



St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION (MBA)

**THE EFFECT OF PERFORMANCE APPRAISAL ON
EMPLOYEE PERFORMANCE IN THE CASE OF
COMMERCIAL BANK OF ETHIOPIA**

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
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BY

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SCHOOL OF GRADUATE STUDIES

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DECLARATION

I, Yodit Tadesse hereby declare that a thesis work entitled “the effect of performance appraisal on the employee performance with reference to Commercial Bank Ethiopia” submitted to the School of Graduate Studies of St. Mary’s University in Partial Fulfillment of the Requirements for the Degree of Masters in Business Administration (MBA) is a record of original work done by me during 2023 academic year under the supervision and guidance of Essayas T. (PhD) and it has not formed the basis for the award of any Degree/Diploma/Associate ship/Fellowship or other similar title of any candidate of any university.

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St. Mary’s University, Addis Ababa June, 2023

ENDORSEMENT

This is to certify that the thesis entitled " the effect of performance appraisal on the employee performance with reference to Commercial Bank Ethiopia" submitted to the School of Graduate Studies of St. Mary's University in Partial Fulfillment of the Requirements for the Degree of Masters in Business Administration (MBA) is a record of original research carried out by Yodit Tadesse, under my supervision, and no part of the thesis has been submitted for any other degree or diploma. The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend it to be accepted as fulfilling the thesis requirements.

Essayas T. (PhD)

Advisor



Signature

St. Mary's University, Addis Ababa June, 2023

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Abbreviations

ANOVA	Analysis of the Variance
CBE.	Commercial Bank of Ethiopia
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factor

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Abstract

The study aimed to investigate the effect of performance appraisal on the effect of performance appraisal on employee performance in the case of commercial bank of Ethiopia. The study used descriptive and explanatory research design to address the purpose of the study. Primary and secondary data sources were used to gather relevant information from the respondents. The researcher used a multistage sampling technique to select 384 samples out of 14,185 populations from East Addis Ababa District, North Addis Ababa District, South Addis Ababa District and West Addis Ababa District. The data was analyzed quantitative using descriptive and inferential statistics. The descriptive statistics of the study analyzed using frequency, percentage, mean and standard deviation. On the other hand, the inferential statistics of the study analyzed using Pearson correlation coefficient and multiple linear regressions. The finding of the study depicted that, there is a positive association between the dependent variable employee's performance and all independent variables. In the other hand the coefficient of regression was found that communication of performance standards has a significant positive effect on the employee's performance ($\beta = 0.279$, $p < 0.000$) and higher predictable values than the other independent variables. The study concludes that increased employees performance is frequently argued to be the single most important driver of organizations' long-term performance. Therefore, in order to improve employees' performance the company's should intensively work on employee's appraisal.

Keywords: *Employee performance, Performance appraisal, establishing standards of performance, communicating of performance standards, measuring actual performance, Comparison Actual Performance with Standards and initiating corrective action.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

According to Montebello (2003), performance management is a continual process for identifying, measuring, and improving performance in organisations by connecting each employee's performance and goals to the overarching mission and objectives of the company. According to Dessler (2003), the performance management process includes creating goals, hiring and placing personnel, evaluating their performance, paying them appropriately, and providing them with opportunities for growth (Menalegn, 2008).

The process should be carried out methodically because the main goal of performance reviews is to ensure that staff is carrying out their duties successfully. Some claim that the organization's top management should first establish performance standards, then communicate those standards to the workforce, assess the workforce's actual performance, compare it to the established standards, and then, if necessary, take corrective action (Matthis and Jackson, 2008). Many authors, including (Aquinas, 2006; Daoanis, 2012; Mamoria & Rao, 2012), concurred that the process of performance appraisal often entails the following fundamental steps:

(1) Conducting job analysis; (2) establishing standards of performance; (3) communicating of performance standards to employee, (4) measuring actual performance; (5) comparison actual performance with standards; and (6) Initiating corrective action, if necessary.

Performance criteria, or what the employer expects from the employee in terms of outputs, accomplishments, and skills, are established before the appraisal ever begins. According to Streetwick (2005), Aswathapa (2007), Decenzo and Robbins (2010), Joshi (2013), and Abraham (2020), the standards stated should be understandable and objective enough to be measured. Performance requirements aren't arbitrary, claims (Leonard, 2019). Because the performance standards are employed to carry out the company's objective and vision, these requirements are required for every employment role. Through job descriptions, employee handbooks, and operating manuals, performance requirements are set. Standards may evolve in response to shifting business requirements.

Setting performance standards alone is insufficient. The personnel should be informed of the specified criteria. Although corporate manuals contain written and distributed standards, there should also be a distinct onboarding procedure that outlines the organisation's expectations. Employees are reminded at regular meetings that certain basic standards must be met in order to retain employment or be considered for raises or promotions (Leonard, 2019). Feedback from the staff to the manager is essential for good communication since it enables the manager to make sure that the information was conveyed as planned (Decenzo and Robbins, 2010; Joshi, 2013).

It is simple to measure real performance because the requirements are clearly established. Leaders keep tabs on and frequently assess how their teams are doing. When the schedules are created, attendance may be evaluated every week. Based on how it affects business achievement, business executives need to decide how frequently certain performance requirements are reviewed (Leonard, 2019). Actual performance is measured through personal observation, statistical reports, oral reports, and written reports (Joshi, 2013).

Real performance can be easily measured because the requirements are well-defined. Leaders monitor and constantly evaluate the performance of their teams. The creation of the schedules may include a weekly evaluation of attendance. Business executives must determine how frequently specific performance requirements are assessed based on how it affects business achievement (Leonard, 2019). Personal observation, statistical reports, oral reports, and written reports are all used to gauge actual performance (Joshi, 2013).

Discussing the results of the appraisal with the employee is the first step in identifying the employee's strengths and weaknesses in order to enhance performance (Joshi, 2013). For performance evaluations to be effective, employees must review them. Review the standard expectations with each employee individually and offer comments on what has been done effectively and where there is room for development. A professional, upbeat tone of voice should be used while speaking to staff and all comments should be written in objective words. Use performance review sessions to not only provide criticism to employees but also to solicit their opinions about their own work performance, career

aspirations, and corporate protocol (Leonard, 2019).

The sixth stage, which is to start corrective action, can be immediate or simple. The basic one addresses the causes and a plan of action for future performance evaluations, while the instant one addresses the symptoms (Aswathapa, 2007; Joshi, 2013, Abraham, 2020). Create more expansive objectives centred on the success of employees and offer detailed action plans where change is required. Asking employees to include personal aspirations and goals in the development plan will encourage them to invest in the company's success. Employees should accept the plan's terms by signing it, including the action plans. Make a copy for the employee's file after it has been signed, and a second copy for the HR department's records (Leonard, 2019).

This study was created to evaluate performance appraisal practices and problems at the Commercial Bank of Ethiopia in order to understand the significance of performance appraisal to a specific organization. Since it began operations, Ethiopia's commercial bank has conducted performance reviews. Despite the practice being used by the bank, some disgruntled employee's claim that it is only done for show and that promotions are not based on evaluation results. As a result, the researcher is motivated to carry out a study on the impact of performance reviews on employee performance in the context of an Ethiopian commercial bank.

1.2 Statement of the Problem

The World Health Organization's and the civil service's overall human resource management functions both heavily rely on the performance appraisal system (PAS). The performance appraisal process is increasingly being used (Meyer, 2001), usually as a result of an organizational aim to influence employee behaviors and attitudes and, ultimately, organizational performance. This happens as a result of setting goals at the start of the evaluation cycle, which gives employees specific performance objectives, tracking performance throughout the evaluation cycle (which can be used to help underperformers), and reinforcing good performance by offering rewards, typically in the form of higher pay.

Traditional performance evaluations are one-sided processes where the manager or supervisor has very little involvement in any part of the process, from setting the standards to assessing and assigning scores to the employees (Dessler, 2003). Performance evaluation is a systematic procedure used by organisations to include both individuals and groups of employees in enhancing organisational effectiveness in the pursuit of their missions and objectives. A motivational tool is performance evaluation. One's effectiveness can be assessed by looking at how well they do in hitting their targets. This effectively encourages workers to seek for better employment and aids in their improvement of performance going forward (Hodgetts, 2007).

The impact of the performance appraisal method on employee performance in the administrative staff at Hawassa University is examined by Tekalegn et al. (2016). The results showed that the effectiveness of the performance appraisal system can be improved by establishing performance standards, communicating established standards, comparing actual performance to standards, discussing the appraisal and providing feedback, and indicating corrective action with employee performance.

Employee satisfaction with the performance appraisal system was analyzed by Kiflu and Wu in 2023 (using the Commercial Bank of Ethiopia North Addis Ababa District as a case study). Since employee satisfaction is closely related to productivity, profitability, staff retention, and customer satisfaction, the researcher came to the conclusion that employee satisfaction is an important organizational goal. From the finding of this study and in combination with those obtained in previous research; suggest that feedback, employee participation and perceived fairness in the performance appraisal play a vital role for employee satisfaction towards the performance appraisal system.

In this study the researcher inspired to fill the knowledge – practical gap which problem occurred and complaints presented by the bank's staff at different levels following to the bank failed to follow the procedures (planning, execution, assessment and review) typically requires for performance appraisal and unable to use the performance appraisal for improving and encouraging employees due to evaluators are not be aware of the factors that can cause problems with the process.

The goal of the performance appraisal is to collect important data and measurements about employee behavior and business operations that will help management improve employee morale, working conditions, productivity, and overall organizational effectiveness (Raman & Shah, 2012). Effective managers understand that performance review systems are a tool for managing employees rather than a tool for measuring them, according to Grote (2002). Performance evaluations may be used to inspire, guide, and develop subordinates. Obisi (2011) established a link between subordinate involvement in the performance review process and employee satisfaction and adoption of the system. Employee involvement is a crucial component of intrinsic motivational tactics that support employee development. According to Roberts (2003), when employees are included in the assessment process, they are given a voice and given the ability to contest any ratings or feedback that they find to be unsatisfactory. Greater employee involvement is known to foster a cooperative environment that promotes the growth of a coaching relationship while lowering tension, defensive behavior, and rater-rate conflict that could be brought on by the evaluation.

According to Pettijohn, Taylor, and Keillor (2001), employees' opinions of job satisfaction and organizational commitment are strongly influenced by participation and fairness beliefs. They come to the conclusion that Performance Appraisal Systems can be utilized to increase employee commitment to the organization, job satisfaction, and motivation. As a result, the researcher used this as the research gap in this study.

Even though several significant studies in Ethiopia by (Almas Sabir, (2017); Eniye, (2007); Aschalew, (2015); Abdurezak and Tigist, (2019); Genet, (2017); Wondwosen, (2016); Solomon, (2016); Abeba, (2016); Muluwork, (2018)) have used the different variables to evaluate employee performance appraisal practice but it affects the result on the limited scope and under the influence of few variables.

This study by taking this as a literature gap to investigate the effect of the performance appraisal on the employees performance in Commercial Bank of Ethiopia by using the conceptual model identified by (Tekalegn, Solomon and Gebre, (2016); Teshome (2014); Nigatu, (2007); Gethanu (2013); Bereket, (2021); Tekle, (2021); Kiflu and Wu, (2023) the appraisal process involves five process of performance appraisal namely establishing standards of performance, communicating of performance standards to employee,

measuring actual performance, comparison actual performance with standards; and Initiating corrective action. In this the researcher is effect of the performance appraisal on the employees performance in Commercial Bank of Ethiopia each of the phases are used the process of performance appraisal commonly involves (establishing standards of performance, communicating of performance standards to employee, measuring actual performance, comparison actual performance with standards; and initiating corrective action. The gaps of the above studies were area gaps which aren't conducted in the study area. At the same time, the researcher believed that the performance appraisal of employees was different from organization to organization. Therefore, this study addressed the following research questions.

1.3 Research Questions

The study addressed the following specific objectives;

- What is the effect of established performance standards on employee performance in Commercial Bank of Ethiopia staff?
- How is communicating performance expectation affect the employee performance at Commercial Bank of Ethiopia?
- What is the effect of measuring actual performance on employee performance of Commercial Bank of Ethiopia staff?
- What is the effect of discussion on appraisal result and giving feedback on employee performance at Commercial Bank of Ethiopia?
- What is the effect indicating the corrective actions on employee performance at Commercial Bank of Ethiopia.

1.4 Objectives of the Study

1.4.1 General Objective

The major objective of the study is to investigating the effect of the performance appraisal on the employees' performance in Commercial Bank of Ethiopia.

1.4.2 Specific Objectives

The specific objectives of the study are:

- To evaluate the established performance standards in organization will lead to better employee performance of Commercial Bank of Ethiopia staff.
- To assess how communicating performance expectation to employee within organization has effect on better employee performance at Commercial Bank of Ethiopia.
- To identify how measuring actual performance of employee based on established standards has effect on employee performance of Commercial Bank of Ethiopia staff.
- To investigate the discussion on appraisal result and giving feedback has relation to better employee performance at Commercial Bank of Ethiopia.
- To find out the effect between indicating the corrective actions and employee performance at Commercial Bank of Ethiopia.

1.5 Significance of the Study

The study has practical, policy and empirical significance.

Practical significance: It may help the management to take administrative decisions such as, pay increase, promotion, placement, transfer and lay off to help supervisors know their subordinates and gives an opportunity to the subordinates to know where they stand with the boss.

Policy Significance: the finding of the study may help for policy makers to design new policies and strategies in order to improve the performance of the employees in the long run. It may also help policy makers to finding alternative solutions for the problems face in the performance appraisal processes. This can be successful through design clear standard to evaluate fair employee performance system in the organization.

Empirical Significance: it uses as a step towards the researcher's future educational career who wants to conduct study in this area. The study may also notably contribute to other studies is made in different other sectors by providing the picture of the factors determining the performance appraisal practice and their effect on the providing information to management about employee's performance by serving as a reference point.

1.6. Scope of the Study

The scope of the study was restricted on the investigating the effect of the performance

appraisal on the employees' performance in Commercial Bank of Ethiopia. The study was used the five process of performance appraisal namely establishing standards of performance, communicating of performance standards to employee, measuring actual performance, comparison actual performance with standards; and Initiating corrective action. This study was delimited to from five branches from each four districts of CBE in Addis Ababa. For the purpose of these study five branches was selected by stratified sampling technique and used quantitative approach. The data collection was conducted from April to May 2023.

1.7 Organization of the Study

This study was organized from five chapters. The first part of the study consist the background, statement of the problem, Objectives, Research questions, significance and limitations of the study. The second chapter was discussed the relevance of the study in the existing literature. The third part of the study was discussed the methods and procedures used in the study. The chapter was comprised the presentation of applied techniques for data collection and research methodology. It also contained a discussion of techniques used for data analysis as well as the data collection tools. Chapter four of this study discussed the results of the study. Data's has been presented statistically in order to discover the relationship of variable involved in the study as said with the data. The last chapter covers: the summary of the major findings, conclusions of the study, and the recommendations.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1 Theoretical Literature

Every organization must have a performance evaluation system. Performance evaluation is now a tool for fostering employee progress and business expansion. People are hired by organizations to carry out certain tasks, and in exchange, they are compensated for their work or services. In organizations, performance appraisal can be understood, related to, and used in several ways. When performance reviews are broken down into categories, each category is known to encourage everyone to carry out their responsibilities to the fullest extent; as a result, members may be most ideally inspired to participate in performance reviews. In order for employees to improve their job performance, a performance appraisal must have a positive incentive and require their participation, according to Vasset et al. (2012).

Planning the appraisal process is a crucial step in ensuring that an organization achieves its goals. Other important topics include employee development, improvements, promotions, assignments to managerial positions, punishment and persuasion, salary increases, staff performance reviews, and identifying the educational needs of the workforce. As a result, an assessment can be seen as a crucial element in identifying an employee's talents and capabilities, and its outcomes can inform them of advancements, objectives, and goals.

Performance evaluation has emerged as a technique for enhancing organisational growth and career development, according to Anso (2014). Employee performance is detected, assessed, and improved throughout the organisation through a consistent procedure called performance appraisal. Appraisal of performance is used to make sure that the organisational system is understood by the workforce and is effectively implemented by management. The performance of an employee on the job must be evaluated on a regular basis in order to compare it to the specified standards expected of the staff. Employees must understand exactly what is expected of them, how their performance was evaluated,

and how the organisation would inform them of the results.

