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St. Mary's University, Ethiopia

**FACTORS INFLUENCING EMPLOYEE PERFORMANCE
APPRAISAL ALIGNMENT WITH ORGANIZATIONAL
PERFORMANCE:
THE CASE OF ETHIO TELECOM.**

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A research project submitted to school of business in partial fulfilment of the requirements for the degree Master of Business Administration in General management.

July 2021, Saint Marry University

Addis Ababa, Ethiopia

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Letter of Approval

The evaluation committee has approved this master's thesis entitled **FACTORS INFLUENCING EMPLOYEE PERFORMANCE APPRAISAL ALIGNMENT WITH ORGANIZATIONAL PERFORMANCE** -The case of Ethio telecom prepared and submitted by **Hailay Luel** for the partial fulfilment of the requirements for the Master of Business Administration in General Management.

Examining Committee

Name

Date and Signature

1. -----

2. -----

3. -----

Dedication

I dedicate this project to my family for their enduring patience, understanding and preparedness to pursue what I always wanted to do. I can say that I would never have realized this accomplishment without my family.

Thanks a lot for your inspiration and the support you have provided me throughout this long journey.

Table of Contents

Contents

ACKNOWLEDGMENT.....	6
ACRONYM/ABBREVIATIONS.....	7
LIST OF TABLES	8
LIST OF FIGURES	9
<i>ABSTRACT</i>	10
CHAPTER ONE.....	11
INTRODUCTION	11
1.1 Background of the Company.....	11
1.2 Background of the study.....	11
1.3 Definition of Key Terms	13
1.4 Statement of the Problem	14
1.5 Research Questions	15
1.6 Research Objective.....	16
1.6.1 General Objective	16
1.6.2 Specific Objective.....	16
1.7 Significance of the Study	16
1.8 Scope of the Study.....	16
1.9 Limitation of the Study.....	17
1.10 Organization of the Paper.....	17
CHAPTER TWO	18
REVIEW OF RELATED LITERATURE	18
2.1 Theoretical Literature.....	18
2.1.1 Performance Appraisal.....	18

2.1.2 Employee’s Performance	19
2.1.3 Performance Appraisal Process.....	20
2.1.3.1 Establish Performance Standard	20
2.1.3.2 Communicate Standards to Employees	20
2.1.3.3 Measure Actual Performance	21
2.1.3.4 Compare Performance with Standard.....	21
2.1.3.5 Discuss Appraisal with Employees	21
2.1.3.6 Initiate Corrective Action	22
2.1.4 Performance Appraisal System (PAS).....	22
2.1.4 Methods for Appraising Employees.....	23
2.1.5 Organizational Performance Index.....	24
2.1.6 Aligning Employee Performance to Organization Performance.....	26
2.1.7 Effects of Performance Appraisal on Organizational Performance	27
2.1.7.1 Identifying Areas of Strength	27
2.1.7.2 Identifying Training Needs.....	27
2.1.7.3 Leadership Development and Succession Planning	28
2.1.8 Leadership and organizational performance	28
2.1.9 Motivation	29
2.1.10 Benefits of Performance Appraisal	31
2.1.11 Effects of Performance Appraisal on Employee Productivity	32
2.1.12 Challenges in Performance Appraisal	33
2.1.12.1 Appraiser Inexperience.....	33
2.1.12.2 Employee Resistance.....	33
2.1.12.3 Appraiser Bias.....	33
2.1.12.4 Not Linked to Rewards.....	33

2. 1.13 Factors Influencing Employee’s Performance	34
2.1.13.1 Job Stress	34
2.1.13.2 Physical Stress	34
2.1.13.3 Psychological Stress	34
2.1.13.4 Goal Clarity	35
2.1.13.5 Knowledge of the Structure	35
2.1.13.6 Feedback	35
2.1.14 Advantages of Performance Appraisals to Organizations.....	35
2.1.15 Disadvantages of Performance Appraisals.....	36
2.2 Empirical Review.....	36
2.2.1 Measuring Actual Performance of Employee Based on Established Standards	36
2.2.2 Performance Appraisal System and Organizational Success	37
2.2.3 Employee Performance Appraisal Practice of Ethio telecom	38
2.3 Conceptual Framework.....	39
2.4 Hypothesis of the study.....	40
CHAPTER THREE	41
RESEARCH DESIGN AND METHODOLOGY	41
3.1 Research Design.....	41
3.2 Research Methodology	41
3.2.1 Research Population	41
3.2.2 Sample Size	41
3.2.3 Sampling Techniques	42
3.3 Source of Data.....	42
3.4 Data Gathering Instruments	42
3.5 Procedures of Data Collection	43

3.6	Pilot Testing	43
3.7	Methods of Data Analysis.....	44
3.8	Ethical Considerations	44
CHAPTER FOUR.....		45
DATA ANALYSIS, DISCUSSION, AND INTERPRETATION		45
4.1	Response Rate.....	45
4.2	Data Validity and Reliability	45
4.2.1	Data Validity	45
4.2.2	Data Reliability.....	45
4.3	Classification of Respondents by their Management Position	46
4.4	Descriptive Analysis Findings	47
4.4.1	Strategic View of the Organization.....	47
4.4.2	Findings Related to Appraisers Experience	48
4.4.3	Findings Related to Appraisee/Employee Resistance	49
4.4.4	Findings Related to Appraisers Objectivity	50
4.4.5	Findings Related to Linkage to Reward.....	51
4.4.6	Findings Related to Alignment to Organization Performance	52
4.5	Inferential Analysis Findings.....	54
4.5.1	Correlation Test.....	54
4.5.2	Normality Test.....	56
4.5.3	Multicollinearity Test.....	57
4.6	Regression Analysis Findings.....	58
CHAPTER FIVE		60
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....		60
5.1	Summary of Findings.....	60

5.2 Conclusions..... 64

5.3 Recommendations..... 66

5.4 Further Research Study..... 67

References 68

Declaration 70

Appendix 71

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ACRONYM/ABBREVIATIONS

PM	Performance Management
PA	Performance Appraisal
PAS	Performance Appraisal System
PMS	Performance Management System
HRD	Human Resource Department
SPSS	Statistics Package for Social Science

LIST OF TABLES

	Page
Table 3.1 Population and Sample Size Distribution.....	34
Table 4.1 Reliability Test	46
Table 4.2 Strategic View of the Organization.....	47
Table 4.3 Findings Related to Appraisers Experience.....	48
Table 4.4 Findings Related to Employee Resistance.....	49
Table 4.5 Findings Related to Appraisers Objectivity.....	51
Table 4.6 Findings Related to Linkage to Reward.....	52
Table 4.7 Findings Related to Alignment to Organization Performance	53
Table 4.8 Correlations Test.....	55
Table 4.9 Multicollinearity Test	57
Table 4.10 Model Summary of Regression Analysis with Overall Alignment with Organization performance.....	58
Table 4.11 Factors that Determine Alignment with Organizational Performance	59

LIST OF FIGURES

Figure 2.1 Conceptual Framework	32
Figure 4.1 Classification of respondents by their management position	48
Figure 4.2 Normality Test	55

ABSTRACT

Exploring and examining factors which influence employee performance appraisal alignment with the organization performance is the role of management. This study examines to what extent appraiser's inexperience, appraisers bias, appraise resistance and linkage to reward are affecting the alignment with the organization performance. Organizations with best performing employees are on the verge of achieving their intended objective. The argument is why employee performance appraisal is much greater than of the average organizational performance in the case of Ethio telecom. This study was explanatory in nature with multiple units of enquiry. Questionnaires, interviews, and documentation were the main tools of data collection. Moreover, the data collected were analyzed and processed by using statistical package for social science (SPSS) and indicated clearly on tables and figures. The study results revealed that employee's performance appraisal alignment with organizational performance is significantly impacted by appraiser's inexperience and linkage to reward. Majority of appraiser were not objectively and critically appraising their subordinates as a result the alignment between the two dimensions become greater. Ethio telecom should ensure standardized measurements preparation which ensure objectivity, design/deliver training and awareness programs, amend/review reward, and compensation policy to gain the benefit of employee performance appraisal to its organizational performance.

Key words: Performance, Appraisal, Alignment, Organizational performance, Management by objectives (MBO), Superior, Subordinate, Appraisal system.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Company

Ethio telecom is a government owned public enterprise established by council of minister's regulation with proclamation no,691/2010 and article 47(1)(a) of the public enterprise proclamation no, 25/1992. It is a telecom service providing company where its purpose is to provide and make accessible next generation network-based world class, standard information technology services for esteemed customers and the public. As telecom service is critical for socio -economic and political advancement of any country, this company provide services like data internet, mobile voice service, fixed broad band or narrow band and other value-added services which have critical role on the diplomatic relation, import/export relation, investment, and cumulative impact on gross domestic product change.

Ethio telecom as a company is structured in all regions and administrative cities like Addis Ababa and Diredawa. Roles and responsibilities of the company are clearly stated and communicated where it starts from the Board of Directors (BoDs), Chief Executive Officer (CEO), executive officers, middle level and low-level managers. The company have 16,700 permanent and 18,000 contract employees in which total is 34,700.

1.2 Background of the study

Performance is considered to be a construction (Quinn and Rohrbaugh, 1983; Venkatraman and Ramanujam, 1986; Henri, 2004) and the purpose of defining this concept is to determine its properties and dimensions. The notion of performance has an abstract character, and its definition is made by reference to other concepts, on which it is believed that performance is built. Since 1950, studies in organizational theory are based on the concept of effectiveness, and the terms of efficiency and performance are considered interchangeable (Venkatraman and Ramanujam, 1986).

Performance is difficult to define, but it can have at least three meanings or connotations:

1. A successful outcome of an action or the action itself,
2. Performance shows the ability to move, thanks to the constant efforts,
3. Performance is the carrier of an ideology of progress, effort, always make better (Bourguignon, 1997).

This assimilates performance with an action (Bourguignon (1997). A result is nothing if considered alone because it cannot be separated from means of its activities and objectives. Performance is based on logical action stages, starting with the intention, and going till the actual result. Furthermore, there is distinction between “performance” and “being efficient” (Vilain, 2003).

The success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him or to look forward to so that he is motivated to work at the best interest of the company. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual. The organization’s key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process. (Marchington and Wilkinson, 2005) Baron et al (2005) defend the performance appraisal is “a more limited approach which involves managers making top-down assessment and rating the performance of their subordinates at an annual performance appraisal meeting”.

Performance appraisals enable management gauge and monitor whether institutional standards, expectations and objectives, and delegation of responsibilities and tasks are achieved. Staff performance appraisals also establish individual training needs and enable organization to identify training needs analysis and planning. Performance appraisal is important to manage employee’s work effectively through the appraisal process i.e setting standards, communication, measurement, comparison, feedback, and action. Appraiser inexperience, appraise resistance, appraiser bias and lack of linkage to reward system are among the factors that affect proper appraisal practice and overall organization performance. (Armstrong, 2001) tells performance as behavior the way in which organization’s teams and individuals get work done. Performance appraisal is a procedure to evaluate how individual personnel are performing and how they can improve their performance and contribute to overall organizational performance (Grubb,2007). Performance appraisal/evaluation involves an employee knowing what is expected of him and remain focused with the help of the supervisor, tells them how well they have done that motivates

the employees toward the good performance (Casio, 2003). The evaluation system identifies the gap of performance (if any).

Organizational performance is defined as the extent to which organizations, viewed as a social system fulfilled their objectives (Georgopoulos & Tannenbaum, 1957). In the late 60s and 70s, organizations have begun to explore new ways to evaluate their performance, so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman & Seashore, 1967). The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970). Globally, companies recognize that business and talent strategies are closely connected, and that management and employees are essential to achieving high organizational performance (Cappelli, 2011). Employee performance appraisal is determinant to organizational success. The more employee performing evidenced with appropriate appraisal system the more the organization performs assuming other additional factors (cost management, market share, etc) also play critical role. If organization is to take advantage of their most important asset employees and gain human capital advantage, it is only productive to have performance appraisal system implemented if only managers, supervisors ensure the quality, equality and follow the procedures of doing it, in a healthy organization, there is no room for inconsistency of the overall company performance and its employees' performance. In practice, there exist a gap in which average employee annual performance is by far better than the organization performance or showing huge gap between. This is the case that this research purpose is to examine what factors are impacting employee performance appraisal system alignment with organizational performance.

1.3 Definition of Key Terms

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

- **Alignment:** In this context, the concept alignment refers to the integration, and reflection of employee performance on organizational performance.

- **Performance:** is the act of execution, accomplishing of work given by employer. In this study, performance is used as the measured outcome or result each employee achieve in his/her predefined objectives.
- **Appraisal:** is an act or instance of measuring, evaluating or grading something or someone. In this study it is assumed that the process of giving or rating each employee in the company based on the established and on ground system.
- **System:** a set of detailed methods, procedures and routines created to carry out a specific activity, perform a duty, or solve a problem. In this study, it is quietly taken as the tool that Ethio telecom is using to appraise its employee on regular base.

