducting performance appraisals. Finally, through performance feedback sessions, managers give employees information about their performance so they can adjust their behavior to meet the organization's goals Noe et al. (2011).

There are different appraisal methods that affect the appraisal practice positively and negatively like: ranking, forced distribution, paired comparison, graphic rating scales, mixed standard scales, critical incidents, behaviorally anchored rating scales, behavioral observation scales,

Organizational behavior modification, assessment centers, management by objective, Proms, and quality approach.

Standards are sometimes described as standing or continuing objectives, because, their essential nature may not change significantly from one review period to the next if the key task remains unaltered, although they may be modified if new circumstances arise (Armstrong and Baron, 2003)

Clear and specific standards of performance are major elements of a valid and reliable performance appraisal system. The key is to develop standards that measure the essential job duties and responsibilities utilizing a balance of process, outcome, and individual and groupbased performance standards. The development of reliable, valid, fair and useful performance standards is enhanced by employee participation, as workers possess requisite

unique and essential information necessary for developing realistic standards (Jordan, 1990, as cited in Roberts, 2003).

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.

If undertaken properly, performance appraisal benefits both the employees and the organization a lot. For employees, it gives a chance to see their performance with others' point of view. It also results in position promotion and salary increment. It enables the organization to identify the actual skill gap of the individual being appraised and helps devise proper training and development program and coaching service. Performance appraisals also give employees and managers a useful tool to aid in employee development and employee control.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In order to achieve the objective of this paper, using of appropriate methodology that helps to approach the research scientifically is the priority attention given by the researcher. Therefore, this part includes research design, sample and sampling technique, instrument for data collection, procedure of data collation, method of data analysis, reliability and validity, and ethicality issue.

3.1 Research Design and Approaches

The researcher used the descriptive research design to describe performance appraisal practices and challenges based on the data collected from employees working in selected branches and HRM department.

According to Geoffrey et al. (2005) descriptive research is a research type which describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issues. Likewise, As Robson asserted the objective of descriptive research is to describe an accurate profile of persons, events or situations (Robson 2002:59), as cited in Saunders et al. (2009). Based on the above definition descriptive research design is best to achieve the aim of this research since the study is focus on assessment of employees' performance appraisal practice and challenges in NIB S.C.

3.2 Population, Sample Size and Sampling Techniques

3.2.1 Research Population

The target population of this study was mainly managerial and clerical employees of the bank who have experience of more than or equal to one year. These employees were selected as respondents because they at least face performance appraisal two times in NIB S.C and it is believed that they have enough knowledge about appraisal practice of the bank.

3.2.2 Sample Size

According to the bank's report following to the end of first quarter (2018/2019) the total permanent employees of NIB S.C. are 4,332 (i.e. 334 managerial, 2,481 clerical and 1517 non clerical) out of this employees 572 of them are working at Addis Ababa and have got more than one year experience. For this study the researcher has taken sample from the total population due to time, resource and proper organization of data. Since the scope was delimited to Addis Ababa samples have been taken only from head office and nine branches (Main branch, Bisrate gebriel, Balcha Abanefso, Chatedral, Abinet, Tor Hayloch, Sholla, Tana and Adarash). For selecting branches the researcher used simple random sampling technique, where Random sampling technique was used to give equal chance of participation. Thus, the study excluded those employees who have less than one year experience. In addition, staffs of outlying branches were not considering because of the remoteness of data access.

Since the study was delimited to Addis Ababa city the population size of employees working in Addis Ababa and that have experience of one year and above were 572. Therefore from the population size of 572 is 235 Employees was used as sample size of this study in head office and nine branches. Therefore the researcher adopted simple mathematical formula provided by Yamane in 1967 for determining simple size.

The sampling Formula $n = N/1+N(e)^2$

n= is the sample size

N=is the population size which is 572 and

e = is the level of precision which is 5 %

$$n = N/1+ N(e)^2 \quad n = 572/1+572(0.05)^2 = 572/2.43 = 235.39 \approx 235$$

The numbers of staffs who have more than one year experiences were listed as follows. Main branch have 28 staffs, Bisrate gebriel branch have 16 staffs, Balcha Abanefso branch have 15 staffs, Chatedral branch have 23 staffs, Abinet branch have 24 staffs, Tor hayloch branch have 8 staffs, Sholla branch have 22 staffs, Tana branch have 20 staffs and Adarash branch have 20 staffs. The total numbers of samples from the branches are 176 employees and the remaining 59 was taken from different departments in head office by using proportionate stratified random sampling technique. The reason for making the number of

samples from branches more than head office based on the proportion of the number of staff found at branches.

3.2.3 Sampling Techniques

Sampling is the purpose of choosing, from a much large population, a group about which wish to make generalized statements so that the selected part represent the total group (Yamane, 1967).

As per Glenn (1992) there are several approaches to determining the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. A third way to determine sample size is to rely on published tables, which provide the sample size for a given set of criteria.

The first and second approaches for determining the sample size are not appropriate for this study. Since the population of the study are many in number it was difficult to use census, and also imitating the sample size of similar studies was not possible because it was difficult to get this kind of research that is done in the NIB S.C. Therefore the researcher adopted simple mathematical formula provided by Yamane in 1967 for determining sample size.

3.3 Sources of Data

With the sources of data, the data obtained from primary and secondary sources. The primary data were collected from NIB S.C employees using structured questionnaire. Moreover, secondary data were collected from published books, journals, internal policies, procedures and manuals of the bank, internal memo and reliable internet sources and websites etc. The secondary data helped to add to the primary data that were collected and to use it to combine different respondent's opinions and base a theory with evidence to back the point up.

3.4 Data Gathering Instruments

In this study the researcher was collect data from primary data source. Data collected by using the questionnaire and interview. Questionnaire and semi structure interviews were

used as of primary data collection tools. The secondary data and other reviews were collected from different annual reports, related websites, manuals and other documents for the formulation and inclusion of the study.

3.4.1 Questionnaire

In this study questionnaire is developed in order to collect data from employees that are found in all categories.

