



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

THE EFFECT OF PERFORMANCE APPRAISAL PRACTICE
ON EMPLOYEE MOTIVATION: THE CASE OF DEBUB
GLOBAL BANK

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JULY, 2021

ADDIS ABABA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Taye Amogne (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

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

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ACRONYMS

- DGB - Debut Global Bank
- OF - Ongoing feedback
- RP- Rewarding performance
- TA– Trained appraiser
- COP- Continuous open communication
- FPAS - Perception about fairness of PAS
- PAS –Performance appraisal systems
- EP- Employee participation
- EM – Employee motivation
- ANOVA – Analysis of variance
- SPSS -- Statistical package for social science
- MBO-Management by objective

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Abstract

The primary objective of the study was to examine the effect of performance appraisal practice and its constituent elements (Ongoing feedback, Rewarding performance, trained appraiser, continuous open communication, fairness of PAS, and participation in PAS) on employee's motivation. To achieve this purpose, descriptive and explanatory study designs have been employed through cross-sectional survey questionnaire from a sample of 130 permanent managerial and professional employees. The study used Stratified random sampling technique to draw sample branches from the target population. The 30 bank branches are divided into 30 sub-groups or strata to draw representative sample branches. Random samples are then selected from each stratum. The data collected through questionnaire is analyzed using statistical measures such as descriptive statistics, correlation and multiple regression analysis by using SPSS version 20. The study found that the indicators of effective PAS such as, ongoing feedback, rewarding performance, trained appraiser, continuous open communication, and perception about fairness of PAS have a significant and positive impact on employee's motivation while employee's participation is statistically insignificant.

Key Words: *ongoing feedback, rewarding performance, trained appraiser, continuous open communication, perception about fairness of PAS, employee's participation*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Employee performance has traditionally been accorded prime focus by human resource managers. As a result, a number of performance appraisal techniques have over time been devised to help establish employee's performance. In the contemporary times, the use of performance appraisals has been extended beyond rating of the employee's performance to aspects such as motivation. Nowadays, performance appraisal is considered as an important aspect in human resources management and a part of the control process in administration. The appraisal system is a good instrument to improve the quality and quantity of the manpower's performance. One of the main goals of performance appraisal is to motivate employees toward higher levels of performance (Chen and Eldridge, 2012).

Performance appraisal is a widely discussed concept in the field of performance management. It is a most important management tools that provide for the evaluation of the quality of an individual's performance in an organization. Organizations have identified the importance of performance appraisal and it has been found in the cases of all big multinational companies that they have implemented the performance appraisal systems to enhance the productivity of their employees. The importance accorded to performance appraisal systems in part arises from the nature of the current business environment, To fulfill this new modernized concept of fast and technological revolution, they are realizing the importance and implementation of new methods of performance management which is marked by the need to achieve organizational goals as well as remain relevant in intensely competitive markets through superior employee performance (Chen and Eldridge, 2012).

The effects of performance appraisal on employees are more than debatable. For a long time the overall consensus, at least amongst scholars, was that performance appraisals, generally, have a positive effect on employee motivation - amongst other organizational outcomes including productivity, citizenship behavior, satisfaction and engagement. However, there are also conflicting sentiments, deeming them outdated, unjust, disruptive; too simplistic, subjective or harsh. Despite the above shortcomings in approaches to performance appraisal, extant literature on performance management still indicates that performance appraisal when undertaken in the right manner can contribute significantly to employee motivation.

When undertaken in the absence of clear goals, performance appraisal can however have serious ramifications in terms of employee dissatisfaction and consequently a reduction in productivity and organizational commitment (Maley, 2013).

Several studies have been conducted by linking performance appraisal with motivation. Performance Appraisal has been considered as the central pillar for managing the performance in banks to keep the motivation of the employees high. Motivation is derived from the word “motivate”, means to move, push or influence to proceed for fulfilling a want. Motivation is a set of courses concerned with a kind of strength that boosts performance and directs towards accomplishing some definite targets (Singh, S. & Rana, Shikha, 2014). Performance Appraisal is essential for career and succession planning, for staff motivation attitude and behavior development and for fostering positive relationship between management and staff. Performance Appraisal proves to be an effective tool in employee motivation if both the process and outcome are fair. Incentives and benefits have very positive and significant impact on employees’ motivation. The fairness of a performance appraisal system has been recognized as an important effect on the success of any organization (Singh, S. & Rana, Shikha, 2014).

Even though performance appraisals can be quite effective in motivating employees and resolving performance problems, in reality, only a small number of organizations use the performance appraisal process to its full potential. In many companies, a performance appraisal takes the form of a bureaucratic activity that is mutually despised by employees and managers. The problems a poor appraisal process can create may be so severe that many experts, including the founder of the total quality movement, Edward Deming, have recommended abolishing appraisals altogether. On the other hand, creating and executing an effective appraisal system actually leads to higher levels of trust in management but the opposite could result to dissatisfaction (Mayer & Davis, 1999). As a result, identifying ways of increasing appraisal effectiveness is important.

The Effect of Performance Appraisal Performance appraisal which is seen as a way of providing review and evaluation of an individual job performance has its own negative and positive effect on the employee’s productivity in an organization. Therefore, the study explored the effects of performance appraisal on the employees considering motivation as key factor in human resource functions.

1.2. Statement of the Problem

In a highly competitive, global environment, organizations are constantly under pressure to retain their workforce. Highly skilled, reliable and experienced employees are a valuable asset for any organization (Desler, G., 2003). Organizations depend on performance of people for achieving its mission and goals for this reason employee must be motivated to make their performance better, and effective management system of employee's performance is needed to evaluate their performance, these could maintain the organization performance on high level. In order to make sure that organizational aim is fulfilled, and that employees attain as much satisfaction as possible from their work organizations must assess, exploit and grow its human resource (Armstrong, 2009),

According to Armstrong (2009), people are motivated when they expect certain course of action that will likely lead to achievement of a goal and a valued reward one that satisfies their needs and wants. Some organizations have been known to experience a high staff turnover despite offering above average salaries. This tells us that money is not the only way to motivate employees. Motivating employees is a challenge and keeping employees motivated an even greater challenge. Today, organizations are under intense pressure to identify and implement programs that will prove effective in improving employee productivity (Desler, G., 2003). It is no longer enough to increase salaries and expect increased performance; it is more complex than that (George and Jones, 2013). It is important for managers and supervisors to understand what motivates individual employees, and not assume a one-size-fits-all approach (George and Jones, 2013).

Performance appraisal is one of the most important human resource (HR) practice, administered in organizations by which supervisors evaluate the performance of subordinates. Different people are motivated by different factors. Employee reactions to appraisal in terms of perceived employee fairness, accuracy, and satisfaction are important components of appraisal effectiveness because these perceived employee reactions can motivate employees to improve their performance. That is, performance appraisal serves as a means for providing feedback that can result in improved performance (George and Jones, 2013).

Employee motivation affects productivity and a poorly motivated labor force will be costly to the organization in terms of lower productivity and performance, excessive staff turnover, increased expenses, frequent absenteeism and a negative effect on the morale of colleagues. It is a well-

known fact that the success of an organization largely depends on the quality of its human resource, irrespective of the industry within which it operates (Desler, G., 2003). It is with this in mind that leaders and managers must strive to ensure that their workforce is motivated and therefore productive. Motivation is seen as one of the most important factors in issues related to human resources management and organizational behavior management (Desler, G., 2003,)

In Ethiopian most but not all the performance appraisal exercise/program are not well designed and focused. Performance appraisal programs are not used as they are intended for the organizations. Management of organization tends to view it as a punitive measure. There are many reasons associated for the failure of performance appraisal system to yield the desired results in an organization. Among these causes the following are vital: untrained appraisers, lack of ongoing performance feedback, less communication between the employees and administration, lack of resources to reward performance, etc. This makes it lose its objectives and focus (George and Jones, 2013).