1.4 Statement of the Problem

Organizations have three basic components i.e people, purpose, and structure. In human resource literatures, humans/employees are considered as the most valuable assets of an organization. Organizations are as good as their employees (Ekaterina Walter, 2013). To achieve high goals and strategies organization need motivated employee. Employees that work in the organization as they are working for their own gains. In today's competitive environment organizations need motivated employees and it is the responsibility of the organization that they make such policies that improve employee performance. Organization should know the tactics how to motivate their employees or to judge their behaviors', feelings, and emotions (Katz, D. 1964). Goal clarity, feedback, knowledge of structure, mental model, repertoire, motivation, environment is among the different factors affecting employee performance (Fred Nickols, 2016).

Performance evaluation/appraisal is a systematic means of assuring if employees are accomplishing the jobs to the required or stated standards or it is a means of identifying performance gaps of employees (NCN report HR Department'2010). This gap is the problem that occurs when performance does not meet the standards that are set by the organization. The feedback system tells the employee about the quality of his or her work performance (NCN report HR Department'2010). Performance appraisal can enhance the benefits for the organization, but apparently it is not delivering the benefits in many cases (John Mooney, 2009). Most of the organizations usually include performance appraisal they cannot take the benefits from that because there lay a huge difference between the anticipations and experiences in the present system (Elverfeldt, 2005).

Inappropriate performance appraisal system is not only lead to missing on the anticipated benefits from the system but also highly contribute to organizations incur unreasonable costs associated with incentives, compensation packages and investment on capacity building.

Organization's performance and growth is highly or fully dependent on the performance of its employees. For a company like Ethio telecom, employee performance appraisal is practiced for the 11 years starting from its establishment. It is currently using balanced scorecard to plan and evaluate employee. While practicing this system, inconsistencies, unrealistic results, exaggerations, subjectivity was observed. As a result, employee result is always very much greater than of the average organizational performance. As a secondary data review, this problem is proven with the annual company performance report which is published and communicated to stakeholders. Although employee performance is not the only dimension to assure organizational performance, big gap between these two dimensions is not expected. And the purpose of this study is to examine factors influencing employee performance appraisal system alignment to organization performance and specifically to justify why such problem is existing and the organization did not much benefit from employee performance appraisal system to its achievement. Moreover, to recommend possible corrective actions that can fill the research gap in the case of Ethio telecom.

1.5 Research Questions

A research question guides and centers a research. It should be clear and focused, as well as synthesize multiple sources to present unique argument. And it is not all about the entire paper but, fundamental question that facilitates a research project, study, or review. It allows researchers to collect relevant information that helps to narrow down the purpose of the study. Below are the basic research questions that this study address.

1. What are the factors that could critically affect managers on appraising their employees?
2. How much employee performance appraisal result is objective?
3. To what extent employee performance appraisal result is aligned to organizational performance?

1.6 Research Objective

1.6.1 General Objective

The general objective of the study is to investigate factors influencing employee performance appraisal alignment with organization performance.

1.6.2 Specific Objective

- To identify factors that affect employee performance appraisal.
- To assess the current practice of employee performance appraisal in Ethio telecom.
- To measure the level of alignment between employee performance appraisal and organization performance.

1.7 Significance of the Study

For academicians and researchers, this study may help to build and improve knowledge in the study of employee performance role on organizational performance and may direct future research areas. It may fill the gaps to the employer of telecom sector. Practitioners and leaders may have the information necessary to increase employee performance, ensure performance appraisal objectivity and correct the existed inconsistency on company and employee performance results through implementing uniform and agreed performance evaluation standards and system which are aligned to the organization strategy.

Adding this study may enrich the existing literatures hence giving a better understanding on the employee performance evaluation standards, systems, and its alignment to company performance in Ethiopian context.

1.8 Scope of the Study

Ethio telecom is nationwide company with 16,700 permanent employees and 18,000 contract employees working all over the country. There are 632 management positions based on the implemented organizational structure and these positions include chief officers, directors and managers. There are also regional offices, zonal offices and corporate offices. And due to the time and cost constraint, this study is scoped to corporate domains (divisions found in Addis Ababa I.e human resource, network, finance, information security, sales and marketing etc). The study focused on the practice, knowledge, and challenges of management members while appraising employees as a factor of misalignment with the overall organizational performance. Methodologically qualitative data, both primary and secondary data was used. To ensure data relevance, the study consider the last three consecutive business years' information. (2010,2011

and 2012 Ethiopian calendar). And this study takes five-month time to complete starting from December 24/2012 – June 10/2012 Ethiopian time.

1.9 Limitation of the Study

Limitations related to conducting the study negatively affect the duration of the study was the spread of COVID-19 which critically impact the data distribution and collection stage and the current instabilities.

1.10 Organization of the Paper

This research paper is organized in five chapters. Chapter one contains overall background of the research, why it is important to make the research, its significance, boundaries of the study, and scope of the study. Chapter two contains the relevant literatures that have value to the study. Chapter three will contain the research design and method used to conduct this research mainly data source, data collection tools, population, sample size and sampling techniques. Chapter four comprise data analysis, interpretation and discussions. Chapter five comprise findings, conclusion and recommendation including summary of findings derived from data analysis.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

2.1.1 Performance Appraisal

There has been a number of research in past several decades on performance appraisal (Bretz, Milkovich & Read, 1992; Fisher, 1989). Performance appraisal sounds simple, but research tell us that it is commonly used in performance feedback and identify individual employee's strengths and weaknesses (Ruddin, 2005). The use of performance appraisal system by business and industry has been counted between 74 to 89 percent (Murphy & Cleveland, 1991). Performance appraisal systems are used for different purposes in which include human resource decisions, evaluation, and feedback (Cleveland, Murphy & Williams, 1989). Psychologist focused on employee's reaction to appraisal and shared view in which performance appraisal take place (Levy, 2000; Levy & Williams, 2004). Nasud argued that evaluation structure is important tool that recover the value of employee's performance (Nasud, 1999). Performance appraisal establishes reward system that will combine the effort of leaders and the worker of organization to the common goals of their organizations (Cleveland, Murphy, & William, 1989). For achieving high performance goal of organization performance appraisal is very important component of human resource management. The information gathered and performance appraisal provide basis for recruitment and selection, training and development of existing staff, and motivating and maintaining a quality human resource through correct and proper rewarding of their performance (Lillian, Mathooko, & Sitati ,2011). Performance appraisal is often including performance management system. Performance management systems manage and align all the organization, resources in order to achieve the highest possible performance (martin, 1998). (McMaster, 1994; Williams, 2002) argued that performance management involve determining the strategic objective, establish team goals, plan of performance developed, analyze the performance (by using appraisal system) identified need of development and assign rewards. The different techniques are used for performance appraisal that is can be divided as traditional and non-traditional form. The traditional form of appraisal is also known as "Free Form Method" it is just involved the overseeing and description of employee performance by his boss or superior (IJBMR, 2012). From the last few years the non-traditional form of appraisal is common in

practices (Coens and Jenkins, 2000; Lawler, 2000). (Dorfman, 1986; Locke & Latham, 1984; Latham & Wexley, 1981) Mostly these techniques are used in throughout world for appraisal method.

1. Assessment center
2. Behaviorally anchored rating scales (BARS)
3. Human resource accounting method
4. 360 Degree Performance Appraisals
5. Management by objectives (MBO).

Assessment center involves the informal events, tests and assignment that are given to the group of employees to evaluate their competencies (Ijbm, 2012). Behaviorally Anchored Rating Scales is new method that is consist of predetermine critical areas of performance or it is set of behavior statements that describe important job qualities what is good and what is bad (Dargham, 2000). Human resource accounting method the performance of employee is evaluated in term of contribution and cost of employees (Ijbm, 2012). (Sharma, 2012) 360 degree involves the feedback of employee's performance by anyone who has contact with employee in organization. In 360-degree include self-appraisal, Superior appraisal, Subordinate appraisal, Peer appraisal. These methods are less structured then the traditional method which is less focuses on the rankings and ratings and more emphasis on arranging meetings between employees and supervisor (Sharma, 2012).

2.1.2 Employee's Performance

High employee's performances lead an organization and have greater opportunities for employees then those who have low performance (Vans cotter, 2000). "Performance is related to that organization hires the person to do and do well" (Campbell 1993). Performance is not only related to the actions but also involves judgment and evaluation process (Ilgen & Schneider, 1991). The activities that can be examined and measurable are reflected as performance (Campbell, 1993). Organizations need high performance of its employees so that organization can meet their goals and can able to achieve the competitive advantage (Frese, 2002). (Borman and Motowidlo, 1993) differentiate between work and performance. Work related to the person abilities through which employee performed activities which is contributed by the technical core. Performance not related to the technical core characteristics, but it cares about the organization psychological environment and social environment in that organization achieve its objectives. It

involves behaviors such as helping colleagues or being a reliable member of the organization (Frese, 2002). Performance appraisal emphasizes on the performance variables not on personal traits (Smither, 1998). (Kane, 1995) argued that performance should be measured in term of the work-related behavior. Murphy in 1991 argued that analyzing performance through personal characteristics has different disadvantages. (Jankoz, 2004) argued that the validity and reliability of attribute-based performance appraisal are greater suspected as the perception of superior officer maybe biased. (Squires and Adler, 1998) appraisal based on traits of employee has little value. (Malos, 1998) concluded that fair appraisal is based on job related behaviors not traits of persons. Employees must believe that in performance appraisals there is great opportunity for them (Weick, 2001). Without fairness the performance appraisal system, rewards, motivations and developments create negative impact and frustration (Gilliland and Langdon, 1998).

2.1.3 Performance Appraisal Process

The basic purpose of performance appraisal is to make sure that employees are performing their jobs effectively. In order to realize the purpose of performance appraisal organizations should carefully plan appraisal systems and follow a sequence of steps as illustrated below:

1. Establish Performance Standard
2. Communicate Standards to Employees
3. Measure Actual Performance
4. Compare Performance with Standard
5. Discuss Appraisal with Employees
6. Initiate Corrective Action

2.1.3.1 Establish Performance Standard

The first step in appraising performance is to identify performance standard. A standard is a value or specific criterion against which actual performance can be compared (Baird, et.al, 1990). Employee job performance standards are established based on the job description. Employees are expected to effectively perform the duties stated in the job description. Therefore, job descriptions form the broad criteria against which employee's performance is measured.

2.1.3.2 Communicate Standards to Employees

For the appraisal system to attain its purposes, the employees must understand the criteria against which their performance is measured. As Werther and Davis (1996), stated to hold

employees accountable, a written record of the standards should exist, and employees should be advised of those standards before the evaluation occurs. Providing the opportunity for employees to clearly understand the performance standards will enhance their motivation and commitment towards their jobs.

2.1.3.3 Measure Actual Performance

Once employees have been hired their continued performance and progress should be monitored in a systematic way. This is the responsibility of the immediate boss to observe the work performance of subordinates and evaluate it against the already established job performance standards and requirement. The aim of performance measure is to detect departure from expected performance level.

2.1.3.4 Compare Performance with Standard

After evaluating and measuring employee's job performance it is necessary to compare it with the set standard to know whether there is deviation or not. When one compare performance with the standard either performance match standards or performance does not match standards.

2.1.3.5 Discuss Appraisal with Employees

For the appraisal system to be effective, the employees must actively participate in the design and development of performance standards. The participation will enhance employee motivation, commitments towards their jobs, and support of the evaluation feedback. In other words, employees must understand it, must feel it is fair, and must be work oriented enough to care about the results (Glueck, 1978). After the evaluation, the rater must describe work-related progress in a manner that is mutually understandable. According to Baird et.al. (1990), feedback is the foundation upon which learning, and job improvement are based in an organization. The rater must provide appraisal feedback on the results that the employee achieved that meet or exceed performance expectations. As Glueck (1978) noted, reaction to positive and negative feedback varied depending on a series of variables such as:

- The importance of the task and the motivation to perform it.
- How highly the employee rates the evaluator.
- The extent to which the employee has a positive self-image, and

- The expectancies the employee had prior to the evaluation. For example, did the employee expect a good evaluation or a bad one?

In sum, it is important that employees should be fully aware that the ultimate purpose of performance appraisal system is to improve employee performance, to enhance both organizational goal achievement and the employee's satisfaction.

2.1.3.6 Initiate Corrective Action

The last step of the performance appraisal is taking corrective action. The management has several alternatives after appraising performance and identifying causes of deviation from job-related standards. The alternatives are 1) take no action, 2) correct the deviation, or 3) review the standard. If problems identified are insignificant, it may be wise for the management to do nothing. On the other hand, if there are significant problems, the management must analyze and identify the reasons why standards were not met. This would help to determine what corrective action should be taken. For example, the cause for weak performance can range from the employee job misplacement to poor pay. If the cause is poor pay, corrective action would mean compensation policy reviews. If the cause is employee job misplacement, corrective action would mean assign employee to a job related to his/her work experience and qualification. Finally, it is also important to revise the performance standard. For example, the major duties stated in the job description and the qualification required to do the job may not match. In this case corrective action would mean to conduct job analysis to effectively determine the job description and job specification. Hence, the evaluator would have a proper guide i.e., performance standards that make explicit the quality and/or quantity of performance expected in basic tasks indicated in the job description (Chatterjee, 1995).