The type of questions that were raised in the questionnaire both close ended questions with predetermined scale for response and open ended questions providing respondents with freedom to express their perception. The questionnaires were distributed to all employees in the selected branches and head office with experience equal to or more than one year.

Because the researcher believes that those employees who have more than one years' experience have faced performance appraisal at least twice, they have prior experience and better understanding about the topic understudy. The questionnaire is administered by writing questions on a page and distributing it to the respondents, expecting them to return the paper with their answers on it. The advantage of using the questionnaires method is that the respondents have time to think of their answers, thus allowing smaller rate of errors.

3.4.2 Interview

Interview was used as one tool for collecting data regarding performance appraisal objective, process, problems and participant of performance appraisal. For the interview the researcher has contacted senior human resource personnel that were found at the head office. Since interview is the best way to gate depth insight about the issue and help to gate answers for questions that are not suitable to get through questionnaire, it helps the researcher very much. Interview is suitable to raise counter question with regarded to the answers that are general, vague, and needs further explanation. Therefore interview was used as one of the major source for collecting data in this study.

The interview discussion questions were designed to know the HR directorate's understanding of performance evaluation practice and challenges at the Bank and to enhance reliability of the data. In addition to this, interview is used for gathering valuable information and not to lose important information and the interviewee can get ample information during the interview.

3.5 Procedure of Data Collection

Before the distribution of questionnaires for collecting data it will be checked by the advisor of the researcher and those persons who have enough knowledge in the area. When the researcher believes that the questionnaire is sufficient to collect the necessary data it distributed to respondents and then by making the appropriate follow up the researcher himself collected the instruments from the respondents.

Before the interview the researchers read or have background information about the topic area. And also the researcher asked the respondents about the time place and condition of making interview.

During the interview the interviewer must follow up the respondent, take the response in the form of note if necessary in form of record (following the respondents willingness).

After the interview the interviewer have thanked the interviewee for his/her time, cooperation etc.

3.6 Pilot Testing

3.6.1 Validity Test

Validity is the extent to which the research findings accurately represent what is really happening in the situation (Hughey and Mussnug, 1997). Validity is the most important attribute of assessment system. It is concerned with the evaluation measures the performance it's intended to measure.

Validity is measure of the truthfulness of measuring instruments. The questionnaire was distributed and collects by the researcher in person. And also, interviews have been conducted with concerned senior personnel's from human resource department.

3.6.2 Reliability Test

Reliability refers to the extent to which the data collection techniques will yield consistent findings. Internal consistency of items, which is the level of homogeneity of a measures incorporated in the instruments, the study did the reliability test to 41 selected target group respondents by calculating Cronbach's coefficient alpha with all variable using SPSS. As a results for the measure of the performance appraisal practice are shown in the table.

As per (Walsh, 1995) recommendation a minimum level of cronbach's alpha should be 70%. Hence the reliability of the response was able to be ensured.

Table 1. Cronbach's alpha Reliability Statistics

Cronbach's Alpha	N of Items
.857	41

Source: Own Survey, 2020

3.7 Method of Data Analysis

Descriptive statistics (frequency, percentage, mean and standard deviation) use to organize the data through closed ended question with the help of SPSS (Statistical Package for Social sciences) version 20. Analyses have been done according to the objective of the study. The statistical package for social science (SPSS) version 20 was used to analyze the data collected. After the data was collected, compiled, sorted, edited, coded and then it was entered in to SPSS. The findings also presented through the use of tables.

3.8 Ethical Considerations

Ethical issues are very important in research these days. Ethical emerged from value conflicts. In research, these conflicts are expressed in many ways: individual's rights to privacy versus the undesirability of manipulation, openness and replication versus confidentiality, future welfare versus immediate relief, and others. Each decision made in research involves a potential compromise of one value for another. Researchers must try to minimize risks to participants, colleagues and society while attempting to maximize the quality of information they produce.

Thus, the researcher observed the principles of ethical issues like confidentially and dignity of the participants, integrity, on no account plagiarism, and never fabricating and destroying data. The research was ok at most precaution before undertaking the research and informed the participants in the study about the objectives of the study, and is consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A

researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter provides the results and findings about the assessment of employee's performance appraisal practice and challenges in the case of NIB international bank Share Company. The chapter deals with analysis, discussion and interpretation of the data collected through questionnaire and interview. Responses for measures on the questionnaire are summarized and presented by using tables.

4.1 Response Rate

The researcher was prepared Questionnaires and 235 questionnaires distributed to respondents out of 235 questionnaires distributed 223(94.9%) were collected and used for analysis purpose. The remaining 12(5.10%) were not collected due to different reasons. From this the researcher can be said that satisfactory numbers of questionnaires were returned that enabled to assess performance appraisal practice and challenges at the Bank.

4.2 Demographic Characteristics of Respondents

For the purposes of this study, the variables on demographic information are gender, age, marital- status, level of education and total years of experience. The result of this demographic presentation is stated below using descriptive statistics analysis.

Table 4.2 Demographic Profile of the Respondents

No.	Respondent Characteristics		Frequenc	Percentage
1	Gender	Male	121	54.3
		Female	102	45.7
		Total	223	100
2	Marital Status	Single	93	41.7
		Married	125	56.1
		Separated	2	0.9
		Widowed	1	0.4
		Total	221	99.1
		Unspecified	2	0.9
		Total	223	100
3	Age	Below 25 years	38	17.0
		25-35 years	131	58.7
		36-45 years	32	14.3
		46-55 years	17	7.6
		Above 55 years	4	1.8
		Total	222	99.6
		Unspecified	1	0.4
		Total	223	100
4	Level of Education	Elementary complete	-	-
		High school complete	-	-
		Diploma	8	3.6
		First degree	203	91.0
		Master degree and above	9	4.0
		Total	220	98.7
		Unspecified	3	1.3
		Total	223	100
5	Total Years of Experience	1-5 years	116	52.0
		6-10 years	97	43.5
		Above 10 years	10	4.5
		Total	223	100

Source: Own Survey, 2020

Out of 223 respondents participated in the survey, the majority of the respondents 121(54.30%) are males and the remaining 102(45.70%) were female respondents. This indicates that a majority of NIB S.C employees are male dominated.

