



**ST MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**THE EFFECT OF PERFORMANCE APPRAISAL ON**  
**EMPLOYEE PRODUCTIVITY IN BANK OF ABYSSINIA**

**BY**

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**ADDIS ABABA, ETHIOPIA**

## CERTIFICATE OF APPROVAL

This is to certify that the thesis entitled: “EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE PRODUCTIVITY IN BANK OF ABYSSINIA” submitted in partial fulfillment of the requirements for the degree of Masters of Business Administration(MBA) of the Postgraduate Studies , St. Mary’s University and is a record of original research carried out by Kenawak Daniel, under my supervision, and no part of the thesis has been submitted for any other degree or diploma. The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend it to be accepted as fulfilling the thesis requirements.

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Name of Advisor	Signature	Date

This is to certify that the thesis prepared by Kenawak Daniel, entitled“Effect of Performance Appraisal on Productivity in Bank of Abyssinia” submitted in partial fulfillment of the requirements for the Degree of Masters of Arts in MBA complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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## **Endorsement**

This thesis has been submitted to St. Mary's University, School of graduate studies for examination with my approval as a University Advisor Tesfaye Tilahun (Ass. Professor).

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St. Mary's University, Addis Ababa June, 2024

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## **Abstract**

This study investigates the effect of performance appraisal on productivity in the Bank of Abyssinia West Addis District. Utilizing an explanatory design and a quantitative research approach, the research encompasses a total population of 1,175 employees, with a sample size of 298 respondents selected through simple random sampling. Data were collected using a structured questionnaire and analyzed via regression and correlation methods using IBM SPSS version 20. This study investigates the relationship between various performance appraisal factors and employee productivity. The analysis reveals that goal setting exhibits a very weak negative correlation. Training and development opportunities and employee participation, exhibits a very weak positive correlation indicating negligible effect. In contrast, consistency and fairness display a weak but positive and statistically significant correlation, highlighting a modest yet meaningful impact on productivity. Most notably the manager-employee relationship shows a strong positive correlation with productivity indicating a substantial and significant influence. These findings suggest that while goal setting, training and development opportunities and employee participation have limited impact on productivity, consistency and fairness, and especially manager-employee relationships are crucial factors in enhancing employee performance. Recommendations include strengthening managerial relationships and ensuring consistency and fairness.

## **Key Words**

Employee productivity , Performance appraisal

Goal setting, Training and development, Consistency and Fairness

Employee Participation, Manager-employee relationship

Statistical significance, Workplace performance

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of The Study

A performance appraisal is referred to as performance review or performance evaluation is periodic and systematic process whereby the job performance of an employee is documented and evaluated. This is done after employees are trained about work and settle into their jobs. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations (Muchinsky 2012).

Performance appraisals are most often conducted by an employee's immediate manager or line manager. While extensively practiced, annual performance reviews have also been criticized as providing feedback too infrequent to be useful, and some critics argue that performance reviews in general do more harm than good. It is an element of the principal-agent framework that describes the relationship of information between the employer and employee, and in this case the direct effect and response received when performance review is conducted (Muchinsky 2012).

Effective results are crucial for better performance in this competitive business setting since they are a prerequisite for both organizational success and employee survival.

Continuous appraisal and evaluation of personnel is necessary to sustain organizational performance.

In organizational contexts, performance appraisals are essential because they offer a methodical assessment of workers' job performance.

The greatest asset in nearly all organizations is their human resource. These surpass the value and importance of physical assets, i.e. buildings, land, equipment, and vehicles. (Goswami, 2018) To enable organizations to achieve a competitive advantage over competitors globally, employees play a very critical role (Kadhim et al., 2018). Employees' performance determines the company's success, conducting employee performance appraisals ought to be done appropriately and regularly to improve quality of work and reduce employee

dissatisfaction and decline in work performance. (“The Role of Internal Communication, Work Discipline, and Employee Loyalty on Employee Performance,” 2021)

The appraisal system should be formalized, especially in supporting decisions on salary and wage increases, transfers, promotions, and dismissals, as well as communicating information to appraisers through a review of their progress. Results of performance appraisal are used to discuss the performance and progress of personnel concerning goals. Performance strengths are recognized and weaknesses identified so that individual action plans can be developed to make the necessary corrections. The performance appraisal method applied should be valid. There must be a clear link between the performance standard for a particular job and an organization's goals and this should be measured accurately by the method. Appraisers should be thoroughly trained in the purpose and utilization of the performance appraisal system (Febrian & Simangunsong, 2020).

The performance appraisal method applied must be sensitive in distinguishing effective performers from ineffective performers, and the performance appraisal method should be reliable in that different raters using the same method will rate the same employee similarly. The performance appraisal method should be easily understood by both raters and employees. (Febrian & Simangunsong, 2020)

Evidence of a positive association between performance appraisal and employee performance has been recorded in the literature, and confirmation has been registered in both private and public organizations.

## **1.2 Background of the Organization**

The Bank of Abyssinia is one of the private banks in our country. It was established on February 15, 1996, according to the Ethiopian Commercial Code of 1960 and the licensing and supervision of Banking Business Proclamation no. 84/1994. The bank started its operation with an authorized and paid-up capital of Birr 50 million and Birr 17.8 million, respectively, with only 131 shareholders and 32 staff. In the 28 years since its establishment, the bank has registered significant growth in paid-up capital and total assets. It also attracted many professional staff, valuable shareholders, and a larger number of customers from all walks of life ([www.bankofabyssinia.com](http://www.bankofabyssinia.com)).



Thus, having examined the value of performance appraisal for the good of business organizations, this research will scrutinize the effects of performance appraisal on productivity as practiced by the Bank of Abyssinia.

### **1.3 Statement Of The Problem**

Performance appraisals are a fundamental aspects of human resource management, aimed at evaluating employee performance and enhancing productivity. The bank of abyssinia has implemented various performance appraisal systems over the years to boost employee performance and organizational efficiency. However, the impact of these appraisals on actual productivity remains unclear. (Muluwork Asmamaw, 2018)

Understanding the impact of performance appraisal on productivity is crucial for optimizing human resource practices and achieving organizational goals. Addressing this issue can help the Bank of Abyssinia improve its appraisal processes, thereby enhancing employee motivation, performance, and overall productivity. (Muluwork Asmamaw, 2018)

If the effectiveness of performance appraisal is not accurately assessed, the bank may continue using potentially flawed systems, leading to employee dissatisfaction, decreased motivation, and suboptimal productivity. This could ultimately affect the bank's competitive position in the market. (Muluwork Asmamaw, 2018)

A critical factor to the organization's long-term success is its ability to measure how well employees perform and use that information to ensure that performance meets present standards and improves over time. If implemented properly, program performance is evaluated not based on the amount of money that is spent or the type of activities that are conducted, but on whether or not a program has produced real, tangible results. Effective performance measurement makes organizational objectives clear and real to employees, improves the focus on long- and short-term success, and reduces the amount of management time allotted to reporting and review. (Muluwork Asmamaw, 2018)

In today's competitive banking industry, optimizing employee productivity is paramount for sustainable growth and success. While performance appraisals are commonly utilized as a tool for assessing and improving employee performance, their precise impact on productivity within Bank of Abyssinia remains ambiguous. Various factors such as the effectiveness of appraisal systems, employee perceptions, organisational culture and

managerial practices may influence the relationship between performance appraisals and productivity outcomes.

The relationship between performance appraisal and productivity is critical area of interest for organizations aiming to enhance their operational efficiency. In the context of Bank of Abyssinia, understanding this relationship is vital for ensuring that appraisal systems effectively contribute to employee performance and overall organizational success.

#### **1.4 Research Questions**

- What is the effect of Goal setting on employee productivity?
- How effective are training and development opportunities in enhancing employee productivity?
- How does Consistency and fairness affect employee productivity?
- What is the relationship between employee participation and their productivity levels within the Bank of Abyssinia?
- How does Manager-employee relationship affect their productivity and job performance?

#### **1.5 Objectives of the Study**

##### **1.5.1 General Objective**

The main objective of the study was to analyze the Effect of Performance Appraisal on Productivity in the Bank of Abyssinia

##### **1.5.2 Specific Objectives**

- To analyze the effect of performance Goal setting on employee productivity.
- To assess the effectiveness of training and development in performance appraisal in enhancing employee productivity.
- To analyze the productivity of employees when the performance appraisal system is consistent and fair.
- To examine the relationship between employee participation and their productivity levels within the Bank of Abyssinia.
- To investigate the effect of Manager-employee relationships with performance appraisals on their productivity and Job performance.