2.1.4 Performance Appraisal System (PAS)

Performance appraisal also known as performance review, formally documents the achievements of an individual with regards to set targets. It is a component of performance management system (PMS). The system has become an essential management tool in today's organizations. Managing employees' performance can be said to be as important as any other work that all managers execute during the year.

Grote (2002) describes performance appraisal as a formal management tool that helps evaluate the performance quality of an employee. Schneier and Beatty as cited in Patterson (1987) define it as a process which apart from evaluating also identifies and develops human performance.

According to Karol (1996) performance appraisal includes a communication event planned between a manager and an employee specifically for the purpose of assessing that employee's past job performance and discussing areas for future improvement.

2.1.4 Methods for Appraising Employees

Bue and Byars (2005) commented that "performance appraisal is an evaluation in which the performance level of employees is measured against established standard to make decision about promotions, compensation, additional training or firing". Performance appraisals consist of three main methods; these are:

- **Rating System Method:** It is the method of appraisal where employees are rated on a scale against certain characteristics such as excellent, very good, good, satisfactory, fair and poor. Rating methods of appraisal often ends to cluster in the middle that is between excellent and poor. Rating methods also has a halo impact that is, on graded characteristics is likely to influence another. This is because any performance factor considered by management to be acceptable, the manager reiterates the required standards and agreement is reached on steps to improve performance or if an appraisal rates work knowledge as very good, it will be difficult for him to rate work output as poor. The rating has thus been found to be an inappropriate method unless the rating characteristics have been adequately explained.
- **Descriptive Method:** This system of appraisal requires the appraiser to give a rating profile on the performance of appraisee on his achievement and failures, that is, his strength and weaknesses. The main advantage with this method is that the appraiser is free to write a detailed assessment of the appraisee. The limiting factor here is that, if the appraiser has not got control over the language, he is using to conduct the appraisal, as a result he may not be able to give fair assessment of the employee being appraised. If the appraisee is not highly favored by the appraiser, they later may live information which may be detrimental to appraisee.
- **Management by Objective (MBO):** Drucker (2007). This method is based on the principle of management by objective where the appraiser and the appraisee lay down

standards or target to be achieved. Appraises actual performance is measured against the standards or target set at the end of a specific period. This system serves as motivation to influence appraise to achieve the target or standard set because it is noted to raise the morale of employees and for that matter the appraise since he is involved in the whole processes of appraisal. In most cases appraising employees generally takes one year. But it will be advisable for management to conduct interviews purposely for employees' appraisal.

2.1.5 Organizational Performance Index

The history of performance is classified into six different subcategories. Various ideas and opinions on each of the performance subcategories are discussed in this part. A clear statement on the concept of organizational performance was issued by Etzioni [21], in which he believed that frequent assessments of organizations have been carried out in relation to the achievement or non-achievement of the set objectives and goals. However, in Etzioni's suggestion, the resources that an organization needs to achieve its objectives and aspirations were not taken into consideration. Some other researchers, such as Chandler [22] and Thompson [17] apparently nurtured an idea of organizational performance similar to that of Etzioni. Researchers like these argue that the ultimate criterion of organizational performance is its growth and long-term survival. In other words, continuous improvement of organizational performance forms its vital objective. What these definitions had in common was the "effectiveness" or realization of the objective component of organizational performance.

In contrast, Lorsch [23] has a different suggestion for measuring organizational performance based on two factors, i.e., good fit between the organization and its environments: and good fit between the organization and its individual contributors. Lorsch believed that the performance of an organization is expected to be more successful if there are efficient operations between the organization and its environment and its staff are content with and aspire to contribute to its success and development. However, the statements of Lawrence and Lorsch [24] do not answer whether there is confusion concurrently between the organization and its environment and between the organization and its staff, and in case of the existence of such a confusion, how the company is able to retrieve its workable balance. The arguments of the above researchers provided the organizational performance concept with a new dimension, i.e., "relevancy" (client satisfaction), despite its inability to resolve the discord in the concept. Some researchers believe that in the 1970s

the concept of performance dealt with both organizational means and ends [25]. Performance is defined as the extent to which a company, as a social system with certain resources, is able to fulfil its goals without being obliged to incapacitate its resources and means or putting excessive strain on its employees. Lupton [26] treated the concept of organizational performance in the most careful and explicit manner in comparison with other researchers in the same period. According to Lupton, in an effective organization, the productivity rate and levels of satisfaction and motivation of its members are high, while rates of turnover, costs, labor unrest are low or absent. However, according to Katz and Kahn [27], the efficiency (ratio of outputs to input) and effectiveness of an organization were parallel, both vital components of the overall organizational performance, which can be assessed through maximizing the total returns of all kinds. In summary “effectiveness,” “efficiency,” and “relevancy” are three dimensions of organizational performance that have been used as common elements in the above-mentioned definitions.

In the 1980s, performance is defined as the extent to which an organization, as a social system, could consider both its means and ends [28]. This definition is in line with the earlier one suggested by Georgopoulos and Tannenbaum [25]. Nevertheless, Cherrington [29] defined organizational performance as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its objectives successfully. In the following decade, the 1990s, Adam [30] considered organizational performance as heavily dependent on the employees’ performance quality. He believed that in order to ensure a high-quality organizational performance, it is vital to have regular exposure of the staff of the company to new and up-to-date knowledge and skills, which would, in turn, help them keep up with the new changes happening in the market, and, ultimately, enhance the quality of organizational performance. In a "Note on Organizational Effectiveness", Harrison and Freeman [31], and Adam [30], confirmed that an effective organization with high standard of performance level is the one that keeps its stakeholders’ (shareholders, customers, and its own) demands satisfied. These definitions also support the “relevancy” dimension of organizational performance stated in the earlier definitions above. In the first decade of the twenty-first century, the definition of organizational performance mostly focused on the capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company, as well as considering their relevance to its users [32]. In this definition, the three general elements of OP, i.e., “efficiency,” “effectiveness,” and “relevancy” have been

taken into consideration. Conversely, the performance of an organization is believed to be able to cover broader areas including the connection between performance and organizational goals (effectiveness); organizational resources (efficiency); and satisfaction of the stakeholders (relevancy).

2.1.6 Aligning Employee Performance to Organization Performance

Most successful organizations have transitioned from the traditional employee appraisal process to the more enterprising performance management process that ties employee performance to organizational performance through its mission, vision and values. Management teams have discovered that when they do not deploy cascading goals from the executive suite to divisions, departments and individual employees, the organization experiences a misalignment with their overall goals. This misalignment results in unclear goals at the department and employee level. Without that “clear line of sight” organizations struggle with managing accountability, department and workforce redundancies and general conflicting activities. Managers fall prey to the “nice guy, bad year” syndrome – rewarding underperforming employees with satisfactory ratings because priorities change mid-year that are not reflected in the employees’ performance plan. Employees lose sight of how they are supporting the organization or affecting the mission and vision of the company in a positive way. All of this impacts the overall performance of the organization, as well as of the individual. For the individual employee, in many cases, this results in reduced employee engagement because the employee does not understand how he or she fits into the big picture.

Management teams have learned the importance of cascading goals to assure successful goal attainment and increased employee engagement. It is not enough to simply conduct the annual strategic planning session and share these goals via corporate communications or team meetings. Organizations must align and cascade goals throughout the company to drive transparency, manage progress toward goals on a continuous basis, and evaluate overall strategy with individual performance. These five steps provide a guide on how to cascade organizational goals, align them with your performance management process, and create a relevant employee development plan that is connected to business strategy.

1. Developing Corporate Goals

Corporate goals are developed prior to the beginning of the fiscal year at a strategy session attended by senior management. The goals define what the organization wants to accomplish in the coming fiscal year. For most organizations running on a calendar year,

these planning sessions occur in the summer or early fall. These overall corporate goals are based on the organization's strategic plan and are the guardrails that guide the organization to achieve its mission. Generally, organizations will limit their overall corporate goals to between three and five, which allows the team to maintain focus.

The foundation of the goals are the mission and vision of the organization. Also, in this day and age, many companies have begun to incorporate their values into this planning stage. The goals are defined in terms of the company's mission i.e., what we do; its vision, i.e., for whom or why we do it; and, its values, i.e., how it will be done through the behaviors that reflect the values of the organization. For example, a company may have a corporate goal to "increase revenue by \$100M in the next fiscal year by expanding into new markets and doing so by upholding the values of the organization" or "increase overall efficiency while maintaining product/service quality and doing so by upholding the values of the organization." These are specific and easy to understand goals that can be adapted across the organization.

2.1.7 Effects of Performance Appraisal on Organizational Performance

Performance appraisal doesn't benefit only employees. Organizations use the results of performance appraisal to identify areas of strength and opportunity as well. Performance appraisal can provide an indication of areas of training need as well as direction for leadership development, performance improvement and succession planning.

2.1.7.1 Identifying Areas of Strength

The results of performance appraisal can be assessed to identify areas of strong performance across all employees, by department or by demographics. Standardized performance assessments allow companies to aggregate, calculate and analyze results to show where performance is strong. These areas of strength then can serve as benchmarks and opportunities for sharing of best practices for other areas of the organization.

2.1.7.2 Identifying Training Needs

Evaluating the results of performance appraisals can provide managers, human resources departments and organizations with an indication of where additional training and development may be necessary, says (Lin Gensing-Pophal, author of "Human Resource Essentials.") For instance, results may indicate that employees collectively are scoring low on items related to use of technology or customer service. These may become target areas for

the creation and implementation of training programs designed to boost employee competence and performance.

2.1.7.3 Leadership Development and Succession Planning

Performance appraisal can provide an indication of employees with leadership potential or leadership development needs. In both cases, the manager and HR department then can develop programs and interventions to either offer employees an opportunity to exercise their leadership competencies or build skills. Performance appraisal can serve as an input to succession planning by identifying employees with specific competencies that the organization knows it will need in the future due to turnover and retirement. To maximize the use of performance appraisals in this manner, it is important that the appraisals be standardized and that appraisal results be reviewed, assessed and analyzed to identify competencies and development needs across all departments.

2.1.8 Leadership and organizational performance

Leadership transforms potentials into reality. It is not merely using people and their potential for realizing an organization goal. This is the maximum aspiration of ethical character and high level of leaders Horner et al. (1997). Leadership and performance beyond expectations represent a breakthrough in our understanding of which these leaders are, how they get results and why their leadership often exceeds all limits Bass et al. (1985). Despite the ubiquity of leadership influences in the performance of the organization team and large amount of literature on leadership and team/group dynamics, we know surprisingly little about how leaders create and manage effective teams. A key point in considering such relationship is the reciprocal influence, whereby both leadership and team process influence each other (Stephen, Andrea & Michelle, 2002). Teams become more experienced and reach a significant level of experience. Other members assume more leadership roles, while designated leaders retain their responsibilities that span the boundaries. Also, team influence the leader's effectiveness. Further the leadership facilitates in many ways as managerial instance by creating a shared vision for the organization, by coordinating the people/activities among units, communicating among organization broad, monitoring and controlling activities deviations, and motivating employees for higher performance.

2.1.9 Motivation

Motivation is an element that retains and manages employee manners and behavior (Steers and Porter, 1987). (Porter and Miles, 1974) argued that in job the employees need freedom for success and work environment traits rewards create motivation. Motivation acts as driving force that leads employees towards its goals (Grant, 2008). Motivated employees are highly involved and engaged in their job and try to make their performance best (Guay, 2000; Vansteenkiste, 2007). Self-driven and freedom-oriented qualities are mostly found in motivated employees (Grant, 2008). Motivated people are highly committed and have few desires (KAMAL et al. 2005). In South Africa performance appraisal is used to help public servants to know about what is expected to them, increased their motivation, describe their performance and improve their performance (Erasmus, Schenk, Westhuizen and Wessels, 2005). Organizations needed motivated employees to survive in a highly competitive world. Managers must be able to understand what motivate to employees however this function is very complex because that motivates employee today may not tomorrow (Kovach, 1987). Motivated employees are those who work according to the clearly define goals and take their actions to achieve those goals (McShane & Von Glinow 2003). Motivation is the perception of an individual that describe the intensity of his or her behavior (Petri & Go-vern, 2004). Performance appraisal helps employees to motivate by clearly define their objectives and by setting future direction with providing training to fulfill the objective performance (Bach, 2005).

Justice theory related with the acts of being just and fair with everyone. (Roch and Shanock, 2006) use all four justice dimensions in their framework by considering all are related to social relationship either these relationships with the organization or with the supervisor.

