



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

**THE EFFECT OF PERFORMANCE APPRAISAL PRACTICES
ON EMPLOYEE WORK MOTIVATION: THE CASE OF LION
INTERNATIONAL BANK**

**BY
ABEBA GETACHEW**

**January, 2020
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL
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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Asst. Prof. Shewa Jemal
Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

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

Name

Signature

St.Mary University, Addis Ababa

January, 2020

ENDORSEMENT

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

Asst. Prof. Shewa Jemal
Advisor

Signature

St.Mary University, Addis Ababa

January, 2020

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LIST OF ACRONYMS

SPSS- Statistical package for social science

ANOVA - Analysis of Variance

VIF – Variance Inflation Factor

BARS - Behaviorally Anchored Rating Scales

CIPD - Chartered Institute of Professional Development

MBO - Management by Objectives

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ABSTRACT

The purpose of this study was to examine the effect of performance appraisal practices on employee work motivation in Lion international bank. The study focused on six determinants namely; performance standards, continuous open communication, and measurement of performance, compare performance against standards, providing feedback and corrective measures. The study used quantitative research approach to have a better insight and gain a richer understanding about the effect of those factors on employee work motivation in Lion international bank and the researcher has employed explanatory research design to empirically answer the research questions. Both probability and non-probability sampling were used in the sampling technique. A purposive sampling technique, which is non-probability sampling, was used to select fifty branches among the total number of 250 branches and also to choice head office's employee as respondent. Simple random sampling technique, which is probability sampling, was used to select the respondents among the selected fifty branch's employee. For achieving the study objective, 450 sample respondents were selected and out of this 405 respondents are properly respond the questioner data and collected in 5 point Likert scale questionnaire with closer assistance of the researcher. The data, then, analyzed through descriptive and inferential statistics using linear regression. By the findings, out of the proposed six factors in affecting employee work motivation in case of Lion international bank, the whole factors namely; performance standards, continuous open communication, and measurement of performance, compare performance against standards, providing feedback and corrective measures were found to be positive and statistically significant. Furthermore, appropriate recommendations have been forwarded.

Key words: *Performance Appraisal Practices, Employee Work Motivation and Lion International Bank*

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Fletcher (2001) performance appraisal practice management refers to an approach that involves creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individual and the organization. Macky and Johnson, (2000) shares the same view but elaborates that performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance. Similarly from the suggestion of Lawler (2003), the objectives of performance management system often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. All human beings possess potential within themselves in a few or more functional areas. However, utilization and conversion of this potential into deliverable performances is often sub optimal due to a variety of reasons. Performance management acts as an agent in converting the potential into performance by removing the intermediate barriers as well as motivating the human resource (Kandula, 2006).

Performance appraisal practice management involves managing employee efforts, based on measured performance outcomes. Therefore, determining what constitutes good performance and how the different aspects of high performance can be measured is critical to the design of an effective performance management process. And performance management effectiveness increases when there is ongoing feedback, behavior-based measures are used and preset goals and trained raters are employed (Lawler, 2003).

Ducharme et al. (2005) in a large-scale Canadian workforce survey showed that performance feedback (not linked to pay) was a more important influence on pay satisfaction than performance related pay unaccompanied by feedback. Similarly regards performance management as a continuous process which is aimed at improving individual performance through consistent feedback. Separate from performance management, in the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization.

Employees are a primary source of competitive advantage in service-oriented organizations (Luthans and Stajkovic, 1999). In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness (Güngör, 2011).

Macky and Johnson (2000) pointed out that improved individual employee performance could improve organizational performance as well. From Deadrick and Gardner's (1997) points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. On the other hand, Darden and Babin (1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. Based on the above sentiments employee performance can simply be said to be duties expressible in terms of quality or quantity performed by a worker in a given time frame.

Therefore, it would be necessary to conduct a research on the relationship between performance appraisal practice and employee's work motivation in Lion international bank in Ethiopia, because the motivations of employees have a significant effect on employee's performance and organizational performance.

1.2 Statement of the Problem

There are findings that suggest performance management practices do have the same benefits to different companies that conduct performance reviews every year (Singh et al., 2010). There are findings that suggest performance appraisal can be more effective on employee productivity if carried out twice a year, others emphasize that the best practice requires the evaluation of performance to take place on a regular basis (Moulder, 2011; Gupta & Kumar, 2013). A number of studies have suggested quarterly performance updates (Singh et al., 2010). From various mixed results, the current study aims to investigate whether continuous performance appraisal review can identify poor performance or identify existing issues and corrective measures to be designed to improve employee productivity.

Agunis (2009), explains that to make the PA effectively work in the organization the involvement of employees on performance appraisal process are the major factors, because involvement of employee can reduce the employee and managers resistance to the performance management and increase the sense of belongingness in the work place. The second reason of employee's low satisfaction is related with the performance rewarding approaches. In practice, it is often the case that employees receive annual bonus setting based on the whole branch evaluations, the system do not provide rewarding of performance for employees related to their individual contribution. In general these problems are challenges to the PAS to be effective.

There are a number of issues facing the effective and efficient use of the reward system in boosting employee productivity. From a number of studies conducted by Erdogan et. al (2012) and Fletcher (2001) they have established that linking rewards with performance leads to commitment employees in the appraisal system. Mone and London (2010) study found that that unfair evaluation of employee performance makes them feel insecure or discouraged leading to the development of poor relationship between the employer and employee. Cawley (2008) recommends that performance feedback should be fair, timely and specific in highlighting the employees progress in carry out their responsibilities (Gupta & Kumar, 2013) and the feedback should be often (Lee, 2005). There is however, relatively little research to support the view that performance management activities have any impact let alone having a positive impact on organizations operating within the Ethiopian economy. This called for the investigation of the current study.

Moreover, as far as the researcher knowledge, a single study corresponding with this research is conducted by Alemeneh (2017). However, this study didn't consider on employee work motivation and also the study is only focused on Commercial bank of Ethiopia.

Accordingly, it indicates that no more researches are conduct related with this issue, due to this fact the researcher decided to work on this area so as to be a benchmark for further studies. Hence, due to the severity of the issue and absence of sufficient empirical studies on Lion international bank pertaining to this topic incorporating crucial variables collectively is what motivated the researcher to examine the effect of performance appraisal practices on employee work motivation in Lion international bank.

1.3 Research Questions

This research addresses the following research questions:

- What is the impact performance standard on employee's work motivation in Lion international bank?
- To what extent continuous open communication affect employee's work motivation in Lion international bank?
- How measurements of performance affect employee's work motivation in Lion international bank?
- To what level compare performance against standards affect employee's work motivation in Lion international bank?
- What is the effect of providing feedback on employee's work motivation in Lion international bank?
- How corrective measure influence employee's work motivation in Lion international bank?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to examine the effect of performance appraisal practices on employee work motivation in Lion international bank.

1.4.2 Specific Objectives

The study was guided by the following research objectives:

- To investigate the influence of performance standards on employee work motivation in case of Lion international bank.
- To determine the effect of continuous open communication on employee work motivation in case of Lion international bank.
- To examine the impact of measurement of performance on employee motivation in case of Lion international bank.
- To examine the impact of compare performance against standards on employee motivation in case of Lion international bank.
- To determine the effect of providing feedback on employee work motivation in case of Lion international bank.
- To investigate the influence of corrective measures on employee work motivation in case of Lion international bank.

1.5 Scope of the Study

The study focused to examine the effect of performance appraisal practices on employee work motivation in Lion international bank. It specifically sought to performance standards, continuous open communication, and measurement of performance, compare performance against standards, providing feedback and corrective measures on employee's work motivation. The geographical boundaries of the research were fifty selected branch's employees and head office's staffs which consider management and non-management's staffs. A population of 2,619 employees are used for the investigations and out of these 450 employees were selected as sample to conduct the study and out of these 405 respondents are properly responded the questioner data and the data were collected through questionnaire using five-point Likert-scale questionnaire.

1.6 Significance of the Study

This study will be very significant in assessing the effect of performance appraisal practices on employee work motivation in Lion international bank. Many parties will be benefited from the findings that emerged from the results of the study and these are the following organ that will be benefited;

Government: Government might be concerned in knowing which companies operate successfully or failed to take the necessary measures so as to avoid crises of the bankruptcy in these companies.

Academician: academicians could have a chance to know effect of performance appraisal practices on employee work motivation which supports students to be familiar with it and find out a solution on their teaching and learning process.

Investors: Investors could be fascinated in such studies in order to protect their investment, and directing it to the best investment.

Customers: Customers may possibly involve in knowing the effect of performance appraisal practices on employee work motivation based on the indicators of success of the companies.

Management: Administration could be interested in identifying indicators of success and failure to take the necessary actions to improve the employee's work motivation in the company and choose the right decisions.

Moreover, this research have significant role to play in shading light on how to better understand what variables that have an impact on employees work motivation. Additionally, this study will have a paramount importance in providing a better ground for banking industry's human resource management, business professionals, business initiatives and policy makers. Moreover, the research will also contributes an insight point as a stepping stone for further study in the area to future researchers.

1.7 Limitation of the Study

The absence of adequate studies and organized data especially empirical literatures regarding the study variables which would be useful to lay a more relevant factual base for the study are the major issues that are encountered for the study. Besides, Questionnaires weren't fully returned and some of the respondents were not willing to fill the questionnaires properly and timely.

1.8 Definition of Terms

- **Performance management** -is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people. (Armstrong, 2006).
- **Performance appraisal system** refers evaluating performance to encourage employee motivation and performance and to provide information to be used in managerial decision making (Grote, 2002).
- **Motivation** can be defined as the psychological forces within a person that determine the direction of that person's behavior in an organization, effort level, and persistence in the face of obstacles (James, 2009).
- **Human resource management** is defined as a strategic and coherent approach to the management of an organization's employees which is the most valued assets (Armstrong, 2006).

1.9 Organization of the Study

The research paper is organized in to five chapters. Chapter one is an introduction part where back ground of the study, statement of the problem, objectives of the study, scope, significance, limitation, definition terms of the study are presented. Chapter two is review of literature in which theories, empirical evidence and conceptual frame work are identified. Chapter three contained research methodology where research design, research approach, population, sampling method, sample size, sources of data, instruments, data analysis technique and model specification were covered. Chapter four focused on the results and discussion in which the findings results that are interpreted. Finally, chapter five presents the conclusions, summary of major findings, forwarded recommendations and Directions for future researches.

CHAPTER TWO

REVIEW OF LITERATURE

This section presented theoretical and empirical review on the effect of performance appraisal practices on employee work motivation in case of Lion international bank. Accordingly, the first part presented theoretical literature about influence of performance management practices on employee motivation. The second part discussed about various empirical studies. The conceptual framework depicted in the third part along with hypothesis and variable determination.

2.1 Theoretical Literature Review

2.1.1 Performance Appraisal

Performance can be defined as

“What is expected to be delivered by an individual or a set of individuals within a timeframe? What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered” (Kumar, 2005).

Armstrong (2006) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that performance appraisal is not just about rating employees, Meenakshi (2012) identified that organizations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. „Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching (Hillman et al, 1990).

Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager subordinate dialogue and formal assessment of unsatisfactory performance.

However, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. From carrying out the performance appraisal, management then has to make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990).

According to Obisi (2011), Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organization carries out some form of performance appraisal either on its own or as part of their performance management system.

2.1.2. The Historical Emergence of PAS

Performance Appraisal became a widely used management tool in businesses around the 1980's. Its modern uses had previously been restricted to Army Officers and Senior Management (Taylor, 2005). However appraisal has been present throughout history and has advanced significantly over time.

The popularity of performance appraisal in an industry setting was growing and by the early 1950s, 61 percent of organizations carried out performance appraisals frequently, compared to only 15 percent immediately after the Second World War (Spriegel, 1962). Smith and Kendall (1963) created the Behaviorally Anchored Rating Scales (BARS) hypothesized to be superior to alternative evaluation methods in several. This replaced numerical or adjective ratings used in the graphic or trait rating scales, with behavioral examples of actual work behaviors. BARS meant supervisors could rate employees on observable behavioral elements, rather than on a scale. The major advantage of such measures is that the evaluator has to make fewer inferences about the employee. The evaluator is cast more in the role of observer and less in the role of judge (Schwab et al, 1975). Numerous spin-offs to BARS have been developed since. The contribution of these developments has been an emphasis on the behavioral bases of performance ratings (Wiese & Buckley, 1998).

2.1.3. Performance Appraisal Today

In recent years, performance appraisals have been used in organizations for numerous reasons, as opposed to the historical method it was used for, making administrative decisions. According to Murphy et al (1995) there are four main uses for Performance Appraisal in organizations today. These are Between Individual Comparisons, Within Individuals Comparisons, Systems Maintenance and Documentation.

Between individuals relates to comparison of individuals in terms of performance, Within Individuals concentrates on identifying and developing individuals strengths and weaknesses. Systems Maintenance can mean using Performance Appraisal as a source to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Linking Performance Appraisal to the business goals of the company has been seen as an innovative way of focusing employee's actions to the priorities of the business. The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland et al, 1989; Wiese & Buckley, 1998).

Throughout the vast amount of journal articles and research on performance appraisal, there is a substantial view that while performance appraisal seems like a great tool and should be of huge benefit to every organization, they can be moderately ineffective and so have taken a lot of criticism. Lawler (2003) discusses how a lot of literature poses the idea of dismissing performance appraisal completely, but he believes that Performance Appraisal is a vital procedure for effective talent management. He recommends that the way forward for Performance Appraisal is not to eliminate it but to work on making it an effective tool. The key is to make them part of a complete performance management system, which includes goal setting, development, compensation actions, performance feedback and a goals based appraisal of performance (Lawler et al., 2012).

2.1.4. The Purpose of Performance Appraisal

According to Ivancevich (2004) and, Rao (2000), performance evaluation has many purposes; among them are:

- a. Development. It can determine which employees need more training, and it can help evaluate the results of training programs. It helps the subordinate-supervisor counseling relationship, and it encourages supervisors to observe subordinates' behavior to help employees.
- b. Motivation. It can encourage initiative, develop a sense of responsibility, and stimulate efforts to perform better. Robbins (2003) defined motivation as the process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.
- c. Human resources and employment planning. It can serve as a valuable input to skills inventories and human resource planning.
- d. Communications. It can serve as a basis for an ongoing discussion between superior and subordinate about a job-related matter. Through interaction and an efficient feedback process, the parties get to know each other better.
- e. Legal Compliance. It can serve as a legally defensible reason for promotions, transfers, rewards, and discharges.
- f. HRM research. It can be used to validate selection tools such as a testing program.

Kumar (2005) grouped the objectives of performance appraisal in a number of ways: Administrative, Informative and Motivational.

- Administrative. 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.

According to Stredwick (2005) there are two main purposes driving towards performance management. Firstly, the operational reasons (control, communication and effectiveness), which serve to lead and control. As organizations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives.

2.1.5. 360° Appraisal

360 degree appraisal is an approach to performance appraisal that involves gathering performance information from people on all sides of the manager – above, beside, below and so forth (DeNisi & Griffen, 2008). This approach allows management to match the strengths and weaknesses from each perspective and gain a more accurate, rounded view of a person's true performance.

Rees and Porter (2003) define 360 degree appraisal as a process that involves the key people in a person's network of working relationships making assessments of a person's performance. The subordinate being appraised is then given structured feedback; this may involve feedback from subordinates and any key outside parties, if it is practicable. Some of the subordinates that may give feedback are the immediate manager, other management in the organization, peers, internal and external customers and suppliers.

Using the 360 degree appraisal technique can mean there will be more negative feedback given, and this is known to demotivate staff. It is therefore vital that the managers are using the feedback received from the other raters wisely and ensure it is consistent and unbiased (De Nisi and Griffen, 2008). De Cenzo and Robbins (1996) feel that appraisers should only rate in those areas in where they have substantial job knowledge. They should be as close as possible to the organizational level of the employee being evaluated. If the appraiser is not in position where they can observe the persons work behavior then there is a greater chance of inaccuracies.

2.1.6. Performance Appraisal Process

Peter (1994) categorizes a four- step process of the performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employee's job responsibilities. The job standards are set against the worker performance. The second step involves pegging the worker performance (such as traits approach, behavioral approach, ranking methods, alternation ranking, and results methods, productivity measures, 360 degrees evaluation and Management by Objectives (MBO).

2.1.7 Methods for Appraising Employee Performance

Performance can be appraised by a number of methods. The various methods are categorized into four major groups: category rating, comparative, narrative and special methods (Mathis and Jackson, 1997).

2.1.7.1. Category Rating Methods

The simplest methods for appraising performance are category rating methods, which require a manager to mark an employee's level of performance on a specific form. The graphic rating scale and checklist are common category rating methods while the other is forced choice method (Mathis and Jackson, 1997).

A. Graphic Rating

Graphic Rating Scale allows the rater to mark an employee's performance on a continuum. Because of its simplicity, this method is the one most frequently used. It is also the oldest method in which the rater checks the appropriate place on the scale for each duty listed. More detail can be added in the space for comments following each factor rated (Singh et al, 2002).

B. Checklist

Checklist is composed of a list of statements or words. Raters check statements most representative of the characteristics and performance of employees. The following are typical check list statements presented by (Mathis and Jackson 1997).

The checklist can be modified so that varying weights are assigned to the statements or words. The results can then be quantified. Usually, the weights are not known by the rating supervisor and are tabulated by someone else, such as a member of HR unit. There are different difficulties with the checklist as with the graphic rating scale. The words or statements may have different meanings to different raters; raters cannot readily discern the rating results if a weighted checklist is used and raters' don't assign the weights to the factors. These difficulties limit the use of the information when a rater discusses the checklist with the employee, creating a barrier to effective developmental counseling. According to Ivancevich (2004), the checklist is a set of objectives or descriptive statements .If the rater believes that the employee possesses a trait listed, the rater checks the item; if not, the rater leaves it blank. A rating score from the checklist equals the number of checks.

C. Forced Choice

This method was developed at the close of World War II. Under this method, a large number of statements in groups are prepared. Each group consists of four descriptive statements (two favorable and two unfavorable) concerning employee behavior. Sometimes there may be five statements in each group out of which one would be neutral. The actual weightings of the statements are kept secret. The appraiser is asked to select one statement that mostly describes employee's behavior out of the two favorable statements. The appraiser is asked to select one statement which is mostly describes employee's behavior out of the two unfavorable statements. The items are usually a mixture of positive and negative statements. The intent is to eliminate or greatly reduce the rater's personal bias, specially the tendency to assign all high or low ratings. The items are designed to discriminate effective from ineffective workers as well as reflect valuable personal qualities described by Mathis and Jackson (1997). Ivancevich (2004) has argued that the forced choice method was developed to avoid the problems faced in graphic rating scale which allowed supervisors to rate high. This creates difficulty in distinguishing poor and good performance, as sensitivity is one necessary characteristics of a good criterion.

2.1.7.2. Comparative Methods

These methods, unlike the other methods, require managers or supervisors to compare performance appraisals of employees having same job description (Mathis and Jackson, 1997). For example, an accountant's performance can be compared with that of other accountants. Comparative techniques of evaluation methods include ranking, paired comparison and forced distribution.

A. Ranking

Ranking is listing of all employees from highest to lowest or ranked from best to worst in performance. Rankings require a supervisor to generate a list of subordinates in order of some overall criterion. This is very difficult to do if the supervisor is asked to rank the best and worst employees in a reliable way than it is to rank the average ones. In this approach, the evaluators pick the top employee first, and then the bottom employees next until all employees are ranked (Ivancevich, 2004).

B. Paired Comparison Method

Paired Comparison method was designed to make the ranking process easier for the supervisor and perhaps more reliable, especially when there are many people to rank. The supervisor uses a series of cards which show the strength and weakness of each pair of employees simultaneously, selects one of the two, continues until all employees are paired and compared, and the final ranking is determined by counting how many times a given employee is chosen as the better performance of all of the comparisons made (Ivancevich, 2004).

2.1.7.3. Narrative Methods

Some managers and HR specialists are required to provide written appraisal information. Mathis and Jackson (1997) divided these methods into: critical incident, essay and field review methods. Documentation and description are the essences of these methods. These records describe an employee's actions rather than indicating an actual rating.

A. Critical Incident

This method requires listing down good and bad performance actions of the employees. When a critical incident involving an employee occurs, the manager writes down. A listing of critical incidents is kept during the entire rating period for each employee. The critical incident method can be used with other methods to document the reasons why an employee was rated in a certain way. The critical incident method also has its unfavorable aspects. First, what constitutes a critical incident is not defined in the same way by all supervisors. Next, producing daily or weekly written remarks about each employee's performance can take considerable time. Further, employees may become overly concerned about what the supervisor writes and begin to fear the manager's black book (Mathis and Jackson, 1997).

B. Essay Evaluation

The essay or free-form appraisal method requires the manager to write a short essay describing each employee's performance during the rating period. The rater is usually given a few general headings under which to categorize comments. The intent is to follow the raters more flexibility than other methods do. As a result, the essay method is often combined with other methods (Stredwick, 2005).

C. Field Review

In the field review, the HR unit becomes an active partner in the rating process. A member of the unit interviews the manager about each employee's performance. The HR representative then compiles the notes from each interview into a rating for each employee. Then the rating is reviewed by the supervisor for needed changes. This method assumes that the representative of the HR unit knows enough about the job setting to help supervisors give more accurate and thorough appraisals. The major limitation of the field review is that the HR representative has a great deal of control over rating. Although this control may be desirable from one view point, the supervisors may see it as a challenge to their managerial authority. In addition, the field review can be time consuming, particularly if a supervisor has to rate a large number of employees (Mathis and Jackson, 1997).

2.1.8. Effective Performance Appraisal System

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. „Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee“ (Stredwick, 2005). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 2008).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts and John, 2013). Roberts and John (2013) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with.

Moulder (2011) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown & Benson, 2005). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money. To avoid such drawbacks in performance appraisal processes and ensure its effective implementation: guideline System and reference manual pointed out the following factors that the system should positively reinforce (Moulder, 2011).