Effective PAS helps the organization to achieve its goals by developing productive and motivated employees. Therefore, the study has attempted to assess the effect of employees' performance appraisal practice on employee motivation. Examining the effect of performance appraisal practice on employee motivation might help organizations to improve its organizational performance appraisal practice and adjust its focus on most important performance appraisal system to bring about employees motivation. The study will benefit the company to enrich its organizational performance appraisal practice and adjust its focus on most important performance appraisal type that can bring employee motivation.

This study addresses the following research questions;

- What is the effect of ongoing feedback on employees' motivation?
- What is the effect of employees' participation on employees' motivation?
- What is the effect of trained appraisers on employees' motivation?
- What is the effect of fairness of PAS on employees' motivation?
- What is the effect of rewarding performances on employees' motivation?
- What is the effect of continuous open communication on employees' motivation?

1.3. Objective of the Study

1.3.1. General Objective of the Study

The general objective of the study was to examine the effect of performance appraisal systems of the bank on employee motivation.

1.3.2. Specific Objectives of the Study

The specific objectives of the study are:

- ✓ To examine the effect of ongoing feedback on employees' motivation.
- ✓ To examine the effect of employees' participation on employees' motivation.
- ✓ To examine the effect of trained appraisers on employees' motivation.
- ✓ To examine the effect of fairness of PAS on employees' motivation.
- ✓ To examine the effect of rewarding performances on employees' motivation.
- ✓ To examine the effect of continuous open communication on employees' motivation.

1.4. Significance of the Study

The study has a great significance to the company and the community as a whole. Major benefits that would be obtained from the study are:

- ✓ Significance for other researchers: Other researchers will gain a lot of knowledge about the subject matter. The study will give direction to other researchers, who want to study about the same subject matter in the future.
- ✓ Significance to the researcher: To gain more knowledge on how to prepare other research papers in the future and also to gain more knowledge of the subject matter.
- ✓ Significance to the company: The information to be obtained from the research will be useful for the company. By providing information about the existing level of employee motivation, how employees perceive the performance appraisal practice and its effect on employee motivation it gives an insight on how to enrich its organizational performance appraisal practice and adjust its focus on most important performance appraisal type that can bring employee motivation.

1.5. Delimitation/Scope of the Study

The research was delimited to certain conceptual and geographical coverage. The study focused on examining the effect of performance appraisal practice on employee motivation. The study focused on one dependent variable, which is motivation and independent variable performance appraisal. The study was mainly confined on six independent variables namely ongoing feedback, rewarding performance, trained appraisers, open communication, fairness of PAS and employees' participation.

Even though there are many banks in Addis Ababa it is difficult to study all due to the pandemic, lack of time or financial resource, adequacy and accessibility of data therefore it is convenient for the researcher to conduct the study at Debu Global Bank. Hence, the study was delimited to Debu Global Bank. To further narrow the scope the study focused on selected branches in Addis Ababa excluding regional branches.

1.6. Limitation of the Study

The paper was conducted on selected branches in Addis Ababa excluding regional branches so the findings of the study should be viewed with certain limitations in mind. This is due to not having sufficient time and budget to gather enough data from regional branch. Therefore Generalizability of the present findings should therefore be examined in future research in other bank sectors.

1.7. Definition of Terms

- ✓ **Performance management** is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. (Armstrong, 2009),
- ✓ **Performance appraisal** defined as it is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society at a large will benefited. (Armstrong, 2009).
- ✓ **Motivation** can be defined as the psychological forces within a person that determine the direction of that person's behavior in an organization, effort level, and persistence in the face of obstacles (George and Jones, 2012).

1.8. Organization of the Study

The study comprised five main chapters. It also included references and annexes. The first chapter which is the introductory part presented background of the study, statement of the problem, objective of the study, scope of the study, definition of terms, significance of the study and organization of chapters. The second chapter addressed the review of related literatures on performance appraisal practice and its effect on motivation. Chapter three covered the research methodology that the researcher will use to undertake the study. Chapter four covers results and discussions. This chapter discussed the result obtained in accordance with the research objectives. Conclusions and recommendations were included in the fifth chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter considers literature relevant to the subject under study. It summarizes the information from other researchers who have carried out their research in the same field or study. The specific areas covered here are theoretical framework or review under section 2.2, empirical review under section 2.3, and finally the conceptual framework under section 2.4.

2.2. Theoretical Review

2.2.1 Definition of Motivation

The term motivation originates from the Latin word “movere”, what means “to move”. That gives an account of why it is regularly considered as a people’s driving force. Thus, Grant (2008) considers motivation as power that imposes people to reach their goals. Armstrong (2009) view motivation as the strength that directs, galvanizes, and withstands men’s behavior. It is aligned with various factors that form the behavior and lead it to a certain path. Steers and Porter (1987) defined motivation as the set of elements that manage and retain people’s behavior. Motivation as a special desire that makes person act in a definite way to reach a goal was viewed by Mathis and Jackson (2008). The definition of Kreitner (1995) represents a wider understanding of motivation and determines it as “the drive of the people’s psychological state that moves their behavior and direction”.

Employees’ motivation corresponds to a narrower concept of motivation. A specific job-related definition of motivation was determined by Armstrong (2009) It is defined as the inclination to expend sophisticated efforts towards organizational goals with concern for capability and effort to fulfill personal needs. At the same time he view work motivation as the process of employees’ participation in achieving of organizational goals through a definite pathway.

According to George and Jones (2012) motivation elucidates how employees behave during the working process and the number of their efforts, otherwise speaking how it enhances employees’ performance. In general, motivation affects employees to achieve their goals and leads them towards set objectives. Thus, employees can be considered motivated if they have clearly set goals and doing their best to achieve them.

In the present context employees' motivation is defined as the complex of psychological processes that account for the level, direction and persistence of person's goal-oriented actions. In this framework direction refers to the individual choice among all the possible alternatives; level refers to the amount of person's effort; and persistence refers to lengths of time individual spent for every action. Understanding of these psychological processes allows successfully guiding and motivating employees. The lack of motivation results in employees' discouragement, unproductiveness and not complete participation in job-related activities. (Kreitner, 1995). Moreover, according to Kreitner (1995) performers in the organizations won't do their best until they are motivated. Consequently, in terms of organizational development, understanding of employees' motivation appears to be one of the key elements of work effectiveness. Still further in order for companies to be successful and to survive in the modern competitive world organizations need motivated employees as they are highly involved in the work and achieve better results.

There are two types of motivation as originally identified by Herzberg et al (1967):

1. Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.
2. Extrinsic motivation – what is done to or for people to motivate them? This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.

2.2.2 Theories of Motivation

1. Content Theories of Motivation.

Early researchers considered motivation in terms of understanding of individual needs. They thought that employees' goal-oriented behavior was determined by those desires. Thus, content theories emphasis mainly on the needs of individuals which can be described as psychological or physiological deficiencies that arouse behavior (Kreitner (1995). They can be weak or strong, vary over time and place and be influenced by environmental, therefore it is vital to recognize those desires in regard to employees' motivation. Consequently, content theories explain the influence of satisfied and blocked needs on overall job motivation. These are the four major

theories in the category: Maslow's hierarchy of needs theory, Alderfer's ERG theory, Herzberg's dual-factor theory, and McClelland's acquired needs theory.