## **1.6 Significance of the Study**

The study creates awareness among employees, managers, and other members of the Bank about the need for an effective performance appraisal system. It has a key role in the workers as well as the company's performance. The study will be expected to forward some constructive suggestions to reduce the harms arising from poor performance appraisal systems. Finally, this research might also serve as a reference for further study.

## **1.7 Scope and Limitation of the study**

This research aimed to study the effect of performance appraisal on the productivity of employees of the Bank of Abyssinia. The scope of this study included the Effect of performance appraisal on productivity at Bank of Abyssinia. Even though, the Bank of Abyssinia has nearly a thousand branches in Ethiopia, the study only focused on the West Addis District branches located in Addis Ababa.

## **1.8 Organization of the study**

The study is organized under five chapters. The first chapter deals with Background of the study, Background the organization, statement of the problem, Research question, objective of the study, significance of the study, scope of the study and organization of the study. The second chapter deals with Review or Litterature. The third Chapter discusses the methodology.. the fourth chapter presents findings and Analyze the Data The final chapter will make Summary of the major findings, conclusion and Recommendation of the study. The tudy also includes References and Appendices.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2..1 Introduction**

In this section, theoretical and empirical review works of literature and the conceptual framework are summarized. The first part describes the theoretical aspects, the second features empirical reviews of the research, and the third outlines the conceptual framework.

#### **2.2 Performance Appraisal**

##### **2.2.1 Theoretical review**

The concept of performance appraisal, the goal of performance appraisal, the process of performance appraisal, techniques of performance appraisal, challenges in performance appraisal, and the criteria of performance appraisal are all covered in the theoretical review.

##### **2.2.2 The notion of performance evaluation**

According to Ashiru et al. (2021), performance management is the process of determining an employee's actual performance level and using that information to identify and close the performance gap between their actual and desired performance. It also serves as a tool for achieving organizational goals, encouraging employee responsiveness, and preventing underperformance. A formal system of routinely reviewing and assessing an individual's work performance is called performance appraisal. (Sony Tambunan et al., 2022) It happens all the time in both public and private institutions. When completed correctly, performance reviews give workers input that will improve their performance, and thus organizations also benefit by ensuring that employees' efforts and abilities contribute to organizational success. Moreover, management is made possible by performance appraisal data. (Ikemefuna & Chidi, 2012) On the other hand, Randall (2011) states that performance appraisal is a formal, structured system of measuring and evaluating an employee's job, related behavior, and outcomes to determine how and why the employee is currently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit accordingly. Data from performance appraisals also helps management assess the effectiveness of recruitment, selection, placement, career planning, and training and development programs, as well as help with pay increases,

promotions, and placement decisions. The three primary elements of a performance appraisal are job definition, performance evaluation, and feedback (Dessler, 2006). The process of performance appraisal involves assessing an employee's job performance, communicating that information to them, and creating an improvement plan. Evaluations of performance are frequently used in decision-making, hiring, promoting, terminating employment, and layoffs. Information from performance reviews can also be a valuable source of information for identifying organizational and individual training and development requirements. It can be used, for instance, to determine each person's unique strengths and shortcomings (Sile, 2007).

### **2.2.3 Purpose of Performance Appraisal**

The goal of performance reviews is expounded upon by Grubb (2007) using four supplementary viewpoints: control, administrative, individual, and organizational. The goal of performance reviews is to increase the effectiveness and efficiency of organizations. Good employee performance will eventually translate into good organizational performance in terms of efficacy and efficiency. Improving each employee's performance and happiness is the second justification for supporting performance reviews. A thorough evaluation can assist in identifying a person's areas of weakness so that the right kind of instruction and assistance, which are crucial for an employee's development, can be provided. Employees can receive coaching, mentoring, and guidance if they are poor performers.

Giving praise for exceptional work is another way to inspire others. The third viewpoint focuses on streamlining administrative procedures. The implementation of performance appraisals facilitates the performance of activities and decisions such as pay increases, promotion screening, career advancement, downsizing/layoff decisions, and legal documentation. Additionally, the fourth perspective ensures that management maintains control over employee behaviors and attitudes to achieve employee compliance and appropriate management direction (Grubb, 2007). The purpose of performance assessments was examined by (Noe, 1996), since they have the potential to be useful in almost all human resource functional areas, including internal employee relations, recruitment and selection, training and development, career planning and development, compensation programs, and assessment of employee potential. Stredwick (2005:290) identifies two primary goals in the direction of performance management.

First, leadership and control are facilitated by operational factors (effectiveness, communication, and control). Employee guidance and direction toward the organization's

goals and objectives is becoming more and more crucial as businesses operate in a more competitive environment. The purpose of the performance management system is to convey the connection between the mission and strategic direction of a business and the necessary performance levels for its employees. The procedure may also be applied to maintain stringent control over staff members. The list is lengthy—more points might be added, as is evident. Underneath all of this, though, is the idea that managers want to know if staff members are maximizing their performance and determining their room for advancement (Kressler, 2003). Since both the employer and the employees want to determine whether the employees are appropriately compensated for the contracted services, the majority of the time, performance appraisals are related to compensation levels (Thapa, 2023). The review must focus on specific, verifiable factors, even though some of them will be challenging to quantify explicitly. Haytham Abdul Gafur Makhseed (2022) noted that employee performance evaluation has emerged as a crucial component of an organization's pursuit of a competitive edge. Generally speaking, there are two main goals for performance reviews. It is possible to classify some of the goals as administrative, such as those about pay, promotions, demotions, layoffs, etc., and some as forward-looking, such as necessary training, identifying areas for growth, development planning, career planning, etc., which can be called developmental purposes. The different purposes set to be achieved by the system demand a thorough thought to see whether such seemingly contradictory objectives could be achieved at all or fairly done. For this purpose, one type of criteria or dimension will not be enough.

#### **2.1.4 The Performance Appraisal Process**

There could be a wide range of justifications for conducting performance reviews. The following list was provided by (Edmonstone, 1996) in his paper, "Appraising the State of Performance Appraisal." enhancement of feedback between the supervisor and the subordinate to improve communication; determining the areas in need of performance improvement and the strategies to get there; determining each person's needs for training and development; determining a person's potential for future advancement, retention, or termination in the context of succession planning; is the foundation for performance-based compensation and rewards; as an effective tool for managerial control, through the hierarchical formulation of goals and evaluation of the degree of success or failure in reaching them.

On the other hand, (Ikramullah et al., 2012) contended that performance appraisal systems are utilized for developmental decisions such as employee transfers, training, regular performance feedback, and identification of strengths and weaknesses, as well as administrative decisions regarding salary, promotion, retention or termination, and layoffs. The four goals of PAS were also identified by Cleveland Murphy and Williams (1989, as referenced in Ikramullah et al., 2012):

between coworkers (determining a pay scale, advancing to a better grade, and terminating a low performer). (Identifying a worker's training needs, areas of strength and weakness, etc). amongst coworkers (determining compensation scale, advancing to new grades, terminating employment, recognizing underachievers).

System upkeep (which aids in personnel system assessment, organizational goal achievement, and organizational needs for training and development). Ikramullah et al. (2012) affirmed that when PAS is perceived as a purposeless function, it loses worth in an organization and is termed as a vague activity. The system users (i.e., appraisers and appraisees) deem the system a formality of appraisal form filling, which has no serious implications for their development and rewards. Thus, in the PAS of an organization, appraisal ratings must be linked with HR decisions so that users perceive that the system has some utility and that it is not a useless ritual of form filling.

### **2.1.5 Characteristics of Performance Appraisal**

Performance appraisals are implemented differently in many ways, depending on the organization.

Some of the most important traits that all performance appraisal programs have in common are listed below. The process of performance review is standardized, applied methodically to all personnel, and carried out over certain periods (usually quarterly and/or annually). Sensitive performance requires that assessments be appropriately documented by a body inside the organization other than the individual. (DeNisi & Pritchard, 2006)

### **2.1.6 Challenges in Performance Appraisal**

There are several challenges regarding the implementation and practice of performance appraisal. Performance appraisal and rewards serve more to punish and de-motivate

employees than to positively motivate them. (“Motivate and Reward: Performance Appraisal and Incentive Systems for Business Success,” 2004) The following are typical problems encountered most of the time: Subjectivity: performance appraisal is assumed to be objective and presumes that the rational, scientific measurement methodology will yield objective, valid, and reliable results. However, the reality is different from this. Individuals who do the appraising are usually subject to their judgment. Moreover, it is difficult to evaluate only on an objective basis. In reality, evaluative processes are largely subjective and biased (Behn, 2003). The counter effect of organizational systems on individual performance: it is not one way that cumulative effects of an individual's performance result in improvement of the overall organization.