A key component of the overall human resource management process at work is the performance appraisal system. Meyer (2001) claims that the performance review method is being used more frequently. Boyel (2007) pointed out that organizations typically leverage increased use to influence employee behaviours, attitudes, and ultimately organizational performance. This is due to the establishment of goals at the start of the evaluation cycle, which gives employees specific performance objectives, the monitoring of performance throughout the evaluation cycle, which can be used to improve poor performance, and the reinforcement of good performance through the use of available incentives, such as pay rises.

The calibre of the performance appraisals' occurrence determined our potential to achieve these favourable results. When the supervisor is required to make personal assessments of an employee's performance, as well as when agreed-upon performance goals are created, feedback is given, and reports are given, performance appraisals are a complex procedure with room for variety. Development, career advancement, recruitment, placement, incentives, and sanctions are all tied to it together with other human resource management systems and procedures.

The idea of performance is related to the organization's accomplishment of the established goals, which must be attained through the efforts of each employee. Performance and productivity are two concepts that are frequently mixed together. Performance is a broader notion that encompasses both the financial and operational aspects of a firm. Productivity is a concept that is more closely tied to the ratio between input and output. Performance is defined as excellence and includes elements that are not related to costs, such as speed, flexibility, quality, and delivery, as well as productivity and profitability. According to Tangen (2005), in terms of performance, productivity, and profitability, efficiency and effectiveness are two words that are fairly cross-functional. Performance was described by the Business Dictionary (2015) as the fulfilment of a task judged against certain established standards of completeness, cost, accuracy, and speed. A contract's definition of performance is the accomplishment of an obligation in a way that absolves the performer of all obligations under the agreement. According to Folan & Browne

(2005), organisational performance has an impact on the decisions made by businesses and the extent to which they achieve their stated goals as well as their personal aims through their strategies and policies.

According to Jones & George (2009), organisational performance is the indicator of how successfully a manager uses the resources of the organisation to meet all of the stakeholders' needs while also achieving the organization's goals. According to certain other authors, such as Richard, Deviney, Yip, and Johnson (2009), organisational performance refers to three key aspects of company outcomes.

(1) Performance on the product market, including sales, market share, etc.; (2) Performance on the financial front, including profits, return on assets (ROA), return on investment (ROI), etc. (3) Shareholders' return, including economic value added (EVA) and total shareholder return (TSR). According to Selden and Sowa (2004), organisational performance is intended to suggest that organisations must achieve specific objectives that are both explicitly and implicitly stated. The expectations and benefits at hand inspire an individual or group of individuals to make an attempt to fulfil the requirements and goals.

The process of determining how employees may improve their performances and communicating with them is known as performance evaluation. According to Martinez (2001), performance management primarily focuses on evaluating, tracking, and improving employee performance because it is a major factor in the organization's overall success. Performance management, according to Dessler (2008), is the process that combines goal-setting, performance evaluation, and development into a single common system with the purpose of ensuring that the employees' performance completely supports the company's strategic goals.

According to Baron and Armstrong (2007), performance management is an integrated and strategic approach to improving organisational effectiveness by improving employee performance as well as by strengthening the capabilities of both individuals and teams. This definition from Baron and Armstrong (2007) is used in the context of this study because it incorporates worker effectiveness and performance.

2.1.1 Objectives of Performance Appraisal

There are several reasons to conduct performance reviews. Dixit (2007) reports that an analysis of organisational practises reveals that organisations use performance appraisal exercises to achieve a number of goals, including salary increases, promotions, the identification of training needs, the provision of employee feedback, and the pressure to perform better. Information regarding work performance is what performance appraisals are really there for. This information can be used for a variety of purposes, which can typically be categorised under two primary headings, administrative purposes and developmental purposes, according to Gomez-Mejia, et al. (2001) (quoted by S. Govender, 2006). Individual development goals can be served via performance appraisals for developmental objectives by:

1. Providing employees with feedback on strengths and weaknesses
2. Aiding career planning and development and
3. Providing inputs for personal remedial interventions, for example, referral of an Employee Assistance Program.

According to Chris (2011), performance evaluations are seen as a very important and necessary tool for an organisation because the data they produce is very helpful in making decisions on different people elements, such promotions and merit raises. The success of personnel sub-divisions including recruiting, selection, training, and remuneration can be evaluated using performance measures, which also link information collection and decision-making processes. If reliable performance data are accessible, management may maintain uniform promotion and pay practises across the entire system with timely, precise, objective, standardised, and relevant data. Elmer Burack and Smith (1977). Performance appraisal also has other objectives, which McGregor (1957) says includes:

- It provides systematic judgment to the organization to back up salary increases

➤ It is a means of telling a subordinate how he is doing and suggesting needed changes in his behavior, attitude and skill or job knowledge. It lets him know where he stands with the boss. It is being used as a base for coaching and counseling the individual by the superior.

These functions of performance evaluation are quite significant. However, according to J. Edmonstone (1996), these duties can only be carried out when a systematic performance appraisal is conducted and a number of pertinent judgments are made objectively in light of the performance appraisal's findings. Managers must comprehend the different complexities involved in performance appraisal, such as techniques of performance appraisal, issues in performance appraisal, and solutions to these problems, in order to be methodical and objective in performance appraisal. As a result, evaluation can function automatically as a control device.

Setting goals and objectives is still the key component of performance reviews, although Rogers (1999) (quoted by J. Mooney, 2009) emphasises that this activity is still poorly done in practise, with little thought given to how closely organisational and personal goals should line up.

2.1.1.1 Primary objectives of a Performance Appraisal

The main goal of a performance review is to make sure that each employee's abilities, expertise, and interests are utilised to the fullest extent possible. This deceptively straightforward remark seems to be entirely intended at the employees, at first. In actuality, companies that prioritise maximising each employee's skills and interests have more motivated employees, which in turn boosts productivity and boosts the company's competitive edge. Ultimately, everyone wins. 2008; Diane Arthur.

2.1.1.2 Secondary Objectives of a Performance Appraisal

The goals of a performance appraisal go beyond the main subject mentioned above. Additionally, they help to improve employer-employee relations. This is achieved by improving the overall working relationship between managers and employees, creating a shared understanding of performance expectations, goals, and measured criteria, encouraging employees to speak openly about performance-related issues, encouraging managers to reflect on their own strengths and areas for development, and assisting managers in providing coaching and counselling to their staff as necessary. By providing relevant information for choices about pay raises, promotions, and disciplinary action, performance evaluations also help HR accomplish crucial jobs more successfully (Diane Arthur, 2008).

2.1.2 Reason for Appraisal

As quoted on Gerald Cole, (2005) there are several reasons why appraisals are carried out in organizations. These may be summarized as follows

- To identify an individual's current level of job performance, employee strengths and weaknesses, training & development needs and potential performance.
- To enable employees to improve their performance
- To provide information for succession planning and basis for rewarding employees in relation to their contribution to organization goals

- To motivate individuals.

Varsha Dixit (2007) asserts that performance evaluations are crucial for succession and career planning. Performance reviews are crucial for improving employee morale, attitudes, and behaviors, communicating organizational goals, and building good interactions between management and employees. A formal, documented, ongoing evaluation of a person's performance is provided through a performance appraisal, along with a development strategy.

Annual performance appraisals enable management and monitoring of standards, agreeing expectations and objectives, delegation of responsibilities and tasks. In short, performance and job appraisals are vital for managing the performance of people and organizations.

2.1.3 Challenges and Problems of a Performance Appraisal System

Every organization, formally or informally, conducts performance appraisal, according to V. Dixit's explanation from 2007. There are some obstacles that prevent an efficient assessment system. Some of them are more noticeable than others, and it is important to identify them so that appropriate steps can be made to minimize their impact

- Distortion – distortions occur in the form of biasness and errors in making the evaluation. For instance, an appraisal system can have a distortion like halo effect, central tendency, first impression, horn effect and stereotyping.
- Poor appraisal forms – the appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
 - The rating scale may be quite vague and unclear
 - The rating form may ignore important aspects of job performance
 - The rating form may contain additional, irrelevant performance dimensions
 - The form may be too long and complex
 - Lack of rater preparedness – the raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee's is going to be evaluated by a rater who has limited functional specialization in that area.

The rater may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the rater may not be competent to do the evaluation owing to a poor self-managing and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

2.1.3.1 Absence of Clear Explanation on Performance Standards

According to Plunkett 1996 (quoted by S. Govender, 2006), supervisors will not be able or capable of making and sharing acceptable appraisals unless they clearly identify and properly convey the standards of performance when gathering information and making observations of their subordinates.

2.1.3.2 Standards which are not tailored to the Nature of Jobs

Standards must be job-related, realistic, and difficult, according to Dessler (1997) (quoted by S. Govender, 2006), in order to have the greatest potential to motivate. Standards lacking objective evaluation criteria will lead raters to make irrational assumptions or judgements about performance.

2.1.3.3 Rating Error

Additionally, supervisors frequently use different standards with different employees, which leads to inconsistent, unreliable, and invalid evaluations (Folger et al., 1992). Raters' evaluations are frequently subjectively biased by their cognitive and motivational states (DeNisi and Williams, 1988; Longenecker et al., 1987). By giving performance evaluation a sense of rational objectivity, a focus on goal achievement helps to ensure that the system is fair (Mount, 1984).

2.1.3.4 Lack of Clarity on How Performance is going to be measured

According to goal-setting theory, clear and intelligible performance goals and evaluation criteria are necessary to drive the appraiser since without them, the appraiser would not know what to strive for (Locke and Latham, 2002). This information may help to lessen employment ambiguity, which can be stressful for some people.

2.1.3.5 Lack of Well -Designed Process and Procedures

Many of the issues in PA, according to Beer (1987), are caused by the evaluation system itself, including the goals it is meant to achieve, the administrative framework in which it is included, and the forms and procedures that make up the system. The performance system may also be held accountable if the evaluation criteria are subpar, the method utilised is laborious, or the system is more about show than function. The evaluation may not be favourably received if the criteria employed are mainly focused on activities rather than output (results), or on personality qualities rather than performance (Pan and Li, 2006; Ivancevich, 2004).

As cited by Zachary Dechev (2010), Walters (1995) outline the main Performance Appraisal challenges in the performance appraisal process:

- **Determining the evaluation criteria:** Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.
- **Lack of competence:** Evaluators should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the training necessary to carry out the appraisal process objectively.
- **Errors in rating and evaluation:** Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.
- **Resistance:** The appraisal process may face resistance from the employees because of the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well as the process of appraisal. The standards should be clearly communicated and every employee should be made aware of what exactly is expected from them.

2.1.4 Performance Appraisal Process

According to DeCenzo, (2010) performance appraisal process includes the following six steps.

1. Establish performance standards with employees.
2. Communicate expectations.
3. Measure actual performance.
4. Compare actual performance with standards.
5. Discuss the appraisal with the employee.
6. If necessary, initiate corrective action.

2.1.5 Establish Performance Standards

According to Werther & Davis (1996), setting performance standards in line with the strategic goals of the organization is the first step in the appraisal process. These performance standards ought to be understandable and objective enough to be measured. Standards are too frequently articulated using ambiguous terms that don't really tell us anything, such "a full day's work" or "a good job." What is a decent job or a full day's work? A supervisor's expectations for employee performance must be crystal clear in his or her mind so that, at a later time, the supervisor could share them with the employees, come to an understanding on specific job performance measures, and evaluate the employees' performance in light of these predetermined standards. Based on the job descriptions, performance standards for employees are defined.

Performance criteria are first established in accordance with the strategic objectives of the organization. The company's strategic orientation and, more especially, the job analysis and job description, should be the starting points for these. Additionally, these performance standards must to be understandable and objective enough to be measured. Standards are frequently expressed in cryptic terms that don't provide much information, like "a full day's work" or "a good job." What is a decent job or a full day's work? A supervisor must be able to convey her expectations for an employee's work performance to them later, come to an agreement on specific job performance metrics, and evaluate their performance in light of these measurements.

Discussion surrounds performance standards. It is the first action in a successful performance review process. A common performance criteria requires an hour-long meeting between an appraiser and an appraisee (Pichler, 2012). There are four main items on the agenda for this meeting:

The agenda for this meeting includes four major activities:

1. Coming to agreement on the individual's key job responsibilities
2. Developing a common understanding of the goals and objectives that need to be achieved
3. Identifying the most important competencies that the individual must display in doing the job

4. Creating an appropriate individual development plan (Sommer and Kulkarni, 2012).

One of the primary reasons that performance appraisal discussions are so awkward is that they are conducted in a vacuum. If the manager and the individual haven't had a good discussion about requirements and expectations, if they haven't talked about goals, if they haven't had a meaningful dialogue about core competencies, then it was impossible for the manager to honestly and ethically assess how well the individual has done in meeting those not discussed objectives (Yusof and Shamsuri, 2006).

An effective performance appraisal system is built on performance standards. The manager has the opportunity to share her expectations and what she considers to be truly important in the employee's employment during the performance-standards discussion. It provides the person with a clear operating charter so that he can do his duties knowing that he is working on the tasks that are of the highest priority and acting in accordance with the organization's expectations (Newstrom, 2007). Your company's performance appraisal form should be the main resource in the performance-standards meeting. The form should be used from the beginning to establish the job expectations because it was utilised months later to evaluate how successfully the employee performed the job (Newstrom, 2007).

Some managers object that performance standards takes too much time; that people already know what the organization expects of them, and if they don't well, just read the job description.

These managers are wrong. How much time is involved? The actual conversation typically lasts between 45 and an hour (Martin, 2010). Before the meeting, there will likely be some time for preparation, and there will also be some additional time after the meeting to do any necessary paperwork. The manager may invest the most time during such time in "people-management" tasks throughout the entire year. Minute spent establishing standards could save hours spent correcting and responding to a distressed reaction during a discussion about performance reviews (Pichler, 2012). The manager is in charge of six main tasks. Before the meeting with the person, four of them will work on something. During the meeting, the other two will complete their tasks (Latham, 2007).

Review the organization's mission statement, or vision and values, and your own department's goals.

1. Read the individual's job description. Think about the goals and objectives the person needs to achieve in the upcoming appraisal period.
2. Identify the most important competencies that you expect the individual to demonstrate in performing the job.
3. Determine what you consider to be fully successful performance in each area
4. Discuss and come to agreement with the individual on the most important competencies, key position responsibilities, and goals.
5. Discuss and come to agreement on the individual's development plan (Latham, 2007).

Effective performance standards require a lot of preparation before the meeting itself. Before the meeting, the manager and the individual should each go over the documents that will give them a broad perspective, including the job description, the company's mission statement, the corporate vision and values statement, if one exists, the organization's strategic goals for the coming year, and the departmental or division goals (Field, 2005). The management must consider the objectives the employee must meet over the next 12 months, as well as the critical abilities or conduct the manager anticipates the employee demonstrating in her performance (Field, 2005).

The management should create departmental goals now, if they haven't already, before the standards meeting starts (Karimi, 2007). Once the manager has determined the department's overall goals, he can ask each employee to establish personal goals that will contribute to achieving the department's overall goal.

Job descriptions that would serve as models of excellence are uncommon in organisations. However, regardless of how good or poor your job descriptions are, they might be important sources of information to point out areas where the person has to focus attention over the course of the year (Gupta and Kumar, 2013).

The manager will talk about the department's and the company's overall goals during the meeting. He must collaborate with the person to establish significant, quantifiable, and worthwhile goals that will advance the mission of the division and the organisation. As a result, it's crucial to arrive at the meeting with a list of particular areas where the person should think about making goals (Gupta and Kumar, 2013). The manager and the subordinate will then go over the most crucial aspects of the job and discuss which duties are most vital for success. The goals and key responsibilities comprise the “what” of the job: the results, outcomes, or products. But just producing results isn’t the complete story. The other part is the “how” of the job: the behaviors, competencies, or performance factors (Karimi, 2007).

The appraiser and appraisee will need to discuss how the job was done once the objectives and duties have been determined and reviewed. A review of the basic competences that the company wants all employees to exhibit will enable the management and the employee to determine which ones are especially crucial for that person's particular role. It is up to the manager to discuss what behaviours, abilities, and traits she was looking for in the individual's performance if the firm hasn't formally established competencies. The meeting should start with the manager having planned out how she wants the task to be completed (Jawahar, 2006).

They will also need to explain about how the person's performance was evaluated in addition to the how and what of the job competencies and results. The manager needs to specify what performance level she will deem "fully successful." "Boss, what will I need to do to get a good rating?" the subordinate queries.