As to the marital status of the respondents, the majority of respondents, 125(56.10%) are married. Those single are 93(41.70%) and the rest 3(1.30%) are separated and widowed. Two of the respondents didn't indicate their marital status. From the data one can conclude that the majority of the respondents have established their own family.

Out of 223 respondents in the survey, 222 respondents have specified their age. From the data, 38(17.0%) of the respondents are in the age group of below 25 years. The majority 131(58.70%) of respondents are in the range between 25 to 35 years old. As we can see on the above table 32(14.30%) of the respondents are in the age group between 36 to 45 years. Those in the age group of 46-55 years and above 55 years constitute 17(7.60%) and 4(1.80%) respectively of the respondents. So it can be generalized that the majority of the workforce is comprised of young and middle age groups.

Regarding schooling level, out of 223 respondents 200 have specified their level of education. The survey indicates that 8(3.6%) have diploma, 203(91%) have first degree and the rest 9(4.0%) have master degree and above. From the target population, majority of the employees are first degree holders and they have 91 % share in NIB international bank share company and this can be concluded that there is a higher level of expertise which matches with their positions.

The study has also tried to categorize the total years of staff in their employment career. Accordingly, 116(52%) of the employees has experience between 1-5 years, 97(43.5%) of employees has experience between 6-10 years and 10(4.5%) of the staff has above ten years of experience. As per the findings on years of experience, even if 116(52%) of the employees has less than five years of experience, (48%) of the employees have a more than six years' experience in Nib international bank share company and it can be conclude that the bank has both early and well experienced staffs.

4.3 Descriptive Statistical Analysis

In order to understand the employee's performance appraisal practice at NIB S.C employees were asked to give their level of agreement to statements. Employees rating in

five points of Likert scale are then analyzed with descriptive statistics of mean and standard deviation. A 5-point Likert scale was used to rate the various indicators whereby 1 point was accorded to ‘Strongly disagree’, 2 point as ‘Disagree’, 3-point as ‘Neutral’, 4-point as ‘Agree’, and 5-point as ‘Strongly Agree’. The analysis results are presented in subsequent tables. The analysis is done with mean and standard deviation.

According to Zaidation and Bagheri (2009), the mean score values and their interpretation is presented as follows.

Table 4.3 Mean Score Values and Their Interpretations

Mean Value	Interpretations
Below 3.39	Low Level
3.40 – 3.79	Moderate Level
Above 3.8	High Level

4.3.1 Business Strategic Plan

In an effective organization, work is planned in advance. This includes setting performance expectations and goals for individuals in order to channel efforts toward achieving organizational objectives. The result of the analysis is presented in the table below.

Table 4.3.1 Employees Response on Business Strategic Plan

No.	Business Strategic Plan			
	Description	N	Mean	Std. Deviation
1	The appraisal process begins with establishment of performance standards in accordance with the organization strategic goals.	223	3.81	0.90
2	The Strategic objective of the bank are clearly defined	223	3.96	0.78
3	The company has a unified, comprehensive and integrated strategy	223	3.82	0.90
4	The performance standards aligns with the bank's strategies	223	3.45	1.30
5	The organization's strategy is clear and easily understandable	223	4.21	0.72
6	My performance is linked with strategic plan	223	3.60	1.06

Source: Own Survey, 2020

As to the strategic plan of the bank, the respondents' average level of agreement (mean) to the six statements is computed. For the strategic objective, the mean aggregate agreement level is $M=3.80$ as high mean score from six statements whose mean score ranges from 3.45 - 4.21 for each question. The first statement ($M=3.81$) is high level of agreement and hence the performance appraisal process begins with establishment of performance standards with the organization strategic goals. The second and the third statements, respondents shows a significantly high level of agreement ($M=3.96$ and $M=3.82$) respectively and hence the strategic objective of the bank are clearly defined, and the company has a unified, comprehensive and integrated strategy. The fourth statement, as the individual respondents are partially agree and partially disagree the mean level of agreement ($M=3.45$) are moderately agreed and hence the performance standards are partially aligns with the banks strategies. The fifth question, the respondents shows significantly high level of agreement

(M=4.21), which means the organizations strategy is clear and easily understandable. Although, the organization strategy is clear and easily understandable, respondents shows partial agreement for their performance links with the strategic plan, M=3.60.

In general, the strategic objective of the bank is then evaluated to have been practiced which is an aggregate of the level M=3.80 and this result shows that the bank are clearly defined its strategic objectives and it has a unified, aggregated and easily understandable strategy but employees performance was somewhat linked with strategic plan based on the frame work suggested by Zaidation and Bagheri (2009).

4.3.2 Setting Standard for Performance Appraisals

Similar to the business strategic objective, standard for performance appraisals at the bank is assessed with six statements for each value as presented in table 4.3.2.

Table 4.3.2 Employees Opinion on Standards Set For Employees Performance Appraisals

No.	Setting Standard			
	Description	N	Mean	Std. Deviation
1	There is a well-designed standard for performance appraisal in the bank	223	3.44	1.22
2	The standards set for performance appraisals are clear, easily understandable and measurable	223	3.84	1.08
3	The setting standards for performance appraisal are achievable	223	2.64	1.11
4	The performance standards invites individual employees to assess their own performance	223	2.09	1.13
5	Standards are set according to the organization goal and objective	223	4.09	0.79
6	The setting standard is well developed to judge The degrees of employee's contribution to the	223	3.58	1.07

	organizational goals and objectives.			
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Source: Own Survey, 2020

One of the statements, there is a well-designed standard for performance appraisal in the bank has a mean value of (M=3.44) and hence the respondents are partially agrees and partially disagrees with the designing of performance standards in Nib international bank share Company. The second statement (M=3.84) which indicates the respondents are significantly agree for the statement standards set by the bank to evaluate employees performance are clear, easily understandable and measurable. Respondents have low level of agreement (M=2.64) with the degree for achievement of the setting standards of performance evaluation and also they have meaningfully low level of aggregate agreement (M=2.09) for the standard invites individual employees to assess their own performance. This means that the set standard for performance evaluation does not give the chance for individual employees to assess their own performance. As we observe from the respondents response standards are set according to the organization goal and objective (M=4.9), significantly high level of agreement with the statement. In the sixth statement the respondents are somewhat agrees and somewhat disagrees. The agreement level of the respondents is M=3.58 hence, the setting standard is developed but not well advanced to judge the degrees of employee’s contribution to the organizational goals and objectives. Based on the mean value of each statement the aggregate level of agreement is M=3.28, which indicates as the standards set for performance appraisals are clear, easily understandable and measurable, the standard does not allow employees to evaluate their performance.