1. Procedural justice
2. Distributive justice
3. Interpersonal justice
4. Informational justice

In this study framework is drawn for applying it especially in performance appraisal context. This context related to explaining employees have perception of fairness about appraisal system. (Rosenzweig and Nohria, 1994) Procedural justice perceptions include the fair relative weighting in the basic elements of the performance appraisal system. There are three important procedures that are prominent in appraisal system that is assigning rate, set criteria and looking for appeals.

(Silverman and Wexley, 1984) argued that developing the behavioral anchored rating scales are satisfactory then the interview system of appraisal process. Distributive justice perception is related to the equity theories believes that distribution is fair. Rater may feel motivated to conform about the other norms like equity, want, or social status which maybe seem unfair practice to those who are being rated (Leventhal, 1980). Personal goals of rater like motivations, teach, avoid conflict or gain personal favor. Employee may take appraisal fair if they thought that rater is trying to motivate them and want to improve their capabilities. And employees also can take appraisal unfair on the basis of conflicts, avoidance, favoritism and politics. Interpersonal justice is related to the rater fair behavior with the employee that is being evacuated. (Greenberg, 1986) argued that employees are very sensitive about the behavior of directors and representatives in the organization. Informational justice involves the fair explanations of performance anticipations, standards, response and reasons of decisions. In the context of performance appraisal, the most common thing is setting goals and standards and feedback (Kamencu, 2011). Implicit Person Theory (IPA) refers to the general expectations that we build about a person after we know something of their specific central traits. For example, when one believes that a happy person is also friendly, rather than quit or shy. Dweck (1986) says implicit theories are professional beliefs related to the flexibility of personal traits that affect the behavior of person. Implicit person theory defines the type of personality that he/she has and how he or she behaves. In this study we examined the role of implicit person theory in the view of a manager's performance judgments. Performance appraisal is the source that gives sense to employees that they are being valuable and recognize as an organizational team. Lee & Bruvol, (2003) argued that thought that has been develop through the performance evaluation system that performance is being evaluated for the development of employees than employees will compensate it to increase their level of performance. On the basis of justice theory many analyzers distinguish between distributive and procedural justice when they are reviewing about the organizational justice. Moorman, (1991) suggested that distributive justice is related to the justice in results and outcomes that employees get, and procedural justice related to the real fairness in the system that apply for defining results. Rahim et al, (2001) different studies reveal that in organizational justice distributive and procedural justice have exclusive and shared relations with organization. Boss, (2001) argued Employees those feel that the results of performance appraisal is unfair they often leave the organization, and their morale and

involvement will let down. And it will change their behavior in wrong doings for taking revenge from the organization. There is the significant relationship exist between performance appraisal and employee's performance. Attentions that are giving to employees on emotional base are stimulate employees towards the main objectives of the organization and it will become main cause of coordination of employees in organization (Lathman, 2003). Wood, (1974) analyses the relation among employee's behavior, motivation in job and performance in sample using 290 semi-skilled and skilled workers. The conclusion was that highly involved employees were basically oriented toward their jobs and did not have clear satisfaction with organization evaluation of performance. (Egwuridi, 1981) investigated motivation among Nigerian employees high and low occupation using them as sample. He concluded that low-income employees are not confirmed, and high-income employees have greater value on basic job factors. (Kunz and Pfaff, 2002; Pullins, 2001) investigated that motivated salesperson that are motivated by their rewards, money or promotion are more involve in their work.

2.1.10 Benefits of Performance Appraisal

The main reason for appraising performance is to enable employees to use their effort and ability so that organizations achieve their goals and consequently their own goals. Generally, the following are the main uses of performance appraisal.

- **Performance Improvement.** Performance feedback allows the employee, the manager, and personnel specialists to intervene with appropriate actions to improve performance.
- **Compensation Adjustments.** Performance evaluation help decision-makers determine who should receive pay raises. Many firms grant part or all their pay increases and bonuses on the basis of merit, which is determined mostly through performance appraisals.
- **Placement Decisions.** Promotion transfer, and demotions are usually based on past or anticipated performance. Often promotions are a reward for past performance.
- **Training and Development Needs.** Poor performance may indicate a need for retraining. Likewise, good performance may indicate untapped potential that should be developed.
- **Career Planning and Development.** Performance feedback guide career decisions about specific career paths one should investigate.

- **Staffing Process Deficiencies.** Good or bad performance implies strengths or weaknesses in the personnel department's staffing procedures.
- **Informational Inaccuracies.** Poor performance may indicate errors in job analysis information, human resource plans, or other parts of the personnel management information system. Reliance on inaccurate information may have led to inappropriate hiring, training, or counseling decision.
- **Job-Design Errors.** Poor performance may be a symptom of ill-conceived job designs. Appraisals help diagnose these errors.
- **Equal Employment Opportunity.** Accurate performance appraisals that measure job-related performance ensure that internal placement decisions are not discriminatory.
- **Feedback to Human Resources.** Good or bad performance throughout the organization indicates how well the human resource function is performing (Werther & Davis, 1996).

2.1.11 Effects of Performance Appraisal on Employee Productivity

Competent appraisal of individual performance in an organization or company serves to improve the overall effectiveness of the entity. Kane and Lawler, 2009, indicated that, the three main functional areas of performance appraisal systems are administrative, informative, and motivational. Appraisals affects the administrative in that it serves the role of facilitating an orderly means of determining salary increases and other rewards, and of delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals help employees and managers establish goals for the period before the next appraisal.

Appraises, appraisers (managers), and companies all reap benefits from effective performance appraisals. Appraises benefit in several ways; for example, they discover what is expected of them and are able to set goals. They also gain a better understanding of their faults and strengths and can adjust behavior accordingly. In addition, appraisals create a constructive forum for providing feedback to workers about individual behavior, and for allowing workers to provide input to their managers. Finally, appraises are (ideally) given assistance in creating plans to improve behavior, and can get a better grasp on the goals and priorities of the company.

2.1.12 Challenges in Performance Appraisal

A performance appraisal allows you as a business owner to offer constructive feedback to your employees and even determine if an increase in compensation is appropriate. By using a set of standard rating criteria for each employee, you can help ensure fairness in the process. However, several challenges must be overcome to maximize the effectiveness of the appraisal process.

2.1.12.1 Appraiser Inexperience.

New business owner implementing an appraisal system for the first time, may not be comfortable with the appraisal process, which may create awkwardness during the review. A way to overcome this is to follow a standardized review format that you will use for every employee. This will help ensure that you're treating each employee equally and will help you become comfortable with the process more quickly.

2.1.12.2 Employee Resistance.

An appraisal process can make employees uncomfortable, as they may not enjoy the scrutiny or view the whole procedure as a negative endeavor. You can help alleviate this by explaining the procedure at the beginning of the appraisal. You can even consider giving the appraisal guidelines to employees ahead of time so that they have a better idea of what to expect.

2.1.12.3 Appraiser Bias.

Even though you are the boss, you are still human and subject to personal biases. You can also be swayed by an employee's recent performance while overlooking actions that may have taken place earlier in the appraisal period. You can overcome bias by making notes of employee actions throughout the appraisal period so that you can refer to them when preparing your evaluation.

2.1.12.4 Not Linked to Rewards.

An employee may have done an excellent job during the appraisal period, which you acknowledge during the review. However, your business may be experiencing tough times, or you may have limited resources to offer a significant pay raise. This can create disgruntlement and reduced productivity, as the employee may feel that there's no point in making an extra effort if it isn't properly rewarded.

2. 1.13 Factors Influencing Employee's Performance

There are different factors which affect the performance of employee which can affect positively or negatively.

2.1.13.1 Job Stress

It is declared that job stress is created when anyone cannot appropriately harmonize job demands and available resources with personal capabilities (French, 1975). He defines that job stress is taken from a condition of job environment which shows threat to anyone or individual. Some organizations may require achieving a certain work level, while their employees might be incapable to manage assigned works. It is explained that the demand surpasses an individual capacity which concurrently fails to make happy to upper management. Furthermore, job stress has been identified generally as a social issue (Mizuno et al., 2006) which has a mixture of components which interrupts the workers psychologically and physically (Lu, 1997), and distresses whole health care (Conway et al., 2008). Although it has been declared that a small level of pressure can carry out the growth in personnel's capability, however too much pressure brings negative physical and mental changes (Raeissi and Tavakoli, 2002).

2.1.13.2 Physical Stress

Burnout is a condition in which no longer an individual can sustain any extra pressures from her/his job and feels totally control by stress (Pines and Kafry 1978). Due to stress there are certain physical outcomes which are mentioned in the literature. Headache and back pain have been recognized as unfavorable results of organizational burnout by Burke and Mikkelsen (2006). The physical, psychological and mental requires placed on an employee because of organizational pressures over an extended time period, outcomes in ever enhancing personal sacrifices on employee's part which if stay unresolved outcomes in burnout (Mckee and Massimilian, 2006). The literature recommends that employees experiencing expanded unnecessary job demand may have a high-level risk of physical burnout.

2.1.13.3 Psychological Stress

Psychological burnouts are also recognized in the present literature as related by stress. An employee who bears organizational stress is not capable to meet the organizational anticipations.

2.1.13.4 Goal Clarity

People must have in mind a clear picture of any end or goal they are to achieve. Without this picture they cannot tell if they are making progress or when they have completed the task or assignment, let alone if it has been completed properly. The time a manager spends developing, communicating, and clarifying the goals or ends to be achieved is time well spent.

2.1.13.5 Knowledge of the Structure

People must understand the elements making up the situation, how those elements are connected to one another and the relationships that exist between and among these elements. This knowledge of the structure of the situation allows people to say how the actions they envision taking will lead to the result they seek. It also allows them to say, for a given result, the actions required to produce it. Absent this knowledge, action is little more than a shot in the dark and achieving desired results depends on luck or intuition.

2.1.13.6 Feedback

Feedback is information about actual conditions that can be compared to intended goals or results. Without feedback, no one can perform to standard. Feedback informs progress, enables corrections and, eventually, signals attainment of the objective.

For most “hard” tasks (i.e., tasks involving tangible products or other immediate and readily measured effects of one’s actions), feedback is generally available without much effort on anyone’s part. We are aware of our actions and their effects. But, for “soft” tasks (i.e., tasks where the effects of our actions are not tangible, immediate nor readily measured), the feedback loop is essentially open. This is especially true when the main effects of a person’s actions are the reactions of other people.

2.1.14 Advantages of Performance Appraisals to Organizations

- **Documentation:** A PA provides a document of employee performance over a specific period. it’s a piece of paper that can be placed in an employee file.
- **Structure:** This process creates a structure where a manager can meet and discuss performance with an employee. It forces the uncomfortable conversations that often need to happen.
- **Feedback:** Employees crave feedback and this process allows a manager the opportunity to provide the employee with feedback about their performance and discuss

how well the employee goals were accomplished. It also provides an opportunity to discuss employee development opportunities.

- **Clarify Expectations:** Employees need to understand what is expected of them and the PA process allows for a manager to clarify expectations and discuss issues with their employee.
- **Annual Planning:** It provides a structure for thinking through and planning the upcoming year and developing employee goals.
- **Motivation:** The process should motivate employees by rewarding them with a merit increase and as part of a comprehensive compensation strategy.

2.1.15 Disadvantages of Performance Appraisals

- **Creates Negative Experience:** If not done right, the performance appraisal can create a negative experience for both the employee as well as the manager. Proper training on process and techniques can help with this.
- **Time Consuming:** Performance appraisals are very time consuming and can be overwhelming to managers with many employees. I've known managers who were responsible for doing an annual PA on hundreds of employees.
- **Natural Biases:** Human assessment are subject to natural biases that result in rater errors. Managers need to understand these biases to eliminate them from the process.
- **Waste of Time:** The entire process can be a waste of time if not done appropriately. Think about the time investment when the result is negative. It is time wasted on all fronts.

2.2 Empirical Review

2.2.1 Measuring Actual Performance of Employee Based on Established Standards

The most difficult part of the performance appraisal process is measuring the actual performance of the employees. That is the work done by the employees during the specified period of time. Most of the time the effectiveness of performance appraisal system is determined by the performance standards developed according to individual job description which should be tied to organizational goals and objectives. In most cases, these standards should be a written document which will make it legally binding and objective (Daley, 2002).

According to Condrey (2012) cited in Igbojekwe, et al (2015) failure to align performance standards with organizational goals and objectives leads to misunderstandings, poor morale, and

lack of job satisfaction, ineffectiveness, and confusion. When the actual performance is compared with the desired or the standard performance, the comparison should tell the deviations in the performance of employees from the standards set. The result can show the actual performance being more than the desired performance or the actual performance being less than the desired performance depicting a negative deviation in the organizational performance (Caruth & John, 2008).

