



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**EFFECTS OF PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEE  
MOTIVATION: THE CASE OF DASHEN BANK S.C.**

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As members of the Examining Board of the Final MBA thesis Open Defense, we certify that we have read and evaluated the thesis prepared by Seid Mohammed, entitled —Effects of Performance Appraisal System on Employee Motivation: The case of Dashen Bank S.C and recommend that it is accepted as fulfilling the thesis requirement for the degree of: Master of Business Administration.

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## **DECLARATION**

I, Seid Mohammed, declare that this thesis titled — Effects of Performance appraisal system on Employee Motivation: The Case of Dashen Bank S.C is my original work and that all sources of materials used for the thesis have been duly acknowledged. I have produced it independently under the guidance and suggestions of the research advisor, Shoa Jemal (Asst. Prof.). This thesis has not been submitted for any degree in St. Mary's or any other Universities. It is offered in partial fulfillment of the requirements for the Degree of Master of Business Administration (MBA).

Name: Seid Mohammed

Signature \_\_\_\_\_

Date \_\_\_\_\_

## LETTER OF CERTIFICATION

This is to certify that Seid Mohammed has completed his thesis titled **Effects of Performance Appraisal System on Employee Motivation: The Case of Dashen Bank** under my supervision and guidance. This thesis is original in nature and, in my opinion; it is appropriate for submission in partial fulfillment of the requirements for the award of Master of Business Administration (MBA).

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Name: Shoa Jemal (Asst. Prof.)

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## LIST OF ACRONYMS

ATM.....	Automated Teller Machine
HRM.....	Human Resource Management
PAS.....	Performance Appraisal System
S.C.....	Share Company
SPSS.....	Statistical Packaging for Social Science
VIF.....	Variance Inflation Factor

## **ABSTRACT**

*The purpose of this study was to examine Effects of Performance Appraisal System on Employee Motivation in Dashen Bank S.C. The study used quantitative research approach with Explanatory and Descriptive research design methods to objectively answer the proposed research questions. 162 sample size were selected using stratified random sampling techniques by classifying homogeneous employees from different branches position as strata. Structured questionnaires consisted of 26 statements with five point Likert scale were used to collect the data. Statistical Package for Social Science (SPSS) 25 software was used to analyzing the questionnaires. Descriptive statistics was also used to measure the central tendency through use of mean scores, percentage and presented in tables and graphs. Correlation analysis was used to establish the relationship between the study variables. The study revealed that there is statistically significant positive relationship between the Performance Appraisal parameters and employees' motivation. The result of multiple regressions analysis revealed that 91.1% of the variation of employees' motivation can be predicted by the independent variables i.e. performance standard, Communication, Measurement of performance, Compare performance against actual standard, providing feedback and Corrective measures are significantly affects employees' motivation at 95% confidence level. Performance standard and Communications specifically exhibit the strongest correlations, suggesting their substantial impact on motivation. The reliability test conducted to check the dependability and consistency of the instrument showed, a Cronbach Alpha of 0.950 which is most relevant for the study. All the hypothesis of the study showed that the six independent variables have statistically moderate significant relationship with employee motivation based on their corresponding Pearson correlation and Beta Coefficient with sig.00 (2-tailed) and P-value(<0.05). Finally, the finding of the study showed that performance standard, Communication, Measurement of performance, Compare performance against actual standard, providing feedback and Corrective measures are significant drivers of employee motivation and the study recommended that the bank should compare the employee performance with the stated standards.*

**Keywords:** *Performance Appraisal System, performance standard, Communication, Providing feedback, Corrective measures and Employee Motivation*

## **CHAPTER ONE**

### **INTRODUCTION**

The chapter mainly emphasized on objective of the study, information on its background of the study is provided, problem statement is clarified, the study objectives and research question are designed. Moreover, Significance, scope, definition of terms and concept, limitation and organization of the study were discussed.

#### **1.1 Background of the study**

Human Resource Management (HRM) is one of the methods that designed to improve the efficiency of a company and resolve the personnel or organizational issues systematically. According to Azwir and Kalinggo (2019), human capital plays an important in determining how the organizations operate in order to achieve their objectives. There are study shows that performance appraisal system plays a vital role in human resource management practices as it is designed to monitor, motivate and enhance employees' performance in the future (Kamp Kotter, 2016). Moreover, the performance, motivation and satisfaction level of the employees will be affected by the performance appraisal system that will be conducted by the supervisors. Based on Wahjono, Marina, Perumal and Wardhana (2016), the supervisors play an important in evaluating the performance and behaviors of the employees. Supervisors who are responsible for the performance appraisal should be observed fairly towards all the employees and they should provide the results and feedback to the employees in a good manner.

The main objective of every organization is to improve its performance but it can never be possible without the efficient and effectiveness of performance of its employees. According to (Gold, 2023) employee performance is one of the key elements of any organization's that drive towards competitive advantage through continuous performance improvement. Today's working climate demands a great deal of commitment and effort from Employees, who in turn naturally expect a great deal more from their Employers. Performance Appraisal is a systematic means of ensuring that Superiors and their staff meet regularly to discuss past and present performance issues and to agree what future is appropriate on both sides. Employees benefit by getting

feedback about their performance of certain period in time, to improve themselves on their poor performance or to be motivated for their good performance.

(Macky, 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).

According to (Aymokium, 2017), In the present-day times, the use of performance appraisals has been extended beyond rating of the employee's performance to aspects such as motivation. Accordingly, in this research proposal, it is to study the current Performance Appraisal system at Dashen Bank S.C and check the effectiveness of current Appraisal system with respect to employee motivation. And also, as recommended by previous other researchers, some work has been done on such area, but the gaps still exist due the research are done in limited scope and limited locations, so that it needs to conduct further study.

A study conducted by Blasé and Blasé in 2013 in United States outlined that a number of employee's report being victims of unfair performance evaluation. The outcome, information used; the interpersonal dynamics between an evaluator and evaluation and the procedure used of Performance appraisal may impact on employee negatively. Unfair performance review may lead to the employee being fired and the emotional stress of losing a job as a result of an unsatisfactory performance appraisal can result to physical manifestations from exhaustion to cardiac and repository issues (Blase, 2013). Where performance appraisal is conducted properly



both subordinates and supervisors have reported the outcome as beneficial and positive. According to (Lindquist, 2015) in the developed countries fairness of performance appraisal procedures may be associated with fairness outcomes.

Studies carried out on performance measurements systems indicate that there is shift from traditional methods of staff appraisal, where staffs are engaged with questionnaires to fill in regards to their performance. The traditional approaches of appraisal staff were required to measure their own based on what are able to achieve with reference to job description, management would then rate staff based on the questionnaires without staff interaction. These methods are not effective because staff obviously gave wrong information. Appraisal system fall in two categories that is traditional methods (put emphasis on individual traits) and modern methods (put emphasis based on evaluation of work results) (Kurt, 2014).

Studying the effect of PAS on Employee motivation contributes to use performance Appraisal as motivation tool in advance at Dashen Bank S.C. Further, the study found that the use of more than one appraisal techniques helps to get greater satisfaction and consequently higher motivational level. The specific aspects of PAS help to link performance with reward; using the PAS to help set objective and benchmarks; as well as it helps to identify employee's strength and weaknesses. As a result, this research explores the effect of performance Appraisal system on Employee motivation at Dashen Bank S.C in West Addis Ababa District and it provides recommendations for organizations seeking to improve employee Motivation.

## **1.2 Background of the organization**

Dashen Bank S.C was established on September 20, 1995 as a share company with an authorized and subscribed capital of birr 50 million. The bank coined its name from the highest peak in the country; "mount Dashen" aspires to be unparalleled in banking. Headquartered in Addis Abeba, it is the biggest private bank in Ethiopia. According to the Bank's 2023 report, it operates through a network of 850plus branches, 400plus ATMs and 1300 point of sales (POS) terminals spread across the country.

The bank is also the most reputable brand in the domestic banking market, a reputation earned through consistent delivery of values and preeminence unmatched by its competitors. The bank

works in partnership with leading brands in the industry (VISA, MasterCard, Union Pay and American express) and prominent money transfer operators (Western Union, MoneyGram, Xpress Money, Dahabshiil, EzRemit, Transfast, Ria and World Remit).

The bank is pioneer in Ethiopia to launch full-fledged payment card service that enables customers to withdraw cash wherever they are in need and procure goods and services from various commercial locations. Currently, its paid up capital has recorded birr 11.2 billion as at June 30, 2023.

Following the strategic partnership established with American Express, Dashen bank not only accepting but also issuing Amex Gold, Green Cards and Master Cards. This strategic alliance reaffirmed the Bank's continued aspiration to set landmarks in the country's banking industry.

Recently, Dashen bank has started Omni-channel internet banking dubbed Amole. The product comprises unique features that competitors do not have. Amole enable the customers to make payment for airlines ticket, airtime purchase, DSTV payment, buy concert and football matches ticket ,buy books and different items online in collaboration with the ecosystem players, and many more.

### **1.3 Statement of the Problem**

For organization to ensure continued motivation of its employees, every organization has to carry out staff performance appraisal from time to time so as to keep employees in check and replace, retrain, motivate and take any other appropriate action. The main challenge that many organization faces is how to maximize staff performance, performance appraisal therefore seems to be inevitable. In the absence of structured appraisal systems management will tend to judge work motivation of employees in informal way. The human inclination to judge without structured appraisal system can create serious ethical, motivational and legal issues in the organization. Without a structured appraisal system there is no chance of ensuring that decisions made are fair, accurate, lawful and defensible.