Maslow's hierarchy of needs theory: Maslow suggests that motivation is a function of five levels of individual needs: physiological, safety, social, esteem, and self-actualization. The theory assumes that people have needs that hierarchically ranked; some of them are more significant than others and have to be satisfied before the other needs may serve as motivators. Thus, once lower-order needs (physiological, safety, and social) are satisfied, the person will emerge higher-order needs (esteem and self-actualization) while lower-order needs won't serve as motivators anymore (Beardwell & Claydon, 2007),

Alderfer's ERG theory: ERG theory represents a modification of Maslow's hierarchy, but differs in three main aspects (Alderfer, 1969). First, Alderfer grouped human needs into three categories: existence, relatedness, and growth. Existence represents desires for physiological and material well-being (corresponding to Maslow's physiological and safety needs); relatedness is focused on satisfaction of interpersonal relations (it corresponds to Maslow's social needs); and growth is oriented to sustained personal growth and development (Maslow's esteem and self-actualization). Second, if the high-level needs cannot be satisfied, lower-level needs enhance. That is called "frustration-regression" hypothesis. Thus, lower-level needs on the same basis as higher level needs may become motivators at any point. Finally, in accordance with ERG theory more than one need may operate at the same time. Consequently, ERG theory represents a more flexible approach (compared to Maslow's theory) towards understanding of employees' motivation. It implicated the necessity of employees' multiple needs recognition in order to perceive their behavior and motivate them.

Herzberg's dual-factor theory: Frederick Herzberg approached the question of connection between individual needs and motivation in a different way. By asking employees what makes them feel good at work and what dissatisfies them, Herzberg noticed that features of the work environment that satisfy people are different from those that dissatisfy them (Herzberg et al, 1967). These aspects were divided into two categories: hygiene and motivator factors. Herzberg's dual-factor theory has also received its share of criticism, basically related to the fairness of allocation of factors towards hygiene or motivator. Despite its limitations, this theory gives attention to the work environment as to the field of impact on employees' motivation.

McClelland's acquired needs theory. Among all the content theories of motivation, McClelland's acquired needs theory received the greatest amount of support (Kreitner, 1995). According to McClelland, people obtain three categories of needs according to their life experiences. These are: need for achievement or nAch (the desire to do things more efficient and better, to solve problems and be responsible for complex tasks), need for affiliation or nAff (the desire for warm and friendly relations with others), and need for power or nPow (the desire to control and influence others behavior). The differences in these categories can be linked with the set of work preferences and as a result with work motivation.

2. Process Theories

These theories in contrast to content approach consider motivation as a rational process. They mainly concentrate on the cognitive process that appears in the employees' minds and impact on their behavior (Beardwell & Claydon, 2007). Individuals both examine the working environment and develop their feelings and reactions what allows them to respond in the definite way. While content theories emphasize their attention on individual needs, a process approach is mostly oriented on identification of employees' behavior in accordance with existing rewards and work opportunities. According to Beardwell & Claydon (2007) the four major theories of this category are equity theory, expectancy theory, reinforcement theory, and goal-setting theory.

A. Equity Theory (Adam, 1963)

Equity theory is based on the premise that a worker perceives the relationship between outcomes, what the employee gets from a job and organization, and inputs, what the employee contributes to a job and organization. Outcomes include pay, fringe benefits, job satisfaction, and status, opportunities for advancement, job security and status. Inputs refer to the contributions made, such as the amount of time worked, the amount of effort expended, and the number of units produced, education, work experience and anything else that employees perceive that they contribute to the organization. Equity theory is concerned with outcomes and inputs as they are perceived by those involved, and are not necessarily based on any objective standards.

Equity theory states that people compare their outcomes and inputs to those of others and judge the equitableness of these relationships in the form of a ratio. Specifically, they compare the ratios of their own outcomes/inputs to the ratios of others' outcomes/inputs. The "others" who serve as the basis of comparison may be other employees in a work group, other employees in the organization or individuals working in the same field.

B. Expectancy theory

Expectancy theory, proposed by Vroom in 1964, is also known as the valence, instrumentality and expectancy (VIE) theory. Vroom realized that an employee's performance is based on individual level factors, such as personality, skills, knowledge, experiences and abilities. The theory suggests that, although individuals may have different sets of goals, they can be motivated if they believe that there is a positive correlation between effort and performance, and that favorable performance will result in a desirable reward. The reward will eventually satisfy the need and the desire to satisfy the need is strong enough to make the effort worthwhile.

The theory is based upon three aspects, valence, instrumentality and expectancy. „Valence“ refers to the emotional orientations people hold with respect to outcomes (rewards). It also means the depth of the needs of an employee for extrinsic reward (such as money, promotion, time-off, benefits, etc) or intrinsic (such as work satisfaction) reward. Management must discover what employees' values are. On the other hand, „expectancy“ suggests that employees have different expectations and levels of confidence about what they are capable of doing and management must discover what resources, training or supervision employees need. Whereas, instrumentality“ means the perception of employees as to whether they will actually get what they desire, even if it has been promised by a manager.

Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom suggested that an employee's beliefs about expectancy, instrumentality, and valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

C. Procedural Justice Theory

Procedural justice theory is concerned with the perceived fairness of the procedures used to make decisions about the distribution of outcomes (George and Jones, 2012). Procedural decisions pertain to how performance levels are evaluated, how grievances or disputes are handled, and how outcomes are distributed across workers. In procedural justice theory, as in equity theory, workers' perceptions are keys; workers' reactions to procedures depend on how they perceive the procedures rather than on what the procedures actually are.

Procedural justice theory holds that workers are going to be more motivated to perform at a high

level when they perceive the procedures used to make decisions about the distribution of outcomes are fair. Workers will be more motivated, for instance, if they think that their performance will be accurately assessed. Conversely, if workers think that their performance will not be accurately assessed, because the supervisor is not aware of their contributions to the organization or because the supervisor lets personal feelings affect performance appraisals, they will not be as strongly motivated to perform at a high level. Procedural justice theory seeks to explain what causes workers to perceive procedures as fair or unfair and the consequences of these perceptions (George and Jones, 2012).

D. Goal-setting theory

Goal-setting theory, as developed by Latham and Locke, (1979) highlights four mechanisms that connect goals to performance outcomes, as follows: I) direct attention to priorities; II) stimulate effort; III) challenge people to bring their knowledge and skills to bear to increase their chances of success; and, IV) the more challenging the goal, the more people will draw on their full repertoire of skills.

This theory underpins the emphasis in performance appraisal on setting and agreeing objectives against which performance can be measured and managed. Goal theory supports the agreement of objectives, feedback and the review aspects of performance appraisal. Goal-setting theory asserts that people with specific and challenging goals perform better than those with vague goals, such as „do your best“, specific easy goals or no goals at all. Thus, goal-setting theory assumes that there is a direct relation between the definition of specific and measurable goals and performance: if managers know what they are aiming for, they are motivated to exert more effort, which increases performance and Challenging goals are usually implemented in terms of specific levels of output to be attained (Latham and Locke, 1979).

2.2.3 Considerations of Motivation Theories Implementation

It is practically impossible to take one of the motivational theories and apply it in its “pure” form to the working process. Thus, Mitchel (1982) says that there are factors that may not be articulated either systematically or regularly and they mingle to the application of motivation theory. In this case using the integrative model of motivation is much more beneficial than each several theory. Kreitner (1995) mentioned that needs should be addressed before the implementation of any motivational program. Consequently employees“ needs are the basis and need-based theories represent the foundation of employees“ motivation. Equity restoring, instrumentality valence, expectancy, reinforcement strategies, and schedules mainly form the

desires, drives, or specific behavior that leads to the effort and finally results in performance. Intrinsic and extrinsic reward allocation together with perceived fairness and accuracy are, on the other side, in charge of the direct process of needs' satisfaction. These elements are essential, because the satisfaction depends on their execution level and influences overall employees' motivation. In such a way it should be discussed more thoroughly. Just so, according to expectancy theory and its performance contingent rewards, employers should consider the accuracy and fairness of their reward systems. If rewards are not distinctively connected to performance, the promise of enhanced rewards will not induce increased efforts and better performance. Moreover, decrease in employees' motivation may result in the belief of unfair allocation of rewards. Equity theory explains these findings with its emphasized attention to reward allocations fairness that actually influences overall employees' motivation. (Mitchel,1982)

As motivation is generally used to increase performance, it should be viewed as an intermediate between employees' needs and their performance outcomes. In this case, the method used to evaluate performance plays a huge role (Kreitner, 1995).). In order to accurately distinguish good or bad performer it is necessary to apply a valid performance appraisal system. In line with equity and expectancy theories employees' motivation can be destroyed by inaccurate performance appraisal.