Individual performance is also directly impacted by the organizational structure, independent of the type and quantity of incentives provided (Behn, 2003). Attribution: Determining the appropriate level of individual performance within the system is a challenging undertaking. An individual's performance is closely related to that of the surrounding system. It is difficult to distinguish the group effect from the individual (Behn, 2003). Measurement Challenges: Raters typically alter the measurement challenges for a variety of purposes, either intentionally or unintentionally. Individuals intentionally endeavor to advance or safeguard their interests when alternative actions present a possibility. As a result, this kind of behavior might lead to bias or measurement errors in employee evaluations. Employees, supervisors, and the organization as a whole tend to grow distrustful of each other as a result of conflicts that arise from performance appraisal systems. These conflicts can take many different forms, including employee-to-employee, employee-supervisor, supervisor-employee, employee-organizational, and supervisor-organizational (Behn, 2003).

Furthermore, as per Grote (2002), additional potential mistakes that could transpire throughout the performance appraisal process include:

**Attractiveness effect:** the widely acknowledged propensity for people to believe that those who are physically appealing are also better performers.

**Attribution bias:** is the propensity to blame outside source for performance successes and personal control factors for performance failures.



**Central tendency:** the tendency to assign someone a middle of the scale assessment even when their performance clearly demands a better or lower evaluation.

**First impression error:** the propensity of a manager to form an early opinion on a worker, whether favorable or negative and then let that opinion influence or distort subsequent information. Therefore, care should be taken while conducting performance reviews to prevent the issues listed above as well as others, like the unusually high influence of recent events.

**Halo/horns effect:** un suitable assumptions made from one facet of a person's performance to all of their performance.

**Past performance error:** allowing a worker's past rating period performance whether good or bad to influence the manager's assessment of that worker's current performance.

**Recency** is the propensity for less significant events that occurred recently to affect the ranking more than significant events that occurred months ago.

**Similar-to-me effect:** the propensity for people to value themselves more highly than others when they resemble them.

**Stereotyping:** is the propensity to disregard individual distinctions and make generalizations about groups.

### **2.1.7 Criteria of Performance Appraisal**

When evaluating an employee's performance, management's chosen criterion or criteria will greatly impact what the person does. Job analysis is typically used to establish the content that needs to be appraised. Contribution to organizational goals (metrics) like productivity, cost savings, return on capital, etc. may be the kind of content that needs to be evaluated. (Vijaya, 2011) It has been confirmed by Mathis and Jackson (1997:341) and Robbins (1998: 1204–05) that performance evaluation criteria can be categorized as trait-based, behavioral-based, or results-based, as will be covered in more detail below. I. Individual task outcomes: track performance indicators such as the number of transactions posted, the number of tickets generated, the number of customers served, the number of deposits mobilized, the number of new accounts formed, etc. II. Behaviors: quantify observable kinematics and motions. It is frequently challenging to pinpoint precise results that are directly related to an employee's

actions. This is especially true for employees who work in staff roles and those whose tasks are inherently collaborative in nature. In the second scenario, it can be easy to assess the group's success, but it might be challenging or impossible to pinpoint each member's specific contribution. It is common for management to assess the employee's behavior in such cases. As a result, a bank clerk's performance can be assessed based on a variety of behaviors, including how well they serve customers and interact with both coworkers and clients.

Qualities: A trait-based criterion, which has little to do with the particular profession, recognizes a subjective character attribute, such as "pleasant personality," "initiative," or "creativity."

Courts have ruled that evaluating an individual based on characteristics like "adaptability" and "general demeanor" is too nebulous to serve as the foundation for performance based HR decisions because such features are often unclear.

The evaluation may not be well received if the criteria are limited to activities rather than output (results) or personality qualities rather than performance (Pan and Li, 2006; Ivancevich, 2004).

Criteria are generally relevant when they assess workers based on the most crucial facets of their positions. Mathis and Jackson (1997:341) added once more that, as professions typically involve a variety of responsibilities and tasks, it is typically necessary to measure performance across multiple dimensions. The performance criteria are inadequate if they omit any significant work responsibilities. The criteria are considered polluted if they contain 14 irrelevant criteria. More often than not, managers gauge performance using flawed or tainted standards.

### **2.1.8 Methods of Performance Appraisal**

There are now multiple methodologies used by organizations to evaluate employee performance. (Jafari et al., 2009) identified three approaches that are currently in use for assessing employee performance evaluation: 1. absolute standards; 2. relative standards; 3. objectives; and 4. 360-degree feedback.

#### **i. Absolute Standards**

As part of the absolute standards performance appraisal approach, each person in a workgroup is evaluated independently of the others by comparing them to a standard (Dessler, 2000). This group includes the following techniques: Evaluation of the essay: This is the most basic form of review, where the assessor notes the employee's strengths and

weaknesses, past performance, position, and recommendations for future development after the assessment period. Because of their flexibility, this type of evaluation typically includes certain components from other systems. This approach frequently incorporates other approaches. We try to concentrate on actions in an essay appraisal (Mondy, 2008). Evaluation of a critical incident: It focuses on important elements that matter when carrying out a task. Because it is more performance-based and tied to the work, this approach has greater credibility than others. This technique is essential for attempting to gauge each person's performance based on incidents and unique episodes that occur during work performance. Critical incidents are what these occurrences are called. Using this approach, the management records each employee's performance behavior in terms of appraisal, both positive and negative (Mondy, 2008). The inventory list: Using this approach, the assessor compares a collection of statements and scenarios with those of the employees. The employee's performance and qualities are presented in the checklist. Fifteen characteristics are assigned weights in the quantitative results. "Yes" or "no" responses to the checklist are typical (Decenzo, 2002, as reported by Jafari et al., 2009). The rating scale in graphic form: The reason this is the most widely used performance appraisal approach is that it allows for quantitative analysis and comparison and requires less time to prepare and implement. It is a scale that enumerates a few traits and the range of performance that each person is capable of. As a result, the method used to rate personnel is to calculate a score that indicates their performance level. When combined with the essay appraisal technique, this technique's usefulness can be increased (Mondy, 2008). After extensive study of the armed forces during World War II, this approach came about. Using this procedure, the assessor should assign a ranking to each individual's work behavior between two or more states. There may be positive or negative states for each. The assessor's task is to ascertain which state has the most employee explanations (Mondy, 2008). Rating scales using behavioral anchors (BARS): With this approach, behavioral prototypes of actual job behaviors take the place of conventional numerical anchor tools. Employers can be ranked according to observable behavioral variables by the evaluator using BARS. The key components of the critical incident and adjective rating scale assessment methods were combined to create the elements of this method (Wiese, 2000).

## **ii. Relative Standards**

People are measured against each other in this category. Rather than being precise measurement tools, these techniques are relative standards. Individual ranking, paired

comparison, and group order ranking are the most widely used relative approaches. Group order ranking: Using this system, workers are categorized into groups, like "top one-fifth.". Decadenzo (2002), referenced by Jafari et al. (2009), states that of a rater's twenty employees, only four can be placed in the top five and the remaining four must be placed in the bottom five. Individual ranking: People are ranked in this kind of review from best to worst. The difference between the 21st and 22nd employees is thought to be comparable to the difference between the first and second employees. Employees are compared in pairs with each other using this strategy.

The formula for the number of comparisons is  $(N(N-1))/2$ , where N denotes the number of employees.

The best candidate is identified for each attribute after all comparisons have been completed (Mondy, 2008).

### **iii. Objectives**

This method of appraisal uses objectives. Workers are assessed based on how well they meet a set of goals that have been identified as essential to their tasks being completed. This method is commonly called management by objectives (MBO). The practice of converting organizational goals into personal goals is known as management by objectives. Goal-setting, action planning, self-control, and regular reviews are its four components (Reidhead, 2021).

### **iv. 360 Degree Feedback**

Evaluation 360-degree assessments are the newest method for assessing performance. It is a well-liked performance appraisal technique that incorporates assessment feedback from outside sources as well as various firm levels.