Several studies have been done in relation to the effect of performance appraisal on employee motivation. As (Chaponda, 2014) Has Conducted a case study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in

Nairobi. Chaponda found that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee motivation.

As (Njeru, 2013) conducted a descriptive research study on the role of performance appraisal on performance of job in private sector. The study established that majority of civil servants set goals and attains them while a few received feedback on their performance. The study revealed that performance appraisal acts as important factor that contributes to the employees' motivation. The more transparent and objective performance appraisal is in the government offices, the higher would be the motivation of employees.

As research gap, the study highlighted several key issues that indicate gaps in the existing knowledge and practices regarding performance appraisal systems and employee motivation at Dashen Bank S.C. These include there was a problem of clear communication about the performance appraisal system and employee of the bank hasn't given proper feedback about their performance this in turn leads to demotivation of the staff. Additionally, while there have been studies on the effect of performance appraisal on employee motivation, the specific context of Dashen Bank S.C. has not been adequately addressed. Previous studies have focused on other sectors and organizations, but there is a need for research that specifically addresses the banking sector in Ethiopia and Dashen Bank S.C. in particular.

Therefore, the researcher was interested to study the gaps aimed at to identify existing performance appraisal system by endeavoring to provide an answer to the question; "what is the effect of performance appraisal system on employee motivation at Dashen bank S.C?"

## **1.4 Research Questions**

The study intended to answer the following questions;

1. How does performance appraisal system affect employee motivation in Dashen Bank S.C?
2. What is the relationship between performance appraisal system and employee motivation in Dashen Bank S.C?
3. What is the effect of performance appraisal system on employee motivation?
4. What are the attitudes of employees toward performance appraisal system?

## **1.5 Objectives of the study**

### **1.5.1 General Objective**

The general objective of the research is to assess effects of performance appraisal system on employees' motivation in Dashen Bank S.C.

### **1.4.2 Specific Objectives**

1. To identify how performance appraisal system affect employee motivation in Dashen Bank S.C?
2. To determine the relationship between performance appraisal system and employee motivation in Dashen Bank S.C.
3. To identify the effect of performance appraisal system on employee motivation in Dashen Bank S.C.
4. To identify the attitudes of employees toward performance appraisal system.

## **1.6 Significance of the Study**

Although the primary purpose of this study is for academic use it is expected that findings from this study will be important to the management and members of Dashen Bank S.C as well as to other organizations in the same industry to understand the relationship between performance appraisal system and employee motivation. This study will have practical significance to Dashen Bank in understanding the effects of performance appraisal system on employee motivation and their intended impact on the organizational achievements. The general finding of the study will reflect the employee's point of view towards performance appraisal system and employee

motivation at Dashen bank Addis Ababa city branches. It will also serve as reference for the company in evaluating their current performance Appraisal system and suggest possible recommendations for improvement.

The study increased employee's awareness about the relationship between performance appraisal system and employee motivation. The study will also help employees to evaluate the current performance appraisal system in the organization and its competitiveness in the market. 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 also contributes an insight point as a stepping stone for further study in the area to future researchers.

### **1.7 Scope of the Study**

As the branches are located in a far dispersed manner, it was not feasible to include all branches' staff in the study in terms of time and cost .Hence, the study is confined to Employees of Dashen bank in Addis Ababa specifically at west Addis Ababa District having 93 branches and 810 employees. Since its branches throughout the country are homogeneous in its policies and procedures, the application of performance appraisal system is over-viewed by HRM Department. In such a way it gave the whole picture of the performance appraisal system of the Bank.

The researcher sampled employees in all level of management and non-management staff from 810 staffs by using probabilistic sampling technique specifically stratified random sampling method by taking 20% of Employee's from the entire branches based on their position in providing needed information.

In terms of its methodology, this research used Quantitative approach with Explanatory and Descriptive Design approach together with close ended and open ended Questionnaires. This study is carried out in the month of March to May 2024.

### **1.8 limitation of the study**

The research sample population of this study was taken from employees who work in West District, Addis Ababa of the Bank. Since the branches of Dashen Bank are scattered around different side of the country and the total population of the Bank is large, conducting and taking sample from the whole population is not feasible.

This might affect the generalization of the research findings to the whole Dashen Bank employees. However, the implications of the findings are expected to be useful and applicable for the other areas because the compensation policy of the bank in the entire country is similar.

### **1.9 Organization of the Study**

The paper consisted of five chapters. The first chapter is about 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. The fifth chapter, which is the closing chapter, focused on the conclusions, summary of major findings, forwarded recommendations and Directions for future researches

### 1.10 Operational Definition of Terms

Below terms are key concepts given to create common understanding between the researcher and the reader.

**Performance Appraisal:** is defined as the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employee's interests of recognition, receiving feedback, and offering career guidance". (Lansbury, 1998)

**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).

## CHAPTER TWO

### REVIEW OF LITERATURE

This section presented theoretical and empirical review on the effect of performance appraisal practices on employee motivation in case of Dashen 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 variable and hypothesis determination.

#### 2.1 Theoretical Literature

##### 2.1.1 Performance Appraisal

As (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 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. 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.

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. 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.



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### **2.1.2 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, 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 (Murphy, 1995).

The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland, B. Keeping, and Levy, p, 1989).

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, 2003).

- 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.

#### **2.1.4. 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, besides, below and so forth (De Nisi,A and Griffin,R., 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 DW,Porter C, 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,A and Griffin,R., 2008)

#### **2.1.5. Performance Appraisal Process**

As (Peter, 1994) Categorized 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)).

### **2.1.6 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,R.L. and Jackson,J.h., 1997)

#### **2.1.6.1. 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,R.L. and Jackson,J.h., 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,R.L. and Jackson,J.h., 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 (treated) concerning employee behavior. Two statements are most descriptive (favorable) and two are least descriptive (unfavorable). 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 that mostly describes employee's behavior out of the two favorable statements are kept secret. 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, especially 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,R.L. and Jackson,J.h., 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.

#### **2.1.6.2. Comparative Methods**

These methods, unlike the other methods, require managers or supervisors to compare performance appraisals of employees having same job description (Mathis,R.L. and Jackson,J.h., 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).

#### **2.1.6.3. Narrative Methods**

Some managers and HR specialists are required to provide written appraisal information. As (Mathis,R.L. and Jackson,J.h., 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,R.L. and Jackson,J.h., 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,R.L. and Jackson,J.h., 1997).

### **2.1.7. 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 appraise. 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 (Stredwick, 2005).

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.

(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. In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money.

### **2.1.8. 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, 2001):

- 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.

### **2.1.9. 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. 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 (Kumar, 2005).

#### **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 (De Nisi, A and Griffin, R., 2008).

#### **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**

(Robbins, 2003), 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**

Both (Beardwell and Holden, 1997) noted 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.

### **2.1.10 Factors of performance Appraisal on Employee Motivation**

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

#### **Performance standards**

As (Mackey, 2005) 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 the performance standards should reflect the business objectives and the fair contribution of employee individual efforts to achieve high performance. 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.

#### **Communication**

As (Chaponda, 2014) 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.

### **Measurement of performance**

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity. Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Blase, 2013)

### **Compare performance against standards**

As (C., 2001) identifies 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 (Solomon,D and Podgursky,C, 2010). It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. 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. (Solomon,D and Podgursky,C, 2010)

### **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

(Beardwell and Holden, 1997). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money.

### 2.1.11 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 (Shadere,O Hammed,A and Ayo,T., 2009)

#### 2.1.11.1 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.

There are two types of motivation as originally identified by (Hillman, 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.

#### 2.11.2.1 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 .According to (Hillman, 1990) Content theorists who stress on

the satisfaction of needs. (Hillman, 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.

As (Denhardt, 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, 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.

(Denhardt, 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 Review**

Depending (N, 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, labor 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 coefficient 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 conclude that performance appraisal system has a significant impact on the employee motivation at the Ministry of Labor, 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.

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.

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.

According to (Mustapha,M and Daud,N., 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 level.

### 2.3. Conceptual framework

Depending on the previously assessed related literatures, the researcher selected the under explained factors as measurement scales for the study under investigation to examine the effect of performance appraisal system on employee motivation in Dashen bank S.C based on compilation of the work of Elisha (2015) and Kipsegerwo et al (2016).