Ethio telecom should proactively set agreed standards and communicate to each and every employee of the organization and has to make sure the proper alignment of the objectives of the employees and the organization. For achieving individual and organization objective, regular review or periodic review should be made. (Asdesach, 2008)

2.2.2 Performance Appraisal System and Organizational Success

Performance appraisal system and its processes of assessing workers are also of great importance to the overall success of the organization. This is because employee involvement in performance appraisal, constant feedback from supervisors, and clarity of goals can make significant positive contributions to the successful achievement of the overall corporate goals. Performance appraisal system when used properly in organizations will help in recognizing star performers for recognition and poor performers for encouragement. Ilgen and Feldman (1983) therefore argue that companies or state institutions may not be able to excel if they fail to institute measures or mechanisms which can be used to discriminate between industrious employees and indolent workers. Proper differentiation between good and poor performers can promote organizational effectiveness. Similarly, Vanci-Osam and Askit, (2000), and Lam (2001) posit that a system of appraisal that is efficient and effective may generate significant gains to both the individual worker and the institution as a whole. According to them, when superiors provide consistent feedback about their performance, it will give them an insight about expectation and actual performance. This in turn will improve the working relationship between superiors and their subordinates and as well as generation of new and innovative ideas. Consequently, Poon (2004) argues that performance appraisal systems can be adopted as a vital instrument of management decision making. This is because its results may provide correct and timely data and information about employees' progress and performance excellence. This is also consistent with Saunders (2000)'s assertion that performance appraisal system improves workers' effectiveness.

This implies that when performance appraisal systems are effective, organizations can obtain a lot of organizational benefits, tangible and intangible. Intangible or indirect benefits may include quality product or service and increased organizational innovation from creative, well-trained and motivated workers who have their performance expectations properly communicated to them. These indirect benefits of innovation, quality service, customer satisfactions and loyalty, among others also contribute directly to enhance financial or economic outcomes. Thus, performance appraisal can aid organizations to achieve better organizational outcomes.

Ethio telecom should work more on linking employee performance appraisal to the company policy of reward and recognition. This will improve employee commitment, engagement, competitiveness and success of the organization. As a motivation factor, proper performance appraisal recognizes high performers and create positive initiation for the average performers. To gain the benefits of proper performance appraisal shall bitterly implement it.

2.2.3 Employee Performance Appraisal Practice of Ethio telecom

According to Ethio telecom human development policy and procedure (2004), every employee of the company is subject to annual and semi-annual appraisal. This is the responsibility of management groups who are entitled to do so. This practice was designed and implemented with an objective of using as an input for capacity building, promotion, rotation and recognition. But while doing so, there was big gaps observed on the awareness, objective and uniformity of appraising employees. As a tool or system, balanced score card was used to evaluate employee and overall organization. Inconsistency, unrealistic and unjustifiable results was observed and given to employee which critically vary with the overall organization performance which was the question of management. With un proper output of appraisal system, it become very difficult to implement training and development, rewarding, promotion and rotation and this was a big issue that this paper tend to address. Usually, majority of the employees score their individual performance more than 95% based on the four perspectives of BSC while the company scores 84%,85%,89% for consecutive years. This was the gap on the appraisers to align it with the objective of the organization. In a normal and healthy situation, if employee perform at their best, organizations will perform as well assuming other factors remain constant.

2.3 Conceptual Framework

According to Gitahi & Ogollah (2014), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. In the study, the conceptual framework is on factors influencing employee performance appraisal alignment with organizational performance in Ethio telecom.

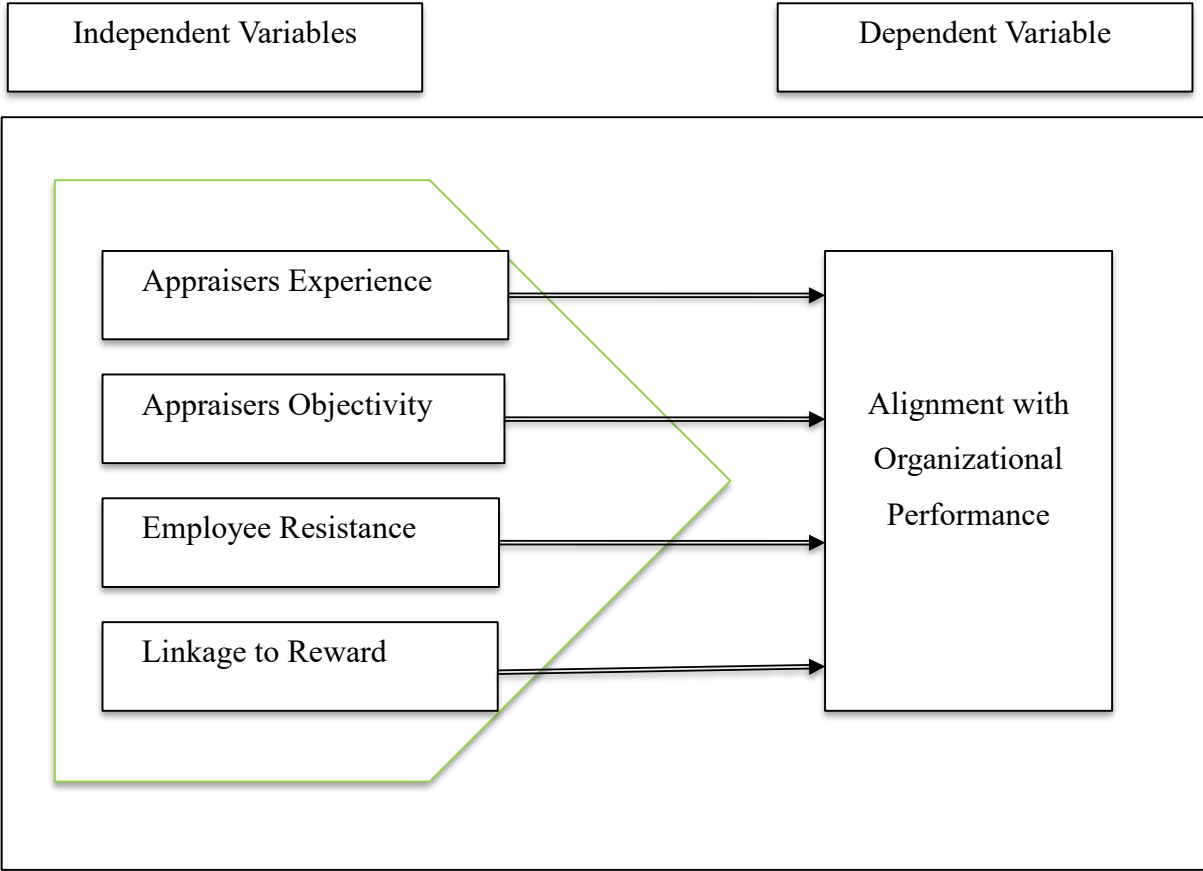


Figure 2.1: Conceptual Framework on factors influencing employee performance appraisal alignment with organizational **performance**.

Source: Adapted from (Ndindi, 2014) and modified from the literature review.

2.4 Hypothesis of the study

In this study, the researcher uses alternative hypothesis which are tested and verified.

H1: Appraiser's experience is expected to significantly affect employee and organization performance alignment.

H2: Appraise resistance is expected to significantly affect employee and organization performance alignment.

H3: Appraiser's objectivity is expected to significantly affect employee and organization performance alignment.

H4: Linkage with reward is expected to significantly affect employee and organization performance alignment.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

Causal (Explanatory) research design is applied to relate and explain the conditions of the factors involved in the study. Factors are compared and tested through questioners. This design is selected because it enables to associate the situation more completely and allow the researcher to provide deep insight on the subject and it gives birth to more subjects and provide more opportunity to study new things. As the objective of the study is to examine factors influencing employee performance appraisal system alignment with organization performance, this design fits best.

3.2 Research Methodology

3.2.1 Research Population

Appraising employee is mainly the responsibility of managers, directors, and chief officers. Those who are with the positions of the company who are found or work in Addis Ababa were the target population and focus of the study. The assumed population was 238.

3.2.2 Sample Size

Due to the size and geographical diversity of the company, this research has sample size to represent the entire population variables to be analyzed. The sample size is reasonable and adequate. The possible population considered in the study was 238 (8 chief officers, 43 directors and 186 managers). With margin error of 5% and confidence level of 95%, the sample size of the study is 147.

$$n = \frac{(z^2 * p * (1-p))}{(1 + (z^2 * (1-p)) / (e^2 * N))}$$

$$n = [1.96^2 * 0.5 * (1 - 0.5) / 0.05^2] / [1 + (1.96^2 * 0.5 * (1 - 0.5) / (0.05^2 * 237))]$$

$$n = 384.16 / 2.6209 = 146.574$$

$$n=147$$

where **n** is the sample size,

z is the z-score associated with a level of confidence, **p** is the sample proportion, expressed as a decimal, **e** is the margin of error, expressed as a decimal, **N** is the population size.

Table 3.1 Population and Sample Size Distribution

Divisions	Division / Chief officers	Department/ Directors	Section/ Managers	Division Total	Sample Distribution Division total* sample/ total population
Finance	1	5	16	22	14
Fleet & Facilities	1	3	18	22	13
Human Resources	1	4	14	19	12
Information Security	1	4	14	19	12
Information System	1	5	28	34	21
Marketing	1	4	19	24	15
Sales	1	6	26	33	20
Network	1	12	51	64	40
Total	8	43	186	237	147

3.2.3 Sampling Techniques

For selecting the above-mentioned sample size, the researcher uses non probabilistic purposive sampling technique to keep the variety of respondents from different domains mainly technical, commercial and support domains.

3.3 Source of Data

The main data source of this study were employees (Managers, Directors) of Ethio telecom who are currently responsible to manage employees, functions and who have more than one-year experience.

Both primary (data collected for this research purpose) and secondary (data collected by others for different purpose but relevant to this study) are used in the research.

3.4 Data Gathering Instruments

Both primary and secondary data collection technique will be used to gather information. As a method, questionnaire and face to face interview are implemented moreover, questionnaire was more dominantly used. And as a secondary source of data, performance appraisal policy, company yearly performance was reviewed. The researcher uses Likert scale of fifth continuum from 1 to 5. 5= strongly agree, 4=agree, 3= neutral, 2=disagree and 1= strongly disagree in the questionnaire.

3.5 Procedures of Data Collection

The main consideration is to make sure that any information collected is done in a way and for a purpose that is consistent, complies with freedom of information and privacy protection legislation. In the interest of effectiveness and efficiency, the researcher efforts made to collect data that shed light on issues or opportunities. To protect the credibility and reliability of data, information is gathered using accepted data collection techniques.

For simplicity and efficiency, the researcher follows the below data collection procedures/steps.

- 1. Identify issues or opportunities for collecting data:** To do this, the researcher conduct an internal and external assessment to understand what is happening inside and outside of Ethio telecom. To decide when, how, who to collect the data the researcher carefully analyses the possible best way of collecting the desired information.
- 2. Select issue(s) and/or opportunity(ies) and set goals:**
Choosing a priority issue(s) and/or opportunity(ies) for collecting data, and then setting goals and objectives. Issues and/or opportunities identified from the internal and external assessment done in Step 1 and picks one or more specific issues and/or opportunities for starting a data collection project from among the list of priorities.
- 3. Create data collection plan -** Helps to structure, plan and monitor the process. This plan clarifies: -
 - Who will the data be collected about?
 - Who will the group of interest be compared to?
 - What locations or geographical areas will the data be gathered from?
 - What categories will be used to identify the group of interest and comparator group?
- 4. Collect data –** Raw data or response were collected from the respondents in person to make sure that the sample size become acceptable.
- 5. Analyze and interpret data –** Interpretations and meanings were given to the collected data in terms of conclusions and fact findings.
- 6. Act on result –** The researcher has recommendations made to Ethio telecom.

3.6 Pilot Testing

To ensure validity and reliability, get chance for correction before instruments fully implemented, the researcher test the questions with 30 respondents and understand if respondents

easily understand the questions and the intended objective is met. This action conducted based on the action plan or timeline of each activity.

3.7 Methods of Data Analysis

Data analysis includes the important characteristics and relation of variables that leads to generalize the define outlines of behavior and specific results. Data were collected and analyzed to point out the variables importance and number of events influence in terms of frequency. Frequency distribution table was used to elaborate the data from respondents.

For analyzing data validity, the distributed questionnaire was reviewed and commented by the advisor and get approved before distribution plus all respondents were management members who are responsible and accountable.

For assuring reliability, Cronbach Alpha test was conducted in order to measure the internal consistency of the measuring instrument (Questionnaire). And for analyzing the relationship and influence of the data/variable's correlation analysis and regression analysis was used, respectively. Additional tests like normality, multicollinearity tests were conducted.

3.8 Ethical Considerations

In this research, all information collected are kept highly confidential and only used for academic purpose. And in front page of the questionnaire, it was clearly stated, and respondents were acknowledged in advance. And for any ethics violation, the researcher remains responsible and accountable.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION, AND INTERPRETATION

4.1 Response Rate

Koltler (1997) defines the response rate as the extent to which the final set of data includes all sample members and it is calculated as from the number of people who respond the questionnaire and with whom interviews are completed divided by the total number of people in the entire sample, including those who refused to participate and those who were unavailable.