In order to respond, the manager must be ready (Jawahar, 2006). The manager's final pre-meeting task is to consider the subordinate's developmental requirements. The manager should be ready with suggestions on areas where development will pay dividends, even if it is the individual's obligation to create and carry out a development plan (Dessler, 2013). If the manager is well prepared, then forty-five to sixty minutes should be sufficient to discuss key responsibilities, set goals, discuss competencies, talk about how performance was measured, and re-view the individual’s ideas about plans for development (Dessler, 2013).

The Employee's Responsibilities for Performance Standards

While the manager has six important responsibilities in the standards phase of performance appraisal, the individual actually has seven. Again, most of the responsibilities involve activities that happen before the actual meeting (Cole, 2002).

Before the Meeting

1. Review the organization's mission statement and the employee own department's goals.
2. Review your job description and determine your critical responsibilities.
3. Think about the job and identify the most important goals the employee feel the employee should accomplish in the upcoming appraisal period.
4. Think about what the employee consider fully successful performance in each area.
5. Discuss and come to agreement with your appraiser on the most important competencies for your job, key position responsibilities, and goals.
6. Discuss and come to agreement on your personal development plans.
7. Make full notes on a working copy of the performance appraisal form. Keep the original of the form and give a copy to the appraiser (Cole, 2002).

The person should perform the same kind of advance preparation as the manager is required to conduct before the meeting: analyse the most crucial aspects of your profession, select a few potential objectives to go over during the standards session, think about the crucial skills you'll need to succeed at work, and analyse how your performance was evaluated. Development standards, however, are one area where the person is mostly in charge (Caroline, 2011).

The person needs to consider their future goals and the development efforts necessary to achieve them before the encounter. The person is the main driver in identifying developmental areas and requirements, even if the manager is primarily responsible for defining the goals, duties, and competences he expects from the employee (Caroline, 2011).

The individual should consider the resources required to carry out the plan in addition to selecting the overall developmental area that will receive attention over the course of the following twelve months (Brown, et al. 2010). The manager and the employee will collaborate throughout the meeting to comprehend and agree upon the crucial tasks and duties, the competences, and the employee's development goals for the future year. The performance appraisal form itself is the greatest instrument to use for keeping track of all of these agreements and understandings. The person should utilize a blank copy of the form and write notes on the objectives, skills, and obligations for which she was held accountable throughout the year. In that way, both parties to the performance transaction will have a full record of the expectations (Greg and Kenneth, 2009).

2.1.6 Communicate Expectations/ Communicate Standards to Employees

Once performance standards have been defined, it is crucial to communicate these expectations to staff members; they shouldn't have to rely on their own assumptions. Too many positions have ambiguous performance expectations, and the issue is made worse when these expectations are established independently and without employee input. Simply passing along information from a manager to an employee is not successful communication; it takes place on a two-way street. Employees must be aware of the standards used to evaluate their performance for the appraisal system to be effective. As Werther and Davis (1996) also noted, in order to hold employees accountable, the standards must be in writing and employees must be made aware of them prior to the review. Providing the opportunity for employees to clearly understand the performance standards will enhance their motivation and commitment towards their jobs.

Once the performance-standards phase has been finished, the plan must be put into action. The second stage of a successful performance appraisal process is to communicate standards to employees. Getting the job done and attaining the goals is the crucial duty of the individual in Phase II. There are two main duties for the appraiser: setting up motivating conditions and addressing and resolving any performance issues. To ensure that performance is on track, a successful performance assessment system involves a midterm review in addition to communicating standards to staff (Frankfurt, 2011). The Manager's Responsibilities in the Communicate standards to employees

In essence, the manager has two main tasks when communicating standards to staff. The first step is to establish the circumstances that inspire people to achieve at a high level. The second is to address performance issues as soon as they occur (Frankfurt, 2011). In the stage of the process where standards are communicated to employees, the manager also has certain additional duties. As follows: They are:

1. Maintaining performance records
2. Updating objectives as conditions change
3. Providing feedback and coaching for success
4. Providing development experiences and opportunities
5. Reinforcing effective behavior
6. Conducting a midterm review meeting (Cole, 2002).

Every manager must keep track of how well the staff members in their department are performing by maintaining performance records. Because of this, it's critical to keep accurate records of each person's performance throughout the entire year (Latham, 2007). Changing goals into conditions Change happens over the course of a year, when projects are finished and the person moves on to the following demand. The initial assumptions and specifications for some projects were changed. Some people were left behind (Latham, 2007).

The initiatives, goals, and objectives that the manager and the employee decided upon during the performance-standards meeting need to be monitored on a regular basis. Few things make a manager feel more uncomfortable than having a subordinate ask about an initiative that was shelved months earlier at a higher level (Marquardt, 2004). Until someone informs them otherwise, most people assume they are doing a good job and fulfilling the organization's expectations. This is why it is important to provide feedback and coaching for success. One of the traits of a successful manager is their regular and continual feedback. People ought to be able to monitor their performance without relying on boss input. However, effective managers continuously communicate their objectives to their team members (Marquardt, 2004).

Providing Developmental Experiences and Opportunities is about giving people the chance to grow through challenging experiences, successful completion of the demands posed by those challenging experiences, and reflection on what went well and what they would do differently in a future situation. By purposely placing their employees in settings that would compel them to learn and grow, managers can hasten their employees' professional development (Martin, 2010).

How to Improve Successful Behaviour One of the earliest comprehensive studies on what inspires workers to perform well years ago concentrated on showcasing a worker's strengths and encouraging him to use his highly developed skills even more. Since the initial study was conducted fifty years ago, little has changed (Martin, 2010).

Performance is virtually always improved by playing to one's strengths rather than attempting to cover up inadequacies. Of course, issues with people need to be located and fixed. However, managers typically see greater rewards when they highlight the things that employees are doing very well rather than focus on their shortcomings (Paul and Laurel, 2010). carrying out a midterm review A more formal mid-cycle evaluation is a potent tool for ensuring that even while continuing, informal feedback is necessary for optimal job performance.

The Employee's Responsibilities in the Communicate standards to employees

The employee has one primary responsibility: Get the job done. There are, however, several others:

- Solicit performance feedback and coaching.
- Communicate openly with your appraiser on progress and problems in achieving objectives.
- Update objectives as conditions change.
- Complete the development plan.
- Keep track of achievements and accomplishments.
- Actively participate in the midterm review meeting.
- Solicit performance feedback and coaching. While the manager is responsible for providing performance feedback, the employee is also responsible for requesting it (Pichler, 2012). Communicate openly with the appraiser on progress and problems in achieving objectives. "No news is good news." That's not true if an organization is going to be effective. It's important for employees to let managers know when they are running into obstacles, when deadlines are in danger, when customers aren't happy. And it's important for managers to respond appropriately when bad news is announced (Pichler, 2012).

How to Improve Successful Behaviour One of the earliest comprehensive studies on what inspires workers to perform well years ago concentrated on showcasing a worker's strengths and encouraging him to use his highly developed skills even more. Since the initial study was conducted fifty years ago, little has changed (Martin, 2010).

Jack Welch blew up the plant early in his career as he was experimenting with a new chemical process. At the time, he had just been designated plant manager of a new General Electric plastics plant. An explosion caused by a spark tore the plant's roof off. Despite the significant damage, nobody was hurt (Marquardt, 2004).

Once the employee and management have approved the growth plan, the employee is in charge of seeing that it is carried out successfully. The individual is also accountable for informing her supervisor of any substantial alterations to the growth plan, just as it is crucial to alert the manager to any changes in objectives (Aguinis, 2007). Keep track of successes and accomplishments. Just as the boss is accountable for monitoring employee performance and maintaining performance logs, so do individuals who must keep track of their own successes and failures (Aguinis, 2007).

At the beginning of the assessment stage of the performance appraisal process, many managers request from their subordinates a list of their successes. It was simple to respond to this request if the person is conscientious about keeping track of what they have achieved over the year. Keeping thorough records of one's own performance is also beneficial in the event that the manager and the employee have a big disagreement during the discussion of the performance review. The likelihood that she will be successful in negotiating an increase in the final rating increases if she can identify a number of real accomplishments that the supervisor missed when comparing actual performance (Armstrong, 2009).

Attend the midterm review meeting and take part in it. People can gain significant benefits from managers conducting mid-cycle reviews by learning exactly how their performance is viewed before it is formally recorded (and becomes a part of the permanent personnel record) at the time of the final year-end review (Armstrong, 2009).

2.1.7 Measure Actual Performance

Performance measurement is the third step in the assessment process. We need details about it in order to ascertain what the actual performance is. How and what we measure should be a concern of ours. Personal observation, statistical reports, oral reports, and written reports are the four main types of information that managers utilize to gauge actual performance. The number of input sources and the likelihood of receiving accurate information grow when they are combined, albeit each has advantages and disadvantages of its own. The evaluation process depends probably more on what we measure than on how we measure. The wrong criteria can be chosen, and the results can be disastrous and dysfunctional.

And to a large part, what we measure dictates what individuals in the organization will try to excel in. The performance that is measured must be consistent with the standards that both parties agreed upon in the first two rounds of the assessment process. The third stage of a successful performance evaluation system is to measure real performance. In essence, measuring actual performance is assessing how well the employee performed their duties and completing the appraisal form (Cardy and Leonard, 2011).

An efficient appraisal system places performance evaluation among its final tasks, not its first. Performance standards, the hour-long talk between the manager and the employee in which they discuss the goals, competences, objectives, and essential job tasks, should be the first step in the process, as was previously mentioned. Performance execution is the next stage of a successful performance appraisal system. For the person, this entails completing the task; for the management, it means fostering an environment that inspires and addresses performance issues (Gilley et al., 2009).

Managers frequently gripe that it's challenging to assess someone's performance. They typically struggle because they didn't do a good job of meeting performance standards at the start of the year. It's challenging to assess performance at the end of the year if a manager hasn't had a standard talk at that point (Gilley et al., 2009).

The Manager's Responsibilities for Measure actual performance

The manager has eight primary responsibilities in the measure actual performance phase:

1. Review the original list of competencies, goals, objectives, and key position responsibilities.
2. Prepare a preliminary assessment of the employee's performance over the entire year.
3. Review the individual's list of accomplishments and the self-appraisal.
4. Prepare the final assessment of the employee's performance.
5. Write the official performance appraisal using the appraisal form.
6. Review the appraisal with the manager and obtain concurrence.
7. Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period.
8. Prepare for the comparison of actual performance meeting (Karimi, 2007).

Review the initial list of skills, objectives, goals, and primary job tasks. The management and the employee addressed the aims and objectives to be accomplished as well as the competencies the employee would be required to demonstrate in carrying out her job responsibilities at the beginning of the year (Gupta and Kumar, 2013).

The subordinate should have created a copy of the notes from this conversation and given it to the manager thereafter on a blank copy of the appraisal form. The subordinate operates throughout the year under the terms of this document, confident that she is carrying out her duties in accordance with organizational expectations and focusing on the most important tasks (Gupta and Kumar, 2013).

The manager's first action at the end of the year is to get out the performance evaluation form with the notes. It has ideally been updated and altered throughout the year, including notes on projects that have been finished and new goals. Reviewing the form is still the best method to begin the assessment process by looking at what the two parties agreed upon at the beginning of the year, even if it hasn't been updated (Field, 2005).

Construct a rough evaluation of the employee's performance for the entire year. It's a good idea to take a blank copy of the form and make some preliminary comments before writing the official appraisal (Victoria, 2012). Start by making some quick notes on the areas where you remember the person's performance as particularly strong or weak, regardless of whether you're using a paper and pencil technique or composing the appraisal on your computer. Determine which assessments the form requires that you don't have data for right away. Write down a few very rough conclusions to help you begin thinking about the complete evaluation (Yusof & Shamsuri, 2006).

Examine the person's self-evaluation and list of accomplishments. Asking each person whose performance you'll be evaluating to give a list of their year's most significant accomplishments and successes is a fantastic idea. You can ask the person to complete a thorough self-appraisal using a blank copy of the form in addition to the list of accomplishments (Victoria, 2012).

Create the official performance appraisal using the appraisal form and the employee's final performance evaluation. The measure real performance phase of the performance review's most crucial task is this one. You can fulfil this responsibility to a standard that anyone reviewing your performance would describe as far exceeding expectations by following the advice and recommendations in this chapter (Yee and Chen, 2010).

Review the evaluation with the manager and get their approval. It's a good idea to assess any appraisal with the immediate supervisor before having the performance appraisal talk, regardless of whether the business requires you to acquire the boss's approval before doing so (Gupta and Kumar, 2013).

For the upcoming evaluation period, determine if any changes are required to the employee's key position responsibilities, goals, objectives, competences, and development plans. The performance appraisal meeting included a historical review of the person's performance over the previous 12 months (Gupta and Kumar, 2013). Another section will concentrate on what has to be done differently during the following 12 months. Even though it's a good idea to hold a separate performance-standards discussion a few days or a week after the performance appraisal chat, it's a good idea to be prepared to discuss changes you anticipate in the person's performance over the course of the following year during the meeting (Frankfurt, 2011). Get ready for the meeting to compare actual performance. Discussions about performance reviews are among the most delicate and difficult of all the sessions that managers attend. The talk was more relaxed and productive the better job you did of preparing. 2011; Frankfurt).

The Employee's Responsibilities in the Measure actual performance

Both the manager and the individual have responsibilities in the measure actual performance phase of the process, just as they do in each of the other phases. The individual has six key responsibilities:

1. Review the personal performance over the year.
2. Assess the performance and accomplishments against the development plan.
3. Prepare a list of accomplishments and achievements and send it to your appraiser.
4. Write a self-appraisal using the appraisal form.

5. Consider any revisions needed to your key position responsibilities, goals, objectives, competencies, and development plans for the next comparison of actual performance cycle.

6. Prepare for the comparison of actual performance meeting (Gupta and Kumar, 2013).

Review your own performance for the past year. The manager is not the only one who must conduct performance reviews. Every person should periodically check in with themselves to see how they are doing. A formal performance appraisal system has the advantage of requiring this helpful review at least once a year (Gupta & Kumar, 2013).

Compare your efforts and achievements to the development strategy. The focus of the manager's evaluation is on how successfully the employee met the goals, objectives, and competencies of the position. The person must follow suit. How effectively the person did in carrying out the development plans that were created at the beginning of the year is another issue that needs special attention (Armstrong and Baron, 2005). To the appraiser, give a list of your accomplishments and successes. The smart person in every organisation always maintains track of her key successes and achievements (and ensures that the management is aware of them), regardless of whether the manager asks the person to produce an accomplishments list or not (Armstrong and Baron, 2005).

Utilising the appraisal form, write a self-appraisal. Again, it's a good idea for the person to make a self-appraisal before sitting down for the formal comparison of actual performance, regardless of whether the organisation mandates it as part of the performance evaluation process (Bowling, 2007).

For the upcoming comparison of actual performance cycle, take into account any necessary adjustments to the main role, duties, goals, objectives, competencies, and development plans. It is possible to identify aspects of the job that have changed since the initial performance-standards meeting by making an accomplishments list and writing a self-appraisal. Certain tasks have been completed; certain objectives have been met or dropped. Important work duties have changed in importance. The yearly performance review is the perfect moment to address how the job changed in the next year and to acknowledge job changes (Ayaz, 2010).

Get ready for the meeting to compare actual performance. Each person should ask herself: What am I hoping to gain from this genuine performance comparison? What are the inquiries for which I'm looking for answers? What are the achievements you want your supervisor to know about over the years? What must I do in order to be a strong contender the following time a promotion is available? (Bowling, 2007).

2.1.8 Compare Actual Performance with Standards

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal. After evaluating and measuring employees' job performance, it is necessary to compare it with the set standard to know whether there is deviation or not. When one compares performance with the standard either performance match standards or performance does not match standards.

A list and description of the performance standards should be included in the performance appraisal form. It should also describe the various performance levels and the extent to which they are acceptable in comparison to the performance standard. As the manager moves on to the next phase, discussing the appraisal, this offers a useful feedback tool (Werther and Davis, 1996).

A successful performance appraisal system's final step is a comparison of actual performance. It involves the employee and the manager debating the manager's performance review document (Armstrong, 2009). The comparison of actual performance meetings marks both the conclusion and the start of the performance appraisal process. The meeting starts off with a review of the individual's performance over the previous year and an assessment of how well the development plan has worked. The appraiser and the individual agreed to meet again at a later time to select a date for developing the plan for the following year's development, goals, and objectives (Ayaz, 2010). The Manager's responsibility in the Comparison of actual performance Phase.