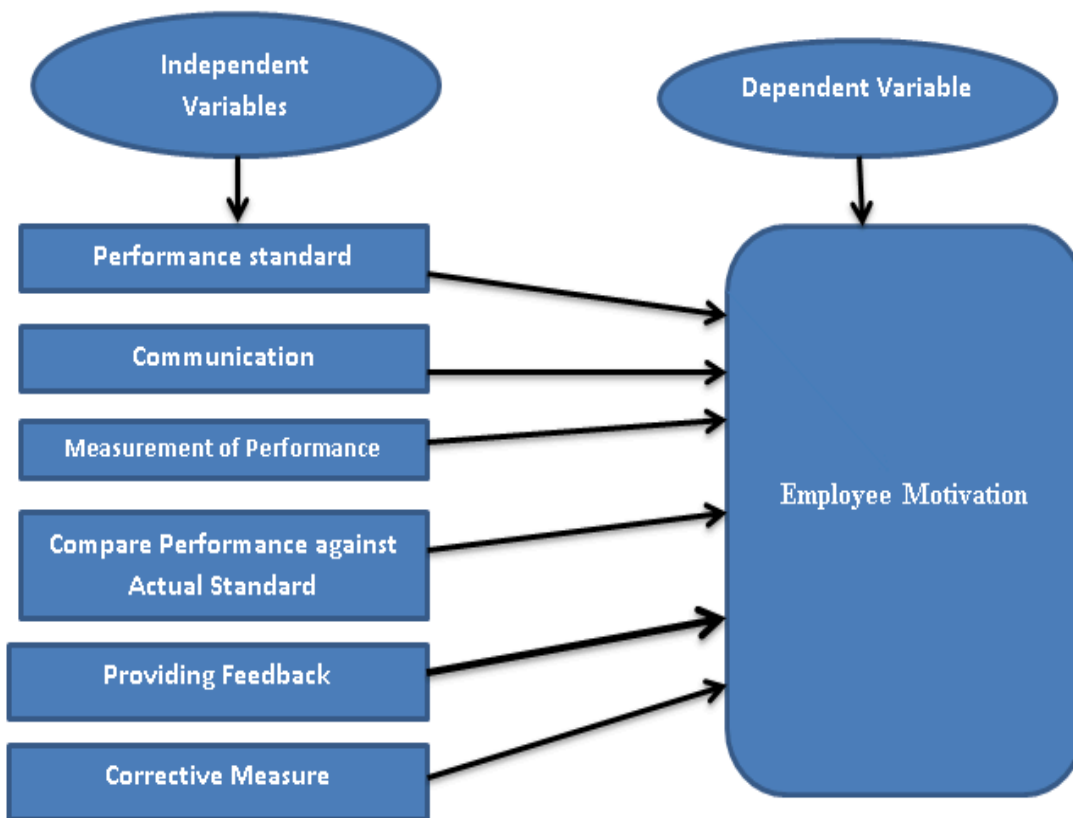


Figure 1 Conceptual Framework

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

## 2.4 Research Hypothesis

Based on the conceptual framework and related literature of the study, the researcher formulated the following hypothesis to test the effect of Performance Appraisal system on Employee motivation based on compilation of the work of Elisha (2015) and Kipsegerwo et al (2016).

**H<sub>1</sub>:** Performance standard has statistically significant effect on Employee Motivation.

**H<sub>2</sub>:** Communication has statistically significant effect on Employee Motivation.

**H<sub>3</sub>:** Measurement of performance has statistically significant effects on Employee Motivation

**H<sub>4</sub>:** Comparing performances against standards has statistically significant effect on Employee Motivation.

**H<sub>5</sub>:** Providing Feedback has statistically significant effect on Employee Motivation.

**H<sub>6</sub>:** Corrective measure has statistically significant effect on Employee Motivation



## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

This chapter dealt with research methodology used to carry out the research. The chapter is organized in nine 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,

#### 3.1 Research Design

The research applied the both explanatory and descriptive research style because it adds knowledge on the topics and explanatory research design identified the cause and effect of data collected from employees in the form of questionnaire and simply help to present those data and clarify the situation on the ground (Kothari C. , 2004).

(Cresswell, 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 was used in this research because the study conducted to examine the effect of performance appraisal system on employee motivation in case of Dashen bank S.C and additionally this type of research examines cause and effect of the dependent and independent variable which are 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 (Cresswell, 2003), 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. 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 . Finally, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to understand the problem (Cresswell, 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 Types and Sources of Data**

According to (Kothari C. , 2004) there are two types of data, primary and secondary. The primary data are those which are gathered for the first time and a fresh and thus collect for the case at hand. Secondary data is defined as Data that have been previously collect for some purpose other than the one at hand. For the purpose of the study in order to obtain relevant information mainly primary data was used for analysis of the result by using descriptive and inferential statistics. Also, the bank used official websites and use different magazines as well as annual reports and communication reports and those secondary ways of data collection was used to make the fullness of the study.

### **3.4 Data Gathering Tool**

To fulfill the objective stated, the data from structured questionnaires was analyzed using descriptive statistical techniques which include tables, graphs, frequency distribution and percentages. The questionnaire distributed to each of selected employee of Dashen Bank with hardcopy.

### **3.5 Population, Sample Size and sampling techniques**

#### **3.5.1 Population of the Study**

The target population of the study was consisted of the entire employees of Dashen Bank S.C at western Addis Ababa District office which are 810 employees in number. As it was impossible and unfeasible to do census, the researcher took sample. According to (Cooper and Emory, 1995) the basic idea of sampling is that by selecting part of the elements in a population, conclusion may obtain about the entire population. As it is impractical to perform census, the researcher used sampling techniques to draw a sample from which could be inferred to the total population.

#### **3.5.2 Sample Size**

In line with the study's objectives and within the confines of its scope, representative samples were chosen. As indicated (Roscoe, 1975) most research studies can benefit from sample sizes

greater than 30 and smaller than 500. Having this in mind and the above mentioned limitations, the study used stratified sampling method. This method is used because, it has the advantage of this sampling technique is that there is less sampling variation than with simple random or systematic sampling, more precise, unbiased, and economical. To use this method, the researcher used position of the researcher as strata and the employers are classified in to six homogeneous groups. Based on (Nardi P.M. 2003), for populations under 1000, it is advisable to use 10%-30% of the population to ensure the representativeness of the sample. By considering the time and cost of the researcher, 20% of employees from each corresponding position (strata) were taken as shown in the table below.

Table 1 Sample size determination

No	Position of Employees	Numbers of employees	Sample taken (20% of employees)
1	Branch Manager	93	19
2	Customer Service Manager(CSM)	98	20
3	Customer Service Officer(CSO)	466	93
4	Customer Relations Manager(CRM)	28	6
5	Accountant	24	5
6	Senior Customer Service officer (Cash)	95	19
<b>Total</b>		<b>810</b>	<b>162</b>

**Source:** HRM office of Dashen Bank S.C, Western Addis Ababa District (January, 2024 G.C)

As seen above, the researcher selected 162 employees from the entire 810 staff by using stratified sampling technique. The calculation from a population of 810 resulted into 162 sample size. Based on the calculation above; a total of 162 employees are required to constitute the sample size.

### 3.5.3 Sample Techniques

This study used probabilistic sampling techniques specifically stratified random sampling techniques which categorized branches based on their number of employees and calculated the

sample number from each branch by using strata accordingly. Also, the advantage of this sampling technique is that there is less sampling variation than with simple random or systematic sampling, more precise, unbiased, and economical.

According to (Cooper and Emory, 1995), a simple random sample can be taken within each stratum after a population is divided into the appropriate strata. The sampling results can be taken within each stratum. The entire employees at District level stratified into six strata based on the number of departments. The samples from each position collected based on the number of Employees in the Branches. The sample size, 162 were proportionately distributed into six strata to guarantee appropriate representation.

### **3.6 Method of Data Analysis**

To fulfill the objective stated, the data from structured questionnaires were analyzed using descriptive statistical techniques which include tables, graphs, frequency distribution and percentages. Additionally, Inferential data analysis such as Correlation and regression were used to increase the level of confidence and also both descriptive and inferential statistical techniques can be used for quantitative analysis.

Both descriptive and inferential statistics were used to analyze the quantitative data gained through structured questionnaire in order to answer all the objective, research questions and hypothesis of the study. Descriptive statistics was used to describe the usefulness of the data set while the inferential analysis for examining the relationships between the variables. In order to describe the data, preliminary descriptive statistics such as frequency, percentages, and mean scores were computed. Inferential Statistics was also carried out to explain the effects of performance appraisal system on employee motivation. Inferential analysis is mainly meant for Correlation and multiple regression analysis.

### 3.7 Reliability and Validity

#### 3.7.1 Reliability

A pilot study was undertaken to assess the reliability of the research instrument. The initial version of the instrument, developed in English, was administered to a specific sample comprising 30 respondents. Measuring reliability (Bryman et al., 2013) is the evaluation of how consistently a measurement yields results. Internal consistency, or how closely connected a group of sample items are to one another, is measured by Cronbach's alpha. It functions as a scale dependability indicator. A Cronbach's alpha value of more than 0.7 is considered to be acceptable. The variables were categorized into 7 and reliability test was done. All the categories show Cronbach's alpha value more than 0.7. Thus, the measuring instrument of this study can be taken as reliable instrument.

Table 2 Reliability test

Variables	Cronbach's Alpha Coefficients	No. of Items
Performance Standard	.756	4
Communication	.809	3
Measurement of performance	.732	3
Compare performance against actual standard	.744	4
Providing feedback	.757	4
Corrective measure	.720	4
Employee Motivation	.931	4
<b>Total Reliability</b>	<b>.950</b>	<b>26</b>

(Source: Own Survey, 2024)

#### 3.7.2 Validity

The degree to which a measuring device measures what it is intended to assess depends on the test's validity (Saunders, 2009). Specialists in the field, such as advisers, have access to copies of the survey in order to produce validity in terms of idea, substance, criteria, and face validity to make it appropriate for the study's objectives. The validity of the research is also assessed using its face and content validity. Study items measure study variables, whereas face validity entails

in-person confirmation, and content validity judges how well a measuring device captures the current investigation.