Effective Communication: Employees at all levels should have a clear understanding of their roles, responsibilities and what is expected of them. Feedback on performance must be given on a continuous basis.

- **Objectivity:** Assessments should be made against agreed, clearly stated targets.
- **Transparency:** There should be no “surprises”. Evaluations and decisions should be based on evidence drawn from well documented processes that can stand scrutiny.
- **Fairness:** Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.
- **Equitable Treatment:** All employees should be treated equally and must have equal and appropriate access to benefits, training and resources to achieve targets.
- **Mutual Respect and Trust:** Discussions about performance should be conducted with due regard to accepted principles of courtesy, respect and an understanding of each other's roles and responsibilities.

2.1.9. Benefits of Performance Appraisal

An effective performance appraisal system will bring benefits to the staff member being appraised, the manager completing the appraisal and the organization as a whole.

For the Organization, benefits include (Fletcher, 2004):

- Improved Performance due to effective communication, increased sense of cohesiveness and better management-staff relationships
- Training and Development needs identified more clearly
- A culture of kaizen – continuous improvement
- Competitive Advantage in the Market place
- Employee Satisfaction as a sense that employees are valued is spread
- Enhanced relationships with line managers
- Increased job satisfaction
- A better understanding of expectations
- Greater knowledge of strengths and weaknesses
- Better relationship with employees – trust.
- Stronger knowledge of what is going on in the organization
- Better knowledge of employees – knowing their individual strengths and weaknesses
- Facilitate management in decisions including pay rises, promotions, redundancies etc.

2.1.10. Challenges of Performance Appraisal

The use of ratings and other techniques in PA assume that the human observer is reasonably objective and accurate but raters' memories are quite fallible and raters subscribe to their own sets of expectations about people, expectations that may or may not be valid. Despite the fact that a completely error-free PA is only an ideal we can aim for, with all actual appraisals falling short of this ideal, a number of factors that significantly impede objective appraisal have been isolated for discussion.

A. Bias

Bias is simply a personality-based tendency, either toward or against something. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm (Kumar, 2005). This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees. So to overcome the bias problem, the appraiser needs to be objective and not let their feelings of liking or disliking the individual influence their assessment (Cawley et al, 1998).

B. Stereotyping

Stereotyping is mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group. Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. However, regardless of whether the stereotype is positive or negative, making membership in a group, rather than explicitly identifying the characteristics of the individuals, creates the potential for significant error in evaluations. Stereotyping can be avoided by getting to know each employee as an individual and objectively evaluating individual employees based on their actual performance (Dewaal, 2003).

C. Halo Error

Robbins (2003) note that the halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor. According to them, if an employee tends to be conscientious and dependable, the rater might become biased toward that individual to the extent that he will rate him or her positively on many desirable attributes. Also as per their observation in an institution, students tend to rate a faculty member as outstanding on all criteria when they are particularly appreciative of a few things he or she does in the classroom as compared to a few bad habits which might result in students evaluating the instructor as lousy across the board.

D. Similarity Error

Decenzo and Robbins,(1996), state that, when evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. In this case, evaluators who see themselves as aggressive may evaluate others by looking for aggressiveness thus, those who demonstrate this characteristic tend to benefit while others are penalized.

E. Central Tendency

Beardwell and Holden (1997) note that central tendency is the reluctance to make extreme ratings (in either direction); the ability to distinguish between and among rates; a form of range restriction. According to them, raters who are prone to the central tendency error are those who continually rate all employees as average. In this case, if a manager rates all subordinates as 3, on a scale of 1 to 5, then no differentiation among the subordinates exists. As such, failure to rate subordinates as 5, for those who deserve that rating and as 1, if the case warrants it, will only create problems, especially if this information is used for pay increases.

2.1.11 Factors of performance Appraisal on Employee Work Motivation

Based on the steps of performance Appraisal practice, the following factors are identified as a determinant of performance appraisal practice.

Performance standards

Macey et al (2009) points out that the performance standards should be capable of identifying the employees' strength and weaknesses for enhanced performance. If the employees fail to meet the set target a career development plan can be implemented through training and provision of appropriate reward system to enhance their performance (Mone & London, 2010). The performance standards should reflect the business objectives and the fair contribution of employee individual efforts to achieve high performance. Banner and Cooke (2010) have reported that those appraised seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Rewards systems are important for any organization that aspires to meet its goals and objectives. This implies that the top management should outline the role of each employee clearly and appropriately for this to be accomplished (Schraeder et al, 2007).

Continuous open communication

Banner and Cooke (2010) have reported that those appraised seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Rewards systems are important for any organization that aspires to meet its goals and objectives. This implies that the top management should outline the role of each employee clearly and appropriately for this to be accomplished (Schraeder et al, 2007).

Measurement of performance

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 2012). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan et al, 2012).

Compare performance against standards

Pettijohn et al (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

Providing feedback

Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals (Solmon & Podgursky, 2010). It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, there are some organizations that fail to provide feedback (Jame & Manuel, 2009). Although a few managers may intentionally hold back employee feedback, many are overwhelmed with other management tasks that take up their valuable time. In addition, many organizations lack formal evaluation systems or the managers do not apply the systems that are in place (Beardwell, 1997).

Corrective measures

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown et al, 2005). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money.

2.1.12 The Concept of Motivation

Motivation is central to management because it explains why people behave the way they do in organizations. Motivation may also be defined as the internal process leading to behavior to satisfy needs. Motivation increases the willingness of the workers to work, thus increasing effectiveness of the organization. Organization goal is to develop motivated employees and support their morale regarding their respective works for better performance (Shadare et al, 2009).

2.5.1 Definitions of Motivation

Many scholars had tried to define motivation and it's a well-studied field which has roots in many academic disciplines such as psychology, sociology, education, political science, and economics. Definition of motivation according to Society for Human Resource Management (2010), motivation is generally defined as the psychological forces that determine the direction of a person's level of effort, as well as a person's persistence in the face of obstacles.

Denhardt et al. (2008) also define motivation as an internal state that causes people to behave in a particular way to accomplish particular goals and purposes. Whilst it is not possible to observe motivation itself, its possible to observe the outward manifestations of motivation. For instance, the acquisition of money may be an extrinsic motivator, but it is simply the manifestation of the internal drive to meet intrinsic needs like purchasing food, paying rent for shelter, or acquiring high social status.

There are two types of motivation as originally identified by Hillman et al (1990):

- Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. Intrinsic motivation is what people will do without external inducement such as hunger, a sense of duty, altruism, and a desire to feel appreciated.
- Extrinsic motivation – what is done to or for people to motivate them. This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.

2.5.2 Theories of Motivation

Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. Hillman et al (1990) content theorists who stress on the satisfaction of needs. Hillman et al (1990) theory focuses on the question of what arouses, sustains and regulates goal directed behavior that is what particular things motivate people. There is the assumption that everyone responds in much the same way to motivating pressures and that there is, therefore one best way to motivate everybody and it focuses on the needs of an individual.

Process Theories of Motivation

They are group of theories about work motivation that attempt to identify the relationships among the dynamic variables which make up motivation and actions required to influence behavior and actions. The three known theories are: equity, expectancy and goal-setting theory. Denhardt et al. (2008) formulated the equity approach as an appropriate way to effective supervision and the equity approach is another important means of ensuring motivation of workers. Workers tend to believe in it if the organizational reward system is fair. This theory assumes that people want to be treated fairly and they tend to compare contributions and rewards to those received by others.

The equity theory states that people need to perceive equal outcomes for perceived equal circumstances (Denhardt et al., 2008). The principles for this theory are that if workers discover that the company does not properly reward them, they will feel dissatisfied and their morale will be lower. The outcome is that they will not work hard anymore or they may choose to depart from the current company. If the workers believe that they are adequately rewarded for what they do, they will maintain the same level of output and performance. On the other hand, if workers perceive the rewards as more than they consider fair, then they will most likely work even harder in the organization.

Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have done and what they want to do. Thus, feedback acts to guide behavior, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal. On goal-setting theory application, management by objectives (MBO) is one way of doing it (Erdogan et al., 2012).

Denhardt et al. (2008) introduced the goal setting approach and believes that the intentions to work towards a goal are major sources of work motivation. Basically, the specific goals increase work performance and that is to say that the specific hard goals produce a higher level of output than does the generalized goal of just “do the best”. The specific goal itself acts as an internal stimulus and hence provides the motivation force to people. Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have done and what they want to do. Thus, feedback acts to guide behavior, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal.

2.2 Empirical Literature Review

The study has reviewed various empirical studies that are related with the effect of performance management practices on employee motivation by incorporating various empirical studies conducted in developed countries, emerging market countries and African countries.

Brown et al. (2010) analyze the relationship between performance appraisal quality measured by clarity, communication, trust, and fairness of the performance appraisal process and job satisfaction and commitment based on a sample of more than 2,300 Australian non-managerial employees of a large public sector organization. They find that employees who report a low performance appraisal quality (lowest levels of trust in supervisor, poor communication, and lack of clarity about expectations, perception of a less fair performance appraisal process) also report lower levels of job satisfaction and commitment.

Furthermore, (Cawley et al., 1998) found that clarity of performance expectations affected the motivation to a great extent. Feedback mechanism and open door policy affected motivation to a great extent. Integrity and fairness affected job perform and employees motivation to a great extent. In addition, distributive fairness affected job performance to a moderate extent. The study found that ideas and innovations, absenteeism/tardiness and timeliness had improved for the last five years. The study found that appraisal motivates staff by clarifying objectives and setting clear future objectives with provision for training and development needs to establish the performance objective. Communication provides employees with the chance of exercising a level of process control. Trust in supervisors is important for determining satisfaction with the appraisal system. Appraisals based on personal traits have little value for providing diagnostic feedback to employees or for designing training and development programs to ameliorate identified skill deficiencies.

According to Mustapha and Daud (2012) studied on the influence of performance management system on employee performance in commercial banks in Kitui Town, Kitui County, Kenya. The population under study was 118 employees. Data was collected by use of questionnaires. Data from the research was analyzed using SPSS. It was found that performance management system enhances employee performance by providing a reliable performance measure, increasing staff competency and hence realization of set targets. The research concluded that enacting performance management system enhances employee performance through setting individual objectives that are derived from overall organizational goals and identifying skills gap which are addressed through trainings thus increasing staff competence levels.

As per Alemeneh (2017) study conduct on the Effect of Performance Appraisal System on Employees Motivation: A case Study of Commercial Bank of Ethiopia (Addis Ababa area). The population for the study was 9699 and a sample size of 384 respondents was selected. Questionnaire was used as an instrument to collect primary data for this study and out of 384 questionnaires distributed 366 of the respondents were retrieving from the respondents. The data analyzed with descriptive and inferential analysis, and the result presented with tables and charts. Among the main finding of the study was that from the six factors of effective PAS, which are ongoing feedback, rewarding performance, trained appraiser, continuous open communication, fairness of the PAS have significant positive effect on employees motivation, except employees participation in the PAS. The result shows that the relationship between employees participation in the PAS and employees motivation was insignificant. Again, it was conclude that the level of employee's motivation regarding to the current performance appraisal system was low.