As inaccurate performance ratings make it almost impossible to evaluate motivational programs and decrease employees' motivation, it is vital for the companies to assess the accuracy and validity of appraisal system. Performance appraisal characteristics as goal-setting, feedback, etc. play an important role in employees' motivation. Consistent with goal-setting theory, motivation is generally goal-oriented, and the process of setting and developing goals significantly motivates employees. The presence of feedback in its turn provides the necessary information to keep employees oriented on their tasks and activities. It also should be mentioned that integration of rewards in appraisal system plays an important role in implementation of motivational theories. That allows distinguishing individual and group rewards as well as increasing the fairness and accuracy of their allocation. Finally, organizational culture should be mentioned as one of the factors contributing to the level of effectiveness of motivation theories implementation. Thus, positive and self-enhancing cultures are more likely to increase employees' motivation than those with surplus of fraud, fault, and blame (Mitchel, 1982)

2.2.4. Performance Appraisal Defined

Before defining performance appraisal one has to know what Performance management is, therefore according to Armstrong (2009), Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Armstrong (2009), defined performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams.

According to Armstrong (2009), performance appraisal defined as it is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society at a large will benefited. And also Deseler (2003), define performance appraisals “comparing the employee’s present and past performance to his/her performance standards”.

Performance appraisal is the process of evaluating the ability of an individual employee against predetermined standards usually set in the job description .It replaces casual assessment with formal systematic. Scientific, objective and professional procedure Employees know they are being evaluated and they are told the criteria that will be used in the course of the appraisal noting is kept secret. The appraiser and the appraise should carry out this task jointly in a cordial atmosphere stressing on the plus points and finding backs, If any of the appraises.(R. C. Goyal, 2002: 212).

2.2.5. Performance Appraisal Criteria

According to Armstrong (2009), the criteria for reviewing performance should be balanced between: achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance (competencies); the degree to which behavior upholds the core values of the organization; day-to-day effectiveness.

As Mathis and Jackson (2008) stressed, performance criteria are standards commonly used for testing or measuring performances. Criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based.

- ✓ **Trait based criterion:** identifies a subjective character trait such as “pleasant personality”, “initiative,” or “creativity and has little to do with the specific job. Such

traits tend to be ambiguous, and courts have held that evaluation based on traits such as “adaptability” and general demeanor” are too vague to use as the basis for performance-based HR decisions.

- ✓ **Behavior-based criterion:** focus on specific behaviors that lead to job success.
- ✓ **Results-based criterion:** look at what the employee has done or accomplished. For some jobs where measurement is easy and appropriate, a result based approach works very well.

Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. But there are also problems with these criteria. Mathis and Jackson (2008) again said, jobs usually include many duties and tasks, and so measuring performance usually requires more than one dimension. If the performance criteria leave out some important job duties, they are deficient. If some irrelevant criteria are included in the criteria, the criteria are said to be contaminated. Managers use deficient or contaminated criteria for measuring performance much more than they should. Performance Appraisal Process

Peter (1994) categorizes a four- step process of the performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employees’ job responsibilities. The job standards are set against the worker performance. The second step involves pegging the worker performance (such as traits approach, behavioral approach, ranking methods, alternation ranking, and results methods, productivity measures, 360 degrees evaluation and Management by Objectives (MBO)). Thirdly, there is comparison against standards. At some point, the individual work record is compared with the standards set for the job. Fourth, an evaluation of performance is made pegged on the comparison.

2.2.6. Effective Components of Performance Appraisal System

All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

Ongoing Feedback: - It can provide employees with clear understanding of their strengths and weaknesses to develop into a better performer in future and this might be increased motivation,

job satisfaction, and self – esteem of employees. It also creates an opportunity to discuss career aspirations and any guidance. It will improve working relationships with supervisors. To keep employees motivated and informed, the supervisor needs to tell them when they are doing something right, not just when they are making a mistake.

Fairness: -Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.

Employees Participation: - On the other hand, employees Participation will create better understanding for employees of their role and it will create belongingness in the organization. When the management provides a room to employees for participation in performance appraisals system it conveying the message to the employees they have value to organization. And also, employees can generate important ideas for improvements.

Rewarding performance:-Like feedback, rewards should be timely and tied to actual performance appraisal. Employees should be appropriately rewarded, recognized, and compensated for efforts put in by them in the growth of the company. Employee needs acknowledgement for their contributions or for their performance.

Trained appraisers: - The appraisers should be carefully trained in the performance appraisal process to help them overcome the errors caused in appraisals.

Continuous open communication: - An open communication should be encouraged between the employees and the management with respect to the appraisal process as well as any other concerns or suggestion that the employees may have. It will provide an opportunity to improve communication between the employees and management (Rankin & Kleiner, 1988).

Fletcher (1997), listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being. According to Cawley et al (1998), subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace. As

previously mentioned Rankin & Kleiner (1988) believed that effective performance appraisals have six key factors. These six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programs should tie personal rewards to organizational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (especially, Equal Employment Opportunities guidelines).

Ensuring that the performance appraisal ties in with organizational goals is essential to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Rahman& Shah, 2012).).

Performance Appraisal is intended to gather vital information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organization wholly (Rahman& Shah, 2012). Effective managers recognize performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They may use performance appraisals to motivate, direct and develop subordinates (McGregor, 1957).

Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of

cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal.

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

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other harmful outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover. In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money (Cited by AntenehAdmassu 2017).

2.2.7 Benefits of Performance Appraisal

Widespread attention has been given in recent years to the function of the formal appraisal process because of the idea that a well designed and implemented appraisal system can create many benefits for organizations. Murphy and Cleveland (1995) defined four ways in which performance appraisal can help organizations. First, performance appraisal can improve organizational decisions including reward allocation, promotions, layoffs and transfers.

Second, performance appraisal can improve individual career decisions and decisions about where to focus one's time and effort. Individual employees must make many decisions concerning their present and future roles in an organization. They must decide how, or if, they will develop future strengths and what sort of career goals they should pursue. Performance appraisal can provide accurate, timely and detailed feedback to assist in the quality of these decisions.

A third way that Murphy and Cleveland (1995) suggest that performance appraisal can assist organizations is by providing a set of tools for evaluating the effectiveness of current or planned ways of operating. Finally, performance appraisal can impact employees' views of and commitment to their organization. The quality of performance appraisal and feedback has a role in the perceptions of the fairness, legitimacy, and rationality of a wide range of organizational practices. None of these four benefits will automatically accrue to an organization due to the mere presence of a performance appraisal system (Murphy & Cleveland). However, an

organization that does a good job at performance appraisal may incur some or all of these benefits.

2.2.8. Time to Conduct Performance Appraisal

In any administration activity of an organization, PA also has its own time to be conducted. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period. With the majority of schemes, staff receives an annual appraisal and for many organizations this may be sufficient (Mullins, 2010). Also more frequent appraisals may be appropriate for new members of staff, those recently promoted or appointed to a new position or for those whose past performance have not been up to the required standard. And also Mathis and Jackson (2008), broadly explained as follows: First an informal appraisal is conducted whenever the supervisor feels it is necessary. Informal appraisal is especially appropriate when time is an issue.

Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it should not take the place of formal appraisal. Therefore, systematic appraisals typically are conducted once or twice a year. This regular time interval is a feature of formal appraisals and distinguishes them from informal appraisals. Both employees and managers are aware that performance will be reviewed on a regular basis, and they can plan for performance discussions. In addition, informal appraisals should be conducted whenever a manager feels they are desirable (Mathis & Jackson, 2008).