### 3.8 Model Specification

Multiple linear regression analysis is a statistical method to deal with the formulation of a mathematical model depicting relationships amongst variables which can be used to predict the value of a dependent variable, given the value of the independent (Kothari C. , 2004)

Regarding the model specification, in this study, Performance appraisal systems namely performance standard, Communication, measurement of performance, compare performance against actual standard, providing feedback and corrective measure are considered as independent variables while employee motivation is a dependent variable. To do so, the model is formulated among the study variables to address the objectives of the study. The relationships are formulated as:

- **The effect of performance appraisal system on employee motivation.**

$$Y = X_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

**Where:**

Y=Employee Motivation; X<sub>1</sub>=Performance Standard; X<sub>2</sub>=Communication; X<sub>3</sub>= Measurement of performance; X<sub>4</sub>= Compare performance against actual standard; X<sub>5</sub>= Providing Feedback; X<sub>6</sub>= Corrective Measure; e = error term; X<sub>0</sub> = constant term; β<sub>1, 2, 3,4,5,6</sub> = coefficient terms.

Before conducting the multiple regression analysis, correlation test was conducted to quantitatively describe the strength of the association among the variables. According to, (Hair, 2016) the Pearson correlation coefficient measures the degree of linear association between two categorical variables. It varies from -1.00 to +1.00, with 0 representing absolutely no association between the two variables. Then, assumptions for regression model tests (multi-collinearity, homoscedasticity, linearity and normality) were also carried out to affirm the fitness of the data for multiple linear regression models. Regression analysis was conducted to examine the effect of performance appraisal system on employee motivation in terms of coefficient of determination

( $R^2$  value), the regression coefficient and the p-values (ANOVA Test) for the significance of each relationship.

### **3.9 Ethical Considerations**

In order to keep the confidentiality of the data given by respondents, the respondents were not required to write their names and be assured that their responses were treated with strict confidentiality. The purpose of the study has already been disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed to voluntary participants after having their full consents; those who were not willing wouldn't be contacted.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter focuses on data analysis, presentation and discussion of the results and findings about the effect of Performance Appraisal System on Employee Motivation in the case of Dashen Bank S.C, based on the data collected from the questionnaires gathered from employees of the organization.

#### 4.1 Response Rate of Respondents

A total number of 162 respondents are targeted in this study. The respondents were from Officer, Senior Officer, Managerial and other position of Dashen Bank S.C, West Addis Ababa District branches. However, 150 respondents returned their questionnaires contributing to 92.59% response rate.

Table 3 Response rate

Category	Frequency	Percent (%)
Responded	150	92.59
Did not Responded and rejected	12	7.41
<b>Total</b>	<b>162</b>	<b>100</b>

Source: Own Survey (2024)

The response rate is one of the important aspects that indicate the quality of the survey (Cresswell, 2003). With regards to respondents' responses in this survey, a total of 150 out of the 162 distributed questionnaires were returned which accounted for a response rate of 92.59%. This indicates that, according to Saunders (2010), surveys with higher response rates (near 60% or 70%) have more accurate measurements than the ones with lower response rates. Thus, higher response rates are always preferable compared to lower ones. The returned questionnaires were checked further for errors and as a result, 12(7.41%) incomplete questionnaires (missing data) were identified and discarded. Finally, a total of 150 valid and usable responses were used for the final analysis.



## 4.2 Demographic characteristics of respondents

Socio-demographic factors are very important indicators of performance in any organization and the basis for research questionnaire turnout. In this section, the demographic characteristics such as sex, age, work position, Educational qualification and experience of the respondents are discussed as per collected from the questionnaire.

### 4.2.1 Sex of Respondents

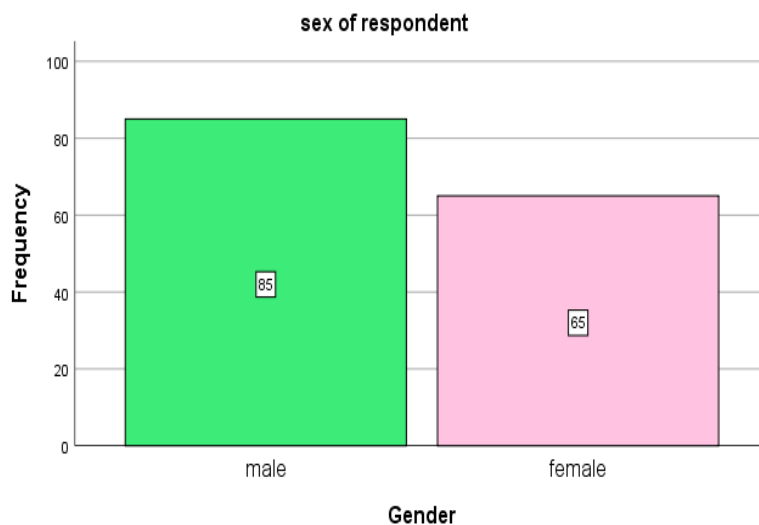


Figure 2 Sex of the respondents

*Source: own survey (2024)*

As per the findings, 85 (56.7%) of the respondents were males whereas 50 (43.3%) of the respondents who participated in this study were females. It was observed that the ratio of male employees were much higher than the female employees. The findings demonstrated that male employees were dominant workforce at Dashen Bank S.C, Western Addis Ababa District. Hence, there is an indication of gender imbalance.

#### 4.2.2 Age of the respondents

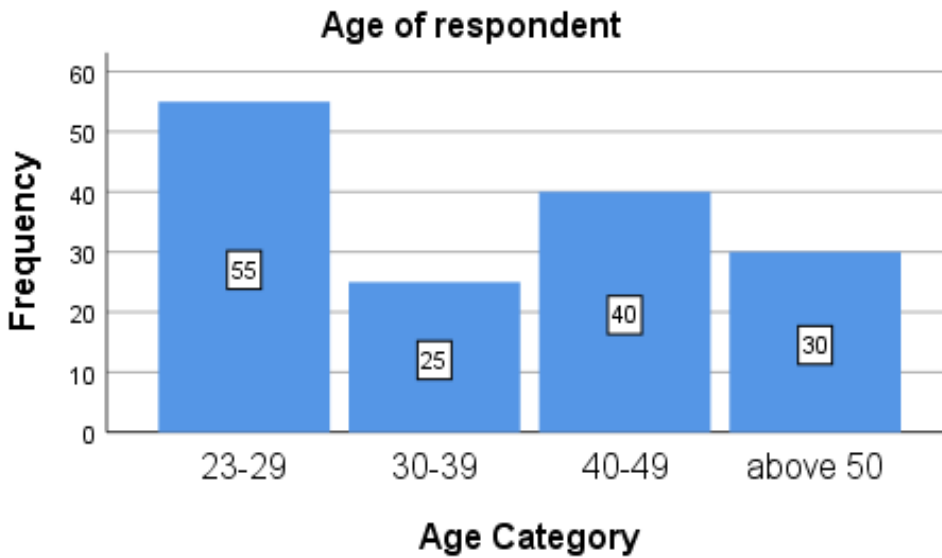


Figure 3 Age of Respondent

*Source: own survey (2024)*

As depicted in figure 3 above, the respondent's age groups were categorized into four groups. The first group ranges between 23-29 years, the second is 30-39 years, the third is 40-49 years, and the last age group is above 50 years.

The result showed that 36.7% of the respondents were between the ages of 23-29. The age group between 30-39 years covered 16.7% of the respondents range. The category of age 40-49 of employee of the bank is 26.7%. Finally, 20% of the ages of employees are above 50 years. According the result of the survey, most of employees of the Company are the youngest which benefits the company by their energy and endurance for work enhances employee motivation.

### 4.2.3 Position of Employee

Table 4 Position of employee

		current work position			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	officer	60	40.0	40.0	40.0
	senior officer	40	26.7	26.7	66.7
	manegerial	50	33.3	33.3	100.0
	Total	150	100.0	100.0	

Source: own survey (2024)

As shown in the above table 4 the research obtained 60 (40%) responses from the Officers, 40(26.7%) from Senior Officers, 50 (33.3%) of the respondents fall under Managerial position of the Bank. The descriptive analysis showed that most of the samples taken for the analysis of the data were from officer position of the bank.

### 4.2.4 Educational background of respondents

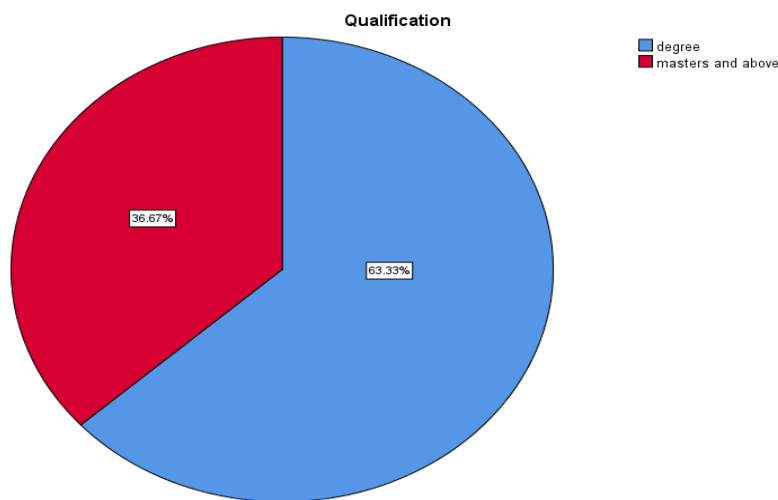


Figure 4 Educational background of respondent

Source: own survey (2024)

Looking at the educational qualification of respondents, the highest number of respondents, 95 (63.33%) have first Degree and the remaining 55 (36.67%) were Master’s Degree holders. The researchers did not obtain Diploma holders response. Therefore, it is possible to say that academically, majority of respondents hold First Degree and above.