Finally, even if standards are designed to evaluate employee’s performance it is not achievable and it does not give the chance for individual employees to measure their own performance. Despite that, standards are set accordingly to the company goal.

4.3.3 Communicating the Performance Standards

The communicating performance standards aspects of this study is also comprised of five statements and assessed each one by one as presented in table 4.3.3.

Table 4.3.3 Employees Response on Communicating the Performance Standard

No.	Communicating the Performance Standards			
	Description	N	Mean	Std. Deviation
1	Employees are openly communicated performance standards	223	2.42	1.16
2	Employees are communicated For what purpose(s) is the performance evaluation result used in the bank	223	2.70	1.32
3	Performance standards are also clear for the evaluators	223	3.47	1.27
4	A two way communication is applied in the bank	223	2.21	1.24
5	The standards can be revised according to the appropriate feedback from the employees or the evaluators	223	2.03	1.15

Source: Own Survey, 2020

As to the communicating standards, the respondent's level of agreement is closely low. Based on the frame work suggested by Zaidation and Bagheri (2009), employees level of agreement is (M=2.42) this means employees has no access to know the performance standards and M=2.70, hence Employees are not communicated for what purpose(s) is the performance evaluation result used in the bank. According to the response performance standards are somewhat clear and somewhat not clear for the evaluators (M= 3.47). Although, performance standards are partially clear for the evaluators, a two way communication is not applied in the bank (M=2.21), standards also cannot be revised according to the appropriate feedback from the employees or the evaluators.

In general, the mean aggregate agreement level is (M=2.56) which shows there is very low communication and employees are unable to know the setting standards for performance appraisal. Evaluators have some know how about the setting standards to evaluate employees at the bank. The employees can't be informed and the standards can't be clearly explained to the employees. This also won't help them to understand their roles and to

know what exactly is expected from them. On the other hand, if any feedback and correction raised from employees the performance standard can't be revised.

4.3.4 Measuring the Actual Performance

The practice of measuring actual performance of employees at NIB S.C was assessed with five statements as presented in table 4.3.4.

Table 4.3.4 Employees Response on Measuring the Actual Performance of Employees

No.	Measuring Actual Performance			
	Description	N	Mean	Std. Deviation
1	The actual performance is measured by carefully selected the appropriate techniques of measurement	223	3.60	1.11
2	Actual performance are measured based on setting standards	223	3.92	0.90
3	My actual performance is measured without the rater's bias	223	2.72	1.76
4	Rater's have good Knowledge about techniques of measuring performance appraisal	223	3.86	1.17
5	Raters give higher rating to whom they like and give lower rating to whom they dislike.	223	3.80	1.26

Source: Own Survey, 2020

As to measure the actual performance of employees, the respondents aggregate agreement is (M=3.58). This indicates respondents are partly agree and somewhat disagree for measuring the actual performance of employees. Respondents are slightly agrees (M=3.60) with the actual performance of employees is measured by carefully selected the appropriate techniques of measurement at NIB S.C. So as to know the real performance of each employee the bank should select proper method of measurement. Even if there is no proper technique of measurement in the bank respondents are significantly agree with Actual performance are measured based on setting standards (M=3.92). The third statement (M=2.72) is highly disagree and hence the respondents actual performance measurement is

highly affected by the raters bias. The fourth and the last statement, the respondents level of agreement (M=3.86 and M=3.80) specifies that raters at Nib international bank have good knowledge about methods of measuring performance and they give higher rating to whom they like and give lower rating to whom they dislike respectively.

The practice of measuring actual performance of employees at Nib international bank share Company is done by highly intellect organs but there is still rater bias and give higher rating to whom they like and give lower rating to whom they dislike. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

This sub section of practices of performance appraisal includes frequency of performance evaluation and responsible body who appraise performance.

4.3.4.1 Frequency of Performance Evaluation

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).

In line with this, the respondent's opinion regarding with time and frequency of performance appraisal is presented as follows.

Frequencies of Performance Evaluation		
Time	Frequency	Percent
Every month	4	1.80
Every 3 months	18	8.07
Every 4 months	31	13.90
Every 6 months	154	69.05
Once a year	16	7.18
Total	223	100

Source: Own Survey, 2020

As shown above, majority of the respondents 154 (69.05%) confirms that performance evaluation was conducted semiannually (every six months). The very few number of respondents 4(1.79%) agrees that the bank conducted performance evaluation activities in every month. From the total number of respondents 18(8.07%) and 31(13.90%) responds that the performance evaluation practice was conducted every three months and every four months respectively, while the remaining 16(7.17%) of the respondents said that performance appraisal was conducted once a year.

The employees as well as the interview discussion made with HR directorate revealed that the Bank conducts performance evaluation biannually. Interview discussion made with the HR directorate did not disclose any reason of the current practice of conducting performance evaluation biannually than saying the Policy document dictates.

4.3.4.2 Responsible Body to Conduct Performance Appraisal

Performance appraisal is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. Rossi and Carroll (1986), said (wrote) as follows: “Performance evaluation by one’s superior, groups of management at higher levels

subordinated or peers. It has been department and for certain purposes, self-ratings are used.”

In line with this, the respondent’s opinion for the responsible body to conduct their performance appraisal activity is presented in table as follows.