Based on Ojokuku (2013) study conducted on the effect of performance appraisal system on motivation and performance of academics in Nigerian public universities. This study therefore set out to examine the impact of performance appraisal (PA), which is a key HR practice, on the motivation and performance of academics in Nigerian universities. The study sample was drawn from four (4) public universities in south western Nigeria. Data was sourced with the aid of a questionnaire, while percentage and multiple regression analysis were used for data analysis. Findings showed that the university academics see their performance appraisal system as not being accurate and fair enough because it does not capture adequately, all the job components that make up their performance during the review period. The performance appraisal system was also found to exert a strong influence on the academics' motivation and overall performance. It was recommended that the PA system for academics should be reviewed by university management such that all the components of their job are captured, evaluated, and adequately rewarded. This is expected to impact positively on the motivation and overall performance of the academics, thereby working as a veritable tool for steering university education towards the right direction for national development.

Study made by Ajalie (2017) about effect of employee motivation on organizational productivity in May & Baker Plc, Ota, Ogun State, Nigeria. Data were analyzed using multiple regression analysis. From the hypotheses tested, the result indicated that there is a significant relationship between employee motivation and organizational productivity. Findings also revealed that 35.8% of the variations in productivity can be explained by employee motivation in the organization used as a study in this research. The results also revealed that extrinsic factors were considered to have more significant effects on organizational productivity than intrinsic factors. The study concluded that although both intrinsic and extrinsic factors are significant predictors of productivity, extrinsic factors appear to be more significant or valued by respondents in the organization used as a study. Furthermore this study also recommended that management of organizations should take appropriate measures in figuring out those factors that motivate their employees and seek ways of ensuring that they are adequately motivated in order to improve their performance and productivity levels. Finally the study also suggested that future studies should focus on other industries apart from the pharmaceutical manufacturing sector.

As studied by Kipsegerwo et al. (2016) on effects of performance management process on employee productivity: A survey of commercial banks in Turkana County. The information provided by this research will benefit policymakers, community members and academicians. The study was guided by the Equity Theory and Social Justice Theory. It adopted a descriptive survey research design with a target population of 200 employees. Using Yamane formula, the sample size of 133 was determined. The researcher collected data using questionnaires. The instruments were validated by the supervisors. Reliability of the instruments was determined through a pilot study where Cronbach alpha coefficients of 0.87. This indicated that the instruments were reliable. Quantitative data was analyzed using descriptive statistics and inferential statistics and presented in tables. The study established that the following elements of performance management process: performance appraisal system, training and development and reward system affects employee productivity (p values were less than 0.05). It was therefore recommended that for enhanced employee productivity the policy makers and the banks should ensure that performance of the employees is appraised, training and development be conducted and reward system adopted.

Depend on Raghunathan (2018) study made on performance appraisal and employee's performance by measuring the latest role of motivation in an organization. By adopting latest research objectives, pertained to establishing the moderating role of performance appraisal as a motivation tool as well as potential challenges and findings show the presence of significant positive outcomes when the organization uses performance appraisal as a motivation tool. Further, the study finds that the use of more than one appraisal techniques helps yield greater satisfaction and consequently to higher motivational levels. This study relates to the assessment of the relationship between employee performances evaluations to assess the moderate role of motivation.

According to Catherine (2016) study conducted on effect of performance appraisal on employee motivation at ministry of east African community, labour and social protection. Structured questionnaires developed in form of a five point likert scale was used for data collection as they were easy to administer and cheap in terms of cost and time. Data was collected and analyzed by use of scientific package for social sciences (SPSS). A regression model was used to determine the co-efficients of the effect of performance appraisal on employee motivation. The study shows that there is a strong positive significant correlation between performance appraisal and employee motivation and it can concluded that performance appraisal system has a significant impact on the employee motivation at the Ministry of Labour, East Africa Community and Social Protection. The conclusion of the findings was that the Ministry uses performance appraisal to motivate employees though there is need for a comprehensive policy to link pay to performance. The recommends that effective feedback and communication; giving training opportunities to employees to acquire skills; and encouraging employees' participation in performance appraisal processes are all essential for effective performance appraisal process in an organization.

Rely on Ovidiu (2013) study done on employee motivation and organizational performance. The majority of organizations are competing to survive in this volatile and fierce market environment. Motivation and performance of the employees are essential tools for the success of any organization in the long run. On the one hand, measuring performance is critical to organization's management, as it highlights the evolution and achievement of the organization. On the other hand, there is a positive relationship between employee motivation and organizational effectiveness, reflected in numerous studies.

This paper aims to analyze the drivers of employee motivation to high levels of organizational performance. The literature shows that factors such as empowerment and recognition increase employee motivation. If the empowerment and recognition of employees is increased, their motivation to work will also improve, as well as their accomplishments and the organizational performance. Nevertheless, employee dissatisfactions caused by monotonous jobs and pressure from clients, might weaken the organizational performance. Therefore, jobs absenteeism rates may increase and employees might leave the organization to joint competitors that offer better work conditions and higher incentives (Ovidiu, 2013).

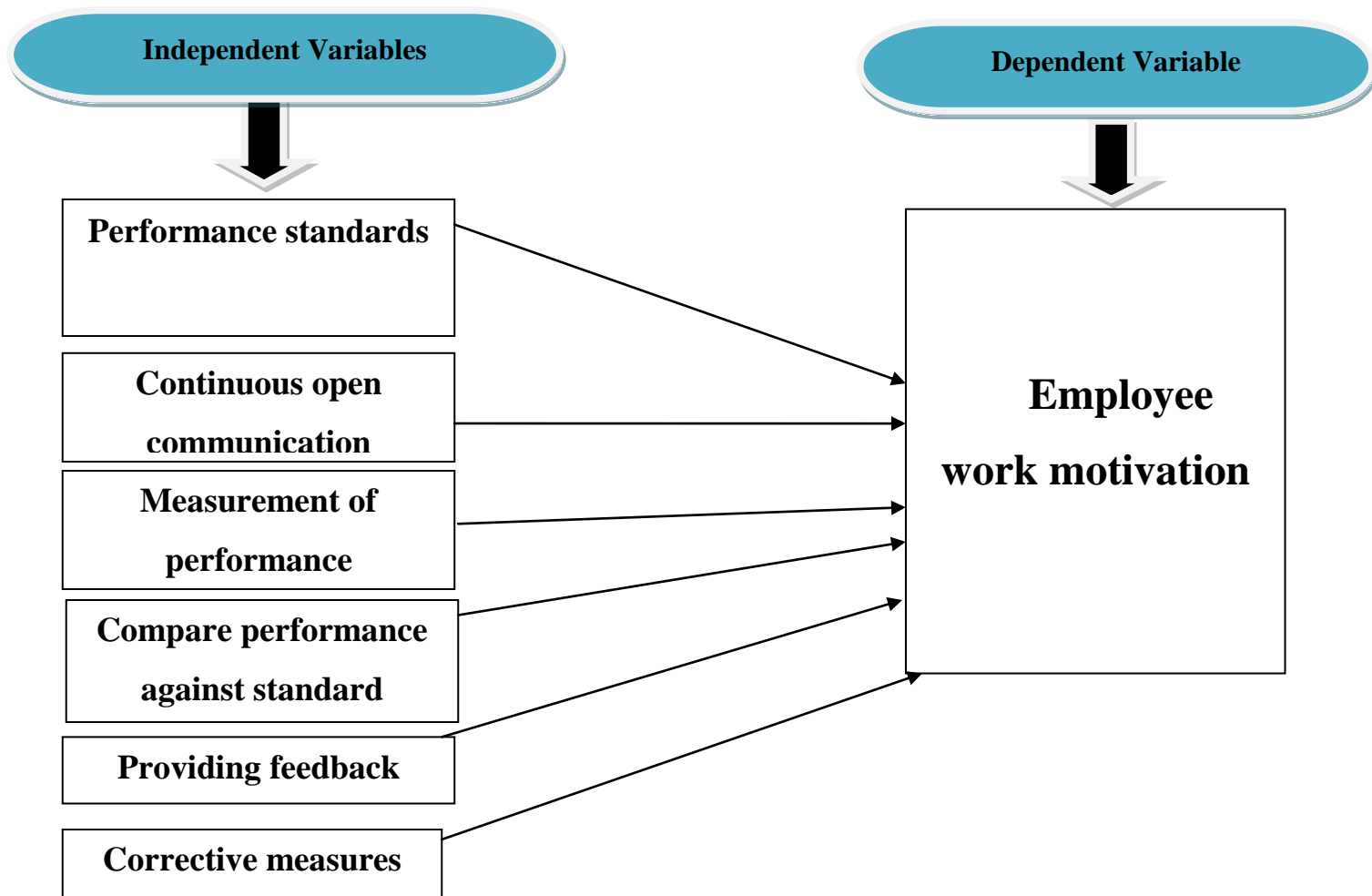
As studied by Elisha (2015) on the effect of performance management practices on employee productivity: a case study of Schindler limited. The target population comprised of 108 Schindler employees in Nairobi, Kisumu and Mombasa branches in Kenya. Stratified sampling was used to divide the population into two strata. Descriptive statistics was utilized as a data analysis tool. The demographic profiles of the respondents were analyzed using percentages and frequencies. Inferential statistics such as correlation and regression analysis established the relationship between dependent and independent variables. The study concluded that effective performance management practices gives employees opportunity to express their ideas and expectations for meeting the strategic goals of the company. Performance management practices could be an effective source of management information and renewal. The use of reward system has been an essential factor in any company's ability to meet its goals. Effective feedback on performance measurement may translate to improved employee productivity. Feedback enables the employees to be made aware of what exactly is expected from them.

2.3 Conceptual framework and Hypothesis & Variable determination

2.3.1 Conceptual framework

Depending on the previously assessed related literatures, the researcher has selected the under explained factors as measurement scales for the study under investigation to examine the effect of performance appraisal practices on employee work motivation in Lion international bank.

Figure 2.1: Conceptual framework



Source: - Compiled by the researcher mainly based on Elisha (2015) and Kipsegerwo et al. (2016)

2.3.2 Hypothesis & Variable determination

Performance standards

Performance standards can and should be linked to performance improvement process and can also be used to identify training needs and potential, agree future objectives, support a career development and solve existing problems (Brown & Benson, 2010). In line with Elisha (2015) and Kipsegerwo et al. (2016) discussed that performance appraisals has positive impact on employee work motivation.

H₁: Performance standards have positive and statistically significant effect on employee work motivation in case of Lion international bank

Continuous open communication

Bannister & Cooke (2010) have reported that those appraised seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Rewards systems are important for any organization that aspires to meet its goals and objectives. This implies that the top management should outline the role of each employee clearly and appropriately for this to be accomplished (Schraeder et al, 2007). Similar to Elisha (2015) and Kipsegerwo et al. (2016) discussed that reward systems has positive impact on employee work motivation.

H₂: Continuous open communication has positive and statistically significant effect on employee work motivation in case of Lion international bank

Measurement of performance

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye & Pontbriand, 2012). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, et al, 2012). In line with measurement of performance has positive impact on employee work motivation

H₃: Measurement of performance has positive and statistically significant effect on employee work motivation in case of Lion international bank

Compare performance against standards

Pettijohn et al (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation. Based on this, compare performance against standards has positive impact on employee work motivation.