2.2.9. Effect of Performance Appraisal Process on Employee Motivation

According to Dessler (2013), performance appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities. Performance appraisal process can also be referred to as a procedure for determining employee performance (Herbert et al, 2009). Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development. Performance appraisal system is usually identified as a critical element for boosting employee motivation (Selvarajan and Cloninger, 2011).

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Performance

appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization.

Performance appraisal is often considered one of the most important human resource management functions (Selvarajan and Cloninger, 2011), and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness Guest 1997 cited in (Selvarajan and Cloninger, 2011).

2.2.10. Performance Appraisal and Employee Motivation

In most organizations the performance of individual employees determines success of that organization. Performance appraisal and motivation are important for organizations to make the most out of the effectiveness of individual employees. Performance of each employee is affected by a number of factors such as their capability, the support they receive from the organization and expanded efforts. For competitive organizational and individual performance, human resource management activities should be developed, evaluated and changed when necessary (Mathis and Jackson, 2008).

Several studies have been done in relation to the effect of performance appraisal on employee motivation. Chiponda (2014) conducted a case study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation. Njeru (2013) conducted a descriptive research study on the role of performance appraisal on performance of job in the public sector at Kirinyaga Central District. The study established that majority of civil servants set goals and attains them while a few received feedback on their performance.

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation.

Performance appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization. Performance appraisal is often considered one of the most important human resource management functions (Selvarajan and Cloninger, 2011), and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness Guest 1997 cited in (Selvarajan and Cloninger, 2011).In generally performance appraisal and employees motivation have a strong relation in

organization.

2.3. Empirical Literature

Many empirical studies have revealed that an effective performance appraisal as part of the human resource management makes a difference to achieve goals of the organization. A study by Higher Performance Work Practices HPWP (2004), based on a case study of ten organizations and a survey of two hundred and ninety four companies in United Kingdom identified specific higher performance work practices being employed in a number of public sector organizations. The study concluded that performance appraisal creates a chance for correcting under performance and also motivating the workforce or employees.

Spriegel (1962) examines the effect of performance appraisal on employee motivation at the Ministry of East Africa Community, Labour and Social Protection. The research study adopted a descriptive research design in form of a survey and a sample size of 120 respondents drawn from all the departments in the Ministry. In addition, a regression model was used to determine the coefficients of the effect of performance appraisal on employee motivation. The study shows that there is a strong positive significant correlation between performance appraisal and employee motivation and it can be concluded that performance appraisal system has a significant impact on the employee motivation at the Ministry of Labor, East Africa Community and Social Protection.

Khoury and Analoui, (2004) investigates the impact of performance appraisals on employee motivation. The study found that appraisal satisfaction and procedural fairness are significantly positively related (directly and indirectly) to employees' motivation, while perceived accuracy impacts employees' motivation just indirectly (through appraisal satisfaction, procedural and interactional fairness). Interactional fairness has significant direct negative impact on employees' motivation and significant indirect positive impact mediated by appraisal satisfaction. Finally, distributive fairness is negatively related to employees' motivation both directly and indirectly.

Murphy & Cleveland (1995) examined the effects of performance appraisals on employee motivation. Data was collected through self-administered questionnaire distributed to a sample of 200 employees of Moha Soft Drinks Industry S.C., Ethiopia. Stratified simple random sampling technique has been employed to select the respondents. Statistical analysis such as descriptive, Pearson product moment correlation coefficient and simple regression analysis were employed to analyze the data. The findings indicate that there is positive and significant relationship between

PAS and employee motivation.

Selvarajan and Cloninger (2011) examine the effect of performance appraisal on employees' performance in Barclays Bank of Kenya. The study adopted a descriptive study in which it targeted all the 479 staff from 51 branches. The study sampled 144 respondents. The study used self-administered questionnaires to collect data. The data was then analyzed using descriptive statistics such as mean, mode and percentages. Inferential statistics mainly the regression analysis was used to measure the correlation between employee performance which is the dependent variable and the independent variables (job satisfaction, motivation and career progression). The study revealed that performance appraisal enhanced the employee career progression through career growth, link between performance and employee goals in the organization and the link between reward and performance.

Maley (2013) investigates the effect of performance appraisal on employees' motivation. The study found that performance appraisals have effects on the motivation of employees and consequently, the potential productivity of the firm. Upon further analysis the study revealed that intrinsic/personal motivation affects the effectiveness of extrinsic motivation mostly in the form of incentives. The study also showed that perceived fairness and objectivity can affect the effectiveness of performance appraisals in motivating employees.

Workplace employment relations survey conducted by Njeru (2013) on the impact of performance appraisal on employee performance shows that performance appraisal has a positive and insignificant relationship with employee performance. The study also tested other variables and established a strong and positive correlation between performance appraisal and employee motivation and reward. Njeru (2013) has also conducted a descriptive survey on the role of performance appraisal system on job performance in the public sector. The study found out that training and feedback on performance are critical in performance appraisal.

A study conducted in Kenya by Fletcher (1997) assessed the effect of PAS on employee motivation in the Ministry of State for Public Service (MSPS). This study concluded that employees at the MSPS are usually involved in the setting of performance targets and are also substantially appraised against the targets set at the beginning of the appraisal period. The study revealed that employees were given feedback to enable them improve their performance demonstrating that PA has a positive impact on the employees performance which leads to motivation. The study found that there is significant positive relationship exists between ongoing

feedback and overall employee's motivation.

Rankin & Kleiner (1988) examine the effect of performance appraisal on employees' motivation. He used quantitative research approach with a questionnaire containing 25 questions and distributed amongst the employees of Afghan wireless communications company, to which 91 of the employees replied. The study found that performance appraisal and motivation has correlation amongst them and it was not only performance appraisal that impacted the motivation of employees in Afghan wireless communications company but Satisfaction with appraisal system, financial rewards, decision making authority, and regular training was also among the factors that impacted the motivation.

Kamiti (2014) in his research on the effect of performance appraisal on motivation of civil servants revealed that performance appraisal is an important factor which touches on the employees' motivation. The study recommended that promotions and trainings motivate employees in the civil service apart from monetary rewards. Outcomes of these studies found that perceived value of outcome and perceived fair treatment had increased when the appraisers able to clearly giving explanations about the appraisal system goals, policies and procedures, as well as adequately providing feedback in determining employee performance scores.

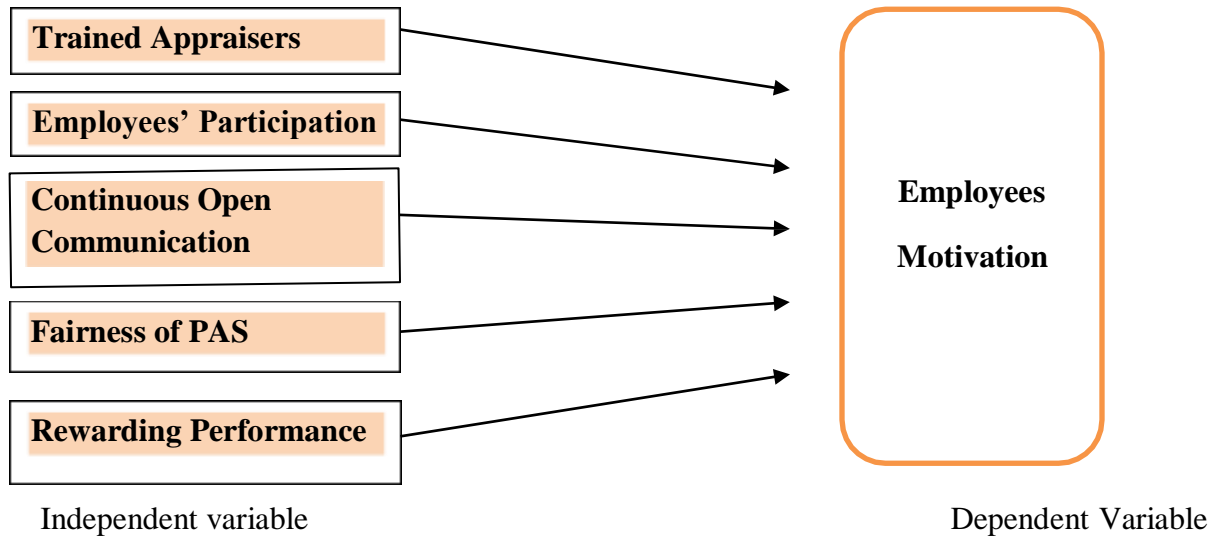
Another research has broadly analyzed the impact of performance appraisals on employee motivation. For instance, employees' satisfaction with the performance appraisal process as a whole, the performance appraisal feedback, or employees' evaluations of the perceived quality, justice, and fairness of the performance appraisal regime. Furthermore, employee participation in the performance appraisal process is positively related to the satisfaction with the performance appraisal system, perceived fairness, and acceptance of such a practice (Cawley et al., 1998).