Table 4.3.4.2 Employees Opinion on Responsible Body to Conduct PA

Who is to Conduct PA?		
Assessor	Frequency	Percent
Immediate Supervisor	207	92.82
Colleagues	8	3.59
My subordinate	0	0.00
My self	6	2.70
Customers	0	0.00
Others	2	0.89
Total	223	100

Source: Own Survey, 2020

Almost all of the respondents 207(92.82%) said that performance evaluation is done by the employees’ immediate supervisor. 8(3.59%) of the respondents said that their performance was evaluated by their colleagues while 6(2.70%) of the employees argued that they have the chance to assess their own performance. The remaining 2(0.89%) of the respondents supposed that employees performance were evaluated by others.

Overall, the banks policies and procedures allows for immediate supervisors to conduct performance evaluation activities. But, there is no cases of performance of employees were evaluated by customers and by subordinates. The HR directorate also confirms employee’s performance were assessed and evaluated by their immediate manager.

4.3.5 Comparing Actual Performance with Standards

The comparison of actual performance of employees with setting standards at NIB S.C is assessed with four statements. The practice of comparing actual performance with standards set at the bank is presented in table 4.3.5.

Table 4.3.5 Employees Answer on Comparing Actual Performance of Employees with Setting Standards

No.	Comparing Actual Performance with Standards			
	Description	N	Mean	Std. Deviation
1	My actual performance are fairly compared with standards	223	3.13	1.22
2	The comparison methods used to measure my performance are clear and objective.	223	3.82	1.02
3	The gaps between employees actual performance and standards will be discussed with employees	223	3.78	0.88
4	After comparing performance, low performer employees provide training.	223	3.08	3.10

Source: Own Survey, 2020

As to compare actual performance of employees with setting standards, the respondents aggregate level of agreement (M=3.45), the respondents are moderately agreed. This specifies the practices of comparing performance are not fairly equated with standards. Even if the evaluation methods used to measure employee's performance are clear, gaps between actual performance and standards set are not discussed with the concerned employees and low performer employees are also won't provide training properly and frequently.

Respondents are powerfully disagree (M=3.13) with their performance are fairly compared with standards. Although, they shows high level of agreement (M=3.82) with comparison methods used to compare performance with setting standards are clear and objective, their level of agreement is moderate (M=3.78) with the gaps between employees actual

performance and standards will be discussed with employees. In the last statement employees level of agreement is low (M=3.08). Which shows after comparing performance, the bank does not provides training for low performer employees.

4.3.6 Providing Feedback

In this sub section providing feedback are assessed with five feedback indicator statements. Employees then rated these statements with a five-scale agreement and it is presented as follows.

Table 4.3.6 Employees Response on Practices of Providing Feedback

No.	Providing Feedback			
	Description	N	Mean	Std. Deviation
1	The appraisal result is discussed with the employee's one-to-one basis.	223	4.73	1.20
2	After comparing actual performance with setting standards my supervisor provides feedback.	223	3.65	0.91
3	Performance feedback task was handled very carefully in the bank	223	3.91	1.34
4	Feedbacks received from my evaluator is positive and push me for better improvement	223	3.80	1.77
5	Drawbacks will be arise and openly discussed (in a two way manner)	223	2.34	1.19

Source: Own Survey, 2020

The average level of agreement to these statements ranges from the smallest 2.34 (Drawbacks will be arise and openly discussed (in a two way manner) to the largest 4.73 (The appraisal result is discussed with the employee's one-to-one basis). This indicates that respondents have low level of agreement (M=2.34) with weaknesses are openly discussed in a two way fashion and respondents show high level of agreement (M=4.73) with the appraisal result is discussed with the employee's in one-to-one basis. This means,

Employees can see their appraisal results. The bank also handled performance feedback task very carefully (M=3.91). Overall, employees are highly agree (M=3.80) with feedbacks received from the evaluator is positive and push employees for better improvement.

The aggregate level of agreement (M=3.68) of respondents shows, even if employees are unable to raise and discussed the weaknesses of their evaluators the results, the problems and the possible solutions regarding with employees are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate.

4.3.7 Taking Corrective Action

The corrective actions are also assessed with four core statements. The respondents then rated each statement with a five-scale agreement and it is presented as follows.

Table 4.3.7 Employees View on Practices of Taking Corrective Actions

No.	Taking Corrective Actions			
	Description	N	Mean	Std. Deviation
1	Corrective actions identified finally to make necessary adjustment to gaps on the result of evaluation.	223	4.64	0.66
2	Corrective action is given after proper identification of low performer employees.	223	3.50	1.18
3	Incapable employees are selected and give training frequently to improve their performance.	223	2.40	1.30
4	The aim of taking corrective action is to resolve performance problems	223	4.21	1.29

Source: Own Survey, 2020

The average agreement of the respondents for the first statement is 4.64 which indicates corrective actions are identified to make necessary adjustment to gaps on the result of evaluation at NIB international bank share Company. Respondents also show their feeling on the second statement with a moderate level of agreement (M=3.50) Hence, corrective action is taken after proper identification of low performer employees. As to the third statement respondents are highly disagree with the average mean value of 2.40. It indicates incapable employees are not selected from the total employees of the bank and can't give training frequently to improve their performance. Although, training is not given frequently, respondents assures that the aim of taking corrective action is to resolve performance problems with a high level of average agreement (4.21) based on the frame work suggested by Zaidation and Bagheri (2009).

The aggregate mean agreement (3.68), based on Zaidation and Bagheri (2009), the respondent's level of agreement is moderate, which indicates that even if corrective actions are identified to make necessary adjustment to gaps, the bank lacks on the field of selecting incapable employees and gives them training regularly. Additionally, if any grievances from employee's side then the human resource department accepts and looks each complaints but the department doesn't take all right corrective action still.

4.3.8 Objectives of Performance Evaluation

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.

Underlining with this, objectives of performance evaluation with employees' opinion was presented on table below.

Table 4.3.8 Employees View on the Objectives of Performance Evaluation

Objectives of Performance Evaluation		
Purpose	Frequency	Percent
Performance improvement	35	15.70
Salary Increment	44	19.73
Bonus	62	27.81
Promotion	79	35.42
I don't know	0	0.00
Others	3	1.34
Total	223	100

Source: Own Survey, 2020

As illustrated from the above table, majority of the respondents 79(35.42%) indicates that performance evaluation result was used by the bank for the purpose of promotion, 35(15.70%) said for performance improvement, 44(19.73%) of respondents said that the bank used for the purpose of salary increment and the second highest number of respondents 62(27.81%) said the performance evaluation result was used to give bonus for employees based on their performance. 1.34% respondents who said “others” did not specify those purposes they chose as “others”.