A sample size of 147 respondents from the 147 questionnaires issued, 131 of them were returned dully filled giving a proportion of 89% and 16 (11%) of them did not respond which was the result of close follow up of the researcher.

4.2 Data Validity and Reliability

4.2.1 Data Validity

Validity derived from the Latin term validates, meaning “strength,” validity is a term used in both qualitative and quantitative research. It stated that a finding can never truly be proven; it can only be argued (Trochim, 1999). Validity test was conducted to ensure that the measure includes sufficient coverage of the investigated questions, meanwhile the face validity conducted to validate the items of research questionnaire. To ensure data validity, the questionnaires were distributed to the respondents after submitted and commented by the advisor plus the group of respondents are management groups with responsibility and accountability.

4.2.2 Data Reliability

Reliability test has been done to check whether the scales used on the questionnaire consistently reflect what it means or not. For the test of reliability Cronbach’s alpha was used as a measure of internal scale consistency using SPSS (Statistical package for social science studies).

According to Tavakol, M & Dennick, R (2011) there are different reports about the acceptable values of cronbach’s alpha, ranging from 0.70 to 0.95. So based on the above result the scale was reliable.

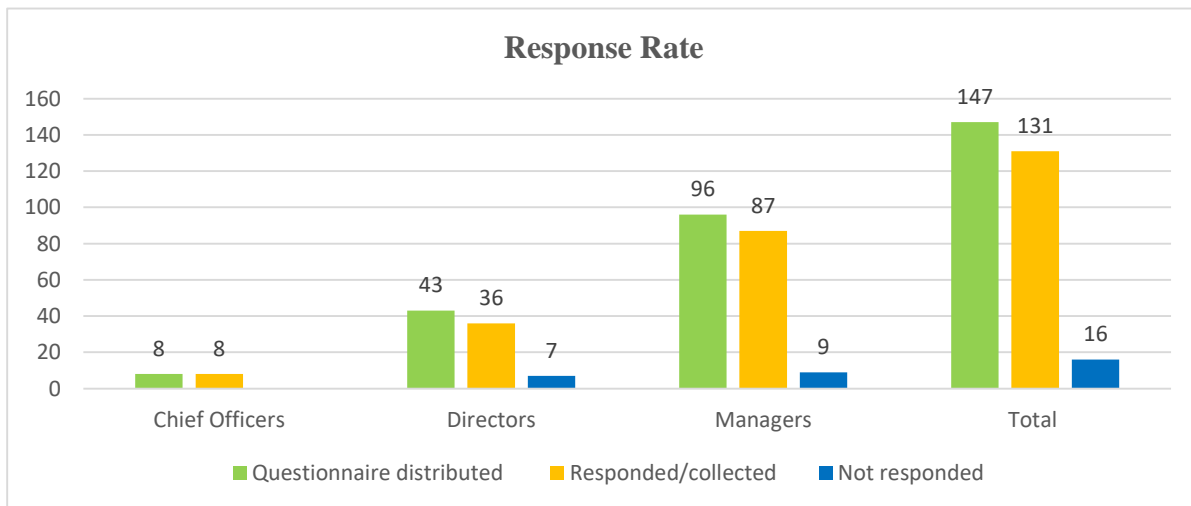
Table 4.1 Reliability Test

Description	Cronbach's Alpha	N of Items
Appraiser's Experience	0.76	5
Employee Resistance	0.75	7
Appraiser's Objectivity	0.7	6
Linkage to Reward	0.69	4
Alignment with Org Performance	0.68	7
Overall	0.858	

4.3 Classification of Respondents by their Management Position

Figure 4.1 is indicative of the results which were participated when the respondents were asked to respond to the questions based on their current management position. Hundred percent of chief officers and Eighty-four percent of directors respectively (n=8, n=43) respond fully. Ninety-one percent of managers (n=96) respond, and nine percent of managers did not replay. Overall, eighty-nine percent out of the distributed questionnaires were responded and collected in which this data is considered quiet enough to analyze and it was representative. This is with the due effort and close follow up of the researcher.

Figure 4.1 Classification of Respondents by their Management Position



4.4 Descriptive Analysis Findings

Descriptive statistics are used to describe or summarize data in a manner that are meaningful, understandable, and useful to interpret it.

4.4.1 Strategic View of the Organization

Strategy is a plan of action designed to achieve a long-term or overall aim and is long term plan of action designed to achieve a particular goal. Strategy is once a top-down affair always created and carried out by senior executives. Without strategy organizations never know their direction. And to this extent strategy is expected to be formulated, approved, and communicated to implementers. To this extent of introduction, Ethio telecom as a big organization was assessed its strategic view as employees without strategic view will deliver nothing.

Respondents were asked whether they have strategic view of the company on its existence, formulation, participation, communication, and comprehensiveness and their response were as shown in Table 4.2.

Table 4.2 Strategic View of the Organization

Valid	Frequency	Valid Percentage %
Neutral	16	12.2
Agree	93	71
Strongly Agree	22	16.8
Total	131	100

Source: Researcher's Analysis, (2021)

Table 4.2 shows that 71% (96) of respondents agreed, 16.8% (22) strongly agreed that the organization strategy formulation, communication, participation, comprehensiveness and cascading to implementers is going well. 12.2% (16) of the respondents become neutral.

The findings show that majority of the respondents agree that Ethio telecom as an organization is very strong in strategic view and the company have well-crafted five years' strategy and that strategy was developed in a participatory manner where stakeholders were involved and empowered. Communication of the strategy to the real implementers is good enough where it

was ensured through hierarchal level cascading (company to divisions, divisions to departments, departments to sections and sections to individual employees). Without strategy, organization will not exist. As a result, a comprehensive strategy ownership is a critical success factor to organizations like Ethio telecom. From the big picture, (Five-year strategy) a yearly business plan was emanated and executed throughout the business year. As business environment is dynamic, regular platforms were established to review the strategy comprehensiveness and execution which was found effective.

4.4.2 Findings Related to Appraisers Experience

For effective performance appraisal, experience matters, and the level of confidence, transparency, criticality, and principle based come as a result of experience. If not appropriately handled, this may lead to inappropriate appraisal results and conclusions. In this case, this was one of the factors influencing the alignment of the two dimensions.

Respondents were asked whether they have enough experience at appraising employee within their domain and they were asked on their confidence, transparency, principle and reality and their response were as shown in Table 4.3.

Table 4.3 Findings Related to Appraisers Experience

Valid	Frequency	Valid Percent
Strongly Disagree	6	4.6
Disagree	81	61.8
Neutral	36	27.5
Agree	8	6.1
Total	131	100

Source: Researcher’s Analysis, (2021)

Table 4.3 shows that 61.8% (81) of respondents disagree, 4.6% (6) strongly disagreed that appraisers are well experienced at appraising their employees. 27.5% (36) of the respondents become neutral meaning they were indifferent. Appraisers experience to critically evaluate their employee is a factor that the organization is lacking as indicated in the finding table above. This is an indication that almost majority of respondents understand that the current appraisers are not well experienced to appraise employees. It implies, appraisal results given

to employees were not based on the standards and appraisal process. Appraisal process is not clearly understood by the appraisers, and it make it very difficult to do so. This fact leads to the inappropriate alignment with the organization performance result. Based on the findings, employee’s appraisal result is not the real reflection of the performed activities where appraisers are inexperienced. A huge numbers of respondents become neutral where they are doing the job which is an indication of confusion. This is an indication that majority of appraisers were not experienced enough and doing the job as a non-value activity. Few respondents 6.1% (8) replay that they agree that appraisers are experienced enough which is an indication that this experience has to be duplicated to others. This will help ensure that appraisers are treating each employee equally and will help to become comfortable with the process more quickly.

4.4.3 Findings Related to Appraise/Employee Resistance

Employees are very much sensitive for their individual result in most of organizations. And they become resistant to accept the result provided by their appraiser. This is the output of lack of standardization, fairness, logicity, and self-centeredness. Usually, employee assume such results will have impact on rotation, promotion, and benefit packages and they try to rush the score. This is one factor which affect the alignment of the two dimensions.

Respondents were asked to review the level of acceptance or resistance, willingness for the results given by their appraisers and their response were as shown in Table 4.4.

Table 4.4 Findings Related to Employee Resistance

Valid	Frequency	Valid Percent
Strongly Disagree	1	0.8
Disagree	91	69.4
Neutral	38	29.1
Agree	1	0.8
Total	131	100

Source: Researcher’s Analysis, (2021)

Table 4.4 shows that 69.4 % (91) of respondents disagree, 0.8% (1) strongly disagreed that they pointed out that majority of employees are not willing to accept the appraisal result given by their appraisers. This is the result of in appropriate appraisal process implementation and limitation on capacity of appraisers to critically evaluate and convince employees to accept the given result. Appraisal result of employees doesn't reflect the actual performance as a result they tend to resist to accept or become unwilling to accept the result. 29.1% (38) of the respondents feel neutral on either the employees within their supervision were positively accept the result or resist to accept it. 0.8% (1) or a single respondent agree that appraisers are willing and accepting the output of the appraisal process. This is regardless of the impact of the result be it positive or negative. The results show that employees are not given opportunity to critically evaluated and get the benefits of performance appraisal. In the other hand, this result shows, for any unacceptable activity like inappropriate appraisal, employee have the right to deny or reject the result which didn't reflect the reality. This can be described as limitation of creating harmony in work unites, limit faire competition and affecting employee satisfaction which is a very critical factor for an organization success.

This is an indication that majority of the employees were not happy with the appraisal result where forced to reject it.

4.4.4 Findings Related to Appraisers Objectivity

Appraisal process is most meaningful when it is fair, transparent, and objective. It is very important appraisers are free from personal bias while conducting the activity. Bias like linking the result for undeserved promotion, losing confidence, negligence, and lack of aligning with the actual output on the ground contribute for un appropriate appraisal practice and this impact the organization objective.

Respondents were asked to review the level of their objectivity while appraising employees within their supervision. Level of biasness, confidence, reality, consistency and rationality and their response were as shown in Table 4.5.

Table 4.5 Findings Related to Appraisers Objectivity

Valid	Frequency	Valid Percent
Strongly Disagree	2	1.5
Disagree	65	49.6
Neutral	57	43.5
Agree	7	5.3
Total	131	100

Source: Researcher’s Analysis, (2021)

Table 4.5 shows that 49.6% (65) of respondents disagreed, 1.5% (2) strongly disagreed that employee performance appraisers perform the appraisal objectively. Significant number of respondents 43.5% (57) become neutral of the appraiser’s objectivity. This indicates employee feel that their appraisers are not appraising them objectively based on the agreed measurements and standards of the organization. Additionally, it implies that appraiser’s consistency, confidence, relating to objectives and reflecting the actual performance is doubtful or impacted. Few respondents 5.3% (7) agreed that appraisers appraise their employees with objectivity. The results show that majority of employees appraised without objectivity, and it is an indication of inappropriate and unhealthy appraisal practice. As a human, anybody is subject to personal biases and can be swayed by an employee's recent performance while overlooking actions that may have taken place earlier in the appraisal period. This finding shows again the limitation of appraisers in considering the appraisal procedure, policy, and measurement.

4.4.5 Findings Related to Linkage to Reward

For employee retention and their commitment to work, pay for performance approach should be designed which ultimately improve the contribution of each employee. If results are not considered for reward system, employee will not be motivated and become reluctant. Always employees think what is in it for any activity performed. Healthy competitive mindset, appropriate reward and recognition will be miss implemented.

Respondents were asked to review the exercise of linking employee performance appraisal with the company reward and compensation policies and packages and their response were as shown in Table 4.6.

Table 4.6 Findings Related to Linkage to Reward

Valid	Frequency	Valid Percent
Strongly Disagree	9	6.9
Disagree	85	64.9
Neutral	29	22.1
Agree	7	5.3
Strongly Agree	1	0.8
Total	131	100

Source: Researcher's Analysis, (2021)

Table 4.6 shows that 64.9 % (85) of respondents disagreed, 6.9% (9) strongly disagreed that performance appraisal results were linked and used for reward and compensation packages of the organization. This implies whatever result employee receive is not connected, expressed and converted to the benefit they gain, and it create and clarify the importance of performance appraisal system implementation in the organization. However, 5.3 % (7) respondents agreed, 0.8% (1) strongly agreed that outputs of employee performance appraisal in the organization were linked to the company reward and compensation package where employees are recognized for their effort proved by the result of the appraisal system. This implies that, motivation, sense of ownership and belongingness are critically accounted. 22.1 % (29) of the respondents become neutral of either it is linked to rewarding system or not. This is an indication that there is confusion that most of the appraisers didn't know the linkage and its impact to the employees they supervise. Organizations may be experiencing tough times or may have limited resources to offer a significant pay raise. Organizations need to motivate and increase commitment through reward and recognition system linking to the appraisal system where is not the case to Ethio telecom as the result shows. And this can create disgruntlement and reduced productivity, as the employee may feel that there is no point in making an extra effort if it is not properly rewarded.