To summarize, most of these empirical studies have revealed existence of a relationship between appraisal of performance and employee motivation. In addition it is important that organizations link performance to rewards and to sanctions. As a result the employees' behavior will be facilitated through motivation in order to increase productivity and improve performance in the organization.

2.4. Conceptual Framework

Conceptual framework performance appraisal system and motivation

Figure 2.1:- Practices of Effective Performance Appraisal System



Source: Adopted from literatures. Fletcher, C. (2004); Manuel, L. (2009) Cited by AntenehAdmassu 2017.P 37

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design and Research Approach

For the purpose of the study both descriptive and explanatory or causal research design was used in order to achieve the objectives of the study. This research is primarily an explanatory or causal research because it aimed at examining the relationship between motivation and performance appraisal. The finding of this research explained the relation of each independent variable (ongoing feedback, rewarding performance, trained appraisers, open communication, fairness of PAS and employees' participation) with the dependent variable (employees' motivation). However, it also has some features of descriptive research. It describes and critically examines the effect of performance appraisal practice on employees' motivation. The approach involves gathering data that describes events and then organizes, tabulates, depicts and describes data. It uses description as a tool to organize data in patterns that emerge during analysis.

Due to the nature of this research, a quantitative research approach will be used for the study to obtain quantitative view point of analysis, to get better understanding and more insightful interpretation of the results (to make inference). Using quantitative approach, the researcher examined the direction and strength of the relation between the independent variables and its dependent variable.

3.2. Target and survey Population

The study frame that ultimately defines the survey population can affect the methods of data collection, sample selection and estimation, as well as the cost of the study and the quality of its outputs. Therefore, in this study our target and survey populations are defined as follows

3.2.1. Target Population

The target populations of the study were employees of DGB, with the total number of more than 1320 employees according to DBG Human resource capital in 2019 EC report. DGB has totally

98 branches in Ethiopia. The researcher carried out the research in different branches which is located in Addis Ababa and excluded regional branches.

3.2.2. Survey Population

The survey populations of this study were managerial and professional employees of DGB with working experience more than two years and working in branches opened before 3 years in Addis Ababa. This target population has total branch size of 30 and will exclude those employees who are non-clerical positions like messengers and securities and below 2 years of experience in the bank. These employees were selected as respondents because I believe they have enough performance appraisal and knowledge about appraisal practice of the bank.

The size of survey population depends on resource constraints such as the budget, the size of group member as well as the time required to undertake this survey. By considering our economic situations (resource constraints) and the size of the branches, this study had made the sample size manageable by only selecting representative samples from the survey population. These will be addressed in the following sampling design section.

3.3 Sampling Design

3.3.1 Sampling Technique

This study used probability sampling techniques to achieve the objectives stated under this study. In probability sampling techniques each member of the survey population has an equal chance of being selected to be part of the sample.

The study used stratified sampling technique to draw sample branches from the target population of 30 branches. The target populations were managers and professional employees who work in any branch of the Bank in Addis Ababa. This population is heterogeneous for the Bank branches and is headed by different managers and professional employees. These factors are likely to impact the quality of sampling strategy and sample size so the 30 bank branches are divided into 30 sub-groups or strata to draw representative sample branches. Random samples are then selected from each stratum. The reason for the stratification made in this study is to make the sampling strategy more efficient and to ensure adequate sample sizes for specific domains of interest for which analysis is to be performed and to protect against drawing a „bad“ sample. After a sample branches are selected, structured questionnaire developed based on the objectives

of the study were distributed randomly to the representative sample size of employees (managers and non-managerial).

3.3.2 Sample Size Determination and Allocation

Representative sample size is very essential to obtain consistent and unbiased estimates of the population. Therefore, in order to minimize resource constraints and maximize research accuracy the representative branch size and respondents /participant size from the total branch sizes of 30 and from the total amount of 192 Employees of survey population had been determined using sample size formula developed by Yamane“(1967). The samples were drawn from each branch and employees were the main samples from which information or relevant data obtained or collected to achieve research objectives and answer research questions.

I. Sample size determination for Bank Branches using Yamane’s formula

$$n = \frac{N}{(1 + N * e^2)} \dots\dots\dots 3.1$$

Where, N is survey population size, n is sample size without considering response error, e is desired margin of error. In this study the desired margin of error value for branches at 90 % confidence level (± 0.1) is used to determine representative sample size.

$$n = \frac{N}{(1 + N * e^2)} = \frac{30}{(1 + 30*(0.1)^2)} = 23$$

The scope of this study is delimited to 23 representative sample bank branches from 30 survey branch population in Addis Ababa. These are Jemo, Betel, Lebu, lideta, Adey Ababa Stadium, Bekilobet, Gofa, Senga Tera, Bole Micheal , Nifas Silk, Stadium , Addisu Gebeya, Yerer, kality ShiroMeda, Teklehaimanot, Hayahulet, Autobus Tera , Kolfe, Ayat, Lafto, Saris and Gulele.

II. Sample size determination and allocation for employees

Here desired margin of error value at 95% confidence level (± 0.05) is used to determine the sample size and the determined sample size is adjusted for response rate using the formula given in equation 3.2.

$$n = \frac{N}{(1 + N * e^2)} = \frac{192}{(1 + 192*(0.05)^2)} = 130$$

$$n_f = \frac{n}{r} \dots\dots\dots 3.2$$

Where, n_f is final sample size adjusted for response rate and r is response rate.

$$n_f = \frac{130}{0.9} = 144$$

144 is final sample size for employees adjusted for response rate of 90%. The response rate which is 90% is obtained from the pilot survey of 40 questionnaires. Therefore, in this study a total of 144 questionnaires are distributed in order to achieve representative sample size of 130 and the analysis is done based on 130 questionnaires collected from Debu Global Bank employees

3.3.3. Sample Size Allocation

In this study proportional sample size allocation will be considered for the selected sample branch and give in table 3.2 below.