#### 4.2.5 Work Experience of the Respondent

Table 5 Experience of respondent

		<b>experience</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3	70	46.7	46.7	46.7
	4-6	25	16.7	16.7	63.3
	above 7 years	55	36.7	36.7	100.0
	Total	150	100.0	100.0	

*Source: own survey (2024)*

The descriptive data analysis of experience levels of the respondents in Dashen Bank S.C showed that 70(46.7%) had up to 1-3 year of experience. Respondents having 25 (16.7%) are employees with experience of 4-6 years, and finally 55 (36.7%) with above 7 years of experience. This may have implied that most of the employees were hired in recent years at the same time significant number of employees have stayed in the organization above 7 years.

Generally, the analysis of the demographic statistics demonstrated that, the work force comprises with larger number of male and productive employees while majority of the respondents represented undergraduates and above education level.

### 4.3. Descriptive Analysis of the study variables

The descriptive analysis is used to look at the data collected and described the obtained from the respondents' response. The descriptive analysis presented the mean and the standard deviation of the independent and dependent variable from respondents' perception.

#### 4.3.1 Mean and Standard Deviation

Mean value provides the idea about the central tendency of the values of a variable. While, standard deviation gives the idea about the dispersion of the values of a variable from its mean value. According to (Best, 1987), the scale is set in such a way that respondents strongly disagreed if the mean scored value is in the range of 1.00 – 1.80; disagreed within 1.81 – 2.60; neither agreed nor disagreed within 2.81 - 3.40; agreed if it is in the range of 3.41 – 4.20; while strongly agreed when it falls within 4.21 – 5.00. In addition, standard deviation shows the variability of an observed response.

#### 4.3.2. Performance Standard

Table 6 Analysis of performance standard

Description	N	Mean	Std.
The company measures my performance based on its set standard	150	4.23	0.76
The company uses appropriate standard tool for appraising my performance.	150	3.87	0.62
I am confident because the appraiser knows enough about the PA to appraise me.	150	3.83	1.10
I am satisfied with the way the appraiser conducted my performance review.	150	3.70	0.83
<b>Aggregate Mean</b>	<b>150</b>	<b>3.91</b>	<b>0.83</b>

*Source: own survey (2024)*

As depicted in Table 6 majority of respondents agreed that their overall perception towards the performance standard was positive (aggregate mean 3.91 with std. 0.83). So, based on the finding it is possible to summarize that most of employees of the Dashen Bank are satisfied with performance standard of the company.

### 4.3.3 Communication

Table 7 Analysis of staff communication

Description	N	Mean	Std.
The PAS provide an opportunity to communicate with the supervisors to facilitate my job performance.	150	3.83	0.94
There is a two way communication with both managers and employees for expressing their views.	150	4.17	0.69
The PAS provide a scope for communicating the business between employees effectively.	150	4.00	0.69
<b>Aggregate Mean</b>	<b>150</b>	<b>4.00</b>	<b>0.77</b>

*Source: own survey (2024)*

As shown in the above table 7, the researcher has summarized that employees have agreement on the way of communication regarding their performance appraisal system with an aggregate mean response of 4.00 and Std. Deviation of 0.77. This indicated that employees agreed that there is clear communication regarding the appraisal process of the bank.

### 4.3.4 Measurement of Performance

Table 8 Analysis of measurement of performance

Description	N	Mean	Std.
My individual performance has link with organizational performance.	150	4.23	0.67
Progress reviews are conducted to compare the predetermined standards of employees.	150	4.10	0.60
My work plan is reviewed during monitoring process.	150	4.13	0.72
<b>Aggregate Mean</b>	<b>150</b>	<b>4.15</b>	<b>0.66</b>

*Source: own survey (2024)*

Table 8 revealed that, most of the employee of the bank agreed that their performance is evaluated according to the set standard of the bank. This finding showed that most of the employees are satisfied with the measurement of their performance with aggregate mean of 4.15 and Std.0.66.

#### 4.3.5 Compare performance against Actual standards

Table 9 Analysis of Compare performance against actual standard

Description	N	Mean	Std.
I trust the PAS in my organization is rational and fair.	150	3.40	1.06
I feel fairly treated in every way in the PAS.	150	4.03	0.59
I get fair feedback from my supervisor and proportion reward to my performance	150	3.73	0.73
I evaluated fairly according to the setting standards without subjectively and biased.	150	3.97	0.61
<b>Aggregate Mean</b>	<b>150</b>	<b>3.78</b>	<b>0.75</b>

*Source: own survey (2024)*

As depicted in table 9, majority of the employees are satisfied regarding the fair and rational performance of employee appraisal against actual standard with aggregate mean of 3.78 and Std.0.75.so, the researcher summarized that the performance of employee of the company are compared against the actual standard of the bank.

#### 4.3.6 Providing feedback

Table 10 Analysis of providing feedback

Description	N	Mean	Std.
I receive timely performance feedback beside the annual performance review.	150	3.73	0.89
The information provided by my supervisor during my performance feedback is accurate.	150	3.83	0.69
The performance feedbacks I receive help me to improve my job performance.	150	3.90	0.54
The feedback I get helps me to gain insight about my weakness and strength.	150	4.13	0.81
<b>Aggregate Mean</b>	<b>150</b>	<b>3.90</b>	<b>0.73</b>

*Source: own survey (2024)*

According to table 10 the response of respondent in terms of providing feedback, they are satisfied with the way of giving feedback after the employee performance is evaluated with aggregate mean of 3.90 and Std.0.73. It is possible to summarize that most of employees of the Dashen Bank S.C are satisfied with feedback providing process of the company.

#### 4.3.7 Corrective measures

Table 11 Analysis of corrective measures

Description	N	Mean	Std.
Performance appraisal makes me better understand what should be doing.	150	4.03	0.55
Performance appraisal is used as a decision making tool for the increasing my performance.	150	3.77	0.76
Performance appraisal positively influences my individual performance.	150	3.93	0.68
If I don't agree with performance appraisal score, there is appeal process.	150	3.93	0.73
<b>Aggregate Mean</b>	<b>150</b>	<b>3.92</b>	<b>0.68</b>

*Source: own survey (2024)*

Based on the description of table 11, most employees of the Dashen Bank S.C have positive attitude toward the corrective measures given after the performance appraisal process with aggregate mean of 3.92 and Std.0.68.so, the finding reveals that corrective measures are under taken after the execution of performance appraisal system.



### 4.3.8 Employee Motivation

Table 12 Analysis of employee motivation

Description	N	Mean	Std.
I am satisfied with the current performance appraisal system in enhancing my work motivation.	150	3.47	0.85
I am participated in performance appraisal practice process in the Bank.	150	3.60	0.96
The current Performance appraisal system in the bank increases my motivation.	150	3.53	0.92
I am satisfied with the current ongoing feedbacks applied in Dashen Bank	150	3.47	0.92
<b>Aggregate Mean</b>	<b>150</b>	<b>3.52</b>	<b>0.91</b>

*Source: own survey (2024)*

As indicated in the above table 12, it can be noted that employees have shown agreement of employee motivation with an aggregate mean response of 3.52 and Std. Deviation of 0.91.

In general, as indicated in the above table 6,7, 8, 9, 10, 11, the result of descriptive statistic of the variable showed that the average mean value of performance standard, communication, measurement of performance, Compare performance against actual standard, providing feedback, corrective measures are 3.91, 4.00, 4.15, 3.78 ,3.90 and 3.92 respectively. It is obvious that none of the variables scored high mean value.

### 4.4. Inferential Analysis

Inferential analysis is used to generalize about the population parameters based on results obtained from sample. That means it measures the reliability of conclusions about a population that is based on information gathered from a sample of the population (Saunders, 2010). Since inferential analysis doesn't sample everyone in a population, the results often contain some level of uncertainty. To address the objectives of the study, the inferential statistics encompassed correlational test, assumption for the regression model test, and regression analysis of the collected data.

#### 4.4.1. Correlation Test

In order to examine the effect of performance appraisal system on employee motivation, inferential statistics i.e. correlation and regression analysis, have been considered and the results are interpreted as follows.

Correlation analysis is used to measure association and confirms the relationship between the variables. Accordingly Person correlation coefficient was used to examine the magnitude (intensity of relationship -1 to +1) and the direction of the relationships (+ve/-ve) (Zaidatol A. and A. Bagheri, , 2009) Likewise, the significance level, p-value, is labeled as —Sig.¶ in the SPSS output and helped to statistically determine the significance of the results during a hypothesis test. If the significance value is less than 0.05 ( $p < 0.05$ ) then the relationship is statistically significant. If the significance value is greater than 0.05 ( $p > 0.05$ ) then the relationship is not statistically significant.