A performance appraisal method known as "360degree feedback" or "feedback from multiple sources" depends on the opinions of an employee's supervisors, coworkers, subordinates, and occasionally even customers, suppliers, and/or spouses (Yukl & Lepsinger, 1998).

A person can be evaluated from many perspectives by using a 360-degree evaluation, which can provide a more comprehensive understanding of the employee's competencies (Shrestha, 2007). Wiese (2000) states that in a typical 360-degree process, performance feedback for each goal rate is provided by supervisor(s), subordinates, peers, and (less commonly) internal or external consumers using a standardized instrument. A 360-degree appraisal method,

according to Rasheed, Aslam, Yousaf, and Noor (2011), is more effective than other systems that have a one-sided and potentially biased nature.

Information is gathered from a variety of sources in a 360-degree appraisal system, including the supervisor, upper management, assistants, coworkers, clients, dealers, and advisers.

These can be divided into two categories: internal and external parties. Under a 360-degree Appraisal approach, any individual who comes into contact with the employee and can provide insight into how they conduct might be asked for information.

## **2.2 Dimensions of Performance Appraisal**

My goal is to investigate how the characteristics of an establishment affect how a formal performance rating system is set up. My analysis focuses on three factors that need to be considered when examining a performance review at the institutional level: the kind of metrics used to assess employees' work, the individual doing the assessment, and the frequency of the appraisal.

### **2.2.1 Measure of Performance**

Objective metrics, like the quantity of items created, the amount of sales, or the caliber of the product, can be used to assess a worker's performance. Both the individual doing the evaluation and person being evaluated directly witness these metrics (Alberto et al., 2011).

Consequently, by standardizing Processes, the adoption of objective measurements may make evaluation easier. Moreover, given that the evaluation standards are set and well known to the staff, it may produce opinions of quality. Nevertheless, evaluating employee performance based on an objective metric isn't always feasible. Employment may require a range of tasks to be completed, so it can be challenging for an employer to assess employee success using only one objective metric. Additionally a worker may be inclined to focus on the activity that is most likely connected to the performance metric when they are assigned multiple jobs and evaluated based on specific objectives, such as the quality of output produced (Alberto et al., 2011).

On the other hand, depending on the evaluator's conclusions, the appraisal could be decided upon using subjective performance metrics. Because the evaluation process can be tailored to the specific of a work, the use of subjective measures in the appraisal system allows for flexibility (Alberto et al., 2011).

### **2.2.2 Who evaluates the Performance?**

The question of who would do the evaluation is a major consideration in the design of an appraisal system (Alberto et al.,2011). This staff member is usually an employee's direct supervisor, although it can be a manager at a higher level(Alberto et al.,2011). A human resource management department employee could conduct evaluations at a company that has a structured HRM framework. Customers, peers, or even subordinates may occasionally offer insightful commentary on particular facets of employee performance(Alberto et al.,2011).

The person who oversees employees the most frequently is the immediate superior; nevertheless, in complex Evaluation processes or when certain appraisal requirements arise, a more qualified supervisor may conduct the appraisal(Alberto et al.,2011).

### **2.2.3 Frequency of the Appraisal**

The frequency of assessment is another important aspect of performance appraisal (Alberto et al.,2011).The frequency of the assessment process may have an impact on its outcome, so it is important to carefully determine when to do it. The timing of the performance assessment process may be influenced by goal it seeks to achieve. Since administrative choices based on the result of the appraisal are made annually, performance appraisals are conducted annually in many businesses(Alberto et al.,2011).

## **2.3 Productivity**

Productivity is a measure of how efficiently goods or services are produced. Productivity is often measured as output per unit of input, usually over a predetermined period, or as the ratio of an aggregate output to a single input or an aggregate input used in a production process. The most prevalent illustration is the labor productivity metric (aggregate), of which GDP per worker is one example (en.m.wikipedia.org). There are numerous definitions of productivity, and which one to use will depend on the availability of data and the goal of the productivity measurement. The main factor influencing variations in productivity measures is typically the way inputs and outputs are combined to create a ratio-style productivity measure (en.m.wikipedia.org).

A key component of a company's or a country's production performance is productivity.

Raising national production can raise living standards because individuals can spend more money on goods and services, leisure activities, better housing and education, and social and

environmental projects when they have more real income.

Increasing productivity can also make a firm more profitable (en.m.wikipedia.org).

### **2.3.1 Productivity in Banking Sector**

Because productivity indicators provide information about a sector's productive efficiency and the factors influencing economic growth, they have drawn a lot of interest from economists and policymakers (Panayiotis et al.). The amount of total bank output divided by the quantity of production inputs used is known as productivity. If a productive unit generates a given amount of output with fewer inputs or a larger output quantity with given inputs, it is deemed more productive than another unit. Partial productivity, which we define as the contribution of each input to the output when considered separately, may be a reliable indicator of the genuine contribution of a single input because other variables (such as adjustments to the proportions of inputs, qualitative advancements, and organizational or technological advances incorporated in the production process) may also interact (Panayiotis et al.).

There are three alternative approaches to measuring bank output, based on the classical microeconomic theory;

- a. The Production Approach
- b. The intermediation approach and
- c. The user-cost approach

**The production approach** which was first created in 1995 by Benston and in 1968 by Bell and Murphy, supports the idea that banks "produce" a variety of loan and deposit types by utilizing labor and money as inputs. "Output should be measured in terms of what banks do that causes operating expenses to be incurred," claims Benston et al.

**The intermediation approach** highlights the function of banks as intermediaries, i.e., the fact that they gather deposits and purchase money, which they then transform into loans and other assets.

Deposits, labor, and capital make up the inputs, and the value of loans is utilized to assess output (Panayiotis et al.).

**The user cost approach** decides whether a bank asset or obligation is an input or an output using empirical methods, depending on the user's cost of money. According to Panayiotis et al., the user cost of money for a bank asset is the difference between the interest rate paid on

the asset and the benchmark rate. The difference between the interest rate attached to a Bank liability and the benchmark rate is known as the user cost of money. In both scenarios, the asset or liability in question is seen as an input (output) if the user cost of money is positive (negative). Note that an asset or liability with a positive user cost of money indicates that it adds to the Bank's operating expenses; on the other hand an asset or liability with a negative user cost of money indicates that enhances the bank's revenues(Panayiotis et al.,).

## **2.4 Empirical literature review**

In a 2015 study, Aschalew evaluated Dashen Bank S.C.'s staff performance appraisal procedure using a 300-person sample size and the purposive sampling technique. According to this analysis, the bank's performance rating system lacks uniformity and consistency since it is not guided by any written policies. Furthermore, the bank's staff members are not involved in establishing performance standards and are un-aware of the goal of the performance.

It has been noted that the rater receives no instruction regarding how to conduct a performance review. The study's primary recommendation is that Dashen Bank S.C. would benefit from establishing documented policies and procedures for the system and process of performance appraisals. The report also recommended that the bank's appraisal criteria be established through job analyses involving employee participation and that the goal of performance reviews be made apparent to all bank workers. Furthermore, the 18 research studies have shown that it would be preferable if supervisors or raters had training.