In general, the results from performance evaluation is mostly used to promote capable employees and used to give bonus. In contrary, the bank gives slight emphasis for the improvement of employee's performance.

4.4 Challenges of Performance Appraisals

Problems related to performance appraisal can be of three general types. These are: human errors (Single Criterion, Strictness or Leniency, Halo Error, Central Tendency Errors,

Recency of Events, Similarity Error), problems of criteria, and problems of confidentiality (Saiyadain, 1999:204-207).

Based on this, the challenges of performance appraisals at Nib international bank Share Company is assessed with six statements and presented in the table as follows.

Table 4.4 Employees' Opinions on Performance Evaluation Challenges Prevailing in NIB S.C

No.	Challenges of Performance Appraisals			
	Description	N	Mean	Std. Deviation
1	The evaluators have not enough knowledge about practices of performance appraisal	223	2.96	1.12
2	The supervisor or manager does not have skill to evaluate employee's real work performance.	223	3.89	1.20
3	The rater consistently provide lower rating to people with certain characteristics, such as women and minorities (rater bias)	223	3.91	1.13
4	The evaluator is influenced by personal liking and disliking when evaluating my performance.	223	3.62	1.18
5	I feel that the rater depends more on the recent actions than the distant ones when he/she evaluates employees.	223	3.83	1.20
6	Evaluators are not well trained to carry out the appraisal process objectively	223	3.80	1.18

Source: Own Survey, 2020

As illustrated on the above table, the respondents are highly disagree (M=2.96) with the evaluators have not enough knowledge about practices of performance appraisal. So, which indicates that the evaluators functioned at the bank have no the problem of understanding practices of performance appraisal. The respondents are assured with a high level of agreement (M=3.89) Hence, the supervisor or manager does not have skill to evaluate

employee's real work performance. As to the third statement, Respondents show their agreement with the mean value of (3.91). It indicates there is a rater bias at the bank. The rater consistently provides lower ratings to people with certain characteristics, such as women and minorities. A way to overcome this is to follow a standardized review format that he/she will use for every employee. This will help ensure that he is treating each employee equally, and will help him become comfortable with the process more quickly and can avoid bias. The employees have also a moderately high level of agreement (M=3.62) for the evaluator is influenced by personal liking and disliking when evaluating employees' performance.

The mean level of agreement shows 3.83 hence, as the response of the employees assures that raters are highly dependent more on the recent actions than the distant ones when he/she evaluates employees. Based on (Lunenburg, 2012), this is called the recency of events error. Failure to include all performance behaviors in the performance appraisal of a subordinate can bias the ratings. The responses of employees are highly agreed (M=3.80) with the last statement which says Evaluators are not well trained to carry out the appraisal process objectively. So, the bank should be trained evaluators to handle the appraisal practice of employee's performance accurately.

4.5 Analysis of Interview Data

According to the informant of human resource management department performance appraisal is somewhat better since it is attached to promotional, salary increment annually, and training and development selections. But, it is not enough using performance appraisal results for such things only. In addition to this, to solve the organization's problem the performance of employees should be improved.

An interview discussion made with HR directorate clarifies that the appraisal process begins with establishing performance standards. As an interview shows before going to evaluate performance both the appraiser and the employees should understand the standards. These standards are divided into two as to the rater/evaluator and to the employee/rate.

- ❖ Standards to the rater/evaluator includes: Do not overrate or underrate, based on a single recent event, Be objective, Avoid personal likes and dislikes, Rate each

factors independent of others, and After completing the evaluation form have the employee see the appraisal and sign it. At this juncture consultative counseling may be given. Etc.

- ❖ Standards to the employees/rates are: whether this performance appraisal is acceptable to you or not, it is the Bank's policy that you should sign it, Your signature does not necessarily imply your agreement with the evaluation rather only that appraisal has been done dis missal, Refusal to sign one's performance evaluation would entail, and You have the option to enter your comments regarding this appraisal. However, try to be honest to yourself in light of this evaluation. As the discussion clarifies that some evaluators are doing their job beyond the standards and show their carelessness and lack of emphasis in evaluating employee's performance.

In the practices of performance appraisal the interview confirmed that the bank uses graphic rating scale technique to appraise both managerial and none managerial employees.

In addition to this, the appraisal process begins with establishing clear performance standards. Then human resource department notify heads of departments and branches one month before the final submission date. Assistant managers or supervisor would fill the evaluation form and get it approved by the manager then it will be given to the staffs to look the result, put his/her comment and sign on it. Then branches and departments send filled appraisal forms to human resource department. Finally the human resource department looks and accepts any grievances from employees but the department doesn't take any corrective action still. This implies that the organization does not have formally structured performance appraisal process with regard to the theory.

An interview discussions made with HR directorate disclosed that even if the appraisal process begins with establishing clear performance standards, the major problems affect performance appraisal practice of the bank are Lack of communicating standards, subjectivity, raters focus on recent actions and Raters conduct appraisal for formality only. This implies that even if the bank has policy or guideline regarding appraisal practice the real practice faces the aforementioned problems. In addition to this, lack of focus and carelessness by some branch managers are common challenges of the banks performance

appraisals practices. Those above mentioned challenges of performance appraisal are aggregately showed by both the respondents and the HR directorate of the bank. As the director of HR explains that performance appraisal is not given the proper attention by some branch managers and is exercised periodically more as a usual practice than as a tool of motivation. As per the response from the interview those branch managers are evaluate their employees as they pushed to send evaluation results to head office rather than performance appraisal is a pillar for organizational success. According to the justification of human resource management department the branch managers (evaluators) highly appraises recent actions of employees rather than evaluating the real performance of each employee.

As an interview held with the HRM head and other departments, the performance of employees was appraised by the branch managers and/or by their immediate supervisors. Additionally, the performance appraisal is conducted semiannually, at the end of December and June.