H₄: Compare performance against standards has positive and statistically significant effect on employee work motivation in case of Lion international bank

Providing feedback

Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals (Solmon & Podgursky, 2010). It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, there are some organizations that fail to provide feedback (James & Manuel, 2009). Thus, Elisha (2015) and Kipsegerwo et al. (2016) discussed that providing feedback has positive impact on employee work motivation.

H₅: Providing feedback has positive and statistically significant effect on employee work motivation in case of Lion international bank

Corrective measures

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown & Benson, 2010).

In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money. Thus, corrective measure has positive impact on employee work motivation.

H₆: Corrective measures have positive and statistically significant effect on employee work motivation.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter deals with research methodology used to carry out the research. The chapter is organized in eleven sub sections. In its first part there is a research design, then after it presented subsequently about research approach, population, sample and sampling technique, data type, sources and instruments, data analysis, model specification, validity and reliability and ethical consideration.

3.1 Research Design

Creswell (2003) discussed that explanatory studies unlike descriptive studies, go beyond observing and describing the condition and tries to explain the reasons of the phenomenon. Thus, explanatory research design is used in this research because the study undertakes to examine the effect of performance appraisal practices on employee work motivation in case of Lion international bank which is appropriate for the objective of the study.

3.2 Research Approach

When conducting a research, there are different ways of approaching the problem. According to Creswell (2009), there are three approaches of research; quantitative, qualitative and mixed. The following discussions briefly presents the basic features of these research approaches. Quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2009). On the other hand, qualitative research approach is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem with intent of developing a theory or pattern inductively (Creswell, 2009). Finally, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to understand the problem (Creswell, 2003). Hence, based on the above discussions of the three research approaches and by considering the research problem and objective, this study used quantitative approach.

3.3 Population of the Study

According to Kothari (2004) a population refers to the group to which the results of the research are intended to apply. They stated that a population is usually the individuals who possess certain characteristics or a set of features a study seeks to examine and analyze. Kothari (2004) emphasized this by defining a population as the total number of all units of the issue or phenomenon to be investigated into which is “all possible observations of the same kind”. Population can be defined as the total group of people or entities from which research information was intended to be obtained. Hence, the target populations of the study are 2,619 employees that are worked at branch and head office area. This population of interest had the potential of providing the relevant information regarding the effect of performance appraisal practices on employee work motivation

Table 3.1: Total Population Distribution

Companies	Total
Management Staff	375
Non-Management Staff	2,244
Total	2,619

Source: LIB report 2018

3.4 Sampling Design

The study used probability and non-probability sampling techniques. A purposive sampling technique was used by the researcher to select branches and Head office employees. Based on the purposive sampling techniques the researcher selected fifty branches from total 250 branches as per their financial performance and number of employees. In addition to this from each nineteen department four employees were selected from Head office staffs, these are Directors, deputy Directors and two senior officers. Besides, simple random sampling technique which is probability sampling was used to select the respondents among the selected fifty branch’s employee that are clerical staffs.

3.5 Sample Size

Determining sample size varies for various types of research designs and there are several approaches in practice. The different strategies to calculate sample size include using census for small population, using a sample size of similar study, using published tables and using formula.

A general rule, one can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small (Kothari, 2004).

The target population for this research has various numbers of employees in Lion International Bank. Thus, a large population's sample size is determined with the help of the following formula (Saunders et.al, 2009):

$$n = \frac{Z^2 PQ}{e^2}$$

Where,

n = is the minimum sample size required

p = is the proportion belonging to the specified category which is 0.5

q = is the proportion not belonging to the specified category which is 0.5

z = is the z value corresponding to the level of confidence required which is 1.96

e = is the desired level of precision which is 0.05.

Thus, the minimum sample size = $\frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2} = 384$

Many researchers commonly increase the sample size to compensate for no response risk, for persons that researcher is unable to contact. Sampling error is inversely related to the size of the sample i.e., sampling error decreases as the sample size increases and vice-versa (Kothari, 2004).

Therefore sample sizes of 450 were selected from a total population of 2,619 employees. The sample size is sufficiently large enough to produce results among variables that are significantly different and it broadens the range of possible data and forms a better picture for analysis. The sample population distribution is indicated in Table 3.2

Table 3.2. Sample distribution

Category(group)based on place	Category based on job	Number of employees	percentage	Sample size
Head office	Managerial	119	8.44%	38 (Directors and deputy Directors)
	Non managerial	447	8.22%	37 (senior officers)
Branch	Managerial	250	44.45%	200 (Managers & Assistant Managers)
	Non managerial	1,803	38.89%	175 (Clerical Staffs)
Total		2,619	100%	450

Source: LIB report 2018

3.6 Data Source and Types

Data can be collected from both primary and secondary sources. Primary data is a type of data, which is collected and accumulated specifically for the research project at hand. This can be collected from questionnaire. Secondary data involves the collection of information from studies that other researchers have conducted on a given issues or phenomenon (Creswell, 2009). Therefore, to achieve the objectives of this study, primary sources of data has been gathered from selected 50 employee’s branches and head office staffs. Based on the research objectives, five-Point Likert-scale questionnaires were distributed to the selected 450 respondents.

3.7 Data collection Procedures

The researcher collected primary data from selected employees using five-point Likert-scale questionnaire. The questionnaires data collections were finalized in one month.

3.8 Research Model

The objective of this study is to examine the effect of performance appraisal practices on employee work motivation. Accordingly, to test the effect of performance appraisal practices on employee work motivation, the researcher estimated a linear regression model in the following form.

$$EWM = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where,

EWM= Employee Work Motivation

α =Constant

β =Coefficient of estimate

X_1 = Performance standards

X_2 = Continuous open communication

X_3 = Measurement of performance

X_4 = Compare performance against standards

X_5 = Providing feedback

X_6 = Corrective measures

ε = the error term

3.9 Data Analysis Method

The questionnaires distributed, collected, coded and analyzed using the statistical package for social science (SPSS 20). The data are analyzed using both descriptive and inferential statistics. Descriptive analysis includes frequency of distribution (to interpret demographic variables of respondents) and mean (to find the mean scores of loyalty dimensions) and inferential analysis was used for hypothesis testing that include correlations and regression.

To examine the effect of performance appraisal practices on employee work motivation in Lion international bank. Multiple Regression analysis is used to test hypotheses and identify the significant factors influencing employee motivation. Multiple regression analysis is used to examine the relationship between the six independent variables and one dependent variable.

3.10 Validity and Reliability of Measures

3.10.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Saunders et.al, 2009). Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Saunders et.al, 2009). Numbers of different steps are taken to ensure the validity of the study:

- Data is collected from the reliable sources, from employees who had experience in Lion International Bank.
- Survey question are made based on literature review and frame of reference to ensure result validity.

3.10.2 Reliability Test

Reliability is the degree to which the measure of a construct is consistent or dependable (Saunders et.al, 2009). Measurement reliability of a scale may be obtained by one of the following methods: test-retest, alternative forms and internal consistency. To measure internal consistence cronbach's alpha is the most widely used measure to assess the reliability. In this study Cronbach's coefficient alpha is executed. Cronbach's coefficient alpha is an estimator of internal consistency.

Alpha coefficient ranges in value from 0 to 1. The higher the score, the more internally reliable the generated scale is. Cronbach's coefficient alpha value over 0.7 is believed to be acceptable reliability coefficient (Pallant, 2005).

Table 3.3 Cronbach Alpha Coefficient for all variable

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.790	.723	7

Source: Own Survey, computed in SPSS, 2019

Table 3.4 Cronbach Alpha Coefficient for each variable

	Cronbach's Alpha
Performance standards	0.805
Continuous open communication	0.792
Measurement of performance	0.852
Compare performance against standards	0.767
Providing feedback	0.845
Corrective measures	0.799
Employee work motivation	0.776

Source: Own Survey, computed in SPSS, 2019

The above table illustrates that the values of Cronbach's alpha for each of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's alpha ranged between 0.767 and 0.852 with overall Cronbach's alpha value of 0.776 which is highly acceptable according to Malhotra, et.al. (2007) that the value of 0.60 is considered as the lower limit of acceptability for Cronbach's alpha. In addition to this the overall reliability statics for seven variable items is 0.790. Hence, based on the above reliability statistics, it is above the minimum required threshold and showed that the high reliability of the questionnaire.

3.11 Ethical Considerations

In order to keep the confidentiality of the data to be given by respondents, the respondent are not be require to write their name and assure the anonymity and confidentiality of their response. The purpose of the study disclosed in the introductory part of the questionnaire. Furthermore, the researcher did to avoid misleading or deceptive statements in the questionnaire and the questionnaires are handed out up on their consent only.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION RESULT PRESENTATION

This chapter deals with the results and analysis of the findings and it contains three sections. The first section presented descriptive and correlation analysis on variables of the study; the second section presented fulfillment of the assumptions; the third section laid down the results of regression analysis that constitute the main findings of this study.

The primary focus of the study was on the effect of performance appraisal practices on employee work motivation in Lion international bank. Therefore, this chapter presents the analysis of responses that were received via questionnaires distributed to 405 employees. The researcher was able to get back 405 respondent data out of the 450 questionnaires administered which give 90% response rate. This was done in order to obtain a larger response rate. At the end, all the returned questionnaires were successfully processed for the analysis.

Hence, in this chapter, the data collected from respondents were analyzed and interpreted using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive as well as inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on the dependent variable. A total of 405 questionnaires were personally handed to the respondents with close follow up and guidance in filling the questioners. All respondents completed the questionnaires in suitable form. Several questions were asked related the effect of performance appraisal practices on employee work motivation in Lion international bank. The basic assumptions are dimension of performance appraisal namely influence on performance appraisal. A multiple regression modeling approach was proposed as an effective method for studying the relationships. The result of this multiple regression model is analyzed and discussed in this chapter. The statistical analysis of this study was done by SPSS software, version 20. And the results of the study were shown in descriptive and inferential section. In descriptive section, tables and statistics were including where as in inferential section and the result of multiple liners regression was also analyzed.

4.1. Descriptive statistics

4.1.1. Demographic Profile

The questionnaire included a segment on employee's profile, as an assortment of demographic and other factors which likely to influence employee work motivation within banking industry in case of Lion international bank. The demographic profile of the respondents is described in the under table.

Table 4.1: Demographic Profile about employee's profile

No.	Demographics		Frequency	Percentage
1	Age(years)	18-30	173	42.72
		31-45	188	46.42
		46-60	44	10.86
		above 60	-	-
		Total	405	100
2	Gender	Male	264	65.2
		Female	141	34.8
		Total	405	100
3	Education level	Primary	-	-
		High school	-	-
		Diploma	85	21
		BA Degree	219	54
		Master degree	93	23
		Above Master degree	8	2
		Total	405	100
4	Experience	Less than 1 year	11	2.7
		2 – 5 years	93	23
		6 – 10 years	197	48.6
		11 – 15years	104	25.7
		Total	405	100
5	Work place	Head office	71	17.5
		Branch	334	82.5
		Total	405	100

Source: Own Survey, computed in SPSS, 2019

As shown from the above table the sample employees were mostly in the age group of 18-30 and 31-45 years which covers 89.14% of the total respondents and the gender distribution which covers 65.2% for male and 34.8% for female. The respondents were predominantly BA Degree and Master's Degree holders which cover 54% and 23% respectively.