The values for interpretation are indicated in the table according to (Marczyk, G., DeMatteo, D., & Festinger, D. ., 2005)

Table 13 correlations standard

	Direction		Magnitude
	Positive	Negative	
1	0.01 to 0.30	-0.01 to -0.30	Small
2	0.30 to 0.70	-0.30 to -0.70	Moderate
3	0.70 to 0.90	-0.70 to -0.90	Large
4	0.90 to 1.00	-0.90 to -1.00	Very Large

Table 14 Correlations Result

Correlations

		Performance standard	Communication	Measurement of performance	Compare performance against actual Standard	providing feedback	corrective measure	Employee Motivation
<b>Performance standard</b>	Pearson Correlation	1						
	N	150						
<b>Communication</b>	Pearson Correlation	.761	1					
	Sig. (2-tailed)	.000						
	N	150	150					
<b>Measurement of performance</b>	Pearson Correlation	.819	.926	1				
	Sig. (2-tailed)	.000	.000					
	N	150	150	150				
<b>Compare performance against actual Standard</b>	Pearson Correlation	.681	.757	.708	1			
	Sig. (2-tailed)	.000	.000	.000				
	N	150	150	150	150			
<b>providing feedback</b>	Pearson Correlation	.654	.640	.608	.627	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	150	150	150	150	150		
<b>corrective measure</b>	Pearson Correlation	.696	.872	.815	.641	.669	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
	N	150	150	150	150	150	150	
<b>Employee Motivation</b>	Pearson Correlation	.776	.659	.561	.432	.502	.459	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	150	150

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output (2024)

From the above correlation matrix, the researcher found the following results under each constructs Correlation analyses between employee motivation and the factors affecting employee motivation.

#### 4.4.2 Interpretation of Hypothesis by Correlation Results

##### **H<sub>1</sub>: Performance standard has significant effect on Employee Motivation.**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable *performance standard* showed that, there is a positive relationship between the two variables at the significance level of **(R=0.776), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a strong positive relation between the dependent variable *employee motivation* and independent variable *performance standard*.

##### **H<sub>2</sub>: Communication has significant effect on Employee Motivation.**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable *Communication* showed that, there is a moderate positive relationship between the two variables at the significance level of **(R=0.659), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a moderate positive relation between the dependent variable *employee motivation* and independent variable *Communication*.

##### **H<sub>3</sub>: Measurement of performance significantly affects Employee Motivation.**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable **measurement of performance** showed that, there is a moderate positive relationship between the two variables at the significance level of **(R=0.561), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a moderate positive relation between the dependent variable *employee motivation* and independent variable **measurement of performance**.

**H<sub>4</sub>: Comparing performances against actual standards has significant effect on Employee Motivation.**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable **comparing performances against actual standards** showed that, there is a moderate positive relationship between the two variables at the significance level of **(R=0.432), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a moderate positive relation between the dependent variable *employee motivation* and independent variable **Comparing performances against actual standards**.

**H<sub>5</sub>: Providing Feedback has significant effect on Employee Motivation.**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable **providing feedback** showed that, there is a moderate positive relationship between the two variables at the significance level of **(R=0.502), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a moderate positive relation between the dependent variable *employee motivation* and independent variable **Providing feedback**

**H<sub>6</sub>: Corrective measure has significant effect on Employee Motivation**

- The result of Pearson correlation test between the dependent variable *Employees' Motivation* and the independent variable **Corrective measure** showed that, there is a moderate positive relationship between the two variables at the significance level of **(R=0.459), (P<0.01)**.
- Based on the result obtained from Pearson correlation, there is a moderate positive relation between the dependent variable *employee motivation* and independent variable **Corrective measure**.

### ***Concluding remark on the correlation and hypothesis tested.***

- The researcher tried to consider six factors that could possibly affect the employee motivation in Dashen Bank S.C. These factors include performance standard, communication, measurement of performance, Compare performance against actual standard, providing feedback, corrective measures. To find out the degree of correlation of these factors with the dependent variable ***employees' motivation*** the Pearson correlation factors were used. Accordingly, all the factors were positively associated with employees' motivation using Pearson correlation test and for that all hypothesis were also accepted.

## **4.5 Regression Analysis**

In the application of regression analysis, the first step is to check assumption in order to ensure the appropriateness of data for a regression analysis.

### **4.5.1 Checking the Regression Assumption**

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the independent variable (performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, corrective measure) and the dependent variable that is employee motivation) by using normality, linearity, multi-collinearity and Homoscedasticity.

#### **4.5.1.1. Normality Test**

The use of regression relies heavily on the assumption of normality. This is especially important when drawing conclusions about the broader population based on a smaller sample. When errors are normally distributed, their mean is zero and their variance is constant.

Table 15 Normality test

**Normality Test**

	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Performance standard	150	-.390	.198	-.599	.394
Communication	150	.233	.198	-1.328	.394
Measurement of performance	150	.338	.198	-1.031	.394
Compare performance against actual Standard	150	-.156	.198	-1.370	.394
providing feedback	150	-.561	.198	.305	.394
corrective measure	150	.617	.198	.212	.394
Employee Motivation	150	-.048	.198	-1.228	.394
Valid N (list wise)	150				

Source: SPSS output, 2024

As we have seen from table 15, Test of normality is another assumption to be tested before running regression. The normal distribution is detected based on skewness and kurtosis statistics. As proposed by (George and Marley, 2010) the acceptable range for normality for both statistics is between -2 and +2. Therefore, as depicted in table 16, all variables **‘values of kurtosis and Skewness** are almost within the acceptable range for normality.

**4.5.1.2. Homoscedasticity**

In classical linear regression, it's crucial that the error terms have a constant variance, called homoscedasticity. Hetero-scedasticity—unequal variances—can disrupt results. To check for this, researchers often use scatter plots of standardized residuals versus standardized predicted values. Randomly scattered dots indicate homoscedasticity, while patterns suggest hetero-scedasticity. Figure 5 aligns with homoscedasticity due to its lack of patterns, affirming this assumption's validity for the model.

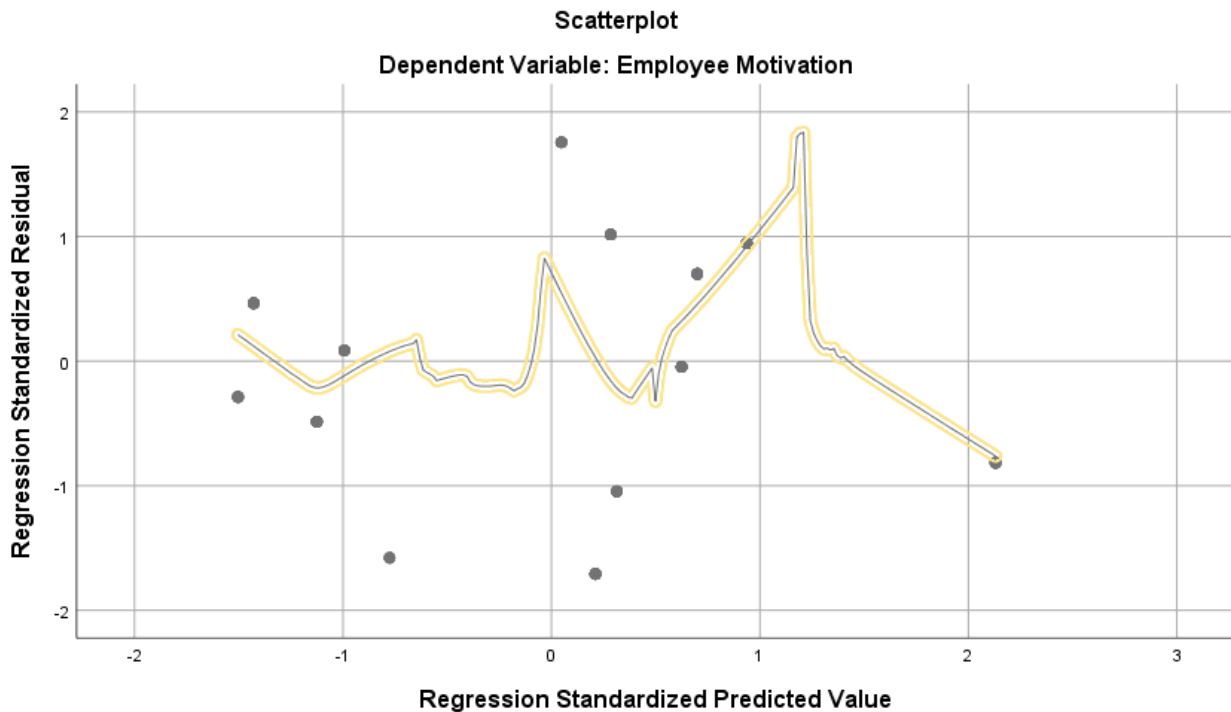


Figure 5 Homoscedacity

Source: SPSS output, 2024

As clearly indicated in the figure 5, the dots shows scattered arrangement of data which shows the data are not concentrated in one place. This shows that data are appropriately distributed to the targeted population. So, Homoscedacity model indicates that the collected data is appropriate for the study.

#### 4.5.1.3. Linearity

Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable. The relationship between the two variables should be linear. This means that when one looks at a scatter plot of scores, it should be seen a straight line (roughly), not a curve. The residuals should have a straight-line relationship with predicted dependent variables scores (Pallant, 2005).