The manager has seven primary responsibilities:

1. Review the agenda and time frame for meeting.
2. Review and discuss the performance appraisal you wrote and the individual's achievements list.
3. Listen and respond appropriately to the individual's perceptions and feedback.
4. Discuss the assessment of the individual's performance against objectives over the entire cycle, especially:
 - Strengths/achievements
 - Weaknesses/deficiencies
 - Development needs
5. Ensure full understanding of the core message
6. Conclude the comparison of actual performance discussion by scheduling the performance-standards meeting to plan next year's performance.
7. Handle all administrative requirements (Armstrong, 2009).

Review the meeting's schedule and agenda. No matter how effectively the procedure is integrated into the organization or how well the employee has performed, performance appraisal sessions will always contain some unpleasantness. By going over the logistics first, you may quickly put the person at ease and start the meeting on the right foot (Boswell and Boudreau, 2002).

Review and talk about the person's accomplishments as well as the performance evaluation you submitted. The meeting's primary focus is on this. The manager discusses the performance evaluation with the employee, as well as any self-evaluations that may have been performed.

Perceptions and feedback from the individual should be heard and appropriately addressed (Brown et al., 2010). Instead of being a monologue, the conversation must be a dialogue. After outlining her reasoning for each judgment and evaluation she used in preparing the appraisal, the manager must listen to the employee's responses and suggestions. The goal is for both parties to leave the meeting having agreed about how well the individual performed. Only if the management pays attention to the employee's comments can that take place (Brown et al., 2010).

Talk about your evaluation of the person's performance relative to the cycle's goals. The conversation will centre on three important topics. The person's strengths that they demonstrated during the year come first and foremost. The areas where performance has to be enhanced are your second area of concentration. Finally, evaluate the areas the person needs to focus on to advance their skills and future progress (Victoria, 2012). The key message that the managers want to convey during the performance review conversation is always decided before writing a performance appraisal. The manager must ensure that the employee comprehends the main message being sent during the comparison of actual performance (Yee and Chen, 2010).

Schedule the performance-standards meeting to examine the comparison of actual performance and to plan the performance for the following year. The comparison of real performance phase's main goal is to talk about the person's performance during the appraisal period. After a thorough conversation between the manager and employee, it is advisable to schedule a follow-up meeting to address the performance standards, objectives, and development plans for the upcoming year (Yee and Chen, 2010).

Take care of all administrative obligations since nearly all performance review processes require the person to sign a copy of the form. Most let the person leave remarks on how the review affected her. There are some evaluation processes that include an appeals mechanism. There can also be other administrative problems. Going over the administrative requirements to ensure that all have been met is a comfortable method to conclude the talk (Victoria, 2012).

The Employee's Responsibilities in the Comparison of actual performance Phase Just as the manager has responsibilities, so too does the individual.

There are six primary ones:

1. Discuss the achievements list you wrote.
2. Discuss what you achieved against your development plan.
3. Compare your assessment of your own performance with that of your appraiser.
4. Seek clarification for any assessments or examples that are un-clear.
5. Consider how the appraiser's feedback will influence your performance plan for the upcoming appraisal period.

6. Listen and respond appropriately to the appraiser's perceptions and feedback (Rowland and Hall, 2012).

Talk about the accomplishments list you created. To start the measure real performance phase, wise managers ask each of their subordinates to compile a list of their successes. The goal of this list is to give the management a record of the accomplishments that the employee felt were most significant during the assessment period. To ensure that the appraiser has accurately taken into account his accomplishments over the review period, the person should check his accomplishments list before the meeting (Sommer and Kulkarni, 2012).

Talk about your accomplishments in relation to your development plan. The person is in charge of coming up with and carrying out the development plan. It is best to examine what was done and where growth efforts should be concentrated in the following year during the comparison of actual performance conversation (Rowland and Hall, 2012).

Compare your personal and your appraiser's evaluations of your performance. Even when an individual's performance hasn't been all that great, the management and the individual often reach roughly the same conclusions about its quality (Rowland and Hall, 2012). However, it's crucial that the appraiser and the participant discuss every aspect of the appraisal, even those on which they both agree. And in those cases where there is a significant difference between the manager's assessment of the quality of performance and the individual's feelings about her own level of performance, it is critical that there be a common understanding (Sommer and Kulkarni, 2012).

Any judgments or instances that are confusing should be further explained. The manager's discussion on the employee's performance all too frequently leaves the individual with the impression that she should just listen in silence (Yee and Chen, 2010). That is incorrect. Although the manager will ultimately decide on the performance rating, it is only reasonable for the employee to anticipate that the manager will support each of his judgments with specific examples and illustrations of the performance in question (Caroline, 2011).

Consider how the appraiser's feedback will influence your performance plan for the upcoming appraisal period. Once the individual has a good understanding of the manager's assessment of her performance and the thought processes the manager used to determine the rating level assigned the individual needs to put that information to use (Yee and Chen, 2010). As far as the manager is concerned, is it better to miss a deadline to ensure the highest possible quality, or is it better to meet every deadline even if a little quality has to be sacrificed? The more the individual can learn about the way the manager goes about assessing performance, the more she can use that information to not only do a better job, but be seen by her boss as an outstanding performer.

Listen and respond appropriately to the appraiser's perceptions and feedback. The comparison of actual performance is a discussion, not a lecture. Both parties must be active participants for them and the organization to get all of the potential benefit from the process (Caroline, 2011).

2.1.9 Discuss the Appraisal with the Employee

One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance.

Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences.

Employees must actively engage in the formulation and implementation of performance standards for the assessment system to be effective. Employee engagement, commitment to their work, and support of the assessment feedback will all increase as a result of involvement. In other words, employees must comprehend it, feel that it is fair, and be sufficiently focused on their jobs to care about the outcomes.

Employees should be fully aware that the ultimate goal of the performance appraisal system is to improve employee performance, in order to increase both the attainment of organizational goals and the happiness of the employee (Glueck, 1978).

2.1.10. Initiate Corrective Act on if Necessary

The identification of appropriate remedial action is the appraisal's last stage. Corrective action comes in two flavours: one is quick and focuses mostly on symptoms, while the other is fundamental and explores reasons. Immediate corrective action is frequently referred to as "putting out fires," but fundamental corrective action addresses the root cause of deviation and aims to permanently address the difference. Immediate action corrects issues like errors in procedures and poor training and immediately puts the employee back on track.

Basic corrective action focuses on the how and why of performance deviations from expected performance standards and offers employee training or development opportunities to boost output. In other cases, appraisers may justifiably argue that they don't have enough time to make even the most basic corrections and must instead settle for constantly putting out fires. Good managers are aware that spending a little effort today on problem analysis may stop the problem from getting worse tomorrow.

2.2 Employee Performance

Employee job activities and how well they are carried out have an impact on how well an employee performs at work. It is evaluated whenever it is thought appropriate to help employers discover areas of high and low performance and offer areas for development, rather than just annually or quarterly. Work performance is defined by Campbell (1990) as an employee's behavior or actions that are pertinent to the objectives of the organization. The workforce is a crucial resource without which an organization would fail. Without personnel, other resources like equipment, supplies, and money are useless in an organizational environment and unable to create anything. The most prized and significant resource that is crucial to an organization's operations is its workforce.

According to Armstrong and Baron (2005), a deliberate and integrated strategy to enhancing the performance and expanding the capacities of people and larger teams was necessary to achieve sustainable organizational success. Employee performance is a complex interplay of abilities, attitudes, knowledge, skills, and results.

Increasing employee performance and coordinating team and individual efforts with organizational aims and objectives are two performance management goals. It makes good business sense to improve employee performance since it can provide an organization a competitive edge. According to Lawler, Porter, and Vroom (2009), the formula for performance = f (ability motivation) shows that performance is a function of both ability and motivation. Ability and motivation have multiplicative rather than additive effects on performance. To perform well, people require both skill and motivation, and if neither is present, there was no effective performance (Armstrong 2010). The productivity of an organization is influenced by how well employees accomplish the job-related tasks that are required of them.

Many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify possible areas for improvement (Daft and Marcic 2007).

2.3 Effect of Performance Appraisal on Employee Engagement

Employee engagement refers to a person's involvement with, enthusiasm for, and satisfaction with their employment. The traits of a work environment that "attract and retain the most productive employees" are included. A high level of employee involvement, devotion to the organisation, and job happiness are common descriptors of employee engagement. Employees that are engaged value, take pride in, and value their work. In comparison to employees who are less engaged, they are more inclined to support one another and the organization's success, take on more responsibility, put more effort into their work, share information with coworkers, and stay with the company. Employee motivation and cooperation are linked to their performance once they receive a positive performance review, which motivates them to work towards the organization's goals (Vishal Gupta, Sushil Kumar, 2013).

Employee engagement and related variables are also linked to employee performance. Graham Lowe (2012) examined how job, work environment, management and organizational factors influence levels of engagement among healthcare employees. He found that a high level of employee engagement is related to retention, patient centered care, patient safety culture and employees' positive assessments of the quality of care or services provided by their team. He concluded that hospital employees provide a unique opportunity to explore the dynamics of employee engagement in healthcare Vishal Gupta, Sushil Kumar (2013) explored the relationship between perceptions of performance appraisal fairness and employee engagement in the Indian business context. The relationships between justice perceptions and engagement were analyzed and they found that there is a significant positive association between distributive and informational justice dimensions and employee engagement. They concluded that the distributive and informational justice perceptions during a performance appraisal session lead to enhanced engagement among employees.

Roger David Hall and Caroline Ann Rowland (2013) looked into how appraisal methods affect long-term organizational effectiveness. It contends that discretionary effort is becoming a more important component of competitive advantage. Perceived injustice in both the processes and the results of appraisals threatens to impair commitment and, as a result, sustained performance as the emphasis of appraisals has switched from a developmental to a performance focus. They discovered that unfairness in both procedures and incentives is commonly created by assessment. Additionally, it causes conflicts between promoting involvement and regulating performance.

2.4 Effect of Performance Appraisal on Employees' Productivity

Productivity is the objective or goal that a company wants its employees to achieve. Only when workers are happy with their work and feel accountable for the work they accomplish can they function successfully and efficiently. This can be accomplished by encouraging the personnel both financially and non-financially.

Performance evaluation aids in understanding an employee's enthusiasm for their work and aids in supplying them with the tools or resources they need to do their jobs well. It inspires them and encourages them to work hard to realize the organization's objective.

Gerald T.et.al, (2009) examined whether employee incentive plans lead to increased productivity. The authors also implemented a structured open-ended questionnaire to over 100 employees of Biloxi and used five-point Likert Type scale for analyzing the data. They found that statistically significant variation in attitudes does exist toward the Biloxi merit bonus system as a stimulus of employee performance.

They argued that any disagreements between managers and employees on the function and goals of the performance review process might not be all that serious. They said that it appears that workers themselves agree with the idea that merit-based advancement and promotion should be the norm.

Evrin Ustunluo (2009) investigated if improving productivity is a result of the appraisal system. They emphasised that even if few teachers had received inadequate pay, the majority of teachers always or frequently uphold their professional and teaching obligations. In terms of planning, organization, communication, collaboration, professional competence, leadership, and tasks, they recommended that administration, heads of programme, and coordinators always and frequently assume their respective roles. They came to the conclusion that the assessment method contributed to better role and responsibility definition, the review and determination of job descriptions, the establishment of organizational goals and objectives, as well as to continuous learning, team building, and increased productivity.

By relating employees' perceptions of fair performance appraisal and organizational Justice-considered practices to job satisfaction and work performance, Ari Warokka et al. (2012) examined the research on the impact of performance appraisal on productivity and employees. They came to the conclusion that production was unaffected by employees' perceptions of organizational fairness (distributive, procedural, and interactional justice) in the performance appraisal system.

Cook and Crossman (2004) claim that the issue of rating inflation also seems to be connected to the rater's personality. Managers who rate highly on the personality component agreeableness exaggerate their ratings substantially more than those who rate poorly on the dimension do in circumstances where low supervisor ratings are likely to lead to conflict (Smither and Walker, 2004).

This seems to be the result of individuals who are really amiable.

Rating seems to be especially motivated to stay out of uncomfortable circumstances. As a result, they have a tendency to give themselves higher ratings when they know they will have to work with the employee in the future and they are aware that the employee thinks highly of them (Anderson, 2002). It also implies that there ought to be a section in appraiser training that aids raters in acquiring conflict resolution abilities. According to Dessler (2000), the question of rater self-efficacy relates to whether the employee thinks they can handle future disagreement effectively.

Accordingly, increasing the rater's confidence in their ability to handle potential conflict resulting from a disgruntled unsatisfactory employee performance may lessen their desire to inflate their ratings. Measuring employee performance accurately and objectively is the most challenging aspect of the performance appraisal policy (Bond & Fox, 2007). The evaluation of the primary duties finished and the successes of the employee in relation to the objectives established at the beginning of the period are included in measuring performance (Rudman, 2003).

2.5 Empirical Review

The study by Tekalegn, et al. (2016) investigates the impact of the employee performance appraisal process on the administrative staff at Hawassa University. The results showed that the effectiveness of the performance appraisal system can be improved by establishing performance standards, communicating established standards, comparing actual performance to standards, discussing the appraisal and providing feedback, and indicating corrective action with employee performance.

Employee satisfaction with the performance appraisal method was analyzed by Kiflu Chekol and Wu Lie in 2023 (using the Commercial Bank of Ethiopia North Addis Ababa District as a case study). Since employee satisfaction is closely related to productivity, profitability, staff retention, and customer satisfaction, the researcher came to the conclusion that employee satisfaction is an important organizational goal. The results of this study, when combined with those from earlier studies, imply that employee engagement, feedback, and perceived fairness in the performance appraisal process all have a significant impact on how satisfied employees are with the performance appraisal system.

The primary goal of Almas Sabir's (2017) essay is to draw attention to certain components of performance evaluation in the workplace because it is a crucial component of an organization's human resources. The crucial requirements for evaluating personnel in an organisation will also be a focus of this presentation. It has also been discussed how to understand the fair and consistent incentive program's practical faults.

The study by Eniye (2007) addresses the connection between PA and its function in the organization while looking at methodologies, processes, and the duties of PA. To gather the required data for the study, questionnaires and interviews were used. Utilizing a variety of statistical techniques, including tables, graphs, and percentages, the data collected has been analyzed. Employees themselves, their immediate supervisor, the supervisor after them in queue, a review committee, and senior management all participate in the evaluation process. The frequency and timing of evaluations, ignorance of the evaluation's goal and purpose, and a lack of training and conversation about the evaluation procedure are the main issues found in the data collected for the company. Recommendations are made based on the issues.

The Aschalew (2015) research evaluating Dashen Bank S.C.'s method of employee performance appraisal. Recent studies have shifted away from looking at rater reliability and rating scales to looking at employee attitudes towards performance reviews as indications of system efficiency and satisfaction. The study's findings showed how respondents viewed the system of performance reviews. The majority of employees (63.33%) agreed that they were unaware of the purpose of the performance appraisal system, while 6.66% claimed it was for bonus and promotion, 20% claimed it was for salary increases, and 3.33% claimed it was for training and development.

The objective of appraisal should be made clear to all employees before appraisal take place and employees should accept it In general the overall view of management should advocate the accuracy of measurement and take corrective action in case of unfair ratings. With this context the management effort to the betterment of the appraisal system will result in reliable performance measurement.

Abdurezak and Tigist's research, published in 2019, gathered data from the Bishoftu district region to evaluate the EPMS practices and problems at Commercial Bank of Ethiopia (CBE), a major commercial bank in the nation. The study concentrated on the application of the PMS process, identifying the goal and difficulties encountered when implementing performance management in the case organization. The study has proven that CBE has solid practices in establishing the purpose, vision, and values, as well as generating a strategy map.

However, the study found that there is a lack of employee understanding and training regarding the objectives, requirements, and implications of PM (performance management); there is also a lack of system continuity; there is a lack of regular feedback and coaching to improve performance; and there is subjectivity in supervisor evaluation. The study only included empirical data that was gathered from one region of the case bank; nevertheless, as the bank's HRM policy is the same throughout the bank system, the validity of the data is anticipated.

The study Genet, (2017) was investigated the effect of performance appraisal on employees' job-satisfaction in the case of CBE. Currently in CBE most of employees not satisfied by the performance appraisal practice. They informally complain bias of the raters, lack of continuous communication, lack of trust in the supervisor, lack of clear performance expectations.

The study used a descriptive research design. A stratified random sampling was used to sample 181 respondents from Commercial Bank of Ethiopia (CBE). The study used questionnaires as its data collection instrument qualitatively and quantitatively. Regression Analysis and Correlations were used to analyze the data collected using SPSS version 20. The study revealed that performance appraisal is positively related to job satisfaction and performance appraisal is has positive effect on job satisfaction.