Coming to the work experience of the respondents, much of the respondents have been worked between 6-10 years which contain 48.67% and 11-15 years 25.75%. In addition to this, the respondents have worked at branch which enclosed 82.5% where as 17.5% of the respondents have worked at head office.

4.1.2. Mean and Standard deviations

Descriptive statistics (mean and standard deviations) of the respondents' scores were computed and analysis has been done by comparing these mean scores and standard deviations among respondents. The reason for using descriptive statistics is to compare the different the effect of performance appraisal practices on employee work motivation in Lion international bank by using the means and standard deviations values.

Table 4.2 Mean and Standard deviations

Variables	N	Mean	Std. Deviation
Performance standards	405	2.5815	0.52549
Continuous open communication	405	2.8173	0.86242
Measurement of performance	405	2.8012	0.67670
Compare performance against standards	405	2.7802	0.62278
Providing feedback	405	2.7642	0.75797
Corrective measures	405	2.7698	0.63488
Employee Work Motivation	405	2.7837	0.57336

Own Survey, computed in SPSS, 2019

The standard deviation 0.573 indicates that there was moderate variability in employee work motivation in the data. The table also suggests that all employee work motivation determinant rated as above satisfactory.

As far as the mean values are concerned, out of the determinant performance standards (mean of 2.581), continuous open communication (mean of 2.817), measurement of performance (mean of 2.801), compare performance against standards (mean of 2.78), providing feedback (mean of 2.764) and corrective measures (mean 2.769) have relatively major roles on employee work motivation. As the above table depicted, all explanatory variables play a fundamental role for employee work motivation.

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.957 ^a	.917	.915	.16684	.917	728.905	6	398	.000	1.992

Source: Own Survey, computed in SPSS, 2019

Overall, the given table revealed that all independent variables accounted for about 91.7% of the contribution for employee work motivation (adjusted $R^2 = 0.915$). Thus, 91.5% of the variation in employee work motivation can be explained by six determinant and other factors may limit contribution of those determinant to the employee work motivation which accounts for about 8.5%, as shown in the table.

From the above finding the study can develop the following regression model

$$EWM = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

$$EWM = 0.126 + 0.027X_1 + 0.004X_2 + 0.496X_3 + 0.571X_4 + 0.613X_5 + 0.471X_6 + \epsilon$$

Where,

EWM= Employee Work Motivation

α =Constant

β =Coefficient of estimate

X_1 = Performance standards

X_2 = Continuous open communication

X₃ = Measurement of performance

X₄ = Compare performance against standards

X₅ = Providing feedback

X₆ = Corrective measures

ε = the error term

4.1.3 Assumptions Testing in Multiple Regressions

The basic assumptions should be satisfied in order to maintain data validity and robustness of the regressed result of the research under the multiple regression models. Hence, this study has conducted the assumption tests such as, multi-Collinearity, linearity, homoscedasticity and normality.

Multi Collinearity

Multi Collinearity is checked using correlations between the variables in the model. Independent variables show at least some relationship with dependent variable (above 0.1 preferably). In this case all of the scales (performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures) with performance appraisal correlate substantially (0.826, 0.833, 0.392,0.149,0.357 and 0.141) respectively. As it can be seen from the table these requirements are validated and there is no issue of Multi Collinearity.

Collinearity diagnostics on the variables as part of the multiple regression procedure is done using tolerance and variance inflation factor (VIF). Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi Collinearity (Pallant, 2010) furthermore, the other value given is the VIF, which is just the inverse of the tolerance value (1 divided by tolerance). According to Pallant (2010), VIF values above 10 would be a concern, indicating multi Collinearity.

Table 4.4 Collinearity Diagnosis

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Performance standards	.826	1.210
Continuous open communication	.833	1.200
Measurement of performance	.392	2.550
Compare performance against standards	.149	6.701
Providing feedback	.357	2.803
Corrective measures	.141	7.074

Source: Own Survey, computed in SPSS, 2019

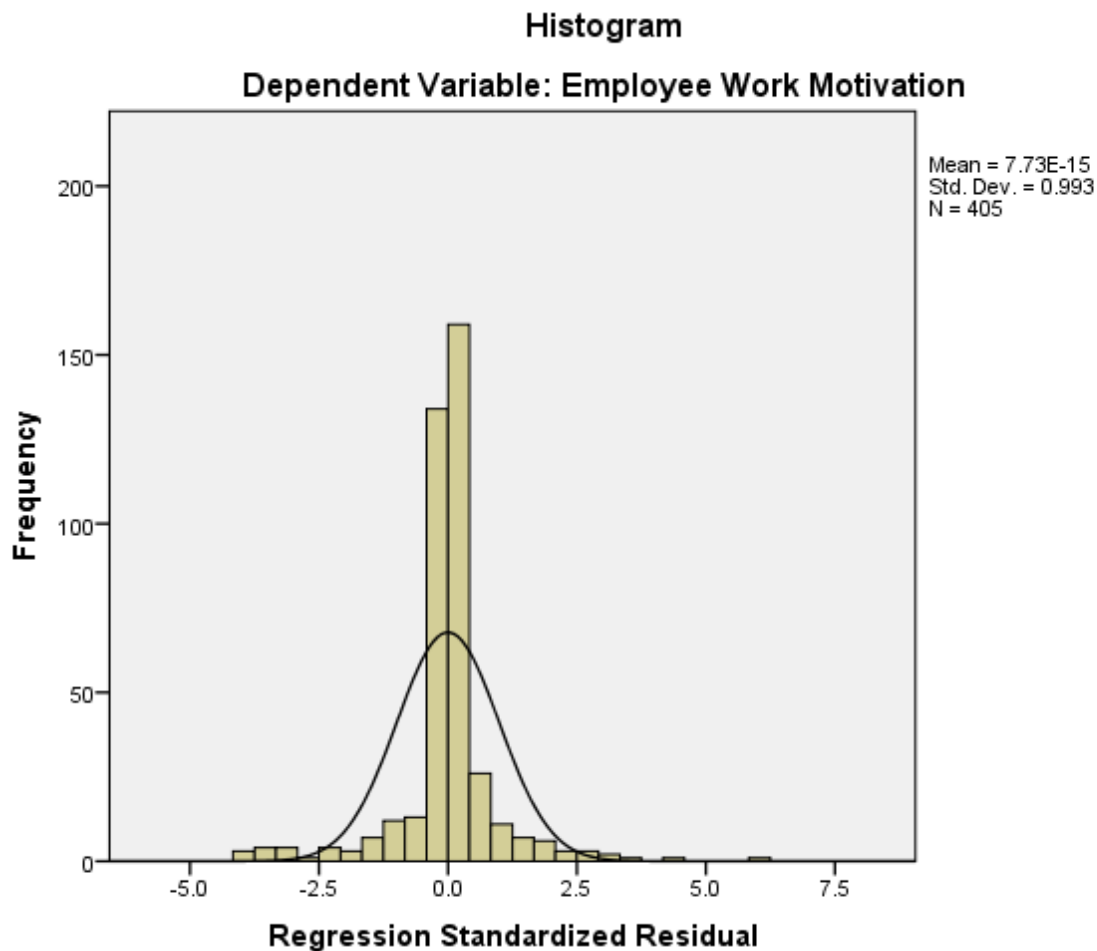
The result shows that the tolerance value for each independent variable is (0.826, 0.833, 0.392, 0.149, 0.357 and 0.141) respectively which are not less than 0.10; therefore, multi Collinearity assumption is not violated. This is also supported by the VIF value, which is 1.210, 1.200, 2.550, 6.701, 2.803 and 7.074 which is well below the cut-off 10 as shown in the coefficient table.

Normality, linearity of residuals: one of the ways that these assumptions can be checked is by inspecting the residuals scatter plot and the normal probability plots of the regression standardized residuals that were requested as part of the analysis. These are presented in normal P-P Plots of regression standardized residuals graph. In normal probability plots the points will lie in reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The finding from normal P-Plot reveals no violation of normality assumptions.

Test of Normality

The study used both methods of assessing normality; graphically using Normal Probability Plot (P-P) graph and using Skewness and Kurtosis numerically. Figure 4.1 depicted that the scores are normally distributed.

Figure 4.1: Frequency Distribution of Standardized Residual

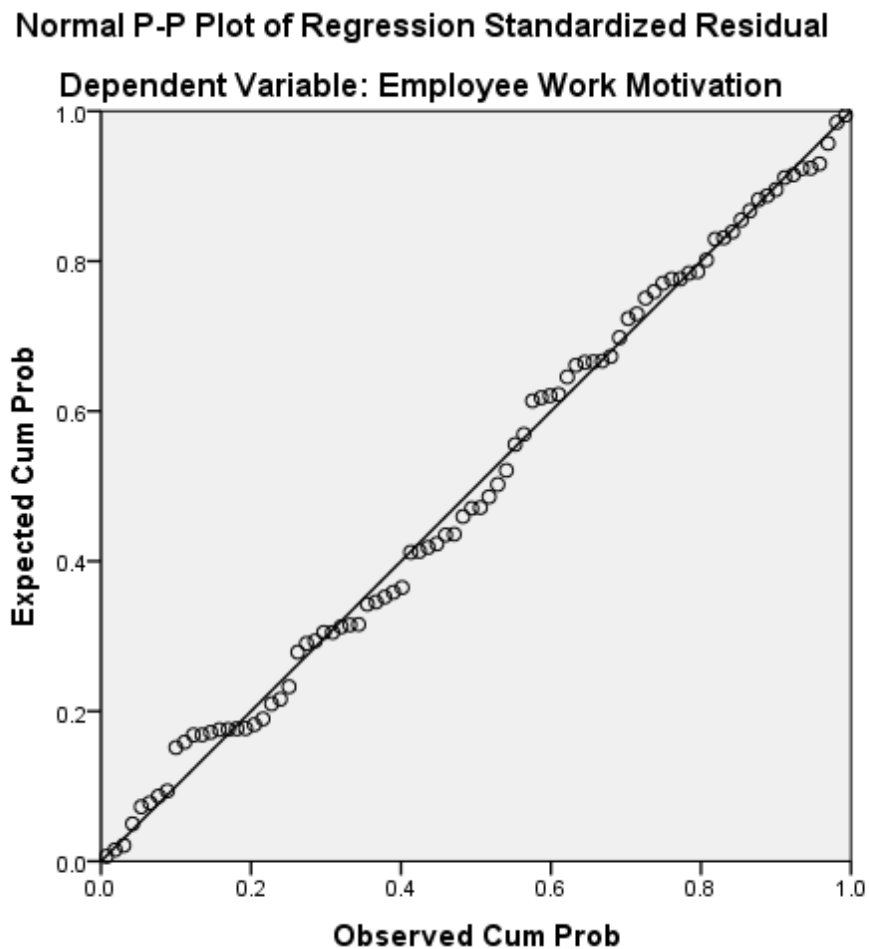


Source: Own Survey, computed in SPSS, 2019

Test of linearity

In the Normal Probability Plot it will be hoped that points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The study applied Normal P-P Plot of regression Standardized Residual (See Figure 4.2) to test linearity. Since the points were symmetrically distributed around a diagonal line, linearity pattern was observed. Hence, the straight line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved

Figure 4.2: Normal Point Plot of Standardized Residual



Source: Own Survey, computed in SPSS, 2019

Kurtosis and Skewness

As Field (2009) and Garson (2012) noted, many statistical procedures assumed that the sampling distribution is normally distributed and so, if the sample data are approximately normal then the sampling distribution will be also. In this regard, it is useful to test for normality of the sample data. Therefore, it was checked for the data to see if they are normally distributed through quantify aspects of a distribution (i.e. skewness and kurtosis) and presented as follows.