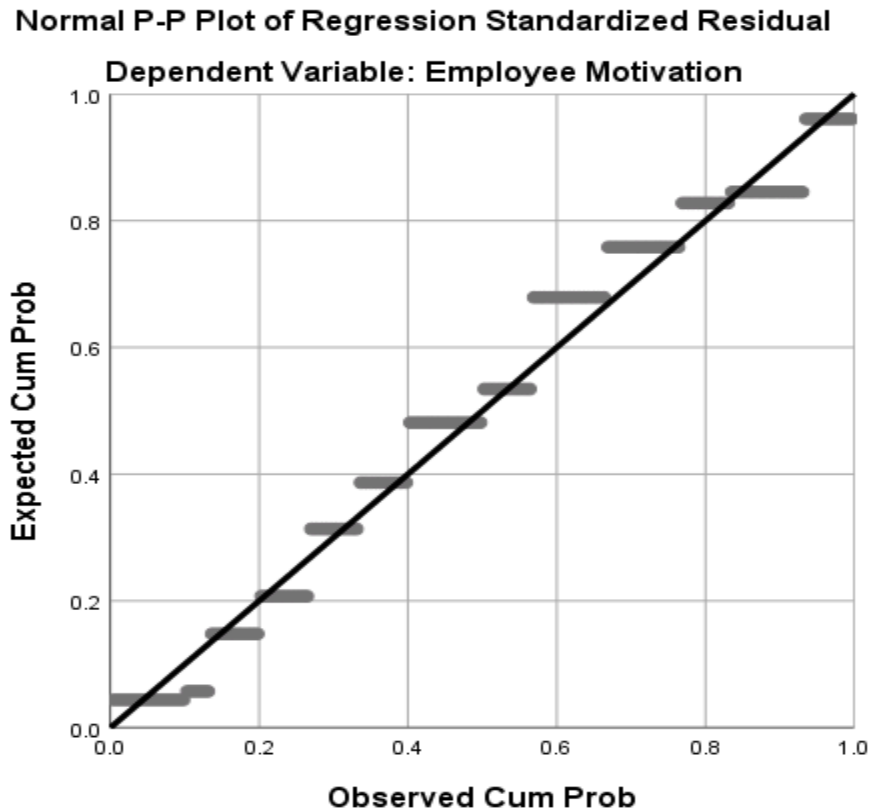


Figure 6 Linearity Test

Source: SPSS output, 2024

#### 4.5.1.4. Multicollinearity

Multiple linear regression analysis was employed in addition to linearity and normality test to examine the significant effect of the independent variables on the dependent variable. This is because the study comprises one dependent variable and two or more independent variables (Kothari C. , 2004). Multicollinearity verifies that the independent variables are not highly correlated with each other, tested using VIF/Variance Inflation Factor and tolerance. If the results of VIF are below 10 and the tolerance value greater than 0.1 then there is no possibility of Multicollinearity among this variables. (Kothari C. , 2004)

Table 16 Multicollinearity Diagnosis

**Coefficients<sup>a</sup>**

Model		Collinearity Statistics	
		Tolerance	VIF
1	Performance standard	.279	3.584
	Communication	.246	4.064
	Measurement of performance	.110	9.107
	Compare performance against actual standard	.370	2.705
	Providing feedback	.447	2.236
	Corrective Measure	.214	4.682

a. Dependent Variable: Employee Motivation

Source: Own survey, 2024

The above table 16 shows that the Multicollinearity tests by computing tolerance values and Variance Inflation Factor (VIF) for each independent variables. In this case, all the tolerance values are greater than 0.10 and VIF is less than 10. Hence, the researcher assumed Multicollinearity was not a problem so that regression analysis can be conducted.

**4.5.2. Multiple Linear Regression Analysis**

Multiple linear regressions are applied to examine the explanatory power of the independent variables (performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure) on dependent variable (Employee Motivation).

**4.5.2.1 Analysis of Variance (ANOVA)**

The key purpose of ANOVA test is to show whether the model is significantly better at predicting the dependent variable, employee motivation or using the means.

Table 17 ANOVA Result

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1501.895	6	250.316	242.781	.000 <sup>b</sup>
	Residual	147.438	143	1.031		
	Total	1649.333	149			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), corrective measure, Compare performance against actual Standard, providing feedback, Performance standard, Measurement of performance, Communication

Source: SPSS output, 2024

The overall statistical acceptability or significance of the model was proved as indicated in the above ANOVA table. Accordingly,

- **Overall Model Significance:** The F-value of 242.781 with a p-value of .000b indicates that the overall regression model is statistically significant.
- This suggests that the model with these variables provides a good fit in explaining and predicting variations in employee motivation, and the relationship between these variables and motivation is not due to random chance.

Table 18 Model Summary

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954 <sup>a</sup>	.911	.907	1.01540

a. Predictors: (Constant), corrective measure, Compare performance against actual Standard, providing feedback, Performance standard, Measurement of performance, Communication

Source: SPSS output, 2024

This high R-square value (91.1%) indicates that the model explains a very large portion of the variance in employee job performance. This means that the six independent variables (performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure) together have a strong influence on employees' perceived motivation.

Considering the context of a linear regression with six independent variables and a sample size of 150, an R-square of 0.991 is generally considered excellent. It suggests a robust model with good predictive power.

This means that the independent variables (performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure) collectively explain a significant amount of variance in the dependent variable (employee motivation).

The independent variables together have a significant collective impact on explaining the variability in employee motivation.

**4.5.3 Beta coefficient**

The coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. Accordingly, the unstandardized beta coefficient ( $\beta$ ) tells us the unique contribution of each factor to the model. A high beta value ( $\beta$ ) and a small P-value ( $<0.05$ ) indicate the predictor variable has made a statistically significance contribution to

the model. On the other hand, a small beta value ( $\beta$ ) and a high P- value ( $p > 0.05$ ) indicate the predictor variable has little or no significant contribution to the model (George and Marley, 2010).

Table 19 Coefficients of variables

**coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.742	.948		14.504	.000
	Performance standard	1.427	.061	1.103	23.305	.000
	Communication	2.986	.141	1.786	21.143	.000
	Measurement of performance	2.523	.162	1.175	15.566	.000
	Compare performance against actual Standard	.738	.065	.469	11.410	.000
	providing feedback	.139	.055	.095	2.542	.012
	corrective measure	1.109	.089	.671	12.401	.000

a. Dependent Variable: Employee Motivation

Source: own survey, 2024

The coefficients of the regression analysis as shown in table 19 illustrate the individual effect of performance appraisal system on employee motivation. Accordingly, it shows the constant beta value ( $\beta$ ) and the p-value of the variables to examine the significance of the hypothesis. The significance level of each variable (P-value) for all independent variables were below 0.05, and their unstandardized coefficients of performance standard, communication, measurement of performance, Compare performance against actual standard, providing feedback and corrective measure are 1.103, 1.786, 1.175, 0.469, 0.095 and 0.671 respectively. The p-value of all the independent variables below 0.05 implies that the independent variables have a significant relationship with the dependent variable. Based on these results, the regression equation that

predicts project performance based on the linear combination of salary, bonus, employee service, insurance, recognition, advancement, sound policy and working environment are as follows:

$$Y=6.765+1.05X_1+0.166X_2+0.312X_3+0.033X_4+0.383X_5+0.113X_6$$

**Where:**

Y=Employee Motivation; X<sub>1</sub> =Performance Standard; X<sub>2</sub> =Communication; X<sub>3</sub> = Measurement of performance; X<sub>4</sub> = Compare performance against actual standard; X<sub>5</sub>= Providing Feedback; X<sub>6</sub>= Corrective Measure, e = error term; X<sub>0</sub> = constant term; β<sub>1, 2, 3,4,5,6</sub> = coefficient terms

The beta coefficients indicate the magnitude and direction of the effect of the independent variables (performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure) on the dependent variable (employee motivation).

- Performance standard:

Beta Coefficient: 1.103

Interpretation: For every one-unit increase in performance standard in performance appraisal system, there is a 1.103 unit increase in employee motivation, holding other variables constant.

- Communication:

Beta Coefficient: 1.786

Interpretation: With every one-unit increase in communication, there is a 1.786 unit increase in employee motivation, holding other variables constant.

- Measurement of performance

Beta Coefficient: 1.175

Interpretation: With every one-unit increase in Measurement of performance, there is a 1.175 unit increase in employee motivation, holding other variables constant

- Compare performance against Actual standards

Beta Coefficient: 0.469

Interpretation: For every one-unit increase in comparing performance against Actual standards, there is an increase of 0.469 units in employee motivation, holding other variables constant.

- providing feedback

Beta Coefficient: 0.095

Interpretation: For every one-unit increase in providing feedback, there is an increase of 0.095 units in employee motivation, holding other variables constant.

- Corrective measure

Beta Coefficient: 0.671

Interpretation: For every one-unit increase in, there is an increase in corrective measure of 0.671 units in employee motivation, holding other variables constant.

#### 4.6 Hypothesis Testing

The six hypotheses which were developed earlier in chapter two were tested based on the regression coefficient data.

Table 20 Summary of Tested Hypothesis

No.	Hypothesis	Beta Coefficient	Significant (P<0.05)	Result
H <sub>1</sub>	Performance standard has significant effect on Employee Motivation.	1.103	<0.01	Accepted
H <sub>2</sub>	Communication has significant effect on Employee Motivation.	1.786	<0.01	Accepted
H <sub>3</sub>	Measurement of performance significantly affects Employee Motivation	1.175	<0.01	Accepted
H <sub>4</sub>	Comparing performances against actual standards has significant effect on Employee Motivation.	0.469	<0.01	Accepted
H <sub>5</sub>	Providing Feedback has significant effect on Employee Motivation.	0.095	<0.01	Accepted
H <sub>6</sub>	Corrective measure has significant effect on Employee Motivation	0.671	<0.01	Accepted

Source: Own survey, 2024

In summary all the six hypotheses are supported by the data, indicating significant effects on employees' motivation due to performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure of employee of Dashen Bank S.C in Western District of Addis Ababa.