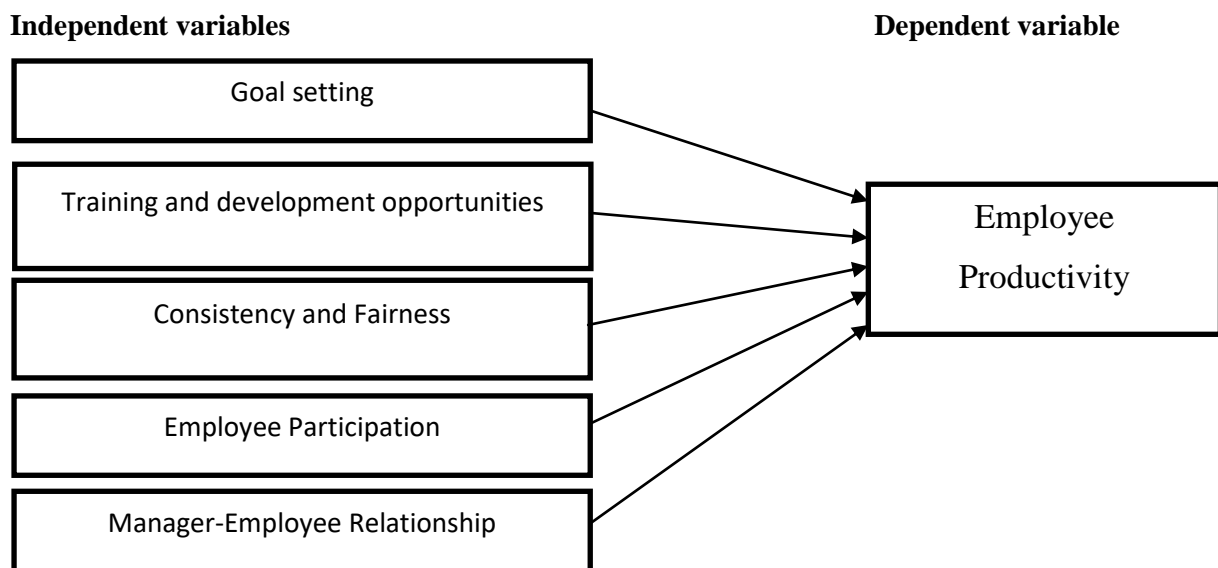
In a 2016 study, Fikirgenet Getachew evaluated the performance appraisal practice of United Bank S.C. using a descriptive research methodology, with particular goals of examining the process, issues, and effectiveness of the practice as well as the perception of the employees regarding the fairness of the bank's performance appraisal procedure. Since performance appraisals have a direct impact on organizational performance, they are a crucial component of effective human resource management. While the developmental aim of performance appraisals is to direct the necessary abilities, competencies, and behaviors through training, the administrative purpose can also serve as a motivational tool by rewarding effective performance. Accordingly, the study attempted to evaluate United Bank S.C.'s performance appraisal procedure. The study employed a mixed research design, with questionnaires and unstructured interviews utilized to gather primary data. To calculate the sample size, a 95% confidence level was used. Ten questionnaires were sent to special branches: 43 to Grade "A"



branches, 87 to Grade "B" branches, and the remaining 188 to Grade "C" branches. A stratified sample strategy was employed in this study. The reliability was assessed using Cronbach's alpha, which was found to be satisfactory. According to the study, the subjective appraisal criteria used by the bank's appraisal system result in a lack of acceptability and sensitivity because they are not consistent with the job description of employees. The bank's evaluation method deviates from the six scientific processes; judgmental flaws were also discovered inside the system, and employees had a poor opinion of the system's impartiality. Thus, to improve the effectiveness of its appraisal system, United Bank S.C. should update its performance appraisal guidelines and standards. In addition, the rater needs to receive enough training to prevent bias and establish a reliable rating system.

### 2.3 Conceptual Framework

In contemporary company settings, performance management now includes employee performance evaluation. Performance evaluation, according to Pulakos (2009), is thought to be a strategy that improves work performance and employee motivation in addition to being a great source of insightful input on goals for training and development. Additionally, Levy, Silverman, and Cavanaugh (2015) emphasize that inefficient appraisal systems that are prone to biases, subjective judgments, errors, and favoritism will hinder the growth of the organization as a whole and aggravate specific employees, which will ultimately result in their departure and the organization's failure.



Soure: Multifacated source

**Goal Setting:** The presence and clarity of performance goals set during appraisals.

**Training and Development Opportunities:** the availability and relevance of training programs discussed during appraisals

**Consistency and Fairness:** The perceived fairness and consistency of the appraisal process

**Employee Participation:** The degree to which employees are involved in the appraisal process, including self assessment and setting personal goal

**Manager-Employee Relationship:** The quality of the relationship and communication between the employee and their manager.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

Research methodology is a structured and scientific approach used to collect, analyze, and interpret quantitative or qualitative data to answer research questions or test hypotheses. A research methodology is like a plan for carrying out research and helps keep researchers on track by limiting the scope of the research. To address these research questions, a mixed methods research design would be appropriate.

#### **3.1 Research Design and Approach**

The research adopted an explanatory research design coupled with quantitative methods to delve into the relationship between performance appraisal and productivity in the Bank of Abyssinia. The explanatory approach aims to uncover causal relationships and provide insights into the underlying mechanisms driving these relationships.

#### **3.2 Population, Sample size and sampling technique**

##### **3.2.1 Target Population**

Bank of Abyssinia has 11,575 employees, and out of these numbers, the target population of employees working in Addis Ababa city under West Addis District was selected as the population of the study, which comprises employees. For this study, Non-managerial-level employees of Abyssinia Bank S.C. working in Addis Ababa city under West Addis District were selected as a population. According to the bank's report following the end of 2022/2023, the bank has a total of 884 branches. For this study, the researcher used a sample from the West Addis district's total population of 1175 employees due to time, resources, and proper organization of data. Within the given scope, samples will only be taken from selected branches governed by the West Addis District.

##### **3.2.2 Sampling Techniques**

The research applied the simple random sampling technique. The participants of the study are professional employees of Bank of Abyssinia S.C. who are working in different city branches of the Wester Addis District. The desired method for selecting the sample from the West district is simple random sampling using the method of proportional allocation under the sizes of the samples.

### 3.2.3 Sample size

Peterson (2006) stated that the larger the sampling size of the research, the more accurate the data generated but the sample size is different due to different situations. Therefore, according to Suran Rose, Nigel Spinks, and Ana Isabel's work of management research, applying the principles (2015), this study will use the following formula to determine the sample size.

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

Where

n = sample size,

N= population size

e = Margin of error

$$n=1175/1+1175/(0.05^2)$$

$$n=1175/1+1175(0.0025)$$

$$n=1175/1+2.9375$$

$$n=1175/3.9375$$

$$n=298$$

Therefore, based on the above sample size determination method, out of the total population (1175) the selected sample size was 298 employees. so we need a sample size of approximately 298 individuals from a population of 1175 to achieve a 95% confidence level with a 5% margin of error.

### 3.3 Data collection Methods

As discussed above in the sources of data section will be prepared and distributed to employees of the banks. The questionnaires was first tested before being distributed to the respondents so as to check their viability. Random sampling method was used to test the questionnaires. After testing and making revisions, questionnaires was finally distributed to sample respondents.

### **3.3.1 Data to be collected**

Data collected for this research included quantitative information such as a structured survey questionnaire administered to employees of the Bank of Abyssinia. Also basic demographic information such as age, gender, educational background and experience are collected to provide context for the survey responses. The study used both primary and secondary data in its construction. Primary data is collected mainly through questionnaires. Secondary sources such as published books, company appraisal forms, and the Internet also extensively reviewed as references.

### **3.4 Data Analysis**

Initial analysis involves calculating descriptive statistics for variables of interest to provide a summary of the data. Correlation coefficients are computed to examine the strength and direction of associations between performance appraisal factors and productivity metrics.

Multiple regression analysis is also conducted to model the relationship between performance appraisal variables (independent variables) and productivity metrics (dependent variable), while controlling for potential confounding factors. Model diagnostics was performed to assess the goodness of fit and validity of the regression models.

#### **3.4.1 Model Specification**

A. Goal setting, training and development opportunities, consistency and fairness, employee participation and Manager-Employee relationship.

B. Dependent Variable: Employee Productivity

H1: Effective goal setting is positively correlated with employee productivity.

H2: Increased training and development opportunities are positively correlated with employee productivity.

H3: High levels of consistency and fairness in the workplace are positively correlated with employee productivity.

H4: Greater employee participation in discussion-making processes is positively correlated with employee productivity.

H5: Positive manager-employee relationships are positively correlated with employee productivity.

**Hypothesis:** Enhancing goal setting, providing more training and development opportunities, ensuring consistency and fairness, increasing employee participation, and fostering positive manager-employee relationships collectively lead to improved employee productivity.

By analyzing the regression output, the researcher determined whether independent variables significantly predict employee productivity and the hypothesized relationships hold true in the collected Data.

### **3.5 Validity and Reliability**

A reliable and valid instrument is essential for collecting accurate data for the conduct of any research and the process of development of the present research work.

#### **3.5.1 Validity**

Validity is concerned with whether the findings genuinely represent what they are intended to represent. It is defined as the extent to which a data collection method accurately measures what it is intended to measure. To ensure validity, data was collected from reliable sources, from respondents who are employees of the Bank of Abyssinia S.C. in the West Addis District Branches. The data and findings of this paper are accurate and trustworthy. And the research truly measured what it was intended to measure.