Table 4.5 Kurtosis and skewness

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Performance standards	405	.006	.121	-.101	.242
Continuous open communication	405	.129	.121	-.127	.242
Measurement of performance	405	.045	.121	.659	.242
Compare performance against standards	405	.289	.121	.553	.242
Providing feedback	405	.211	.121	.495	.242
Corrective measures	405	.122	.121	.817	.242
Employee Work Motivation	405	.488	.121	.365	.242

Source: Own Survey, computed in SPSS, 2019

According to Garson (2012), as a rule of thumb, for normality skew should be within the +2 to -2 range, when the data are normally distributed. Some statisticians also prescribe +1 to -1 as a more stringent criterion when normality is critical.

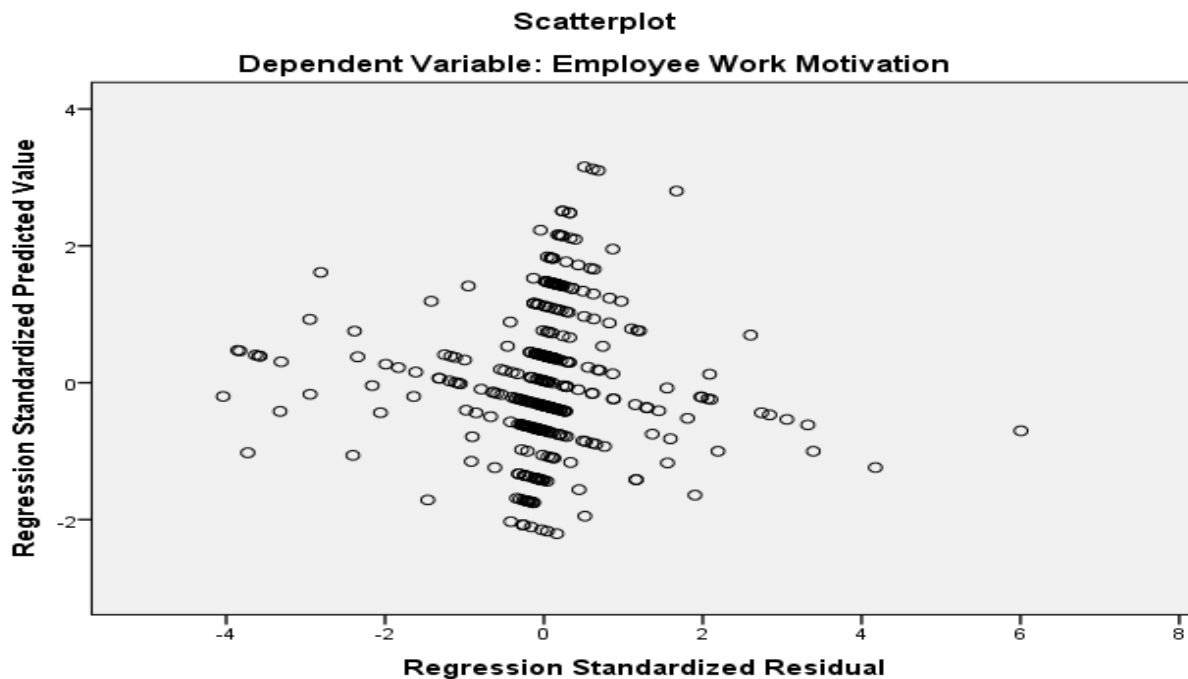
In this regard, as shown in the above table, the skew value is perfectly fit within the limit and ranges between 0.006 and 0.488. Thus, in this research, is said to be normally distributed.

Furthermore, as Garson (2012) suggests, kurtosis should be within the +2 to -2 range when the data are normally distributed, while some statisticians prescribe +1 to -1 as a more stringent criterion when normality is critical. Taking both options in to consideration, when we look at table 4.5, the kurtosis value is perfectly fit within the limit and ranges between -0.101 and 0.817. Therefore, it can be explained that, abnormality of the data distribution cannot be a problem for this study.

Homoscedasticity

Homoscedasticity is the extent to which the data values for the dependent and independent variables have equal variances, as Saunders, et al. (2009) noted. Based on the explanation by Field (2009), at each level of the predictor variables, the variance of the residual terms should be Constant which means the residuals at each level of the predictors should have the same variance, therefore checking for this assumption is helpful for the goodness of the regression model. Field (2009) suggested that it should plot the standardized residuals, or errors (ZRESID) on the Y axis and the standardized predicted values of the dependent variable based on the model (ZPRED) on the X axis to get the homoscedacticity result.

Figure 4.3: Scatter Plot of Standardized Residual



Source: Own Survey, computed in SPSS, 2019

In this regard, as Field (2009) describes, the graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero, if the assumption of homoscedasticity has to be met. Likewise, as shown in the above figure, the points are randomly and evenly dispersed throughout the plot and there are no obvious outliers on this cloud of dots which are spaced around zero. Therefore, it can be concluded that the assumptions of random errors and homoscedasticity have been met.

4.2 Inferential Analysis

Like the descriptive statistical methods, i.e. demographic and other related factors, the scale typed questionnaire has been entered to the SPSS software version 20 and inferential statistics methods such as: simple correlation and multiple regression methods has been employed to test the hypothesis.

4.2.1 ANOVA Test

Table 4.6 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121.734	6	20.289	728.905	.000 ^b
	Residual	11.078	398	.028		
	Total	132.812	404			

Source: Own Survey, computed in SPSS, 2019

The significant level in ANOVA table shows that the combination of variables significantly predicts the dependent variable. ANOVA that tests whether the model is significantly better at predicting the outcome than using the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model.

For these data, F is 728.905, which is significant at $p < 0.001$. This result tells us there is less than 0.1% chance that an F-ratio is larger would happen by chance alone. Therefore, it can be said that the regression model results in significantly better prediction of employee work motivation.

4.3. Correlation Analysis

Pearson correlation test was conducted to know the degree of relationship between the independent variables i.e. performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures and dependent variable i.e. employee work motivation. Based on the questionnaires which were filled by the employee selected 450 from Lion international bank and the results of the correlation analysis between these variables are shown in table below.

Table 4.7 Correlation Analysis

Correlations

		EWM	PS	COC	MP	CPAS	PF	CM
Pearson Correlation	EWM	1.000						
	PS	.632	1.000					
	COC	.596	.388	1.000				
	MP	.763	.122	.006	1.000			
	CPAS	.813	.018	.106	.408	1.000		
	PF	.546	.011	.110	.019	.410	1.000	
	CM	.552	.008	.104	.188	.390	.282	1.000
Sig. (1-tailed)	EWM	.						
	PS	.000	.					
	COC	.000	.000	.				
	MP	.000	.000	.000	.			
	CPAS	.000	.000	.000	.000	.		
	PF	.000	.000	.000	.000	.000	.	
	CM	.000	.000	.000	.000	.000	.000	.

Source: Own Survey, computed in SPSS, 2019

As the results shown in Table 4.7, the independent variables (performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures) are significantly and positively correlated with the dependent variable: (employee work motivation) performance standards (Pearson Correlation = 0.632, $p < .001$), continuous open communication (Pearson Correlation = 0.596, $p < .001$), measurement of performance (Pearson Correlation = 0.763, $p < .001$), compare performance against standards (Pearson Correlation = 0.813, $p < .001$), providing feedback (Pearson Correlation = 0.546, $p < .001$), and corrective measures (Pearson Correlation = 0.552, $p < .001$).

The results of correlation analysis shows positively and significantly correlated with the dependent variable i.e. employee work motivation at 99 percent confidence level ($P < 0.01$).

The finding on table 4.7 above further indicates that the highest significant relationship is found between compare performance against standards and employee work motivation (Pearson Correlation = .813, $p < 0.01$), however the lowest statistically significant relationship is found between corrective measures and employee work motivation (Pearson Correlation = .529, $P < 0.01$).

4.4. Multiple Regressions Analysis

Regression model was applied to test how far determinants have effect on employee work motivation. Coefficient of determination R^2 is the measure of proportion of the variance of dependent variables about its mean that is explained by the independent or predictor variables. It is conducted to investigate the effect of independent variable on the dependent variable and identify the relative significant influence; i.e. Independent variable (performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures) to the dependent variable; i.e employee work motivation in Lion international bank. Higher value of R^2 represents greater explanatory power of the regression equation. The proposed hypotheses were tested using multiple regression analysis. The results of the regression analysis are depicted in the following table.

Table 4.8 Regression coefficient analysis of the model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.126	.063		1.987	.048
PS	.029	.017	.027	1.687	.042
COC	.003	.011	.004	.252	.038
MP	.420	.020	.496	21.446	.000
CPAS	.526	.035	.571	15.244	.000
PF	.463	.018	.613	25.276	.000
CM	.426	.035	.471	12.240	.000

Source: Own Survey, computed in SPSS, 2019

H₁: Performance standards have positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in performance standards have significant influence on employee work motivation ($p < 0.05$). Besides, the value of beta in performance standards ($\beta = .027$) shows the positive effect of employee work motivation. This implies that a one unit increase in performance standards results in 0.027 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

H₂: Continuous open communication has positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in continuous open communication has significant influence on employee work motivation ($p < 0.05$). Besides, the value of beta in continuous open communication ($\beta = .004$) shows the positive effect of employee work motivation. This implies that a one unit increase in continuous open communication results in 0.004 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

H₃: Measurement of performance has positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in measurement of performance has significant influence on employee work motivation ($p < 0.01$). Besides, the value of beta in measurement of performance ($\beta = 0.496$) shows the positive effect of employee work motivation. This implies that a one unit increase in measurement of performance results in 0.496 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

H₄: Compare performance against standards has positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in compare performance against standards has significant influence on employee work motivation ($p < 0.01$). Besides, the value of beta in measurement of performance ($\beta = 0.571$) shows the positive effect of employee work motivation. This implies that a one unit increase in compare performance against standards results in 0.571 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

H₅: Providing feedback has positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in providing feedback has significant influence on employee work motivation ($p < 0.01$). Besides, the value of beta in measurement of performance ($\beta = 0.613$) shows the positive effect of employee work motivation. This implies that a one unit increase in providing feedback results in 0.613 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

H₆: Corrective measures have positive and statistically significant effect on employee work motivation.