According to the discussion held, the objectives of performance appraisal include the following:

- To identify the status of the employees worked at the bank
- To review the performance of the employees over a given period of time
- To judge deviations in the performance of the employees from the standards set, and take corrective actions when it needed.
- To help the management in exercising organizational control.
- To provide feedback to the employees regarding their past performance.
- To promote capable staffs
- To enhance the overall control of administrative improvement etc.

As respondents said that the results from performance evaluation is mostly used for promotion and to give bonus, as a result, conducting performance appraisal has less valuable for performance improvement in the bank. Although, the respondents' opinion is precise, the HR directorate of the bank said that the evaluation result is used for many purposes like to identify the status of the employees, to provide feedback to the employees, to promote capable employees, help to set bonus etc.

In general, although performance evaluation is an important part of the reward system through the provision of feedback and recognition it faces many challenges in its processes and practices.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter states the summary of the study findings and results. Based on the key findings and results, conclusions are drawn and recommendations are made.

5.1 Summary of Findings

Based on the data analyses and interpretation the following findings were presented.

- The study finding revealed that the bank are clearly defined its strategic objectives and it has a unified, aggregated and easily understandable strategy but, employees' performance was somewhat not linked with the strategic plan.
- Standards are designed to evaluate employee's performance but it is not achievable and it does not give the chance for individual employees to measure their own performance.
- There is lack of communication in the bank and employees are unable to know the setting standards for performance appraisal. These results employees won't understand their roles and to know what exactly is expected from them. On the other hand, if any feedback and correction raised from employees the performance standard can't be revised.
- There is rater bias this means he/she gives higher rating to whom they like and give lower rating to whom they dislike. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.
- The bank is conducting Performance appraisal twice a year, at the end of December and June using graphic rating scale as a method.
- The performance appraisal practices were conducted by Immediate Supervisors.
- The study shows that the actual performance is not fairly compared with setting standards. After comparing performance, and also a low performer employee does not provide training.

- The results from performance evaluation is mostly used to promote capable employees and used to give bonus. In contrary, the bank gives slight emphasis for the improvement of employee's performance.
- The evaluators assessed employee's performance carelessly and without giving concentration. The study shown that the rater depends more on the recent actions than the distant ones when he/she evaluates employees. Evaluators are also not well trained to carry out the appraisal process objectively.
- The major problems affect performance appraisal practice of the bank are subjectivity, raters focus on recent actions, Raters conduct appraisal for formality only, personal bias with liking and disliking of employees and unable to follow the instructions formulated by the bank for performance evaluation.

5.2 Conclusions

Based on the above findings on each research objective, the next section gives the conclusions in relation to employee performance appraisal and challenges.

The banks strategic plan has no strong linkage with employees' real performance. As a result, the management functions in evaluating employees' performance may apply ambiguously. This leads to employees are demotivated in their career.

The Bank is conducting Performance appraisal twice a year, at the end of December and June by using graphic rating scale as a method. It is an immediate supervisor and or their manager who is responsible to conduct performance evaluation. Employees are given feedback during appraisal period. Corrective actions are identified to make necessary adjustment to gaps on the result of evaluation. The criteria used to measure performance of employees are designed in two parts (for managerial and for non-managerial) employees. Once the standards set, it is the responsibility of the management to communicate the standards to all the employees of the organization. But, the employees shouldn't be informed and the standards shouldn't be clearly explained to the employees. This denies them to understand their roles and to know what exactly is expected from them.

The results from performance evaluation is mostly used to promote capable employees and used to give bonus. The bank gives slight emphasis for the improvement of employee's

performance. As performance evaluation is used to assess the status of the work force in the bank, in spite of the result was not used beyond promotion, salary increment and to set amount of bonus.

The major challenges of Performance evaluation at NIB S.C. are lack of rater ability to evaluate employee performance, rater bias in evaluating performance, lack of communicating performance standards, raters are highly depends more on the recent actions than the distant ones when he/she evaluates employees and lack of focus and carelessness by some evaluators. The other challenges are supervisors do not provide continuous feedback for employees; incapable employees are not selected and give training frequently to improve their performance, Evaluators are not well trained to carry out the appraisal process objectively, and the supervisor or manager does not have enough skill to evaluate employee's real work performance.

5.3 Recommendations

On the basis of findings and conclusions drawn above, the following recommendations are suggested for management consideration.

- This study shows that employees' performance was somewhat not linked with strategic plan of the bank. As a result the goal of the company was may not be accomplished. In order to achieve its objectives the bank should be done in improving the performance of employees in accordance with the strategic plan of the company.
- There is no frequent performance audit in the bank. In order to keep its competitiveness in the market, the bank should do recurrent performance review with actionable outcomes and review the status of its work force so that to fill the gaps from the review process and the employee performance will be kept increasing.
- The setting standard does not give the chance for individual employees to assess their own performance and it is not achievable. In establishing performance standards the bank should be requires to allow individual employees can evaluate their own performance, this means they will develop accountability in their career.

The bank also should establish achievable performance standard and then it motivates employees.

- There is lack of communication in the bank and employees are unable to know the setting standards for performance appraisal. In order to achieve its objective the bank should communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them.
- There is rater bias in the bank during performance appraisals. As measuring performance is extremely difficult task, So as to cope up this difficulty the bank should train the evaluators to carry out the appraisal process objectively.
- This study found that actual performance is not fairly compared with setting standards. Biases of different types, such as personal liking and disliking should be avoid because such act of performance rating may have negative consequences to employees, and can be managed by developing policy that can guide and control the existence of such practice in the Bank.
- This study revealed that the results from performance evaluation is mostly used to promote capable employees and used to give bonus. Although it is not bad, the bank gives considerable emphasis for the improvement of employee's performance. Because the main concern of performance appraisal is improving employees' performance.
- The finding shows that the banks performance appraisal practice is challenged by a lot of problems like: subjectivity, raters focus on recent actions, carelessness or lack of focus and Raters conduct appraisal for formality only. Since most of the problems belong to the category rater error the appropriate solution to alleviate these problems should be taken by the bank. So, the bank should give frequent training entitled (focused) on minimizing rater error.