#### **3.5.2 Reliability**

Reliability refers to the ability of a measuring instrument to provide accurate and consistent results. This concept is particularly relevant for questions used to measure perceptions. One commonly used measure of reliability is Cronbach's alpha, a coefficient that assesses the internal consistency of a psychometric test score for a sample of examinees. According to Lombard (2010), Cronbach's alpha values are interpreted as follows: A coefficient of 0.90 or greater is always acceptable, A coefficient of 0.80 or greater is acceptable in most situations, A coefficient of 0.70 may be appropriate for exploratory studies, Based on this literature, the researcher tested the internal consistency of the items developed for the respondents to ensure their reliability.

Table 3.2 reliability measure of the Variables  
Reliability statistics

Scale	Cronbach's Alpha	No of Items
Performance appraisal reasons	0.944	5
Employee attitude towards performance appraisal	0.702	7
Employee satisfaction in performance appraisal	0.721	4
Performance appraisal method	0.861	5
Performance appraisal requirement	0.788	6

### 3.8 Ethical Consent

Participants were provided with clear information about the purpose of the research, the nature of their involvement, and their rights as participants. Informed consent was obtained from all participants before data collection. Measures were taken to ensure the confidentiality of participant responses and data throughout the research process. Participants' identities and responses are anonymized and kept secure.

Research as a scientific activity and process has its basic ethical conducts that could not be compromised at all levels, for example, any sources that are quoted and used, as a basic part of the study can be cited. That means acknowledging the authors' books and articles is necessary.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

This chapter analyzes data collected from respondents via questionnaires, presenting findings on various aspects of performance appraisal practices. It identifies potential problems and suggests possible solutions. to address the research questions and achieve the main objectives, 298 questionnaires were prepared and distributed to the respondents. The analysis includes detailed insight to the effectiveness of current appraisal methods, common issues faced by employees, and the effect of these practices on productivity of each employee.

#### 4.2. Descriptive Interpretation of Sample Respondents

##### 4.2.1 Response Rate

Out of 298 Distributed Questionnaires, 260 were completed and returned, resulting in a Response rate of 87.2%, While 38 Questionnaires were either incomplete or not returned.

Table 1: Response Rate Data

	Frequency	Percentage
<b>Collected</b>	260	87.2
<b>Uncollected</b>	38	12.8
<b>Total</b>	298	100

Source: Primary Data, 2024

##### 4.2.2 Demographic Analysis

The demographic characteristics includes age, gender, educational qualification and work experience. This aspect of the analysis deals with the personal data collected through questionnaire from respondents. Below is shown the details of background information of the respondents



**i. Continuous Demographic Data Analysis**

Table 2: Continuous Demographic Data Analysis

Statistics		Age	Experience
N	Valid	260	260
	Missing	0	0
Mean		28.13	3.88
Std. Error Of Mean		.133	.118
Median		28.00	4.00
Mode		29	4
Std. Deviation		2.137	1.909
Variance		4.565	3.644
Skewness		.268	.765
Std. Error Of Skewness		.151	.151
Range		11	10

Source: Primary Data, 2024.

From the table shown Above the Average age of the Respondents is 28 and the Average Experience is 3.8 Years. The mean and median are very close, indicating a roughly symmetric distribution around the central value. In the age column the mode is 29, showing the most frequently occurring age. The range of 11 years shows the spread between the youngest and the oldest ages. In the experience column the mean median and mode are very close to each other, indicating that the distribution of experience is also roughly symmetric around the central value. The standard deviation 1.909 indicates that most experience values fall within approximately 1.909 years of the mean experience (3.88). The range of 10 shows the spread between the least and most experienced individuals. Both datasets have no missing values and provide a comprehensive view of the sample’s characteristics in terms of age and experience.

**ii. Categorical Demographic Data Analysis**

Table 3: Categorical Demographic Data Analysis  
Gender of The Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	123	47.3	47.3	47.3
	Female	137	52.7	52.7	100.0
	Total	260	100.0	100.0	

Source: Primary Data, 2024.

From the data presented in the above table, out of 260 respondents who are participated in this study 123 are male whereas 137 are female the data consists of slightly more females (52.7%) than males (47.3%). The cumulative percentages show the complete distribution, confirming that the data represents 100% of the sample without missing values.

The data indicates a fairly balanced distribution by gender, with small majority of females.

Table 4: Categorical Demographic Data Analysis

Educational Background

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BA Degree	177	68.1	68.1	68.1
	Masters Degree	83	31.9	31.9	100.0
	Total	260	100.0	100.0	

Source: Primary Data, 2024.

As the above table shows educational background of the employees who are participated in this study is, out of 260 employees 68.1% are BA degree holders, whereas 31.9% have a master’s degree.

**4.2.3 Reliability Test**

Reliability refers to the ability of a measuring instrument to provide accurate and consistent results. This concept is particularly relevant for questions used to measure perceptions. One commonly used measure of reliability is Cronbach’s alpha, a coefficient that assesses the internal consistency of a psychometric test score for a sample of examinees. According to Lombard (2010), Cronbach’s alpha values are interpreted as follows: A coefficient of 0.90 or greater is always acceptable, A coefficient of 0.80 or greater is acceptable in most situations, A coefficient of 0.70 may be appropriate for exploratory studies, Based on this literature, the researcher tested the internal consistency of the items developed for the respondents to ensure their reliability.

Table 5 Reliability measure of the Variables  
Reliability statistics

Scale	Cronbach's Alpha	No of Items
Performance appraisal reasons	0.944	5
Employee attitude towards performance appraisal	0.702	7
Employee satisfaction in performance appraisal	0.721	4
Performance appraisal method	0.861	5
Performance appraisal requirement	0.788	6

Source: Primary Data, 2024

### 4.3 Correlation analysis

Partial correlation coefficients reveal the magnitude and direction of relationship (either negative or positive) and the intensity of the relationship (-1.0 to 1) as stated on Prokhorov, A.V. (2001). Correlation analysis is to show the strength of the association between the variables involved inter correlations coefficients (r) were calculated by using Pearson's Product moment. Field (2006) also states the output of the correlation matrix can be the correlation coefficient that lies between -1 and +1. Within this framework, +1 indicates a perfect positive relationship, and correlation coefficient of -1 indicates perfect negative relationship. Whereas a coefficient of zero indicates no linear relationship.

As this paper is conducted to determine the effect of performance appraisal in productivity of employees of Bank of Abyssinia, Partial correlation has been used to associate the variables.

As indicated in the following table, we can infer the following about the relationships between each variable and Employee Productivity while controlling for the effects of other variables.

- Goal Setting has a very weak and slightly negative influence on Employee Productivity.
- Training and development Opportunities has a very weak positive influence on Employee Productivity.
- Consistency and Fairness has a weak positive influence on employee productivity.
- Employee Participation has a very weak positive influence on Employee Productivity.

- Manager-employee relationship has a strong positive influence on Employee Productivity.

Table 6 correlations

Correlations							
Control Variables		Performance Appraisal Reasons	Employee Attitude Toward Performance Appraisal	Employee Satisfaction Performance Appraisal	Performance In Appraisal Method	Performance Appraisal Requirement	Employee productivity
Goal setting	Correlation	1.000	.805	-.016	.140	-.174	-.080
	Significance (1-Tailed)	.	.000	.401	.012	.002	.100
	Df	0	258	258	258	258	258
Training and development opportunity	Correlation	.805	1.000	.270	.317	.046	.074
	Significance (1-Tailed)	.000	.	.000	.000	.230	.119
	Df	258	0	258	258	258	258
Consistency and Fairness	Correlation	-.016	.270	1.000	.719	.354	.171
	Significance (1-Tailed)	.401	.000	.	.000	.000	.003
	Df	258	258	0	258	258	258
Employee participation	Correlation	.140	.317	.719	1.000	.345	.073
	Significance (1-Tailed)	.012	.000	.000	.	.000	.119
	Df	258	258	258	0	258	258
Manager-employee relationship	Correlation	-.174	.046	.354	.345	1.000	.732
	Significance (1-Tailed)	.002	.230	.000	.000	.	.000
	Df	258	258	258	258	0	258
Employee Productivity	Correlation	-.080	.074	.171	.073	.732	1.000
	Significance (1-Tailed)	.100	.119	.003	.119	.000	.
	Df	258	258	258	258	258	0

A. Cells Contain Zero-Order (Pearson) Correlations.

Source: Primary Data, 2024

#### 4.4 Regression Assumptions

Multiple linear regression analysis is a robust statistical tool, but its reliability hinges on several key assumptions being met. Assumption on Linear Relationship is that, there should be a linear relationship between the dependent variable and each of the independent variables. For multiple independent variables, partial regression plots (added-variable plots) are useful to see the relationship between the dependent variable and each independent variable while controlling for the effects of other predictors.