The study conducted by Wondwosen, (2016) was to assess the practice of employee performance management system at Self Help Africa Ethiopia Office. The study tries to address basic questions which include, determining the processes involved in the existing employees' performance management system; investigate the practice of the current employees' performance management system; and identify areas for improvement on Self Help Africa's employee's performance management system.

The findings of the study include lack of peer groups' feedback in assessing employees' performances and narrow range of rating scales of showing the degree of performances between staff. Employees also stated that they are well aware of the organization's strategic objective and assume they contribute for the achievement of those objectives.

This study by Solomon, (2016) tried to assess the practice of employees' performance appraisal in Abay Bank S.C. The researcher has used descriptive research method. The data collection tools were interview and questionnaire. The study found out that Abay Bank uses PA to measure employees' job performance on January and July.

The bank does not follow formal appraisal process and the performance standards of the bank addresses issues such as quantity, quality, timelines, cost effectiveness and strategic relevance but it fails to address stability or consistency or the extent to which individuals tend to maintain certain level of performance over time. Abay Bank also faces huge problems on its performance appraisal practice most of them are rater's error like recent halo/horns, situational influence etc and the remaining is the problem of the system. The appraisal result in Abay Bank used only for making promotion, bonus payment and annual increment decisions.

Performance review discussion does not take place in the case company unless an employee comes up with grievances. Generally the outcome of the research confirmed that the performance appraisal practice of Abay Bank S.C. has problems and weaknesses that need to be improved.

According to the finding of the study by Abeba, (2016) the performance appraisal practices of the Commercial Bank of Ethiopia are being implemented twice a year. However, the practice is currently outdated and the appraisal results were not helpful for factors like recognition for well done work or motivation, and training. There is also no attitude difference among the different job levels. The performance appraisal process does not involve subordinates in goal setting actions even though the performance appraisal were linked to organizational as well as corporate goals. In due effect, employees faced challenges such as they are unable to identify their strength and weaknesses throughout the development.

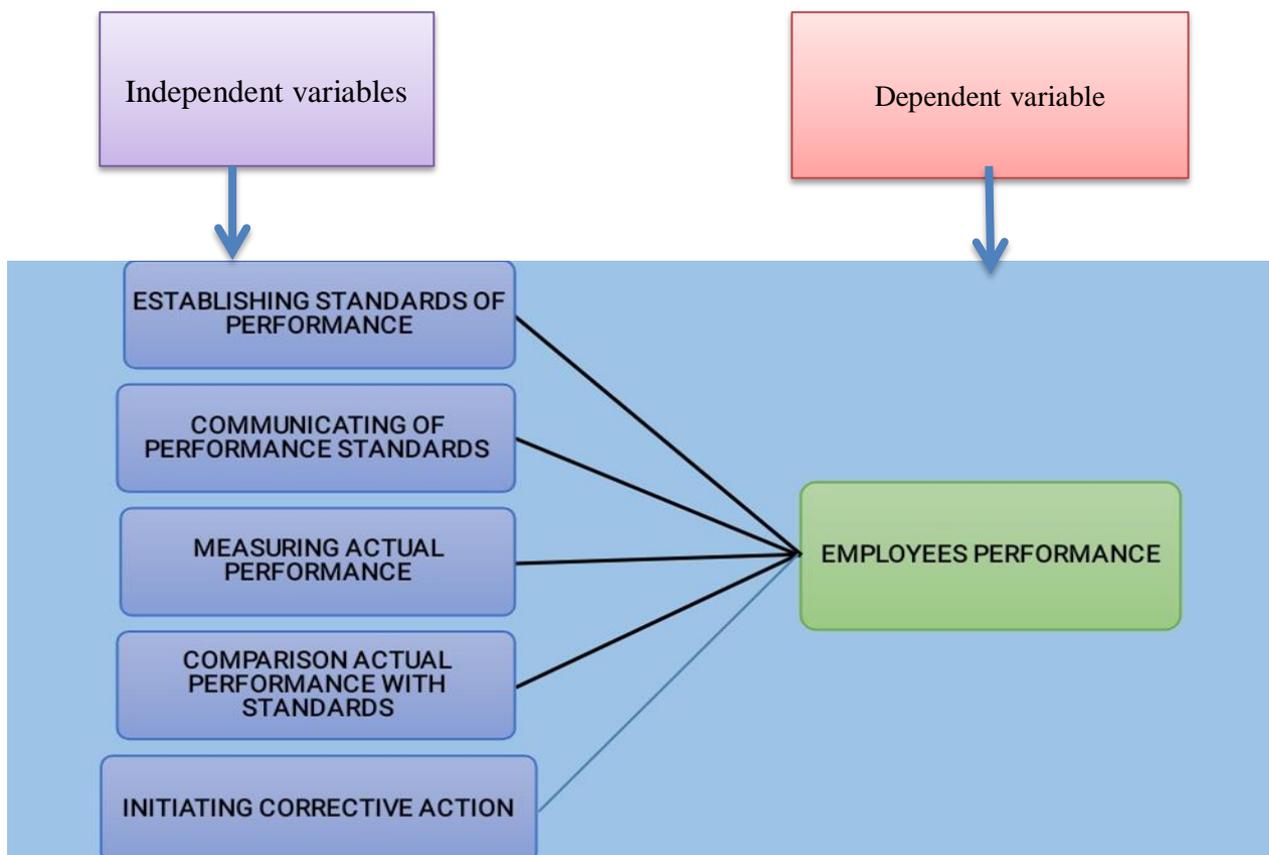
A according to Divya and Jaya, (2015) is that very little is still concerned with acquisition of knowledge about the processes that underlie the act of judging the performance of others. They argue that improvements in performances appraisal rest on a better understanding of such processes. In the present research efforts was made to find the factors involved for discontent among the on roll employees of the Bank about the process of the performance appraisal system that is followed and to find the gaps in the same.

This study by Muluwork, (2018) has tried to address each of the above and other related issues by taking Dashen Bank S.C. as a case study organization. Accordingly, samples from the Bank's staff members (both managers and non-managers) were selected and administered. The results found out that the Bank adopts the rating scales method of appraisal.

Although the existing practice of appraising employees twice a year has got the highest support among the sample respondents, some have suggested a more frequent time period for increased effectiveness. Employee participation in the appraisal process is set at a low level. Most of the non-supervisory respondents perceived performance appraisal as a punishment tool contributing little to motivation while their supervisory counterparts perceived it as an administrative and developmental tool. Owing to subjectivity (non-job relatedness) of most of the performance criteria in use, problems related to measurement, rater bias, and lack of appropriate rater training are seen to characterize the Bank's appraisal system. Problems are always prevalent and what one should be concerned about is on how to overcome them. Irrespective of how they are handled, the appraisal system of the Bank is found to encourage giving performance feedback and handling post assessment interviews with employees.

2.6. Conceptual Frame Work

The study was investigated the effect of the performance appraisal on the employees performance in Commercial Bank of Ethiopia by using the conceptual model identified by (Tekalegn, Solomon and Gebre, (2016); Teshome (2014); Nigatu, (2007); Gethanu (2013); Bereket, (2021); Tekle, (2021); Kiflu and Wu, (2023). In this regard how the independent variables such as the five process of performance appraisal namely establishing standards of performance, communicating of performance standards to employee, measuring actual performance, comparison actual performance with standards; and Initiating corrective action affect the employees performance.



Source: Modified different reviews (Tekalegn, Solomon and Gebre, (2016); Teshome (2014); Nigatu, (2007); Gethanu (2013); Bereket, (2021); Tekle, (2021); Kifluand Wu, (2023)

Figure 2.1. Conceptual Frame work

2.7 Research Hypothesis

Ho1: There is no significant effect of establishing performance standard on employees' performance.

Ho2: There is no significant effect of communicating performance expectation to employee on employees' performance.

Ho3: There is no significant effect of measuring actual performance of employee based on established standards on employees' performance.

Ho4: There is no significant effect of discussing the appraisal result and giving feedback to employee on employees' performance.

Ho5: There is no significant effect of indicating the corrective action to employee on employees' performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Approach

Based on the type of research data was collected researches are classified as quantitative. This study was applied only quantitative data that was the numeric values that indicate how much or how many of something. Quantitative research was based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Quantitative research is a means for testing objective theories by examining the relationship among variables. Quantitative research is often regarded as being purely scientific, justifiable, and precise and based on facts often reflected in exact figures. This approach often appears when the audience consists of individuals or readers with a quantitative orientation. This quantitative research approach can be further sub classified into inferential (survey research), experimental and simulation approaches to research.

3.2 Research Design

Based on the nature of the research enquiry, research design is classified as exploratory, descriptive, explanatory (causal) or predictive research. This study was used descriptive and exploratory research design. In descriptive research design fact finding enquiries, describing the state of affairs as it exists. Explanatory research also applied to test the effect of independent variables on dependent variables. This type of research is carried out to answer more clearly defined research questions.

3.3 Data Type and Source of Data

Both primary source of data and secondary sources of information collection were employed in the study. Well designed and structured questionnaire was utilized. This was completed by employees and customers CBE. Secondary source of information obtained from annual report was used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents, reports and newsletters were reviewed to make the study fruitful.

3.4 Data Gathering Instruments

The primary data was gathered particularly using survey questionnaire. The researcher was distributed the questionnaire to sampled respondents. For the purpose of this study a quantitative methodology involving a close-ended questionnaire was used as the measuring instrument. The close-ended questionnaires can be administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. For the purpose of this study a quantitative methodology involving a close-ended questionnaire was used as the measuring instrument. The close-ended questionnaires were administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. The Likert- type scale method was used a range of responses: ‘Strongly Disagree’, ‘Disagree’, ‘Neutral’, ‘Agree’, and ‘Strongly Agree’ and the 5-point rating scale also used a range of responses. The usage of this particular scaling method was ensured that the research study was illustrated the ability to assess the responses and measure the responses quantifiably so that a pattern or trend was produced in order to assess research objective. Questionnaires were tested on potential respondents to make the data collecting instruments objective, relevant, suitable to the problem and reliable. Issues raised by respondents were corrected and questionnaires were refined.

3.5 Population

According to Hair et al. (2010), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. Therefore, for this study, the target populations were 14,185 employees from the four districts of CBE in Addis Ababa (North Addis District, West Addis District, South Addis District and East Addis District)

3.6 Sampling Technique

Multi stage sampling technique was applied in the study. First of all, the researcher decided to select purposively the commercial bank of the study as the target. Next, the study used cluster sampling techniques in which district of the bank such as North, West, South and East of Addis Ababa. To select the employees, the researcher adopted stratified random sampling where the population of study was divided into the Management member, customer services staff (clerical) and the non-clerical staff (Messengers, Guards and Drivers) by considering the position.

From each stratum, simple random sampling technique was applied to dispatch the questionnaire and gather the relevant information for the purpose of the study.

3.7 Sample Size

The sample size was determined using Taro Yamane’s statistical formula (1967) with 95% confidence level and 5% error. From the total population of 14,185, the sample size from the total population will identify as per this formula.

$$n = \frac{N}{1 + N(e)^2}$$

$$= \underline{\underline{384}}$$

Where n is the sample size, N is the population size, and e is the level of precision. Using this formula appropriate sample size was determined. Accordingly, 384 respondent employees were taken as the representative sample size in order to have sufficient and reliable data. For these eligible samples were identify from the total populations, sample proportion allocation among the four districts was perform. Finally, the number of employees participating in each district was determined using the Population Proportionate Sampling (PPS).

$$n = \frac{nf * N \text{ in a Addis district}}{N_{\text{total}}}$$

$$N_{\text{total}}$$

Where, n= Proportion of employees participate in the study in a given district, nf= Final sample size obtained using correction formula (384), N=is the total number of four Addis Ababa districts (14,185) i.e. N total = Total number of employees in the selected branches.

Table 3.1. Population Proportionate Sampling

No	Districts	Employees' Population	PPS	Sample Size
1	East Addis Ababa District	3,589	0.253	97
2	North Addis Ababa District	3,702	0.261	100
3	South Addis Ababa District	3,475	0.245	94
4	West Addis Ababa District	3,419	0.241	93
	Total	14,185		384

Accordingly, the 384 respondent employees from the selected branches from each district were elected by using non-probability sampling approach specifically convenient sampling technique. Convenience sampling technique attempts to obtain a sample of convenient elements. Often, respondents were selected because they happen to be in the right place at the right time. Convenience sampling is the least expensive and least time-consuming of all sampling techniques.

3.8. Validity and Reliability

The ultimate goal of any research study is to obtain high-quality, trusted, valid and reliable results (Yilmaz, 2013). Therefore, researchers should ensure that the adopted research methodology meets the defined standards and criteria. Common criteria was used to achieve these standards in research methodology are validity and reliability. Yilmaz (2013) and Denscombe (2014) described the term 'validity' as the appropriateness and accuracy of collected data.

Yilmaz (2013) defined reliability as 'consistency or the degree to which a research instrument measures a given variable consistently every time it is used under the same condition'. Accordingly, to maximize the quality of the research, Yin (2014) suggested four tests for validity and reliability that are commonly used in social research regardless of the data collection technique. The tests include:

- Construct validity

- Internal validity
- External validity
- Reliability

3.8.1 Construct validity

Construct validity is referred to as the establishment of the correct operational measures for the research topic under study (Yin, 2014). Yilmaz, (2013) stated that this type of validation is largely based on testing proper instruments during the data collection phase. This ensures that the most accurate and rich information is collected after a rigorous review of previous documents, an academic literature review and the conducted interviews; however, accuracy can be achieved through a focused use of different techniques/tactics, which include referring to multiple sources of evidence and establishing a chain of selections. The establishment of a rich chain can help immensely in producing a complete draft of evidence for further validity evaluations. For this research, construct validity was achieved through the triangulation of research techniques using different sources of evidence.

3.8.2 Internal Validity

This criterion refers to the appropriateness of the data analysis techniques utilized to analyze the collected data. It is therefore important that the theoretical propositions are linked with the data accurately in addition to the appropriate application of the analytical strategies. For this research, to increase the internal validity, a careful and comprehensive review of the literature related to the topic of choosing a research design to enable the selection of an accurate data analysis technique was conducted, and the analysis steps were followed precisely. In addition, by fulfilling all research objectives, internal validity was achieved.

3.8.3 External validity

External validity refers to the degree to which the research findings can be generalized or stratified in other research studies. For quantitative research, the generalization of results is applicable, as generalization can only occur for theoretical propositions. The findings of this research was generalized or transferred to a context similar to the CBE context. Therefore, as this research will involves the study of the assessing the performance appraisal practice in the case of Commercial Bank of Ethiopia, the findings of this study was generalized to other financial institutions within the same industry.

3.8.4 Reliability

Reliability means that the process (such as data collection procedures) of the study can be repeated to obtain the same results (Yin, 2014). For this research, reliability was achieved by selecting and following an appropriate research methodology model to ensure that the aim and objectives were fulfilled. In addition, to further ensure reliability, all participants were provided with an overview of the research background to ensure all questions were understood in the same way.

In order to measure the consistency of the questionnaire and the overall reliability of constructs that it is measuring, the reliability test was carried out based on Cronbach's Alpha coefficient. Cronbach's Alpha can be interpreted like a correlation coefficient. Its coefficient range lay on the value from 0 to 1. A reliability coefficient (alpha) higher than or equal to 0.7 is considered as acceptable. That means the targeted questions raised in the questionnaires are capable to meet the objective of the study. Thus, according to reliability statistics, Cronbach's Alpha coefficient of this study is 0.956 which is acceptable. This implies that both function of the covariances among items and the number of items in the analysis is the mark of a "good" or reliable set of items and the question designed was accurately measuring the variable of interest of the study.

Table 3.2 Reliability Statistics

Variable	Cranach's Alpha	N of Items
Establishing Standards of Performance	.742	7
Communicating of Performance Standards	.874	7
Measuring Actual Performance	.901	5
Comparison Actual Performance	.923	4
Initiating corrective action	.954	7
Employee performance	.918	8
Total	.948	38

Source; Own Survey, (2023)

Thus, according to the reliability statistics, Cranach's Alpha coefficient of this study is 0.948 which is acceptable. This implies that both function of the covariance's among items and the number of items in the analysis is the mark of a "good" or reliable set of items and the question designed was accurately measuring the variable of interest of the study.

The highest score for the two variables and the lowest was the establishing standards of performance variable but it is above the minimum level.