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Website

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APPENDICES

Appendix A

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA Research on Assessment of Employees Performance Appraisal Practice and Challenges: The Case of NIB S.C.

A. Questionnaire

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study entitled, **"Assessment of Employees performance appraisal practice and challenges in NIB international bank Share Company."** In this regard I kindly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks in advance for being a volunteer to devote your valuable time in filling this questionnaire.

If you need any further information and clarification please do not hesitate to contact me through the address given below.

With Regards,

Shimels Aneley

TEL +2519 23 55 70 74

Email: danianeley7074@Gmail.com

General Direction

- No need of to write your name
- Your honest and unbiased response will greatly contribute for the research to achieve its objective.

Part I: Demographic Profile of the Respondents

✓ Answer by making a “√” mark

1. What is your Gender? Male Female

2. What is your marital status?

A. single B. Separated

C. widowed D. Married

3. How old are you: Below 25 25 - 35 36 - 45

46 - 55 Above 55

4. What is your Academic Qualification?

Elementary complete High school complete Diploma

First degree Master degree and above

5. Years of experience (in present organization):

1-5 Years 6-10 Years Above 10 Years

Part II: General Overview of Performance Appraisals

Please read each statement in this part carefully and put “√” on the box and when it needs write their own on the space provided.

1. How often is your performance evaluated in a year?

A) Every month B) Every 3 months C) Every 4 months D) Every
6 month E) Once a year

2. Who is evaluated your performance? (You may tick more than one).

- A) Immediate Supervisor B) Colleagues C) my Subordinate
D) Myself Customers F) Others
(specify)_____

3. For what objective is the performance evaluation result used in the bank? (You may tick more than one).

- A) Performance improvement B) Salary Increment C)
Bonus D) Promotion E) I
don't know F) Others (specify)_____

Part III: Opinions on performance appraisal

Please read each statement in this part carefully and shows the extend of your agreement on the statements by putting “√” mark in the boxes using the following rating (likert scale): Strongly agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and strongly disagree =1.

2.1. Business Strategic Plan

S.N	Statements	Responses				
		1	2	3	4	5
1	The appraisal process begins with establishment of performance standards in accordance with the organization strategic goals.					
2	The Strategic objective of the bank are clearly defined					
3	The company has a unified, comprehensive and integrated strategy					
4	The performance standards aligns with the bank’s strategies					
5	The organization’s strategy is clear and easily understandable					
6	My performance is linked with strategic plan					

2.2. Setting Standard for Performance Appraisals

S.N	Statements	Responses				
		1	2	3	4	5
1	There is a well-designed standard for performance appraisal in the bank					
2	The standards set for performance appraisals are clear, easily understandable and measurable					
3	The setting standards for performance appraisal are achievable					
4	The performance standards invites individual employees to assess their own performance					
5	Standards are set according to the organization goal and objective					
6	The setting standard is well developed to judge The degrees of employee's contribution to the organizational goals and objectives.					

2.3. Communicating the Performance Standards

S.N	Statements	Responses				
		1	2	3	4	5
1	Employees are openly communicated performance standards					
2	Employees are communicated For what purpose(s) is the performance evaluation result used in the bank					
3	Performance standards are also clear for the evaluators					
4	A two way communication is applied in the bank					
5	The standards can be revised according to the appropriate feedback from the employees or the evaluators					

2.4. Measuring the Actual Performance

S.N	Statements	Responses				
		1	2	3	4	5
1	The actual performance is measured by carefully selected the appropriate techniques of measurement					
2	Actual performance are measured based on setting standards					
3	My actual performance is measured without the rater's bias					
4	Rater's have good Knowledge about techniques of measuring performance appraisal					
5	Raters give higher rating to whom they like and give lower rating to whom they dislike.					

2.5. Comparing Actual Performance with Standards

S.N	Statements	Responses				
		1	2	3	4	5
1	My actual performance are fairly compared with standards					
2	The comparison methods used to measure my performance are clear and objective.					
3	The gaps between employees actual performance and standards will be discussed with employees					
4	After comparing performance, low performer employees provide training.					

2.6. Providing Feedback

S.N	Statements	Responses				
		1	2	3	4	5
1	The appraisal result is discussed with the employee's one-to-one basis.					
2	After comparing actual performance with setting standards my supervisor provides feedback.					
3	Performance feedback task was handled very carefully in the bank					
4	Feedbacks received from my evaluator is positive and push me for better improvement					
5	Drawbacks will be arise and openly discussed (in a two way manner)					

2.7. Taking Corrective Action

S.N	Statements	Responses				
		1	2	3	4	5
1	Corrective actions identified finally to make necessary adjustment to gaps on the result of evaluation.					
2	Corrective action is given after proper identification of low performer employees.					
3	Incapable employees are selected and give training frequently to improve their performance.					
4	The aim of taking corrective action is to resolve performance problems					

Part IV: Information on Major Challenges of performance appraisal

Please read each statement in this part carefully and shows the extend of your agreement on the statements by putting “√” mark in the boxes using the following rating (likert scale): Strongly agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and strongly disagree =1.

3. Challenges of Performance Appraisals

S.N	Statements	Responses				
		1	2	3	4	5
1	The evaluators have not enough knowledge about practices of performance appraisal					
2	The supervisor or manager does not have skill to evaluate employee's real work performance.					
3	The rater consistently provide lower rating to people with certain characteristics, such as women and minorities (rater bias)					
4	The evaluator is influenced by personal liking and disliking when evaluating my performance.					
5	I feel that the rater depends more on the recent actions than the distant ones when he/she evaluates employees.					
6	Evaluators are not well trained to carry out the appraisal process					

Thank You for completing the questionnaire!!!

Appendix B

Interview question for Human Resource Management

1. Performance appraisal Vs. organizational problem
2. Standard for performance appraisal in the bank
3. The practices of employee's performance appraisal
4. Major challenges of PA in NIB S.C.
5. Responsible body to evaluate employees' performance in NIB S.C.
6. Objectives of performance appraisal