The result of multiple regression analysis of the above table clearly indicates that in corrective measures have significant influence on employee work motivation ($p < 0.01$). Besides, the value of beta in measurement of performance ($\beta = 0.613$) shows the positive effect of employee work motivation. This implies that a one unit increase in corrective measures results in 0.613 unit increase in employee work motivation. Thus, the above proposed hypothesis is accepted.

4.5. Discussion of Findings

Performance standards

According to the regression result of performance standards has a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.027. This means that holding other independent variables constant and when one percent increases in performance standards, consequently it improves employee work motivation by 2.7% and the p value of performance standards is 0.042 reveals that it is statistically significant at 5% level of significance. Accordingly, the result supports the working hypothesis that performance standards have positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Daud (2012), Alemeneh (2017) and Ojokuku (2013).

Continuous open communication

According to the regression result of continuous open communication has a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.004. This means that holding other independent variables constant and when one percent increases in continuous open communication, consequently it improves employee work motivation by 0.4% and the p value of performance standards is 0.038 reveals that it is statistically significant at 5% level of significance. Accordingly, the result supports the working hypothesis that performance standards have positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Kipsegerwo et al. (2016) and Elisha (2015)

Measurement of performance

According to the regression result of measurement of performance has a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.496. This means that holding other independent variables constant and when one percent increases in measurement of performance, consequently it improves employee work motivation by 49.6% and the p value of performance standards is 0.000 reveals that it is statistically significant at 1% level of significance.

Accordingly, the result supports the working hypothesis that performance standards have positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Elisha (2015) and Kipsegerwo (et al., 2016).

Compare performance against standards

According to the regression result of compare performance against standards has a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.571. This means that holding other independent variables constant and when one percent increases in compare performance against standards, consequently it improves employee work motivation by 57.1% and the p value of compare performance against standards is 0.000 reveals that it is statistically significant at 1% level of significance.

Accordingly, the result supports the working hypothesis that compare performance against standards have positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Catherine (2016) and Ajalie (2017).

Providing feedback

According to the regression result of providing feedback has a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.613. This means that holding other independent variables constant and when one percent increases in providing feedback, consequently it improves employee work motivation by 61.3% and the p value of providing feedback is 0.000 reveals that it is statistically significant at 1% level of significance.

Accordingly, the result supports the working hypothesis that providing feedback has positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Daud (2012) and (Kipsegerwo et al., 2016).

Corrective measures

According to the regression result of corrective measures have a positive relationship with employee work motivation of lion international bank by a coefficient estimate of 0.471. This means that holding other independent variables constant and when one percent increases in corrective measures, consequently it improves employee work motivation by 47.1% and the p value of performance standards is 0.000 reveals that it is statistically significant at 1% level of significance.

Accordingly, the result supports the working hypothesis that corrective measures have positive and statistically significant effect on employee work motivation. Thus, this outcome is consistent with prior study of Raghunathan (2018) and Kipsegerwo (et al., 2016) .

Generally the overall result is depicted in the following table.

Table 4.9 Summary of the overall outcome of the research hypotheses

<i>Hypothesis</i>	<i>Result</i>	<i>Reason</i>
H₁: Performance standards have positive and statistically significant effect on employee work motivation	Accepted	$\beta=0.027$, $p<0.05$
H₂: Continuous open communication has positive and statistically significant effect on employee work motivation	Accepted	$\beta=0.004$, $p<0.05$
H₃: Measurement of performance has positive and statistically significant effect on employee work motivation	Accepted	$\beta=-0.496$, $p<0.01$
H₄: Compare performance against standards has positive and statistically significant effect on employee work motivation	Accepted	$\beta=-0.571$, $p<0.01$
H₅: Providing feedback has positive and statistically significant effect on employee work motivation	Accepted	$\beta=0.613$, $p<0.01$
H₆: Corrective measures have positive and statistically significant effect on employee work motivation	Accepted	$\beta=0.471$, $p<0.01$

Source: Own Survey, computed in SPSS, 2019

To summarize, the hypotheses were tested through appropriate statistical procedures and the results obtained from the statistical analysis are said to be successful in achieving the desired objective and in answering the research questions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The preceding chapter presented the results and discussion, while this chapter deals with summary, conclusion and recommendations based on the findings of the study. Accordingly, this chapter is organized into three subsections.

5.1 Summary of findings

The research general objective was to examine the effect of performance appraisal practices on employee work motivation in Lion international bank. The study used fifty branch's and head office's employees and distributed questioners for four hundred fifty (450) respondents out of these; four hundred five (405) were only properly filed and respond for the study. In line with this, it carried out by constructing a regression model using SPSS through testing relevant assumptions that were adopted from primary sources of data to have well-built quantitative analysis. The overall result obtained from the regression model indicates that performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures have positive and significant impact on employee work motivation. The dependent variable is employee work motivation and independent variables are performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures in order to attain the objective of the study.

5.2 Conclusions

To examine the effect of performance appraisal practices on employee work motivation in Lion international bank.

- The result indicates positive and significant association between performance standards and employee work motivation which implies that an increase in performance standards inevitably lead to enhance employee work motivation.
- The result indicates positive and significant connection between continuous open communications and employee work motivation which implies that an increase in continuous open communications certainly lead to enhance employee work motivation.
- The result indicates positive and significant association between measurement of performance and employee work motivation which implies that an increase in measurement of performance surely lead to enhance employee work motivation.
- The result indicates positive and significant relationship between compare performance against standards and employee work motivation which implies that an increase in compare performance against standards predictably lead to enhance employee work motivation.
- The result indicates positive and significant connection between providing feedback and employee work motivation which implies that an increase in providing feedback certainly lead to enhance employee work motivation.
- The result indicates positive and significant alliance between corrective measures and employee work motivation which implies that an increase in corrective measures surely lead to enhance employee work motivation.

In general, performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures have positive and significant association with employee work motivation.

5.3 Recommendations

The findings of the study showed that performance standards, continuous open communication, measurement of performance, compare performance against standards, providing feedback and corrective measures are significant drivers of employee work motivation. Hence, focusing and taking the necessary action on these variables could improve the probability containing the effect on employee work motivation. Based on the findings which are obtained from regression analysis, the researcher has drawn the following recommendations.

- As performance standards, it has a positive and significant effect on employee work motivation, so that the bank has to employ strong standards for performance appraisal.
- The analysis indicated that continuous open communication has positive and significant effect on employee work motivation. Hence, the bank has to create a good office environment to communicate with each employee.
- The analysis indicated that measurement of performance has positive and significant effect on employee work motivation. Hence, the bank has to measure employee's performance with fairly way in order to have strong relationship with the employees.
- The result disclosed that compare performance against standards have positive and significant impact on employee work motivation. Thus, the bank should compare the employee performance with the stated standards.
- The finding explained that providing feedback has positive and significant impact on employee work motivation. Consequently, the bank has to provide a feedback for employees timely and fairly so as to have a good relationship with staffs.
- As corrective measures, it has a positive and significant effect on employee work motivation, so that the bank has to employ corrective action measures after taking a feedback from employees.

Therefore, Lion international bank should effectively consider the above determinants by performing more work on those factors to have a prominent and better employee for their institution.

5.4. Direction for Future Research

- This study was conducted solely in lion international bank and the composition of the sample may not be analogous to the whole commercial bank of Ethiopia. Therefore; additional studies are needed to investigate to others bank or whole private and government commercial banks.
- Moreover, this study investigates performance appraisal practices on employee work motivation in Lion international bank. Variables included in the study were not exhaustive and future researches should be carried out to determine the effect of other variables which are not identified in the present study but affect employee work motivation.

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Appendix

Appendix-A Questionnaire for staffs

ST. Mary's University School of Graduate Studies

Business Administration Management: Post Graduate Program

This questionnaire is designed to carry out a research on effect of performance appraisal practices on employee work motivation in case of Lion international bank and its main purposes are: to find the effect of performance appraisal practices on employee work motivation in case of Lion international bank and as partial fulfillment of the requirements for the degree of Master in Business Administration Management.

The data will be used only for academic purpose and your response is not forwarded to other 3rd party and it is kept confidential, please answer each questions with no fear of consequence. No need of writing your name

I thank you in advance for your cooperation.

Please feel free to contact me @ any time for further clarification if any!

Abeba Getachew

Tell: +251911360333

If you have any question regarding the questionnaire please contact me using the above mentioned address.

APPENDIX B: QUESTIONNAIRE

Section I: General information

1. Gender: Male Female

2. Age: 18-30 31-45 46-60 Above 60

3. Current education level:

Primary High school Diploma
 Degree BA degree Master Degree Above Masters

4. How many years have you worked at Lion international bank?

Less than 1 year 2 – 5 years 6 – 10 years
11 – 15years

5. Where do you work?

Head office Branch

Section II: Effect of Performance Appraisals on Employee work Motivation

Please put (✓) mark for response of your responses about the questions provided.

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Performance standards						
1.1	The PAS is regularly carried by the responsible appraiser.					
1.2	I am confident because the appraiser knows enough about the PA to appraise me.					
1.3	The appraiser helps me to understand what need to be done to improve my performance.					
1.4	I am satisfied with the way the appraiser conducted my performance review.					
Continuous open communication						
2.1	The PAS provide an opportunity to communicate with the supervisors to facilitate my job performance.					
2.2	There is a two way communication with both managers and employees for expressing their views.					
2.3	I find difficult to discuss work issues with my managers.					
2.4	The PAS provide a scope for well communication the overall business and plans to the employees.					
Measurement of performance						
3.1	My individual performance has link with organizational performance.					
3.2	Progress reviews are conducted to compare the predetermined standards of employees.					
3.3	My work plan is reviewed during monitoring process.					
3.4	I have the right tools to help me achieve my work goals.					
Compare performance against standards						
4.1	I trust the PAS in my organization is rational and fair.					
4.2	I feel fairly treated in every way in the PAS.					
4.3	I get fair feedback from my supervisor and proportion reward to my					

	performance.					
4.4	I evaluated fairly according to the setting standards without subjectively and biased.					
	Providing feedback					
5.1	I receive regular and timely performance feedback beside the annual performance review.					
5.2	The information provided by my supervisor during my performance feedback is accurate.					
5.3	The performance feedback I receive helps me to improving my job performance and to attain my goals.					
5.4	The feedback I get helps me to gain insight about my weakness and strength.					
	Corrective measures					
6.1	Performance appraisal makes me better understand what should be doing.					
6.2	Performance appraisal is used as a decision making tool for the increasing my performance.					
6.3	Performance appraisal influences positively individual performance.					
6.4	If don't agree with performance appraisal score, there is appeal process.					

Section II: Employee Work Motivation

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.1	I am satisfied with the current rewarding linked to the performance management practice in enhancing my motivation.					
1.2	I am motivated by and satisfied with the participation provided in the whole performance management practice process in the Bank.					
1.3	I am motivated by the ways of communication between the employees and the management with respect to the performance management process as well as any other concerns.					
1.4	I am satisfied with the current ongoing feedbacks applied in Lion international bank and it helps me to improve my performance.					

1.5	I am satisfied and motivated with the performance management because it is fair.					
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Thank You!!!