On the other hand, to appraise the validity of the instrument, the questionnaire was reviewed, commented upon, modified, and finally approved by the advisor having experience within the research area. The questionnaire was given to the advisor of this research and was approved before distributing to the respondents. Moreover, the researcher addressed construct validity by examining whether or not there exist empirical relationships between the study measure of the underlying concept of interest and other concepts to which it should be theoretically related.

3.9 Ethical Considerations

This study was entirely devoted to identify the assessing the performance appraisal practice in the case of Commercial Bank of Ethiopia and determine how these factors significantly affecting the success of their businesses so as to forward possible recommendation for future improvements and maintain marketing efficiency. It was be interested to defame or abuse or expose secrets (if any) in any way to the public. To realize this fact, formal letter was written from the St Mary University for permission of the bank from which the information was required. The study participants were informed about the purpose of the study and the informed verbal consent was obtained from each participant before data collection. The employees performance appraisal practice in the case of Commercial Bank of Ethiopia was measured objectively, based on information collected from respondents. Finally confidentiality was assured and the data was made to be kept by avoiding personal identifiers.

3.10. Method of Data Analysis

The data that was collected and edited, coded and entries was made into statistical software (Statistical Package for Social Sciences, SPSS version 20). This was involved converting quantitative (nominal and ordinal data) into numerical codes. Both descriptive and inferential statistics was used to analyze and interpret the findings. Demographic variables of the respondents were interpreted using descriptive statistics whereas inferential statistics was used to find out the relationship between the study variable using correlation analysis. The study was adopted multiple linear regression and Pearson correlation analysis to establish the relationship between variables of interest. Specifically, multiple linear regression analysis was used to determine the joint relationship between independent and dependent variables.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter presents the results of the data analysis according to the research methodology discussed in chapter three. The general background of the characteristics of the respondents and detailed discussion regarding the specific objectives of the study are also presented. Demographic variables of the respondents and mean scores of the service quality dimensions are interpreted using descriptive statistics whereas inferential statistics used to find out the relationship between service quality dimensions and employees performance using correlation analysis via SPSS Version 20. Multiple regression and Pearson correlation was analysis to establish the relationship between variables of interest. The questionnaires are distributed to the employees from four districts of CBE in Addis Ababa (North Addis District, West Addis District, South Addis District and East Addis District).

4.1 Response Rate

The table illustrates the breakdown of the questionnaires sent out. It indicates the ones returned and those that were not returned.

Table 4.1 Response Rate

Response	Frequency	Percentage
Filled-in Questionnaires	360	93.75%
Unreturned Questionnaires	34	6.25

Source; Own Survey, (2023)

From the data assembled, out of the 384 questionnaires distributed, three hundred sixty usable copies were completed and returned with a response rate of 93.75 %. This rate concurs with Mugenda (2003) who explains that for hypothesis a response rate of half is palatable for examination and reporting, 60% is extraordinary and a response rate of 70% and over is awesome, thus 93.75% was surprising for an examination. This high response rate can be credited to the data gathering systems, where the researcher pre- told the potential individuals and associated the drop and pick technique where the surveys were picked at a later date to allow the respondents rich time to fill the reviews.

4.2 Demographic Information

Identifying the respondent characteristics in any study is crucial since it describes the type of respondents who have taken part, in particular their gender, educational attainment, and age, all of which jointly influence their comprehension levels. The researcher took into account the respondents' distribution on gender, age and education levels of the respondents.

Table 4.2. Demographic Data of the Respondents

Item	Characteristics	Frequency	Percentage
1. Gender	Male	202	56.06
	Female	158	43.94
	Total	360	100
2. Age	21-30	85	23.5
	31-40	187	52
	40-50	71	19.7
	Above 50	18	4.9
	Total	360	100
3. Years of Experience in CBE	Less than 1 year	3	0.9
	1 to 3 years	55	15.3
	4 to 6 years	122	33.8
	Over 6 years	180	50
	Total	360	100

Source; Own Survey, (2023)

The general characteristic of the respondents discussed include gender, age and Educational background of respondents. According the result of the study, the majority of the respondents, 56.06 % were male and the rest 43.94% were female. The gender distribution of respondents of the study ensured that both genders are included as respondents and its minimizing partiality in the responses. The age's category that the respondents found indicates that 52% of the respondents' age is between 31 and 40 and the second highest age category is between 21 and 30.

Which comprises 23.3% of the respondents and 19.7% of them were found on the age range of 41-50 and last 4.9% of them were above 50 years old. This implies that the greater parts of the respondents were sufficiently experienced to give genuine answers concerning the study and it portrays the intention of all age groups.

Regarding the employees experience with the performance appraisals of the CBE 0.9% of the respondents working for less than 1 year, 15.3% of them working for 1 to 3 years, 33.8% of them working for 4 to 6 years and the rest 50% of them working for over 6 years. The data indicates that the majority of them had good experience with the performance appraisal of the bank.

4.3 Descriptive Statistics of Study variables

Descriptive statistics was used to present the data collected in relation to the demographic factors for more clarification. In this section, the answers of the respondents are present in the form of descriptive table. The tables contain mean and standard deviation of their response. Mean value provides the idea about the central tendency of the values of a variable. Standard deviation is to give the idea about the dispersion of the values of a variable from its mean value. All of the variables were measured using five point Likert scale ("1" Strongly disagree; to "5" Strongly agree). The interpretations of the Likert scale results are: scores of 1 to 2.32 indicate low level, scores of 2.33 to 3.65 indicate medium level, and scores of 3.66 to 5 indicate high level (Alhakimi and Alhariry, 2014).

4.3.1 The Effect of Establishing Standards of Performance of Employees

The appraisal process begins with establishment of performance standards in accordance with the organization's strategic goals. Thus, the following questions were evaluated the opinion of the respondents on this issues.

Table 4.3. Respondents response towards Establishing Standards of Performance

S/N	Statements	N	Mean	Std. Dev
1	The performance standards of my job are realistic.	360	4.05	.94
2	Clear performance criteria (standards) are set before preceding the performance appraisal process	360	4.01	.86
3	The organization gives me a clear standard related with my job.	360	3.81	1.00
4	The performance standards make me stretch and use my full potential.	360	3.69	1.08
5	The current performance appraisal standard is directly related to the objectives of the job and of the organization.	360	3.80	.89
6	The performance appraisal standard is easy to use and understood by both team leader or immediate boss and employees.	360	3.89	.92
7	The performance appraisal standard was developed with inputs from the employee.	360	4.08	1.00
	Aggregate mean		3.90	0.96

Source: survey result (2023)

The above table illustrates the establishing Standards of Performance in the organization. The mean score ranges from 3.69 to 4.08. Based on this, the 1st statement of "The performance standards of my job are realistic" has received a mean score of 4.05 and standard deviation of 0.94. This suggests that the organization performance standard was realistic during the performance appraisal of the employees.

The 2nd and 3rd statements of "Clear performance criteria (standards) are set before preceding the performance appraisal process" and "The organization gives me a clear standard related with my job" have received a mean score of 4.01 and 3.81 respectively. In the same way, the two statements have received a standard deviation of 0.86 and 1.00.

This suggests that the organization has clear performance criteria before preceding the performance appraisal process. Likewise, the organization gives clear standard for the employees to evaluate the performance.

Furthermore, item-4 of the above tables of the respondents asked to indicate their view about the statement "The performance standards make me stretch and use my full potential." Based on this statement, the mean score of 3.69 and standard deviation of 1.08 indicated that performance standard provide for the employees so as to use their full potential in the long run.

Item 5 and 6 of the respondents asked to indicate their view about the statements "The current performance appraisal standard is directly related to the objectives of the job and of the organization" and "The performance appraisal standard is easy to use and understood by both team leader or immediate boss and employees" have received a mean score of 3.80 and 3.89 respectively. This indicates that the performance appraisal standard was related to the objective of the job in the organization. Likewise, the performance appraisal standard was easy to utilize and understood by the team leaders or immediate boss.

The last item of the above table indicates the opinion of the respondents about the statement "The performance appraisal standard was developed with inputs from the employee." Based on this, the mean score of 4.08 and standard deviation of 1.00 showed that performance appraisal standard was helped for the employees to develop themselves.

Thus, the aggregate mean ($M= 3.90$, $Std= 0.960$) was found that approach to high level agreement. It implies that the Commercial bank of Ethiopia establish a standards to evaluate the performance of employees in order to ensure fairness among the employees.

4.3.2 The Effect of Communicating of Performance Standards

Table 4.4 respondent's response towards Communicating of Performance Standards to Employee

S/No	Statements	N	Mean	Std. Dev
1	I am clearly communicated about the purpose of performance appraisal	360	3.95	1.07
2	Formal communication processes are in place to ensure that I understand the organization's objective.	360	3.9	1.08
3	There is a transparent discussion across the organization on performance appraisal issues.	360	3.45	1.29
4	I have received guidance to improve my performance.	360	3.46	1.30
5	I have asked by my supervisor for an input during the appraisal process.	360	3.44	1.23
6	I openly discuss about my performance evaluation result with my supervisor.	360	3.48	1.35
7	It is easy to discuss performance measurement issues with supervisors.	360	3.60	1.19
Aggregate mean			3.61	1.22

Source: survey result (2023)

The table specifies the perception of respondents towards Communicating of Performance Standards to Employee in the organization. The 1st statement of "I am clearly communicated about the purpose of performance appraisal" has received a mean score of 3.95 and standard deviation of 1.07. This indicates that employees were clearly understood about the purpose of performance appraisal.

The 2nd statement of "Formal communication processes are in place to ensure that I understand the organization's objective" has received a mean score of 3.9 and standard deviation of 1.08. This implies that formal communication processes are in place to ensure that they understood the organization objective.

The 3rd and 4th statements of "There is a transparent discussion across the organization on performance appraisal issues" and " I have received guidance to improve my performance" have received a mean score of 3.45 and 3.46. This suggests that there was transparent communicate with in the organization in relation to the performance appraisal issues offered for the employees. Similarly, employees were received guidance in the organization in order to upgrade their performance in the job place.

The 5th and 6th statement of "I have asked by my supervisor for an input during the appraisal process" and " I openly discuss about my performance evaluation result with my supervisor" have received a mean score of 3.44 and 3.48 respectively. This suggests that employees were asked their supervisor for an input during the appraisal process. Likewise, the respondents confirmed that they were openly discussed about the performance result with their supervisors.

The last statement of "It is easy to discuss performance measurement issues with supervisors" has received a mean score of 3.60 and standard deviation of 1.19. This suggests that the employees participate the performance measurement issues before go to into actions. This makes to reduce miss understanding of employees about the measurement criteria.

4.3.3 Measuring Actual Performance

Table 4.5 respondent's response towards measuring actual performance

S/No	Statements	N	Mean	Std. Dev
1	My immediate boss discusses regularly my job performance with me.	360	2.85	1.29
2	The performance rating is conducted as per the given standard.	360	2.86	1.35
3	My immediate boss usually keeps a file on what I have done during the appraisal period to evaluate my performance.	360	3.26	1.21
4	I am satisfied with the number of times I am appraised during the course of the year	360	3.58	1.19
5	The performance rating is conducted as per the given schedule/ period	360	3.87	1.11
Aggregate mean			3.28	1.23

Source: survey result (2023)

Table 4.5 displays the response of the respondents towards measuring actual performance. Based on this statement, the 1st statement of "My immediate boss discusses regularly my job performance with me" has received a mean of 2.85 and standard deviation of 1.29. This suggests that there was low discussion of job performance with the employees.

In the same way, the mean score of 2.86 and standard deviation of 1.35 showed that the performance rate wasn't conducted as per the given standard.

The 3rd statement of "My immediate boss usually keeps a file on what I have done during the appraisal period to evaluate my performance" has received a mean score of 3.26. This indicates that employees immediate boss moderately keeps the file what they have done during the appraisal period to evaluate their performance in the organization.

The 4th and 5th statement of "I am satisfied with the number of times I am appraised during the course of the year" and "The performance rating is conducted as per the given schedule/ period" have received a mean score of 3.58 and 3.87 respectively. This suggests that employees were satisfied with the number of times when they appraised during the course of the years. In the same way, the performance rating was conducted in a given period of time.

4.3.4 Comparison Actual Performance with Standards

Table 4.6 Respondents response towards comparison actual performance with standards

S/No	Statements	N	Mean	Std. Dev
1	While my performance is evaluated, I have the opportunity to express my feelings to my supervisor.	360	3.90	1.06
2	My team leader/boss compares my actual performance with the standard in a fairly manner	360	4.00	1.03
3	The comparison between actual performance and standards clearly justifies the deviation.	360	3.69	1.29
4	My actual performance is actually compared with the predetermined performance standard.	360	4.03	1.08
Aggregate mean			3.91	1.12

Source: survey result (2023)

Table 4.6 displays the response of the respondents towards comparison actual performance with standards. In this regard, the means core of 3.90 and standard deviation of 1.06 indicated that employees were expressed their felling to the supervisors when their performances evaluated.

The 2nd statement of "My team leader/boss compares my actual performance with the standard in a fairly manner" have received a mean score of 4 and standard deviation of 1.03. This implies that employees supervisors was compared their actual performance with the standard in a fairly manner. In other words, the leaders who lead the organization tried to ensure fair and evaluate the employees with the given standards by taken into consideration the actual performance.

The 3rd and 4th statements of "The comparison between actual performance and standards clearly justifies the deviation" and " My actual performance is actually compared with the predetermined performance standard" have received a mean score of 3.69 and 4.03 respectively. This suggests that the comparison between actual performance and standard clearly justifies the deviation. At the same time, employee’s actual performance was actually compared with the predetermined performance standard.

4.3.5 Initiating Corrective Action

Table 4.7 Respondents response towards Initiating Corrective Action

S/No	Statements	N	Mean	Std. Dev
1	When my performance has not met minimum standards, my manager discusses with me the reasons.	360	3.64	1.12
2	Information gathered through performance evaluation in is used to motivate subordinates through recognition and support	360	3.75	1.03
3	After knowing the appraisal result the rater take the necessary action based on the given result	360	3.76	1.09
4	The performance appraisal rating is used as an input for coaching and development	360	3.52	1.15
5	Performance appraisal helps employees to achieve their career aspirations in the long run.	360	3.51	1.25
6	Performance appraisal is used as a toll for succession planning.	360	3.93	.99
7	Performance appraisal document can be used as a source to avoid litigations	360	4.11	1.09
Aggregate mean			3.75	1.10

Source: survey result (2023)

Table 4.7 shows the response of the respondents towards Initiating Corrective Action in commercial bank of Ethiopia. The 1st and 2nd of the respondents asked to indicate their view about the statements "When my performance has not met minimum standards, my manager discusses with me the reasons" and "Information gathered through performance evaluation in is used to motivate subordinates through recognition and support. " Based on those statements, the mean score of 3.64 and 3.74 indicated that employees were discussed with the manager when the performance evaluation standards did not met a minimum standard among the employees. In the same way, the employees gathering the necessary information about The performance helps to motivate for the recognition and support.

With the context of 3rd and 4th statement, the mean score of 3.76 and 3.52 showed that employees were take the necessary actions after know their appraisal result and the performance appraisal rating was used as an input for coaching and development of the employees at large.

In addition to this, item-5 of table 4.7 of the respondents asked to show their view about the statement" Performance appraisal helps employees to achieve their career aspirations in the long run. "Based on this issue, the means core of 3.51 and standard deviation of 1.25 indicated that performance appraisal helps the employees to attain their career aspirations in the long run. Therefore, this can be implies that positive appraisal of performance plays a crucial role of the development of career of the employees.

The 6th and 7th statements of "Performance appraisal is used as a toll for succession planning" and " Performance appraisal document can be used as a source to avoid litigations" have received a mean score of 3.93 and 4.11. This suggests that performance evaluation was used as a tool for succession of planning of the organization. In the same way, performance appraisal used so as to reduce the proceeding in the organization.

4.3.6 Respondents Response on Employee Performance

Table 4.8 respondent’s response towards Job Performance as a result of performance appraisal

S/No	Statements	N	Mean	Std. Dev
1	I perform well in my overall job by carrying out tasks as expected.	360	3.55	1.27
2	I could manage more responsibility in my job than is typically assigned to me.	360	3.84	1.34
3	I always reach my performance target.	360	3.45	1.29
4	I am able to perform my work well with minimal time and effort.	360	3.92	1.15
5	I do my job independently (without waiting for specific instruction from my supervisor)	360	3.72	1.06
6	Compared to last year, I judge the quality of my work in the past six months to be much better.	360	3.85	1.05
7	I am able and willing to work in collaboration with others.	360	3.76	1.05
8	I actively looked for ways to improve my performance at work.	360	3.87	1.19
Aggregate mean			3.75	1.18

Source: survey result (2023)

Table 4.8 illustrates the response of the respondents towards employee job performance as a result of performance appraisal in the organization. In this case, the mean score of 3.55 indicated that employees were performed well about the overall job through carried out their tasks as expected. This means employees had worked their tasks given by the organization.