4.4.6 Findings Related to Alignment to Organization Performance

Aligning organizational goals to employee goals connecting the strategic goals of an organization to each of the employee's performance goals is critical to the success of an

organization. In an effectively aligned organization, everyone is working towards the same goal. In the case of Ethio telecom: -

Respondents were asked to review the alignment of employee performance appraisal with the organization performance and their response were as shown in Table 4.7.

Table 4.7 Findings Related to Alignment to Organizational Performance

Valid	Frequency	Valid Percent
Strongly Disagree	1	0.8
Disagree	97	74
Neutral	33	25.2
Total	131	100

Source: Researcher’s Analysis, (2021)

Table 4.7 shows that 74% (97) of respondents disagreed, 0.8% (1) strongly disagreed that performance appraisal results were aligned with the organization performance. This implies whatever result employee receive does not reflect the organization performance. Organization performance and employee performance were not aligned and integrated. The result explains that both components move to opposite direction where it should be to the same. And majority of appraisers argue that it is not aligned means, it is not as per the performance appraisal objective and theories. Significant number of respondents 25.2% (33) respond that they are neutral or uncertain either it is aligned or not. This also imply that there is lack of clarity and communication that the appraisers are appraising the employees towards the overall organization objective.

This is an indication that output of individual employee expressed and proved by the appraisal process and standard of the organization lack alignment to the organization performance shows significant variation in both results is expected. This is an indication as well that organization performance is not the out output of its most valuable assets called employees which is out of the concepts, theories, and standards of performance appraisal system.

4.5 Inferential Analysis Findings

4.5.1 Correlation Test

Correlation is measure of linear association/relationship between two variables, independent and dependent variables expressed by Pearson correlation coefficient. The association in this study is between appraiser's experience, employee resistance, appraiser's objectivity, linkage to reward (independent variable) and alignment to organization performance (dependent variable). The coefficients show the size (magnitude) and direction (positive or negative) of relationship. Regarding effect size of correlation, Evans (1996) suggests correlation coefficient of 0.00 – 0.19 as “very weak”, 0.2 – 0.39 as “weak”, 0.4 – 0.59 as “moderate”, 0.6 – 0.79 as “strong” and 0.8 – 1.0 as “very strong”.

The relationship between scales and overall alignment of employee performance appraisal and organization performance is the measure of the association between each of the four major factors (appraiser's experience, employee resistance, appraiser's objectivity, linkage to reward) and the overall alignment of performance of the company.

From the correlations table below, it can be seen the correlation coefficients r range from 0.471 for appraise resistance to .647 for linkage to reward. Within the two ranges is 0.491 for appraiser's experience and appraiser's objectivity. All the coefficients are positive and statically significant ($p < 0.02$) indicating that the relationship existed between all the four sub scale factors and overall organizational performance alignment in the positive sense.

Regarding the degree/extent/ of relationship, the correlation coefficients lied appraisers experience (.491) employee resistance (.471), appraisers' objectivity (.546) has moderately correlated. Linkage to reward (.647) has strong correlation to the alignment of organizational performance.

Table 4.8 Correlations Test

Independent Variables		Alignment with Org Performance
Appraisers Experience	Pearson Correlation	.491**
	Sig. (2-tailed)	.000
	N	131
Employee Resistance	Pearson Correlation	.471**
	Sig. (2-tailed)	.000
	N	131
Appraisers Objectivity	Pearson Correlation	.546**
	Sig. (2-tailed)	.000
	N	131
Linkage to reward	Pearson Correlation	.647**
	Sig. (2-tailed)	.000
	N	131

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Researcher's Analysis, (2021)

H1: Appraiser's experience is expected to significantly affect employee and organization performance alignment.

The study revealed that there was positive and moderate relationship between appraiser's experience and organizational performance alignment, $r=0.491$ and $P=0.000$. The finding was supported that appraisers experience play an important role in creating employee performance appraisal with organizational performance.

H2: Appraise resistance is expected to significantly affect employee and organization performance alignment.

The finding also discovered that there was positive and moderate relationship between employee resistance and organizational performance alignment, $r=0.471$; $P=0.000$. The study

revealed that unless employees are properly appraised and convinced, they tend to reject the result and create unneeded argument with their managers and that unnecessary argument leads managers to carelessly upgrade the result of employee's performance. And this is a cause for the misalignment.

H3: Appraiser's objectivity is expected to significantly affect employee and organization performance alignment.

The finding revealed that there was positive and moderate relationship between employee resistance and organizational performance alignment, ($r=0.546$; $p=0.000$). This assumption was not as expected, and the researcher supposed to drop it. But as it is significantly important, and it was analyzed and seriously considered.

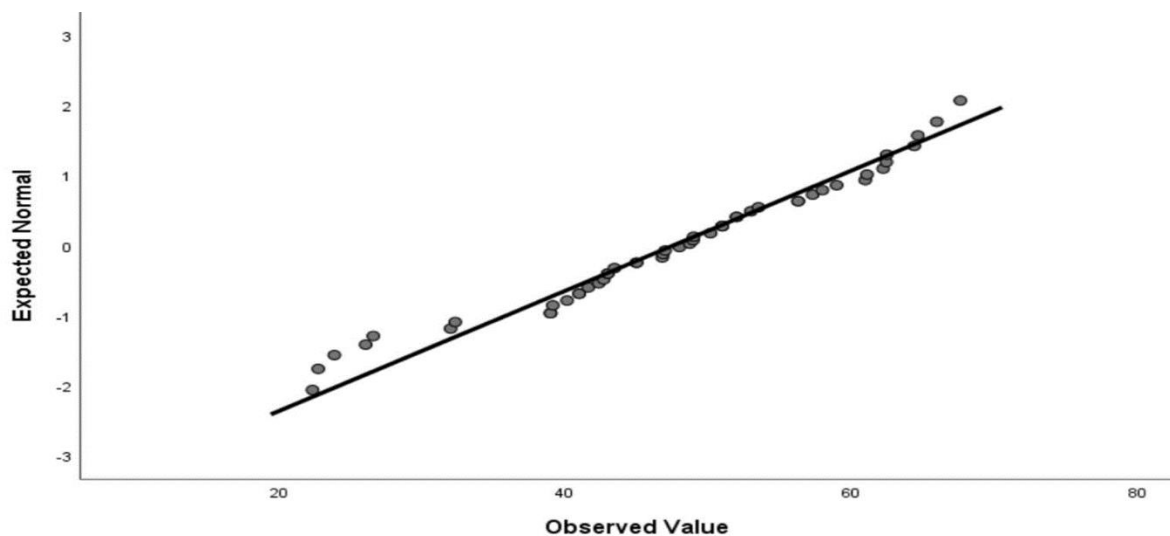
H4: Linkage with reward is expected to significantly affect employee and organization performance alignment.

The finding revealed that there was positive and strong relationship between employee resistance and organizational performance alignment, ($r=0.647$; $p=0.000$). This result indicates, linkage to reward play a critical role either to create the alignment or not. And it was found that it was one of the big factors influencing the alignment.

4.5.2 Normality Test

To test the normality assumption, it is important to view whether the dots are following the trend line or not. If the dots follow the trend line, that means the assumption of normality has been satisfied.

Figure: 4.2 Normality Test



Source: Researcher's Analysis, (2021)

The above figure shows that the data cluster and follow the trend line which is a further evidence of the normal distribution. This indicates the assumption of normal distribution of the sample variable among population has been met. That the independent variable is normally distributed.

4.5.3 Multicollinearity Test

Although there are many diagnostic methods or models to detect the multicollinearity problems the researcher found that it is simplest and understandable to use VIF and tolerance to test the multicollinearity problems. According to Asterious and Hall (2007), if value of VIF (Variance Inflation factor) exceeds 10, it generally indicates that there is multicollinearity in the model. Tolerance and VIF value move inversely and indicates that as the tolerance values are near to zero and VIF value become more than 10 then there may be multicollinearity in the model.

Table 4.9 Multicollinearity Test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.250	.233		5.363	.000		
Strategic View	-.012	.051	-.015	-.228	.820	.980	1.020
Appraisors Experience	.040	.057	.067	.707	.481	.457	2.190
Employee Willingness	.069	.073	.088	.937	.350	.469	2.134
Appraisors Objectivity	.112	.066	.181	1.699	.092	.368	2.717
Linkage to reward	.278	.046	.476	6.046	.000	.670	1.493

a. Dependent Variable: Alignment with Org Performance

Source: Researcher's Analysis, (2021)

Fortunately, the study's finding in table 4.9 above indicates that there is no multicollinearity problem in the model. The values of VIF for all variables were below 10. And the tolerance values also more than zero which moves opposite direction with variance inflator factor (VIF).

4.6 Regression Analysis Findings

Regression analysis a statistical method to deal with formulation of mathematical model describing relationship among variables which can be used to predict the value of dependent variable given the value of independent variables (Kothari, 2004). The independent variables in this study are employee performance appraisal factors summarized in four sub scales (appraisers experience, employee resistance, appraiser’s objectivity, and linkage to reward) and the dependent variable is alignment with organizational performance.

A statistical measure of how close the data are to the fitted regression line or the percentage of the response variable variation (total variation) that is explained by a linear model is expressed by the coefficient of determination, R-squared ranging between 0 and 100% where 0% indicated that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around the mean. In general, the higher the R-squared the better the model fits our data (Frost, 2013).

According to the analysis resulted in model summary of 0.464 adjusted R square as described in the below table. This value indicated the model explains 46% of total variation of alignment with organization performance.

Table 4.10 Model Summary of Regression Analysis with Overall Alignment with Organization performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693a	0.481	0.464	0.275
a Predictors: (Constant), Linkage to Reward, Appraisers Experience, Employee Resistance, Appraisers Objectivity				

Source: Researcher’s Analysis, (2021)

The standardized regression coefficient (Beta) is estimated coefficient indicating which of the different independent variables is more important in explaining the dependent variable expressed on a standardized scale where higher absolute values indicate stronger relationship (range is -1 to 1) (William and Barry, 2010). If the beta coefficient is not statistically significant (i.e. the t-value is not significant), not statistical significance can be interpreted from the

predictor. If the beta coefficient is sufficient ($p < .05$), statistically significant can be interpreted (Statistics solution, 2016).

Table 4.11 Factors that Determine Alignment with Organizational Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.204	0.181		10.199	.000
	Appraisers Experience	0.41	0.056	0.69	.733	0.465
	Employee Resistance	0.067	0.073	0.086	.921	0.359
	Appraisers Objectivity	0.113	0.066	0.182	1.717	0.088
	Linkage to reward	0.277	0.046	0.475	6.067	.000
a. Dependent Variable: Alignment with Organization Performance						

Source: Researcher’s Analysis, (2021)

The table indicates Standardized regression coefficient (beta) of 0.69, 0.475 0.182, and 0.086 in descending order for independent variables appraisers experience, linkage to reward, appraiser's objectivity, and employee resistance. Among the independent variables, two variables’ appraisers experience and linkage to reward are statistically high significant signifying important impact on dependent variable. The other two variables’ appraise resistance and appraiser's objectivity are statistically significant and important.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The final part of this research paper provides summary, conclusions and recommendations drawn from the finding of the data collected, analyzed, interpreted.

5.1 Summary of Findings

Ethio telecom is a governmental organization which has six zones and twenty-three regional offices throughout the country. In all these offices, human resource functional are in place to manage human resource activities. i.e ensure employee performance appraisal process functionality periodically.

This study was intended to examine factors influencing employee performance appraisal alignment with the overall organization performance. The research was anticipated to examine these factors mainly in Addis Ababa mainly focused on appraiser's experience, employee resistance, appraiser's objectivity, and linkage to reward.

Majority of the respondents were managers with big span of control on their domains and who have experience of more than two years. Regarding the current position of the respondents, all the respondents are those who have position on the company currently implemented organizational structure.

The descriptive analysis on the four factors of employee performance appraisal alignment with the organization performance mean is lower than the neutral score (<3). This indicates there is a need for improvements in all of the four dimensions. But comparatively, appraiser's objectivity was found to be the dimension with moderate mean score followed by appraiser's experience. The rest employee resistance and linkage to reward has got least mean scores. All these shows that employee performance appraisal alignment with organizational performance in general was low which needs improvement, and linkage to reward, employee resistance needs much focus and attention.

Detail analysis of strategic view with its respective measuring items revealed that majority of the respondents agree that majority of the respondents agree that Ethio telecom as an organization is very strong in strategic view and the company have well-crafted five years' strategy and that strategy was developed in a participatory manner where stakeholders were involved and empowered. Communication of the strategy to the real implementers is good

enough where it was ensured through hierarchal level cascading (company to divisions, divisions to departments, departments to sections and sections to individual employees). Without strategy, organization will not exist.