Table 3.1 Proportional Sample size allocation for each branch

NO	Branch	Category	Survey Population (K_i)	Proportional Sample Size($\frac{K_i * n_f}{N}$)
1	Jemo	Managerial	2	(2/192)*130=1
		Professional(non-managerial)	7	(6/192)*130=5
2	Betel	Managerial	2	1
		Professional(non-managerial)	7	5
3	Gofa	Managerial	1	1
		Professional(non-managerial)	7	5
4	Senga-Tera	Managerial	2	1
		Professional(non-managerial)	8	6
5	Nifas Silk	Managerial	3	2
		Professional(non-managerial)	7	5
6	Beklobet	Managerial	2	2
		Professional(non-managerial)	8	6
7	AdeyAbaba Stadium	Managerial	2	2
		Professional(non-managerial)	8	6
8	Stadium	Managerial	2	1
		Professional(non-managerial)	8	6
	Addisu	Managerial	2	2

9	Gebeya	Professional(non-managerial)	8	6
10	Yerer	Managerial	2	1
		Professional(non-managerial)	8	6
11	Lideta	Managerial	2	1
		Professional(non-managerial)	7	5
12	Bole Michael	Managerial	2	2
		Professional(non-managerial)	6	5
13	Kality	Managerial	1	1
		Professional(non-managerial)	7	5
14	Shiromeda	Managerial	2	1
		Professional(non-managerial)	5	4
15	Teklehaima not	Managerial	2	2
		Professional(non-managerial)	6	5
16	Lebu	Managerial	2	1
		Professional(non-managerial)	7	5
17	Hayahulet	Managerial	1	1
		Professional(non-managerial)	5	4
18	Autobus Tera	Managerial	2	2
		Professional(non-managerial)	7	5
19	Kolfe	Managerial	1	1
		Professional(non-managerial)	5	4
20	Ayat	Managerial	1	1
		Professional(non-managerial)	5	4
21	Lafto	Managerial	2	1
		Professional(non-managerial)	5	4
22	Saris	Managerial	1	1
		Professional(non-managerial)	6	5
23	Gulele	Managerial	1	1
		Professional(non-managerial)	5	4
TOTAL			192	130

Data source 2019

3.4. Source of Data

Two types of data source have been used in order to obtain clear and precise information on the topic being explored. For the sake of finding the real effect performance appraisal system has on employees' motivation, collection of quality primary data is nonnegotiable and mandatory. The primary data can provide the appropriate data about the assessment of performance appraisal system in the bank. Primary data were collected from representative sample employees through questionnaire. The researcher also used secondary sources of data such as books, personal sources, journal, newspaper, website, annual report of the bank, different articles etc.

3.5. Methods of Data Collection

In this study the data collection instrument for primary data is questionnaire. Questionnaires play a central role in data collection process since they have a major impact on data quality and influence the image of the research project to the public. Therefore, in this study the questionnaires were designed based on operational constraints. In addition, the questionnaire is also designed to achieve survey objectives based on questionnaire design criteria to obtain information in such a way that survey respondents understand the questions and can provide the correct answers easily in a form that is suitable for subsequent processing and analysis of the data. For each representative worker of the selected bank branches, the same type of a five point structured Likert Scale questionnaire ranging from 1= strongly disagree to 5= strongly agree was designed to make the analysis quantitative, simple and reliable.

The method of data collection should be chosen to achieve a high participation rate and collect data that are as complete and accurate as possible while minimizing the burden to the respondent and satisfying the researcher budget and operational constraints. Even if there are two basic methods of collecting survey data, self –enumeration and interview-assisted, the study used self-enumeration due to the fact that the bank employees are usually busy. The researcher therefore left the questionnaires for the respondents to complete at their own free time but to be collected at an agreed time.

3.6. Reliability and Validity

According to Zikmund et al (2010) scale with coefficient alpha between 0.6 and 0.7 indicates fair reliability. A Chronbach's alpha score within 0.7 ranges are considered acceptable. To assure validity to the research, the researcher will use Cronbach's Alpha test. The result of the test will be obtained by using SPSS version 21. Validity result for each independent variable will be

presented. Validity is the degree to which a test measures what it purports to measure. To test the validity of the questionnaires, the study will sought expert judgment from the supervisors who sought to validate and enhance the value and content of research data collection instruments. Any statement in the questionnaire that will not found to be unclear in eliciting relevant information will be modified and restructured.

3.7. Methods of Data Analysis

The data gathered through questionnaire were classified, tabulated and summarized by using percentages and tables. Descriptive and inferential statistics were used to analyze the data. Descriptive statistics such as means, modes, percentages and standard deviation were used to analyze the data. These were used to show the distribution of responses and the presentations will take tables, figures and charts. In addition Correlations and multiple linear regression analysis was performed to establish the relationship and magnitude between dependent variable (employees motivation) and independent variables such as ongoing feedback, trained Appraisers, employees' participation, open communication, fairness of PAS and rewarding performance. Regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. The regression analysis results were presented using regression model summary tables, Analysis of Variance (ANOVA) table and coefficient tables. The data has been collected and then analyzed in response to the objectives of the study. The data collected through questionnaire was analyzed using Statistical Package for Social Sciences (SPSS) Version 20.

3.7.1. Linear Regression Model Specification

$$EM = \beta_0 + \beta_1 OF + \beta_2 TA + \beta_3 EP + \beta_4 OC + \beta_5 FPAS + \beta_6 RP + \varepsilon_i$$

Where, ε_i is a residual error term respectively, and β 's are the parameters of the explanatory variables to be determined. This equation is designed to examine the impacts of performance appraisal systems or independent variables (ongoing feedback, trained Appraisers, employees' participation, open communication, fairness of PAS and rewarding performance) on dependent variable (employee's motivation).

EM is employees motivation; OF is ongoing feedback; TA is trained Appraisers; EP is employees' participation; OC is open communication; FPAS is fairness PAS and RP is rewarding performance.

3.7. Ethical Considerations

The necessary precaution was taken to make the study ethical. In order to keep the confidentiality of the data given by respondents, the respondents are not required to write their name and assured that their responses were treated in strict confidentiality. The purpose of the study is disclosed in the introductory part of the questionnaire. Respondents were informed ahead about the purpose of the data they were providing. They were told that the information they provide via the questionnaire is going to be used only for the purpose of academic study and remain confidential. They also assured that their identity will be anonymous for a research. The researcher avoided misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4. Introduction

This chapter presents data analysis, findings and discussion of the study in line with the research objective. The research objective was to find out the effects of performance appraisal practice on employee motivation in DGB. Descriptive analysis, correlation analysis and regression analysis are presented. Descriptive statistics was used to analyze the data and results presented in form of tables for easy, simple and clear interpretation of data.

4.1 Respondents Socio-demographic Characteristics

This section provides a profile of the respondents. This information is presented on a number of basic characteristics, including age at the time of the study and gender. This information is offers general understanding about the population under the study. An analysis of these variables provides the socio-demographic context within which other subsequent factors falls.

From the data analyzed in table 4.1, 49(37.7%) of respondents were female and 81(62.3%) are male. The fact is that majority of the respondents were males, as per the researchers collected data from the respondents, strongly confirms that the bank has more Male staff than female. 20(15.4%) the respondents were aged under 25, 54(41.5%) are between 26-35 years of age, 33(25.4%), and 23(17.7%) are above 45 years. The implication is that all respondents are mature and their observations on PAS at work are based on personal experience and it is a good ground for the study.

On the other hand, 15 (11.5%) are managers while 115(85.5%) are professional employees. The respondents that this research addressed to achieve the objective formulated were managers and professional employees at the bank. 31(22.8%) respondents had master degree, 33(25.4%) diploma and 66(50.8%) had first degree. The Finding also showed that 19(14.6%) of respondents have 2-5 years working experience, 71(54.6%) have 6-10 year work experience, and 40(30.8%) have above 10 year work experience. The implication is that most of the respondents are more experienced and the information gathered from them are expected to address the research objectives and it is good ground for the study to generalize research population from the sample estimation.

Table 4.1: Analysis of socio-demographic variables

		Gender					
		Male		Female		Total	
		Count	%	Count	%	Count	%
Education level	Diploma	20	15.4%	13	10.0%	33	25.4%
	Degree	44	33.8%	22	16.9%	66	50.8%
	Master & above	17	13.1%	14	10.8%	31	23.8%
	Total	81	62.3%	49	37.7%	130	100.0%
Age group	under 25	13	10.0%	7	5.4%	20	15.4%
	26-35	35	26.9%	19	14.6%	54	41.5%
	36-45	19	14.6%	14	10.8%	33	25.4%
	above 46	14	10.8%	9	6.9%	23	17.7%
	Total	81	62.3%	49	37.7%	130	100.0%
Work experience	1.00	0	0.0%	0	0.0%	0	0.0%
	2-5 years	10	7.7%	9	6.9%	19	14.6%
	5-10 years	44	33.8%	27	20.8%	71	54.6%
	10 and above years	27	20.8%	13	10.0%	40	30.8%
	Total	81	62.3%	49	37.7%	130	100.0%
Job title	Managerial	9	6.9%	6	4.6%	15	11.5%
	Professional	72	55.4%	43	33.1%	115	88.5%
	Total	81	62.3%	49	37.7%	130	100.0%

4.2 Descriptive Analysis for Overall Sample

4.2.1 The Analysis of Employee's Motivation

The section aimed to determine whether the employees were satisfied with the current performance appraisal system in enhancing their motivation from the respondents involved in the study.