The 2nd statement of “I could manage more responsibility in my job than is typically assigned to me” has received a mean score of 3.84. This suggests that employees were taken their responsibilities rather than assigning the position given by the organization.

The 3rd and 4th statements of " I always reach my performance target" and " I am able to perform my work well with minimal time and effort" have received a mean score of 3.45 and 3.92 respectively. This suggests that employees were always reached their performance target and they were performed their work well with a minimal time and effort.

With regard to the 5th and 6th statement, the mean score of 3.72 indicated that employees were worked their job independently and the decided that their quality of work was improved the last six months. Therefore, the finding revealed that employee’s effort to accomplish the tasks given by the organization was improved in day to day. This comes a result of proper evaluation of employee performance in the right time.

The last two statements of "I am able and willing to work in collaboration with others" and " I actively looked for ways to improve my performance at work" have received a mean score of 3.76 and 3.87 respectively. This suggests that employees mostly believed that they want to collaborate with their colleagues and they search new ways so as to improve their performance at work place.

4.3.7 Overall Mean of Independent and Dependent Variables

Table 4.9 the overall mean of independent and dependent variables

Variables	N	Mean	Std. Dev
Establishing Standards of Performance	360	3.91	.59
Communicating of Performance Standards	360	3.62	.88
Measuring Actual Performance	360	3.32	.92
Comparison Actual Performance	360	3.91	.82
Initiating Corrective Action	360	3.75	.68
Aggregate mean		3.70	0.78

Source: survey result (2023)

Table 4.9 indicates the means and standard deviations for the independent and dependent variables examined in this study. As can be seen from all the independent variables examined in this study have the mean score above 3.62 that could be considered as high level agreement but the measuring actual performance variable has the lowest mean value (3.31). This implies that the respondents included in the study are about higher level of agreement in terms of the establishing standards of performance, communicating of performance standards, measuring actual performance, Comparison Actual Performance with Standards, Initiating corrective action and employees’ performance.

4.4 Correlation Analysis

Pearson's correlation coefficient is the test statistics that measures the statistical relationship, or association, between two continuous variables. It is known as the best method of measuring the association between variables of interest because it is based on the method of covariance. It gives information about the magnitude of the association, or correlation, as well as the direction of the relationship. Accordingly, in this study Pearson correlation test was conducted to check the magnitude of correlation between the dependent variable, employee's performance and the various independent variables establishing standards of performance, communicating of performance standards, measuring actual performance and Initiating corrective action.

The study also used the same test to prove or disprove the alternative hypothesis. The following measure of association developed by Mac Eachron (1982), the degree of correlation: perfect if the value lies between ± 0.80 and ± 1 , then it said to be a perfect correlation as one variable increases, the other variable tends to also increase (if positive) or decrease (if negative); high degree if the coefficient value lies between \pm

0.60 and ± 0.80 , then it is said to be a strong correlation; moderate degree if the value lies between ± 0.40 and ± 0.60 , then it is said to be a medium correlation; low degree when the value lies between ± 0.20 and ± 0.40 , then it is said to be a weak correlation.

Table 4.10 Correlation Matrix

		Std	Com	AP	CAPS	ICA	EmP
Std	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	360					
Com	Pearson Correlation	.475**	1				
	Sig. (2-tailed)	0.000					
	N	360	360				
AP	Pearson Correlation	.545**	.875**	1			
	Sig. (2-tailed)	0.000	0.000				
	N	360	360	360			
CAPS	Pearson Correlation	.514**	.717**	.740**	1		

	Sig. (2-tailed)	0.000	0.000	0.000			
	N	360	360	360	360		
ICA	Pearson Correlation	.710**	.711**	.737**	.636**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
	N	360	360	360	360	360	
EmP	Pearson Correlation	.626**	.802**	.796**	.684**	.824**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	360	360	360	360	360	360
** Correlation is significant at the 0.01 level (2-tailed).							

Source: Own Survey, (2023)

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA- Initiating corrective action and EP- Employee performance

From the above correlation matrix, the researcher found the following results under each constructs, supported with their related empirical evidences:

The result of Pearson correlation test between establishing standards of performance (the independent variable) and employees performance (dependent variable) showed that there is a positive relationship between the two variables at the significance level of ($r = 0.626$, $P < 0.01$). According to MacEachron (1982) measure of association, the magnitudes of relationship between the two variables are strong. Compared to other relationship considered in this study, establishing standards of performance is ranked last in its magnitude of correlation.

Pearson correlation test was conducted to the degree of association between employee's performance and communicating of performance standards. Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of ($R = 0.802$), ($P < 0.01$). Compared to other relationship considered in this study, communicating of performance standards is ranked second in its magnitude of correlation.

The result of Pearson correlation test between employees performance and measuring actual performance showed that, there is a statistically significant positive relationship between the two variable at the level of ($r = 0.796$), ($P < 0.01$).

Compared to other relationship variables considered in this study, measuring actual performance is ranked third in its magnitude of correlation.

The result of Pearson correlation test between employees performance and comparison actual performance with standards showed that, there is a statistically significant positive relationship between the two variable at the level of ($r = 0.684$), ($P < 0.01$). Compared to other relationship considered in this study, comparison actual performance with standards is ranked fourth in its magnitude of correlation.

The result of Pearson correlation test between employees performance and Initiating corrective action showed that, there is a statistically significant positive relationship between the two variable at the level of ($r = 0.824$), ($P < 0.01$). Compared to other relationship considered in this study, Initiating corrective action is ranked first in its magnitude of correlation.

4.5 Regression analysis- Test of Assumptions

Statistical assumptions that must be met for the analysis of correlation and regression are tested and the results are presented in this section. Accordingly, basic assumptions were checked and found acceptable and their results are discussed as follows.

4.5.1 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables.

Figure 4.1: Normal P-P plot graph



Source: Own Survey, (2023)

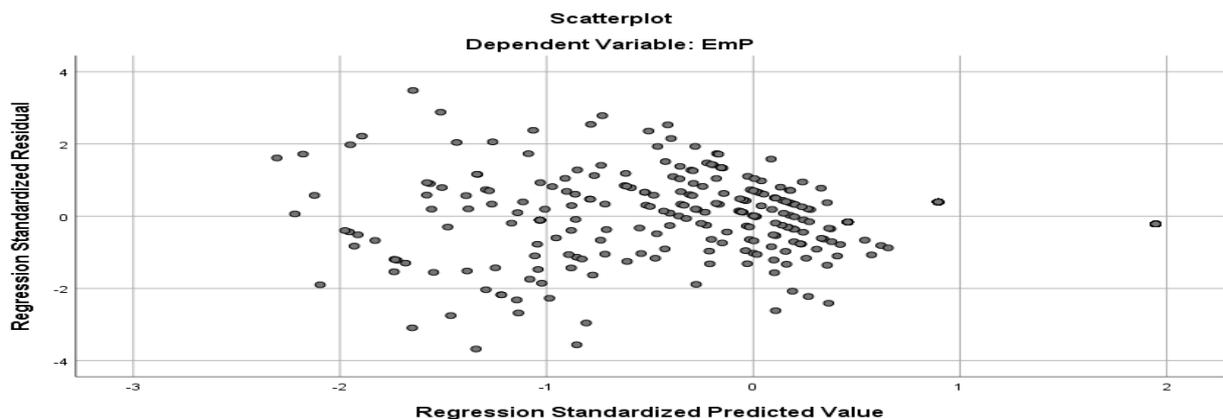
The p plot of residuals discloses that there is no large deviation in the range of the residuals. As we look from left to right on the figure it looks like almost all residuals lay on the linear straight line. Therefore, this tells us the relationships of independent variable with the dependent variable are linear.

4.5.2 Homoscedasticity (equal variance)

Heteroscedasticity is a hard word to pronounce, but it doesn't need to be a difficult concept to understand. Put simply, heteroscedasticity (also spelled heteroskedasticity) refers to the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. The model errors are generally assumed to have an unknown but finite variance that is constant across all levels of the predictor variables. This assumption is also known as the homogeneity of variance assumption (Weisberg, 2005, as cited by, Matt, Carlos, and Deson, 2013).

It means simply that, the variance of Y for each value of X is constant in the population. This assumption can be checked by visual examination of a plot of the standardized residuals (the errors) by the regressions standardized predicted value. The following scatter plot was obtained from the average results of the dependent variable, employee's performance and the various independent establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action to see whether homoscedasticity is really a pressing problem of this particular study.

Figure 4.2. Homoscedasticity between variables



Source: Own Survey, (2023)

As it can be seen on the graph 4.2 the set of data exist on the same scatter, the points have the same distance from the line and the scatter plot roughly rectangular-shaped. This shows that the sample fit with the assumption of equal variances (i.e. assumption of homoscedasticity). This implied that even if the data came from different samples have the same variance.

4.5.3 Autocorrelation test

Linear regression analysis requires that there is little or no autocorrelation in the data. Autocorrelation occurs when the residuals are not independent from each other. In other words when the value of $y(x+1)$ is not independent from the value of $y(x)$. For instance, this typically occurs in security variable, where the security is not independent from the previous security. A value of 2.0 means there is no autocorrelation detected in the sample. Values from zero to 2.0 indicate positive autocorrelation and values from 2.0 to 4.0 indicate negative autocorrelation (Chatterjee & Hadi, 2012; Fox, 1997; Weisberg, 2005).

Breach of this assumption leads to, biased estimate of standard errors and significance, even if the estimate of the regression coefficient remain unbiased but yet inefficient (Chatterjee & Hadi, 2012, as cited by, Matt, Carlos, and Deson, 2013).

The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4, a value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. The table below showed the Durbin-Watson test of this study.

Table –4.11 Durbin-Watson test result Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.886 ^a	.785	.782	.36104	2.155
a. Predictors: (Constant), ICA, CAPS, Std, Com, AP					
b. Dependent Variable: EmP					

Source: Own Survey, (2023)

The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2 and an acceptable range is 1.50 - 2.50 (Babatunde O.S, Oguntunde P.E, Ogunmola A. O and Balogun O.S, 2014). In this case, Durbin-Watson is 2.155, close to 2 and within the acceptable range and hence, we assumed independence of residuals assumption.

Autocorrelation, also known as serial correlation, can be a significant problem in analyzing historical data if one does not know to look out for it. A positive autocorrelation would indicate that the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action yesterday has a positive correlation on the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action today so if they fell yesterday it is also likely that falls today. Having the negative autocorrelation, on the other hand, has a negative influence on itself over time so that if the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action fell yesterday, there is a greater likelihood it was raised today.

4.5.4 Multicollinearity

The term multicollinearity describes a perfect or exact relationship between the regression explanatory variables. Multiple linear regression analysis assumes that there is no perfect exact relationship among explanatory variables. In regression analysis, when this assumption is violated, the problem of Multicollinearity occurs. Multiple linear regressions assume that there is little or no multicollinearity in the data. Multicollinearity occurs when the independent variables are not independent from each other. A second important independence assumption is that the error of the mean is uncorrelated; that is that the standard mean error of the dependent variable is independent from the independent variables.

Multicollinearity is checked against three key criteria:

- 1) Correlation matrix – when computing the matrix of Pearson's Bivariate Correlation among all independent variables the correlation coefficients need to be smaller than 0.9.
- 2) Tolerance – the tolerance measures the influence of one independent variable on all other independent variables; the tolerance is calculated with an initial linear regression analysis. Tolerance is defined as $T = 1 - R^2$ for these first step regression analysis. With T
- 3) Variance Inflation Factor (VIF) – the variance inflation factor of the linear regression is defined as $VIF = 1/T$. Similarly with $VIF > 10$ there is an indication for multicollinearity to be present.

Basically this study used two ways to detect multicollinearity. One way is by computing tolerance values and Variance Inflation Factor (VIF) for each independent variable. Multicollinearity exists when Tolerance is below 0.10; and the average variance inflation factor (VIF) is greater than 2.5. The other method is to assess multicollinearity by examining correlations among the independent variables.

If a correlation matrix demonstrates correlations of 0.90 or higher among the independent variables, there m Table 4.12 Pair-wise correlation among the independent variables

Table 4.12 Pair –wise correlation among dependent variables

	Std	Com	AP	CAPS
Std				
Com	.475			
AP	.545	.875		
CAPS	.514	.717	.740	
ICA	.710	.711	.737	.636

Source: Own Survey, (2023)

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA-Initiating corrective action and EP- Employee performance.

According to (Hair et al., 2006) the pair-wise correlation among the independent variable should not exceed 0.90. As it is portrayed in the above table, the bold values showed the pair-wise correlation result and hence none of them exceeded the tolerable range of 0.90 to the maximum. Armed with this, we can say that multi co linearity was not a problem in this particular study.

Table 4.13 Tolerance and Variance Inflation Factor Coefficients

Model		Colnearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Std	.477	2.096
	Com	.212	4.727
	AP	.190	5.252
	CAPS	.413	2.421
	ICA	.301	3.317

a. Dependent Variable: EmP

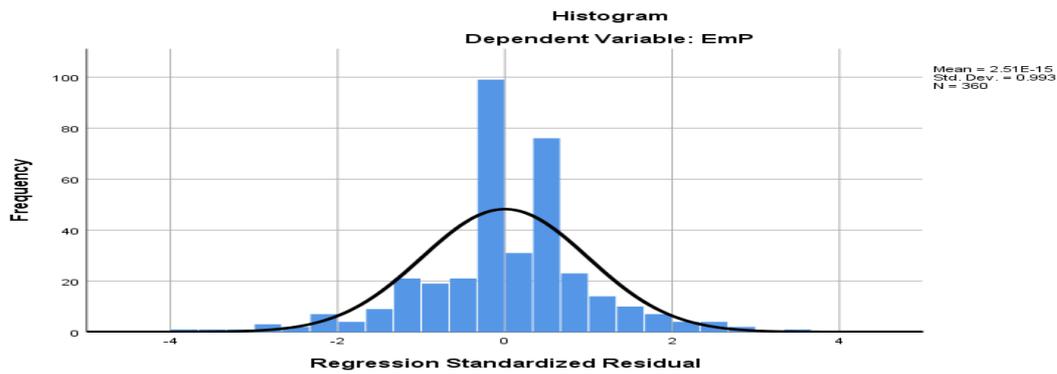
Source: Own Survey, (2023)

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA-Initiating corrective action and EP- Employee performance

As it can be seen on table 4.14 the Multicollinearity test 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 ten. Hence, the researcher assumed Multicollinearity was not a problem.

4.5.5 Normality test

Figure 4.3 Normality test



Source: SPSS output (2023)

4.6 Regression Analysis Results

Once all the regression assumption was met, the researcher decided on the data and further processed it. Analysis of variance (ANOVA) is a method of splitting the total variation into meaningful components that measure different sources of variation. In other words, it split the total sum of squares into ‘between groups (sample) sum of squares’ and ‘within group (sample) sum of squares’. Analysis of Variance (ANOVA) is a parametric statistical technique used to compare datasets.

It is similar in application to techniques such as t-test and z-test, in that it is used to compare means and the relative variance between them. However, analysis of variance (ANOVA) is best applied where more than 2 populations or samples are.

Under this part, the researcher was mainly focused on the three most important elements of regression output, i.e. the Model summary, the ANOVA test and the Beta coefficient. The average response obtained from the employees under the dependent variable, employees performance and each of the predictor variables, the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action were used *may* be a problem with multicollinearity.

4.6.1 Model Summary

Table 4.14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886 ^a	.785	.782	.36104

a. Predictors: (Constant), ICA, CAPS, Std, Com, AP

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA-Initiating corrective action and EP- Employee performance

According to Table 4.14 the independent factors account for 78.5% of the variance in the dependent variable (adjusted R^2 is 78.2% with an estimated standard deviation of 0.36104). (Employee performance). This shows that the independent variable in the model accounts for 78.5% of the variance in the dependent variable.

It also shows that other variables not included in the model can account for the 21.5% of the variance, indicating the need for additional research to find the other factors that affect the level of employee performance.

4.6.2 ANOVA

Table 4.15 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	168.161	5	33.632	258.021	.000 ^b
	Residual	46.143	354	.130		
	Total	214.304	359			

a. Dependent Variable: EmP

b. Predictors: (Constant), ICA, CAPS, Std, Com, AP

Source: SPSS Output data, 2023

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA-Initiating corrective action and EP- Employee performance

From table 4.15 F-ratio, which explains whether the results of regression model could have occurred by chance, the F value, is 258.021 at 0.000 significant levels which show that the model is good as its value is less than 0.05.