Regarding appraiser's experience, majority of respondents disagree and understand that the current appraisers are well experienced to appraise employees. It implies, appraisal results given to employees were not based on the standards and appraisal process. Appraisal process is not clearly understood by the appraisers, and it make it for them very difficult to do so. This fact leads to the inappropriate alignment with the organization performance result. Based on the findings, employee's appraisal result is not the real reflection of the performed. But significant number of the respondents become neutral means, appraisers was confused to do so. Few respondents replay that they agree that appraisers are experienced enough which is an indication that this experience has to be duplicated and expanded to others. This will help ensure that appraisers are treating each employee equally and will help to become comfortable with the process more quickly.

Regarding to employee's resistance to accept the result of the appraisal process, majority of the respondents disagree that employees are willing to accept the result which points appropriate appraisal process implementation and limitation on capacity of appraisers to critically evaluate and convince employees to accept the given result. Appraisal result of employees doesn't reflect the actual performance as a result they tend to resist to accept or become unwilling to accept the result. Appraisal result of employees doesn't reflect the actual performance as a result they tend to resist to accept or become unwilling to accept the result. 29.1% (38) number of respondents who cannot be undermined respond that neutral on either the employees within their supervision were positive to accept the result or resist to accept it. This result shows that employees are not given opportunity to critically evaluated and get the benefits of performance appraisal. In the other hand, this result shows, for any unacceptable activity like inappropriate appraisal, employee have the right to deny or reject the result which didn't reflect the reality. This can be described as limitation of creating harmony in work unites, limit faire competition and affecting employee satisfaction which is a very critical factor for an organization success.

The result on appraiser's objectivity shows that majority of the respondents disagree that appraisers were appraising their subordinates objectively. This indicates employee feel that

their appraisers are not appraising them objectively based on the agreed measurements and standards of the organization. Additionally, it implies that appraiser's consistency, confidence, relating to objectives and reflecting the actual performance is doubtful or impacted. Significant number of respondents become neutral of their objectivity which is paradox in a competitive and technology company. As the results show that majority of employees appraised without objectivity, and it is an indication of inappropriate and unhealthy appraisal practice. As a human, anybody is subject to personal biases and can be swayed by an employee's recent performance while overlooking actions that may have taken place earlier in the appraisal period. This finding shows again the limitation of appraisers in considering the appraisal procedure, policy, and measurement.

Related to linkage to reward and compensation package, almost half of respondents agree that performance appraisal results were linked and used for reward and compensation packages implementation on the organization. This implies whatever result employee score is expressed and converted to the benefit they gain, and it create and clarify the importance of performance appraisal system implementation in the organization. However, half of the respondents strongly disagree that outputs of employee performance appraisal in the organization were not linked to the company reward and compensation package where employees are not recognized for their effort proved by the result of the appraisal system. This implies that, motivation, sense of ownership and belongingness are critically impacted. Organizations may be experiencing tough times or may have limited resources to offer a significant pay raise. Organizations need to motivate and increase commitment through reward and recognition system linking to the appraisal system where is not the case to Ethio telecom as the result shows. And this can create disgruntlement and reduced productivity, as the employee may feel that there is no point in making an extra effort if it is not properly rewarded.

Results of the dependent variable alignment of employee performance appraisal with organizational performance shows that majority of the respondents disagree that both employee performance appraisal and organizational performance are aligned and integrated. This implies whatever result employee receive does not reflect the organization performance. The result explains that both components move to opposite direction where it should be to the same. And majority of appraisers argue that it is not aligned means, it is not as per the

performance appraisal objective and theories. Significant number of respondents 25.2% (33) respond that they are neutral or uncertain either it is aligned or not. This also imply that there is lack of clarity and communication that the appraisers are appraising the employees towards the overall organization objective.

This is an indication that output of individual employee expressed and proved by the appraisal process and standard of the organization lack alignment to the organization performance shows significant variation in both results is expected. It is also organization performance is not the out output of its most valuable assets called employees which is out of the concepts, theories, and standards of performance appraisal system.

The correlation analysis of the factors influencing employee performance appraisal alignment with organization performance shows that all the four factors were statistically significant depicting existence relationship in descending order of appraiser's objectivity, appraisers experience, employee resistance and linkage to reward. The relationship is positive indicating an increase in any of the factors resulted in an increase on the alignment of organization performance with employee performance appraisal and vice versa.

The regression analysis resulted in a model of 46.4% adjusted R² depicting the change on the dependent variable is explained by the four independent variables, appraisers experience (47.1%), appraisers' objectivity (49.1%), appraisers' resistance (54.6%) and linkage to reward (64.7%) in ascending order of standardized coefficients of beta.

5.2 Conclusions

Based on the summary of findings in the above section, generally it could be concluded that the overall status of the employee performance appraisal alignment with organizational performance is very low. It is expressed with appraiser's inexperience, appraisers bias, employee rejection to accept the result and the level that the result is not linked to reward system of the organization and more generally the alignment is very poor. More specifically and precisely, as conclusions drawn from the initial research questions, the researcher draw conclusions as below: -

- The company management groups who are responsible for appraising their employee are highly affected and are not capable of doing the expected activity. i.e proper appraisal system implementation due to the lack of experience, biasness, employee resistance and linkage to reward system. Moreover, employee performance appraisal system is not automated.
- Majority of the employees in the company are not satisfied with the appraisal system which affect the engagement, commitment, and ownership of the employee in a manner it is not linked to reward and recognition system and ensure pay back. This affect employee their level of satisfaction, career path, learning initiatives and degrade competitive mindset. To curve this, the company had no strict monitoring and follow up system in place.
- Organizations are the reflection of their employee which is a general truth. In Ethio telecom, employee performance appraisal alignment with the overall organization performance are misaligned where usually the employee result is greater. This is unhealthy relationship where if employee performs organization should also perform and vice versa. But the case in this company is to the opposite. This is due to poor alignment of the two variables. There is a trend that everything filled in a paper is accepted which needs improvement.
- Employee of the company performance appraisal result doesn't reflect the actual performance of the employee as appraisers are not experienced enough, much biased with their objectivity and are not willing to accept the result given by their appraisers. And it doesn't show reality as it is flowing to the opposite direction or showing misalignment. Exaggerations are observed to both sides of making it very high or very

low result. The company simply accept the filled hard copy result of employee and file it. Ethio telecom doesn't objectively appraise its employees.

- The regression analysis result was found that all the independent variable factors (Appraiser's experience, employee resistance, appraisers' objectivity and linkage to reward) positively influence the alignment of employee performance appraisal with organizational performance. This show the conclusion that the poor alignment status the two components is the reflection of or caused by poor performances of the factors/variables expressed by specific items as concluded in the previous paragraphs.

5.3 Recommendations

As per the gaps in the conclusion section of this study, the following recommendations could be suggested for different stakeholders in the company, Ethio telecom, to improve and integrate employee performance appraisal alignment and organization performance.

- Ethio telecom shall develop employee performance appraisal training and awareness program and deliver to all management group thorough out the country. As this will enhance appraiser's capacity, objectivity, confidence, and courage to properly appraise their employees within their supervision.
- Rather than continuing using manual appraisal system, which was subject to malicious act, errors and misunderstandings, Ethio telecom shall automate the appraisal system for both employee and organization where this automation will help on ensuring the alignment and integration of both elements of the company. Additionally, it reduces time, cost, effort, increase engagement and ensure legal compliance.
- Ethio telecom, shall clearly define appraisal metrics and standard which should be uniform, consistent, and up to date to all appraisers. This will avoid the level and amount of employee resistance to accept or reject the output of the appraisal system. As measurement become more transparent and objective, it will help results to reflect actual performance so that alignment will not be impacted.
- Ethio telecom shall comprehensively link the appraisal system with the reward and compensation package in order to help employers with the decision-making process involved in employee promotion and compensation. This is a motivating factor for those who are more committed, engaged and dedicated of their daily activities. And it enables Ethio telecom employee to be initiative and innovative.
- Ethio telecom shall increase the appraisal frequency to avoid the misalignment and ensure periodic corrections. And to improve appraisers experience, frequency matters.
- Ethio telecom shall ensure the practice of accountability and responsibility for all appraisers and management members where they have to feel responsible for the activity they perform.

- Ethio telecom shall ensure alignment of measurement factors of organization performance with that of employee appraisal where it will help appraisers perform consistent activity. This will reduce the level of the misalignment significantly.
- Implementing all the above recommendations and suggestions will enhance employee performance appraisal alignment with organizational performance. An improvement in employee performance appraisal practice and parameters will have significant improvement on the alignment with the organization performance.

5.4 Further Research Study

Future researchers should conduct a comparative study on the impact of employee performance appraisal misalignment with organizational performance on the industry to have a wider understanding of this wide concept. Future research should also concentrate on other factors impacting this alignment and its interpretation. Future researcher should use the current study as part of their literature review and conduct more research on the issues that this study has examined in order to improve the current study and the general understand of employee performance appraisal alignment with organizational performance.

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Declaration

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than Saint Marry University in Ethiopia for academic credit.

Signed: _____ Date: _____
Hailay Luel (ID No: SGS/02222/2011A)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: _____ Date: _____
Mr. Shoa Jemal (Asst. Professor)

Signed: _____ Date: _____
Dean, -----

Appendix



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St. Mary's University, Ethiopia

Interview Questions and Questionnaire

Part 1: Interview Questions

#	Questions
1	Would you please explain what performance, performance appraisal is?
2	Would you please explain in detail the objective of performance appraisal?
3	Would you please explain why organizations/ Ethio telecom practice performance appraisal?
4	Does employee performance and organizational growth are related? May you explain?
5	What factors you think can affect the practice of performance appraisal?
6	What effects can an organization face if proper appraisal system is not implemented?
7	Do you think employee productivity can be boosted by the use of performance appraisal system? Or inverse.
8	How can organizations challenge if employee and organization performance going the opposite of each other?
9	Would you please recommend on overall performance appraisal and its effect to organizational growth?

Questionnaire

Dear respondents, I am a student of Master of Business Administration (MBA) in General Management in Saint Mary's University, Mexico Campus. I am conducting a research/study on “The Effect of Employee Performance Appraisal on Organizational Growth” at Ethio telecom with moderating to examine the practice and analyze the effect. Any information obtained for this purpose will be kept strictly confidential and will only be used for academic purpose. Your cooperation will be highly appreciated in this regard.

Thank You! Yours truly:

The response scale for the questions is as below:

5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1 = Strongly Disagree

Note: Please circle the option you think better reflect you feeling/opinion.

This questionnaire has four sections

Section One: Questions on Strategic View

#	Questions	Scale				
		1	2	3	4	5
1	Ethio telecom have strategic plan					
2	It is developed in a participatory manner					
3	The strategic plan is communicated to concerned stakeholders					
4	The strategic plan is comprehensive i.e it includes targets, measurements and standards					
5	The strategic plan is cascaded to implementors					
6	Following the strategic plan, every work unit have its own plan to implement					

7	Employees have agreed yearly plan to execute					
8	Employees know the alignment of their effort to the strategic goal					

Section Two: Questions on Employee Performance

#	Questions	Scale				
		1	2	3	4	5
1	Ethio telecom have standard performance appraisal system					
2	Ethio telecom have appraisal policy					
3	It is practiced on regular bases – based on the policy					
4	It is capable of reflecting employee capacity					
5	Results are used to boost organization gain					
6	Results are used for capacity building and reflect development requirement area					
7	The practice of Ethio telecom performance appraisal is motivating					
8	The practice of Ethio telecom performance appraisal creates harmony between employee and work units					
9	It creates employee dissatisfaction and resistance					
10	I believe the system have to continued					

11	The practice creates stability of employee in the work unit					
12	It creates fair competition within the organization					

Section Three: Questions Related to Factors Affecting Performance Appraisal

#	Questions	Scale				
		1	2	3	4	5
1	Appraisers are confident enough in appraising their employees					
2	Appraisers are transparent to their employee during performance appraisal					
3	Managers are principle based in appraising their employees					
4	Managers focus on actual results during appraisal period					
5	Managers are shay in appraising their subordinates					
6	Managers are serious in appraising their employee					
7	Appraisers consider the benefit to employee during appraisal					
8	Managers are well experienced on appraising employees					
9	Managers are consistent during appraising their employee					

10	Managers correlate appraisal to the strategic objective of the company					
11	Employee performance result reflect actual performance					

Section Four: Questions on Employee Performance Alignment with Organization Objective

#	Questions	Scale				
		1	2	3	4	5
1	Organizational success is the output of employee efforts					
2	There is a possibility that average employee performance can be greater than the overall company performance					
3	Employee performance have no chance of exceeding overall organizational result					
4	Exceptional employee performance result can exceed overall organizational result					
5	Employee can perform at the expense of the organization performance					

Thank you for your participation.