If the relationship is not linear, the model may not capture the true relationship, leading to biased estimates. Non-linear patterns might require transformations of the independent variables (e.g., log, square root) or adding polynomial terms.

Multicollinearity Assumption is that the independent variables should not be too highly correlated with each other. So we look for correlation coefficients among predictors. Values above 0.80 can indicate high correlation.

VIF values above 10 suggest serious multicollinearity issues. Multicollinearity can inflate the variance of coefficient estimates and make the model unstable. Solutions include removing or combining correlated variables, or using principal component analysis (PCA) to reduce dimensionality. Ensuring these assumptions are met strengthens the reliability of multiple linear regression analysis and enhances the accuracy of predictions and inferences drawn from the model.

In a multiple regression model, multi-collinearity occurs when two or more predictor variables are highly correlated with each other. This means that one predictor can be accurately predicted from the others. Multi-collinearity is assessed by examining the relationship between predictors and understanding their statistical implications.

Tolerance is a measure used to assess multi-collinearity, representing how much of a predictor's variability is not explained by other predictors in the model. Tolerance is calculated as  $1 - R^2$  for each variable. A tolerance value below 0.10 indicates a high multiple correlation with other variables, suggesting potential multi-collinearity. Variance Inflation Factor (VIF) is another measure used to detect multi-collinearity and is the inverse of tolerance ( $1 / (1 - R^2)$ ). VIF values above 10 indicate a potential multi-collinearity issue. In the context provided, the tolerance values for all independent variables are above 0.1, and the

VIF values are below 10. This suggests that there is no multi-collinearity problem in the regression model.

#### 4.5 Regression Analysis

Table 7 Regression analysis

##### Regression

Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate	Durbin-Watson
1	.766 <sup>a</sup>	.586	.578	2.62898	1.509

Source: Primary Data, 2024

A. Predictors: (Constant), Performance Appraisal Requirement, Employee Attitude Toward Performance Appraisal, Employee Satisfaction In Performance Appraisal, Performance Appraisal Method, Performance Appraisal Reasons

B. Dependent Variable: Employee Productivity

The R value, or correlation coefficient, indicates the strength and direction of the linear relationship between the independent and dependent variables. An R value of 0.766 suggests a strong positive correlation. This means that as the independent variables increase, the dependent variable also tends to increase.

The R square value, or the coefficient of determination, indicates the proportion of variance in the dependent variable that can be explained by the independent variables. An R square of 0.586 means that approximately 58.6% of the variability in the dependent variable is explained.

The model shows a strong fit with an R value of .766, indicating a strong positive correlation between the predictors and the dependent variable. The R square of 0.586 and adjusted R square of .278 suggest that the model explains a substantial portion of the variance in the dependent variable.

Table 8 Anova

##### Anova

Model		Sum Of Squares	Df	Mean Square	F	Sig.
1	Regression	2488.413	5	497.683	72.008	.000 <sup>b</sup>
	Residual	1755.526	254	6.912		
	Total	4243.938	259			

Source: Primary Data, 2024

A. Dependent Variable: Employee Productivity

B. Predictors: (Constant), Goal setting, Training and development opportunities, Consistency and Fairness, Employee participation and Manager-employee relationship

The sum of the squares due to the regression is 2488.413. This measures the variability explained by the regression model.

The sum of the squares of the residuals is 1755.526. This measures the variability within the residuals

The total sum of the square is 4243.938, representing the total variability in the dependent variable.

The F statistics is 72.008; this value indicates the ratio of the variance explained by the regression model to the variance within the residuals. A higher F value typically indicates a more significant model.

The P value (Sig.) is 0.000, which is less than the common alpha level of 0.05. This indicates that the regression model is statistically significant, meaning that the predictors collectively have a significant effect on the dependent variable.

The F statistics of 72.008 and P-value of 0.000 suggest that the model is highly significant portion of the variability in the dependent variable.

The ANOVA results indicate that the regression model is statistically significant and explains a substantial portion of the variability in the dependent variable. This supports the overall validity and reliability of the model in predicting the dependent variable based on the given predictors.

#### 4.7 Beta Coefficient

Table 9 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval For B		Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF	
1	(Constant)	3.992	.658		6.068	.000	2.697	5.288		
	Goal setting	.029	.052	.044	.566	.572	-.073	.132	.268	3.725
	Training and development opportunities	.046	.050	.073	.922	.357	-.052	.144	.263	3.800
	Consistency and fairness	.077	.067	.072	1.146	.253	-.055	.209	.412	2.429
	employee participation	-.240	.051	-.287	-4.740	.000	-.339	-.140	.444	2.253
	Manager-employee relationship	.617	.035	.810	17.841	.000	.549	.685	.790	1.266

Source: Primary Data, 2024

Dependent Variable: EMPLOYEE PRODUCTIVITY

A CPA of 0.044 suggests that only 4.4% of the variability in performance appraisal scores can be explained by the reason or factor being measured. This is relatively low, indicating that the factor in question has a minor impact on performance appraisal scores. If the goal is to have a robust and comprehensive appraisal system, a CPA of 0.044 might indicate that the current system needs to be reviewed to identify more influential factors or improve the measurement of existing factors.



A coefficient of 0.073 indicates a small effect size. This means that training and development opportunities have a relatively minor influence on the overall performance appraisal scores. While the influence is small, it is not negligible. Training and development opportunities do contribute to the variance in performance appraisals, but their impact is limited. This suggests that while Goal setting matter, they are not the predominant factor in determining performance appraisal outcomes.

A coefficient of 0.072 indicates a small effect size. This means that consistency and fairness have a relatively minor influence on the overall performance appraisal scores. While the impact is minor, it is still present. Consistency and fairness contribute to the variability in performance appraisal outcomes, but its influence is limited. Improving training and development opportunities could potentially increase its influence.

A coefficient of -0.287 represents a moderate negative effect size. This means that the employee participation has a significant negative impact on the performance appraisal scores. In other words, as the employee participation on appraisal increases, the performance appraisal scores tend to decrease. Unlike smaller coefficients, this value suggests that the employee participation is a substantial factor influencing appraisal outcomes. It plays a crucial role in the results.

A coefficient of 0.810 indicates a large positive effect size. This means that the Manager-employee relationship has a substantial and highly positive influence on performance appraisal scores. With such a high coefficient, the employee participation is likely one of the most important factors determining performance appraisal outcomes.

#### **4.6 Results and Discussions**

1. There is a very weak negative relationship between Goal setting and employee productivity. This means that, as Goal setting becomes more or less emphasized, there is a slight tendency for employee productivity to decrease or increase, respectively. However, this relationship is very weak and almost negligible. The significance value (p-value) of 0.1 indicates the probability that the observed correlation occurred by chance. In many fields, a p-value of 0.05 or lower is considered statistically significant. The correlation is weak and negative, indicating that Goal setting does not have a strong impact on employee productivity.

Given the weak correlation and the lack of statistical significance, it would be prudent to conclude that Goal setting does not meaningfully affect employee productivity in

our sample. Further investigation with a larger sample size or additional variables might be necessary to uncover more robust findings.

2. There is a very weak positive relationship between Training and development opportunities and employee productivity. This implies that as Training and development opportunities increase, there is a slight tendency for employee productivity to increase. However, similar to the previous case, this relationship is very weak and nearly negligible.

The significance value (p-value) of 0.119 indicates the probability that the observed correlation occurred by chance. Since this p-value is greater than the commonly accepted threshold of 0.05, it means there is an 11.9% chance that the observed correlation is due to random variation.

The correlation is weak and positive, indicating that Training and development opportunities have a minimal impact on employee productivity. The significance level suggests that the result is not statistically significant, meaning we cannot confidently assert that there is a real relationship between Training and development opportunities and employee productivity based on this data.

Given the weak correlation and the lack of statistical significance, it would be prudent to conclude that Training and development opportunities do not have a meaningful impact on employee productivity.