4.6.3 Coefficient of regression analysis

Table 4.16 Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.020	.138		-.145	.885
	Std	.115	.047	.088	2.470	.014
	Com	.279	.047	.318	5.927	.000
	AP	.108	.047	.129	2.288	.023
	CAPS	.057	.036	.060	1.561	.119
	ICA	.460	.051	.402	8.944	.000

a. Dependent Variable: EmP

Note: Std=Establishing Standards of Performance, Com-Communicating of Performance Standards, AP-Measuring Actual Performance, CAP-Comparison Actual Performance, ICA-Initiating corrective action and EP- Employee performance

Under the Beta Coefficient table, the researcher highly emphasized on the values of the standardized Beta coefficient in order to figure out the relative importance of each independent variable, in predicting the dependent variable and on the unstandardized Beta coefficient in order to formulate the linear regression equation.

4.6.3.1 Standardized Beta Coefficient

From table 4.16 we can infer that, initiating corrective action in determining the variation in employee's performance which accounted for 40.2% of the beta coefficient. The second most important element of communicating of performance standards that contributed most, to the positive variation in the dependent variable employees performance is accounted for 31.8% of the beta coefficient, followed by, measuring actual performance, setting standards and comparison actual performance, which had a beta coefficient share of 12.9%, 8.8% and 6%.

In the case of Commercial Bank of Ethiopia, setting standards and comparison actual performance least to the variance in the response variable among the others, accounted for only 8.8% and 6% and it is statistically significant at p-value less than Alpha, (0.00 < 0.05).

Note that: This doesn't mean that setting standards and comparison actual performance has no contribution; rather its contribution was significant.

4.6.3.2 Unstandardized zed Beta Coefficient

This is sometimes called, the Beta Weights. According to Pedhazur, (1997), a β weight coefficient informs us, as to how much change in the criterion variable (i.e. employees performance in our case) we might expect with a one-unit change in the predictor variables, (i.e. establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action in our case) holding all other predictor variables constant.

The linear regression formula for one dependent variable, employees' performance and more than one independent variable of the constructs establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action, took the form of:

$$Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where, Y'= the dependent variable employees performance a = y axis intercept (the constant beta value)

b1, b2, b3, b4, b5 = beta weight for each independent variables.

X1, X2, X3, X4 and X5= establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action respectively.

e = the error term (0.05 in our case)

Taking in to consideration the unstandardized beta value in the table above, the regression equation of this particular study to the nearest decimal was written as:

$$Y' = 0.02 + .115X_1 + .279X_2 + .108X_3 + .057X_4 + .460X_5 + 0.05$$

The negative value for the constant intercept should not be a cause for concern here. This simply means that, the expected value of the dependent variable employees performance was less than zero when all independent variables are set to zero. Findings from the equation

- For every unit increase in the value of establishing standards of performance, setting all other predictor variable to zero, the value of response variable employees performance will increase by 11.5%.
- For every unit increase in the value of communicating of performance standards, setting all other predictor variable to zero, the value of response variable (employees' performance) will increase by 27.9%.
- For every unit increase in the value of measuring actual performance, setting all other predictor variable to zero, the value of response variable (employee's performance) will increase by 10.8%.
- For every unit increase in the value of comparison actual performance with standards, setting all other predictor variable to zero, the value of response variable employees performance will increase by 5.7%.
- For every unit increase in the value of initiating corrective action, setting all other predictor variable to zero, the value of response variable (employees' performance) will increase by 46.5%.

4.6.4. Hypothesis Testing

Ho1: There is no significant effect of establishing performance standard on employees' performance.

With regard to the first hypothesis of the study, one can realized that establishing standards of performance has a significant effect on employee's performance ($\beta = 0.115$, $p < 0.014$), because its significant value was found that 0.014 which less than at the significance level of 0.05. From this, it was found that the null hypothesis is **rejected**.

Ho2: There is no significant effect of communicating performance expectation to employee on employees' performance.

The second hypothesis indicates that communication of performance standards has a significant positive effect on the employee's performance ($\beta = 0.279$, $p < 0.000$). Therefore, the result of the regression showed that its sig-value was 0.000. Therefore, the proposed null hypothesis was **rejected** in this study. The finding of this study is supported by the conclusions forwarded by (Lorna & James, 2014).

According to them communication increases the likelihood that employees will accept the appraisal system as a legitimate and constructive means of gauging their performance contribution. They also concluded that level of communication between employee and their supervisor affected their job performance to a great extent.

Ho3: There is no significant effect of measuring actual performance of employee based on established standards on employees' performance.

The third hypothesis deals that measuring actual performance has a significant positive effect on employee performance ($\beta = 0.108$, $p < 0.023$). Therefore, the result of the regression showed that its sig-value was 0.023. Therefore, the proposed null hypothesis was **rejected** in this study. This study was consistent with finding of Selamawit (2016). This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in employees' performance.

Ho4: There is no significant effect of discussing the appraisal result and giving feedback to employee on employees' performance.

The fourth hypothesis tells us Comparison actual performance with standards has significant positive effect on the employee's performance ($\beta = 0.057$, $p < 0.119$). The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. Therefore, the null hypothesis found that **accepted**. Consistent with this finding Selamawit (2016) also found that Comparison actual performance with standards has insignificant effect on the employee's performance.

Ho5: There is no significant effect of indicating the corrective action to employee on employees' performance.

The last hypothesis indicated that Initiating corrective action has significant positive effect on the employee's performance ($\beta = 0.460$, $p < 0.000$). Therefore, the result of the regression showed that its sig-value was 0.000. Therefore, the proposed null hypothesis was **rejected** in this study. The result of the appraisal is communicated and discussed with the employees on one-to-one basis.

The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance (Selamawit, 2016).

Table 4.17: Summary of hypotheses testing

	Hypothesis	Result
Ho1	There is no significant effect of establishing performance standard on employees' performance.	Rejected
Ho2:	There is no significant effect of communicating performance expectation to employee on employees' performance.	Rejected
Ho3:	There is no significant effect of measuring actual performance of employee based on established standards on employees' performance	Rejected
Ho4:	There is no significant effect Comparison Actual Performance to employee on employees' performance	Accepted
Ho5:	There is no significant effect of indicating the corrective action to employee on employees' performance	Rejected

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Major Findings

The discussion part is important to give a clearer understanding on the subject under study. The present research was conducted in order to see, the impact of establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards, and initiating corrective action on the degree of employees performance in the Commercial Bank of Ethiopia. The study included these variables establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards, and initiating corrective action, to see their effect on employee's performance. Increased employees performance is frequently argued to be the single most important driver of organizations' long-term performance.

The present study showed that, combination of the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action has a significant positive relationship with employees performance at a significance level of ($R^2 = 0.785$ and $P < 0.001$). In the present study, the correlation between the dependent variable employee's performance and each of the independent variables, together with their relative importance was identified. Based on the result obtained from Pearson correlation, there is a positive association between the dependent variable employee's performance and independent variables. Compared to other relationship considered in this study, establishing standards of performance is ranked last in its magnitude of correlation, communicating of performance standards is ranked second in its magnitude of correlation, measuring actual performance is ranked third in its magnitude of correlation, comparison actual performance with standards is ranked fourth in its magnitude of correlation and initiating corrective action is ranked first in its magnitude of correlation.

The results of the present study also showed that: For every unit increase in the value of establishing standards of performance, setting all other predictor variable to zero, the value of response variable employees performance will increase by 11.5%; For every unit increase in the value of communicating of performance standards, setting all other predictor variable to zero, the value of response variable (employees performance) will increase by 27.9%; For every unit increase in the value of measuring actual performance, setting all other predictor variable to zero, the value of response variable (employees performance) will increase by 10.8%; For every unit increase in the value of comparison actual performance with standards, setting all other predictor variable to zero, the value of response variable employees performance will increase by 5.7%; For every unit increase in the value of initiating corrective action, setting all other predictor variable to zero, the value of response variable (employees performance) will increase by 46.5%.

5.2 Conclusions

Five process of performance appraisal can play a critical role in improving the properly evaluate the performance of its employees as it can achieve survival, increase their satisfaction and trust and then generate the competitive success for organizations.

The present research was conducted in order to see, the impact of establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards, and initiating corrective action on the degree of employees performance in the Commercial Bank of Ethiopia. The study included these variables establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards, and initiating corrective action, to see their effect on employee's performance. Increased employees performance is frequently argued to be the single most important driver of organizations' long-term performance.

The study concluded that, combination of the establishing standards of performance, communicating of performance standards, measuring actual performance, comparison actual performance with standards and initiating corrective action has a significant positive relationship with employee's performance at a significance level.

In the present study, the correlation between the dependent variable employee's performance and each of the independent variables, together with their relative importance was identified. Based on the result obtained from Pearson correlation, there is a positive association between the dependent variable employee's performance and independent variables. Compared to other relationship considered in this study, establishing standards of performance is ranked last in its magnitude of correlation, communicating of performance standards is ranked second in its magnitude of correlation, measuring actual performance is ranked third in its magnitude of correlation, comparison actual performance with standards is ranked fourth in its magnitude of correlation and initiating corrective action is ranked first in its magnitude of correlation.

5.3 Recommendations

Based on the findings of the study, the researcher forwards the following recommendations to the management of the CBE and suggestion for other researchers.

- The human resource management can be strategic partner for any business when it presents a tangible support for an organization's profitability. This tangible support is achieved when the HR system in place is effectively implemented along with the individual HR practices which are sure to lead to increased productivity of firm. Performance appraisal is one of the major pillars in contemporary HR system. The potential value of using performance appraisal system as a tool to manage and measure both employee and organizational performance depends largely on the quality of how the system is implemented. It is seen as an efficient vehicle to successfully deliver on the strategic objectives and goals of organizations. As the proper implementation of such a system is of critical importance to success, organizations should watch over to confirm its functionality and able to take timely measures as necessary. In addition, knowing the major challenges that are associated with effective implementation and practice should not be left to luck. Accordingly, to better enhance the performance appraisal system of the case organization, the following recommendations are forwarded.

- For the expected performance to be achieved, employees understand their role and contribution to their team and organization. Therefore, employees should be provided with updated establishing standards of performance at least at the beginning of every performance period. As planning is the backbone for the whole process of performance appraisal CBE should confirm the practice and usage of SMART objectives in the application by giving the necessary trainings on how to develop the SMART objectives.
- To enhance employees' capability, at the beginning of every performance period, employees checked for their skills and abilities with regard to managing performance. Then, the employees try to get refreshed or thorough trainings basing performance appraisal training need analysis and/or gaps identified in previous performance period.
- As feedback and coaching practices are the basis for success of performance appraisal system, the management must commit to make continuous feedback and coaching the predominant style of managing people, were commitment to achieving organizational objective is embedded in a parallel commitment to improving the people.
- On the assessment and review process, the finding indicated that there is lack of standardization in the exercise, therefore, to make sure the presence of consistent evaluation across people and time, ongoing training of the individuals in charge of appraisals, usually managers is essential.
- All supervisors responsible to manage the performance of subordinates properly. To make the supervisors accountable, the development of their subordinates take as their responsibility and incorporated in their own performance objectives as major performance expectation. Managers again should be held accountable for the failure of their subordinates on performance appraisal activities. So CBE enforce accountability concerning employee performance.

- The performance appraisal form includes a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal.
- One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance.
- The final step of the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as "putting out fires," whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance.
- Appropriate perception and understanding of employees on the performance appraisal processes and its purposes plays a vital role in the acceptability and success of the application. Therefore, CBE work on raising awareness of employees to develop better attitude towards the performance appraisal system.

5.4 Suggest on for Future Research

The current study leaves room for further future research in the field of the performance appraisal of CBE. There is an opportunity for researchers to either explore the same variables of this study in greater depth or to add new variables that could potentially predict performance appraisal more accurately or differently. This study utilized respondents residing in Addis Ababa only and the researcher would recommend that similar studies as to the current study be conducted on a larger scale that is a larger sample size and larger geographic regions. This would allow for more diversity in the sample and more informed results.

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Appendix I

ST MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES MASTERS OF BUSINESS ADMINISTRATION (MBA)

Questionnaire to be distributed for the Employees Commercial Bank of Ethiopia

Dear Respondents.

This questionnaire is developed for an academic effort planned for the collection of data to conduct a thesis paper on the title *“The Effect of Performance Appraisal on Employee Performance the Case of Commercial Bank of Ethiopia”*, in order to fulfill the University’s (St Mary’s University) requirement set for awarding of a Master of Business Administration. The information obtained from this questionnaire will be kept confidential and will not be used for any other purposes. Hence, I am kindly asking respondents to give your candid information.

NB:

- It is not necessary to write your name
- Try to address all the question given below
- For the closed ended questions use (√) mark for your choice in the given box

Contact Address

If you have any query, please do not hesitate to contact me and I am available as per your convenience

Thank you for your cooperation!

PART 1: DEMOGRAPHIC INFORMATION

1. Gender

Male Female

2. Educational Qualification:

Grade 10 completed Grade 12 completed Certificate
College diploma First Degree Second Degree and above

PART 2: QUESTIONS DIRECTLY RELATED WITH THE STUDY

2.1. Here under the questions with regard to regard how the independent variables such as performance appraisal influence the dependent variable employees performance therefore, you are kindly requested to put “√” “X” mark on the box which represents your degree of agreement. 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree,

Establishing Standards of Performance		5	4	3	2	1
Std01	The performance standards of my job are realistic.					
Std02	Clear performance criteria (standards) are set before preceding the performance appraisal process					
Std03	The organization gives me a clear standard related with my job.					
Std04	The performance standards make me stretch and use my full potential.					
Std05	The current performance appraisal standard is directly related to the objectives of the job and of the organization.					
Std06	The performance appraisal standard is easy to use and understood by both team leader or immediate boss and employees.					

Std07	The performance appraisal standard was developed with inputs from the employee.					
	Communicating of Performance Standards to Employee,	5	4	3	2	1
Com01	I am clearly communicated about the purpose of performance appraisal					
Com02	Formal communication processes are in place to ensure that I understand the organization's objective.					
Com03	There is a transparent discussion across the organization on performance appraisal issues.					
Com04	I have received guidance to improve my performance.					
Com05	I have asked by my supervisor for an input during the appraisal process.					
Com06	I openly discuss about my performance evaluation result with my supervisor.					
Com07	It is easy to discuss performance measurement issues with supervisors.					
	Measuring Actual Performance	5	4	3	2	1
AP01	My immediate boss discusses regularly my job performance with me.					
AP02	The performance rating is conducted as per the given standard.					
AP03	My immediate boss usually keeps a file on what I have done during the appraisal period to evaluate my performance.					
AP04	I am satisfied with the number of times I am appraised during the course of the year					
AP05	The performance rating is conducted as per the given schedule/ period					
	Comparison Actual Performance with Standards	5	4	3	2	1
CAPS01	While my performance is evaluated, I have the opportunity to express my feelings to my supervisor.					
CAPS02	My team leader/boss compares my actual performance with the standard in a fairly manner					
CAPS03	The comparison between actual performance and standards clearly justifies the deviation.					
CAPS04	My actual performance is actually compared with the predetermined performance standard.					

	Initiating Corrective Action	5	4	3	2	1
ICA01	When my performance has not met minimum standards, my manager discusses with me the reasons.					
ICA02	Information gathered through performance evaluation in is used to motivate subordinates through recognition and support					
ICA03	After knowing the appraisal result the rater take the necessary action based on the given result					
ICA04	The performance appraisal rating is used as an input for coaching and development					
ICA05	Performance appraisal helps employees to achieve their career aspirations in the long run.					
ICA06	Performance appraisal is used as a toll for succession planning.					
ICA07	Performance appraisal document can be used as a source to avoid litigations					
	Statements of Employee Performance	5	4	3	2	1

Emp0 1	I perform well in my overall job by carrying out tasks as expected.					
Emp0 2	I could manage more responsibility in my job than is typically assigned to me.					
Emp0 3	I always reach my performance target.					
Emp0 4	I am able to perform my work well with minimal time and effort.					
Emp0 5	I do my job independently (without waiting for specific instruction from my supervisor)					
Emp0 6	Compared to last year, I judge the quality of my work in the past six months to be much better.					
Emp0 7	I am able and willing to work in collaboration with others.					
Emp0 8	I actively looked for ways to improve my performance at work.					

“THANK YOU”