## CHAPTER FIVE

### FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, a summary of the study findings, conclusions, recommendations, limitation of the study and future research direction are presented. Based on the key findings and results, conclusions are drawn and recommendations were made. The recommendations included interventions to improve employee motivation in the studied organization and pave the way for further studies. And, finally this chapter ends by notifying direction for future research.

#### 5.1 Summary of Major Findings

The findings derived from the data analyzed by using descriptive statistics, Pearson correlation and regression were presented below:

##### ▪ **Correlation Analysis,**

Employee motivation was found to have a moderate positive correlation with the independent variables studied:

- Performance Standard:  $r=0.776$ ,  $P < 0.05$
- Communication:  $r=0.659$ ,  $P < 0.05$
- Measurement of Performance:  $r=0.561$ ,  $P < 0.05$
- Comparison with Actual Standards:  $r=0.432$ ,  $P < 0.05$
- Providing Feedback:  $r=0.502$ ,  $P < 0.05$
- Corrective Measures:  $r=0.459$ ,  $P < 0.05$

These correlations indicate statistically significant positive relationships between the performance appraisal system and employee motivation.

##### ▪ **Regression Analysis:**

- The regression analysis revealed a high R-square value of 91.1%, indicating that the six independent variables together have a strong influence on employees' perceived motivation.
- This high R-square suggests a robust model with excellent predictive power in the context of a linear regression with six independent variables and a sample size of 150.

▪ **Descriptive Statistics:**

Employees showed agreement with the performance appraisal system having a moderate effect on their motivation, with an aggregate mean response of 3.52 and a standard deviation of 0.91.

The mean values for the independent variables were as follows:

- Performance Standard: 3.91
- Communication: 4.00
- Measurement of Performance: 4.15
- Comparison with Actual Standards: 3.78
- Providing Feedback: 3.90
- Corrective Measures: 3.92

These findings collectively indicate that the performance appraisal system at Dashen Bank S.C. significantly affects employee motivation, supporting the hypotheses proposed in the study.

## **5.2 Conclusion**

The study was intended to examine the effect of performance Appraisal system on employee motivation in the case of Dashen Bank S. C The study was also explored the effect of the six types of performance appraisal system dimensions including performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback, and corrective measure on employee motivation. The study conclusively demonstrates that there is a strong positive correlation between performance appraisal and employee motivation. The findings of the study showed that performance standards, communication, measurement of performance, compare performance against actual standards, providing feedback and corrective measures are significant drivers of employee motivation.

Additionally, findings from other studies, such as those conducted by Elisha (2015) and Ojokuku (2013) support the conclusion that effective performance management practices and appraisal systems can significantly enhance employee productivity and motivation by providing clear expectations, opportunities for feedback, and fair evaluation processes.

### 5.3 Recommendations

Based on the findings of the study, the following practical recommendations are proposed to enhance employee motivation through effective performance appraisal systems:

#### **Establish Strong Performance Standards:**

- Implement clear and strong performance standards to ensure employees understand what is expected of them. This clarity can significantly enhance motivation as employees strive to meet defined goals.

#### **Enhance Communication:**

- Create an open and supportive office environment that encourages effective communication between management and employees. Regular and transparent communication can help employees feel valued and informed, thus boosting motivation.

#### **Fair Measurement of Performance:**

- Ensure that performance measurements are conducted fairly and consistently. Fair assessment practices can build trust and motivate employees to perform better, knowing their efforts are being recognized objectively.

#### **Compare Performance Against Actual Standards:**

- Regularly compare employee performance against established standards. This practice helps identify areas of improvement and provides employees with a clear understanding of how their performance aligns with organizational expectations.

#### **Timely and Fair Feedback:**

- Provide employees with timely and constructive feedback. Fair and timely feedback can help employees understand their strengths and areas for improvement, fostering a culture of continuous development and motivation.

#### **Implement Corrective Measures:**

- Use corrective measures appropriately to address performance issues. Taking corrective actions based on feedback can help employees improve their performance, which in turn enhances motivation.

### **Diversify Performance Appraisal Methods:**

- To reduce bias, consider using multiple performance appraisal methods instead of relying solely on 360-degree appraisal. Employing various rating mechanisms can provide a more comprehensive evaluation of employee performance.

By focusing on these recommendations, organizations like Dashen Bank can improve employee motivation, leading to better performance and achievement of organizational goals. Therefore, Dashen Bank should effectively consider the above determinants by performing more work on those factors to have a prominent and better employee motivation for the attainment of their goal effectively and efficiently.

#### **5.4 Direction for Future Research**

- This study was conducted merely in Dashen Bank and the composition of the sample may not be analogous to the whole Dashen 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 motivation in Dashen 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 that affect employee motivation.

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# ANNEXES

## APPENDIX

### Appendix 1: Research Questionnaire



**St. Mary's University**  
**School of Graduate Studies**  
**Questionnaire to be filled by Employees of Dashen Bank**

Dear Participant,

I am graduate student at St. Mary's University and I am in the process of completing my studies towards a Master of Degree in Business Administration (MBA), and this research study forms part of the Requirements of the qualification. The objective of this thesis is to assess the **effect of Performance Appraisal System on Employee Motivation in Dashen Bank**. Your response is confidential and data from this research will be reported only in the aggregate. Your information will be coded and will remain confidential.

The Questionnaire only takes about 15 minutes to fill. Please take into consideration that the soundness and the validity of the findings will highly depend on your genuine responses.

*Thank you, in advance for your kind cooperation and timely response.*

Sincerely,

**Seid Mohammed**

**Mobile:** 0910308368, **E-mail:** seidhawa2004@gmail.com

**PART I: Demographic Information**

(Please put ☺ mark using the check box that best describes you).

- 1. Gender:  Male  Female
- 2. Age between:  23-29  30-39  40-49  >50
- 3. Current Work Position  Officer  Senior Officer  Managerial  Other
- 4. Qualification:  Diploma  Degree  Masters & above
- 5. Experience in Dashen Bank:  Up to 1 year  1 – 3  4 – 6  above 7 years

**PART II: Questions on Performance Appraisal System (PAS)**

Please indicate your responses to each of the following statements regarding **performance standard, communication, measurement of performance, compare performance against actual standard, providing feedback and corrective measures** by using a sign of (√) in the appropriate answer box according to the following code of definitions on your level of argument. 1= Strongly Disagree (SD) 2= Disagree (D) 3= Neutral (N) 4= Agree (A) 5= Strongly Agree (SA)      **PAS=Performance Appraisal System**

No	Statement on PAS	SD(1)	D(2)	N(3)	A(4)	SA(5)
<b>I</b>	<b>Performance Standard</b>					
1	The company measures my performance based on its set standard.					
2	The company uses appropriate standard tool for appraising my performance.					
3	I am confident because the appraiser knows enough about the PA to appraise me.					

4	I am satisfied with the way the appraiser conducted my performance review.					
<b>II</b>	<b>Communication</b>					
1	The PAS provide an opportunity to communicate with the supervisors to facilitate my job performance.					
2	There is a two way communication with both managers and employees for expressing their views.					
3	The PAS provide a scope for communicating the business between employees effectively.					
<b>IV</b>	<b>Measurement of Performance</b>					
1	My individual performance has link with organizational performance.					
2	Progress reviews are conducted to compare the predetermined standards of employees.					
3	My work plan is reviewed during monitoring process.					
<b>V</b>	<b>Compare performance against Actual standards</b>					
1	I trust the PAS in my organization is rational and fair.					
2	I feel fairly treated in every way in the PAS.					
3	I get fair feedback from my supervisor and proportion reward to my performance					
4	I evaluated fairly according to the setting standards without subjectively and biased.					
<b>VI</b>	<b>Providing feedback</b>					
1	I receive timely performance feedback beside the annual performance review.					
2	The information provided by my supervisor during my performance feedback is accurate.					

3	The performance feedbacks I receive help me to improve my job performance.					
4	The feedback I get helps me to gain insight about my weakness and strength.					
<b>VI</b>	<b>Corrective measures</b>					
<b>I</b>						
1	Performance appraisal makes me better understand what should be doing.					
2	Performance appraisal is used as a decision making tool for the increasing my performance.					
3	Performance appraisal positively influences my individual performance.					
4	If I don't agree with performance appraisal score, there is appeal process.					

**PART III: Performance Appraisal Vs Employee Motivation**

No.	Statements on Employee Motivation	SD(1)	D(2)	N(3)	A(4)	SA(5)
1	I am satisfied with the current performance appraisal system in enhancing my work motivation.					
2	I am participated in performance appraisal practice process in the Bank.					
3	The current Performance appraisal system in the bank increases my motivation.					
4	I am satisfied with the current ongoing feedbacks applied in Dashen Bank					

**Part IV: Open Ended Questions**

1. What are the challenges of Performance appraisal system (PAS) in your organization?

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2. What should be improved regarding performance appraisal process of your company?

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*Thank you for your Participation!!!*