3. There is a weak but positive relationship between Consistency and Fairness and employee productivity. This suggests that as Consistency and Fairness increases, there is a tendency for employee productivity to also increase. Although the correlation is still relatively weak, it is stronger than the previous values mentioned. The significance value (p-value) of 0.003 is well below the commonly accepted threshold of 0.05. This means there is a 0.3% chance that the observed correlation occurred by random variation, which is considered very low. Therefore, this result is statistically significant.

The correlation, while weak, is positive, suggesting that higher Consistency and Fairness is associated with higher employee productivity.

The low significance value indicates that the observed correlation is statistically significant, meaning it is unlikely to be due to chance.

Given the positive correlation and the statistically significant p-value, we can conclude that Consistency and Fairness has a meaningful and positive impact on employee productivity.

4. There is a very weak positive relationship between the employee participation and employee productivity. This suggests that changes in the employee participation have a minimal impact on employee productivity. Like previous weak correlations, this relationship is almost negligible. The significance value (p-value) of 0.119 indicates that there is an 11.9% chance that the observed correlation occurred by random variation. This p-value is above the commonly accepted threshold of 0.05, indicating that the result is not statistically significant.
5. There is a strong positive relationship between manager-employee relationship and employee productivity. This suggests that as the manager-employee relationship become more stringent or well-defined, employee productivity tends to significantly increase. The significance value (p-value) of 0.000 is extremely low, indicating that the observed correlation is highly unlikely to have occurred by chance. This is far below the commonly accepted threshold of 0.05, making the result statistically significant. The correlation is strong and positive, suggesting that good manager-employee relationships are strongly associated with higher employee productivity. The extremely low p-value indicates that this result is statistically significant, reinforcing the reliability of the observed correlation.

Given the strong positive correlation and the highly statistically significant p-value, we can confidently conclude that manager-employee relationship have a substantial and positive impact on employee productivity. This suggests that a good relationship of manager and employee could be a key driver of productivity improvements.

From these results, it is evident that among the various factors related to performance appraisals, the manager-employee relationships have the strongest and most significant positive relationship with employee productivity.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

#### 5.1 Summary of Major Findings

The main objective of this study was to assess the effect of performance appraisal on productivity in Bank of Abyssinia S.C. An explanatory research design and quantitative research approach were employed. Based on the information obtained through questionnaires, the following detailed summaries of major findings are presented:

- ❖ **Goal Setting:** There is a very weak negative correlation with employee productivity, and the relationship is not statistically significant ( $p\text{-value} = 0.1$ ). Thus, goal setting does not meaningfully affect employee productivity in our sample.
- ❖ **Training and Development Opportunities:** A very weak positive correlation exists, but it is not statistically significant ( $p\text{-value} = 0.119$ ). Therefore, training and development opportunities do not have a meaningful impact on employee productivity.
- ❖ **Consistency and Fairness:** A weak but positive correlation is present, and it is statistically significant ( $p\text{-value} = 0.003$ ). This suggests that consistency and fairness positively impact employee productivity.
- ❖ **Employee Participation:** There is a very weak positive correlation, which is not statistically significant ( $p\text{-value} = 0.119$ ). Hence, employee participation does not meaningfully affect employee productivity.
- ❖ **Manager-Employee Relationship:** There is a strong positive correlation, and it is highly statistically significant ( $p\text{-value} = 0.000$ ). This indicates that a good manager-employee relationship substantially and positively impacts employee productivity.

#### 5.2 Conclusion

Among the various factors examined, the manager-employee relationship stands out as having the most substantial and significant positive impact on employee productivity. Consistency and fairness also positively affect productivity, although to a lesser extent. In contrast, goal setting, training and development opportunities, and employee participation show weak and statistically insignificant relationships with productivity.

### 5.3 Recommendation

Based on the conclusions drawn from the study on the effect of performance appraisals on productivity in the Bank of Abyssinia S.C., the following recommendations are made:

- ❖ **Enhance Manager-Employee Relationships:** Foster open communication and regular feedback between managers and employees. Provide training for managers to develop their leadership and interpersonal skills. Encourage managers to build strong, supportive relationships with their team members.
- ❖ **Promote Consistency and Fairness:** Ensure that company policies and procedures are applied consistently across all employees. Develop transparent and fair performance appraisal systems. Address any perceptions of bias or favoritism promptly.
- ❖ **Re-evaluate Goal Setting:** While goal setting shows a weak negative correlation, it may still be valuable. Ensure goals are realistic, clear, and aligned with company objectives. Involve employees in the goal-setting process to enhance their commitment and motivation.
- ❖ **Refine Training and Development Programs:** Although the impact on productivity is minimal, continuous improvement of training programs can still be beneficial. Tailor training to meet the specific needs of employees and the organization.
- ❖ **Enhance Employee Participation:** Encourage employee involvement in decision-making processes. Create forums or platforms for employees to voice their opinions and contribute ideas.

By implementing these recommendations, the Bank of Abyssinia can enhance the effectiveness of its performance appraisal systems and subsequently improve employee productivity and performance.

### 5.4 Limitation and Direction for Future Research

The study was geographically limited to the Bank of Abyssinia S.C. West Addis District in Addis Ababa. Further research should be conducted across all districts and regional branches in this area to evaluate the employee performance appraisal practices at the Bank of Abyssinia S.C.

Consider additional variables to uncover more robust findings. Explore other factors that might influence employee productivity and could potentially offer more significant insights.

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**APPENDIX**

**ST MARY’S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTERS OF BUSINESS ADMINISTRATION**

**A questionnaire to be filled by employee’s of Bank of Abyssinia.**

Dear Respondent,

This questionnaire is designed to collect data for academic research purpose as part of the requirement for the award of Masters Degree in Business Administration. The aim of the research is identifying the effect performance appraisal on employees` productivity. Your responses will be strictly treated as confidential and used only for the research purpose.

Thank you in advance for your cooperation and assistance.

**General Survey instructions:**

- You are not required to write your name in this questionnaire.
- Please tick (√) or circle or make a brief writing where necessary.

NB: For any question Please use my email: - [kenawakdaniell@gmail.com](mailto:kenawakdaniell@gmail.com)

**Part one:** Demographic information

1. Gender:            Male                                  Female
2. Age: \_\_\_\_\_
3. Work experience: \_\_\_\_\_
4. Educational Qualification:  
Certificate           Diploma                   Degree   
Masters                   Doctorate (PhD)

**Part two Illustration: Please rate on a scale of 1 to 5, where 1=strongly agree and 5=strongly disagree.**

No	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
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		1	2	3	4	5
<b>Goal setting</b>						
O1Q1	The Goals set for me at work are clear and well defined					
O1Q2	I believe the goals set for me are achievable					
O1Q3	The goals set align with my personal career objectives					
O1Q4	I'm involved in the goal-setting process for my role					
O1Q5	The goal setted for me are realistic and attainable					
<b>Training and Development Opportunities</b>						
O2Q1	The training programs provided by the company are effective					
O2Q2	I have access to development opportunities when I need them					
O2Q3	The training programs meet my professional needs					
O2Q4	I'm encouraged to participate in training and development activities					
O2Q5	The company provides sufficient resources for my development					
O2Q6	The skilld I gain from training are applicable to my Job					
O2Q7	My performance evaluation depends on my level of success and accomplishment					

<b>Consistency and Fairness</b>						
O3Q1	Policies and procedures are applied consistently in my workplace					
O3Q2	I am treated fairly compared to my colleagues					
O3Q3	Opportunities in the work place are distributed equitably					
O3Q4	Decision making processes are fair					
<b>Employee participation</b>						
O4Q1	My ideas and suggestion are considered by management					
O4Q2	I feel involved in the decision making process					
O4Q3	My participation is valued by the company					
O4Q4	I'm given opportunity to participate in team discussion					
O4Q5	Employee feedback is actively sought by management					
<b>Manager-employee Relationship</b>						
O5Q1	My manager supports my professional growth					
O5Q2	My manager provides constructive feedback regularly					
O5Q3	My manager is approachable					

	for discussing concerns					
O5Q4	My manager recognizes and appreciates my efforts					
O5Q5	There is mutual respect between me and my manager					
O5Q6	My manager communicates effectively with me					
<b>Employee Productivity</b>						
O6 Q1	I consistently meet my work deadlines					
O6 Q2	I manage my workload effectively					
O6 Q3	I'm satisfied with my overall productivity					
O6 Q4	I frequently feel productive at work					

**THANK YOU FOR YOUR TIME!!**