Table 4.2: Level of Employees' Motivation

<i>Level of Employees' Motivation</i>		Gender					
		Male		Female		Total	
		Count	%	Count	%	Count	%
I am satisfied with the current rewarding linked to the performance appraisal system in enhancing my motivation.	strongly disagree	0	0.0%	0	0.0%	0	0.0%
	Disagree	15	11.5%	6	4.6%	21	16.2%
	Neutral	11	8.5%	9	6.9%	20	15.4%
	Agree	38	29.2%	22	16.9%	60	46.2%
	strongly agree	17	13.1%	12	9.2%	29	22.3%
	Total	81	62.3%	49	37.7%	130	100.0%
I am satisfied with the current appraisers in enhancing my motivation	strongly disagree	0	0.0%	0	0.0%	0	0.0%
	Disagree	14	10.8%	6	4.6%	20	15.4%
	Neutral	11	8.5%	8	6.2%	19	14.6%
	Agree	33	25.4%	22	16.9%	55	42.3%
	strongly agree	23	17.7%	13	10.0%	36	27.7%
	Total	81	62.3%	49	37.7%	130	100.0%
I am motivated by and satisfied with the participation provided in the whole performance appraisal process in the Bank	strongly disagree	0	0.0%	0	0.0%	0	0.0%
	Disagree	11	8.5%	2	1.5%	13	10.0%
	Neutral	30	23.1%	19	14.6%	49	37.7%
	Agree	27	20.8%	21	16.2%	48	36.9%
	strongly agree	13	10.0%	7	5.4%	20	15.4%
	Total	81	62.3%	49	37.7%	130	100.0%
I am satisfied with the current ongoing feedbacks applied in DGB and it helps me to improve my performance	strongly disagree	1	0.8%	1	0.8%	2	1.5%
	Disagree	10	7.7%	7	5.4%	17	13.1%
	Neutral	11	8.5%	7	5.4%	18	13.8%
	Agree	45	34.6%	25	19.2%	70	53.8%
	strongly agree	14	10.8%	9	6.9%	23	17.7%
	Total	81	62.3%	49	37.7%	130	100.0%
I am motivated by the ways of communication between the employees and the management with respect to the appraisal process as well as any	strongly disagree	0	0.0%	0	0.0%	0	0.0%
	Disagree	17	13.1%	9	6.9%	26	20.0%
	Neutral	10	7.7%	8	6.2%	18	13.8%
	Agree	34	26.2%	20	15.4%	54	41.5%
	strongly agree	20	15.4%	12	9.2%	32	24.6%
	Total	81	62.3%	49	37.7%	130	100.0%

other concerns.	Total	81	62.3%	49	37.7%	130	100.0%
I am satisfied and motivated with the PAS because it is fair	strongly disagree	0	0.0%	0	0.0%	0	0.0%
	Disagree	13	10.0%	7	5.4%	20	15.4%
	Neutral	9	6.9%	8	6.2%	17	13.1%
	Agree	16	12.3%	17	13.1%	33	25.4%
	strongly agree	43	33.1%	17	13.1%	60	46.2%
	Total	81	62.3%	49	37.7%	130	100.0%

Source: own computation using SPSS 2021

Table 4.2 indicates the Level of employee's motivation with regarding PAS. The result with regard to the current rewarding performance linked to the PAS in enhancing their motivation, 68.6% of the respondents agreed that the current rewarding performance linked to PAS would enhance employees motivation, 15.4% were neutral and 16.2% respondents disagreed with the statement the current rewarding performance linked to PAS would enhance employees motivation .

With regard to the current appraiser and its significant effect on motivation, 70% of the respondents agreed that current appraiser leads to enhance their motivation at work, 14.6% were neutral and the rest 15.4% of respondents disagreed with that current appraiser leads to enhance their motivation at work .

Regarding to the participation level in the current PAS process, 52.3% of respondents agreed that participation provided in the whole performance appraisal process in the Bank leads the employees motivation to scaled up, 37.9% of the respondents were neutral while 10.0% of the respondents disagreed. From this, the majority of the respondents were satisfied with the current participation level in the PAS process at the bank.

The result regarding to the ongoing feedback also revealed that 71.5% of the respondents agreed that current ongoing feedbacks applied in DGB helped them to improve their performance, 13.8% of the respondents were in neutral and 14.6% of the respondents disagreed with the statement current ongoing feedbacks applied in DGB helped them to improve their performance.

Concerning with the respondents motivation regarding to the current communication, 66.1% of the respondents agreed that the ways of communication between the employees and the management with respect to the appraisal motivated them, 13.8% of the respondents were neutral and 20.0% disagreed.

Overall, the result indicates that the performance appraisal systems practices such as ongoing feedback, Rewarding performance, trained appraiser, Continuous open communication, Employees perception about fairness of PAS and Employee participation on PAS process had a positive effect on employee motivation which results in employee satisfaction and improving employees’ performance. This finally leads to achieve what the organization intends to achieve.

Table 4.3: Overall Descriptive Analysis result for PAS and Employees motivation

Statistics							
	OF	RP	TA	OC	FPAS	EM	EP
Mean	3.8231	2.9154	3.5769	3.7462	3.7077	4.4692	2.0231
Mode	4.00	4.00	4.00	4.00	4.00	5.00	4.00
Std. Deviation	1.0074	1.20100	.87040	.98289	1.05247	.75932	1.10296
Minimum	2.00	1.00	2.00	2.00	2.00	2.00	2.00
Maximum	5.00	5.00	5.00	5.00	5.00	5.00	5.00

From Table 4.3, items having a higher mean score referred to the perception of the effect of performance appraisal system practices on employees’ motivation presented on following descending order:

The ongoing feedback measurement variables “ I receive regular and timely performance feedback beside the annual performance review, the information provided by my supervisor during my performance feedback is accurate, the performance feedback I receive helps me to improving my job performance and to attain my goals, the feedback I get helps me to gain insight about my weakness and strength, My last feedback interview increased my understanding of the job, My last feedback appraisal gave me a good idea of how well I'm doing in my job, My last feedback interview with my supervisor made our relationship worse, My last feedback appraisal would have been improved if subordinate ratings were included I felt satisfied with the feedback interview , I felt the feedback interview was unfair and I think the feedback appraisal helped me learn to do a better job” (mean=3.82, mode= 4, SD= 1.00). The mode value 4 (the most frequent observed rating scale) indicates that most of the employees agreed ongoing feedback would affect the level of employees’ motivation.

Continuous open communication measurement variables “the PAS provide an opportunity to communicate with the supervisors to facilitate my job performance, there is a two way communication with both managers and employees for expressing their views, I find difficult to discuss work issues with my managers and the PAS provide a scope for well communication

the overall business and plans to the employees” (mean=3.74, mode= 4, SD= 0.98). Similarly, this value indicates most of the respondents agreed continuous open communication also would affect the employees’ motivation at office.

Employees perception about fairness of PAS (mean=3.7, mode= 4, SD= 1.0). The mode value 4 (the most frequently observed rating scale) indicates that most of the employees of the bank agreed Employees perception about fairness of PAS would affect work motivation at office.

Trained appraiser measurement scales “The PAS is regularly carried by the responsible appraiser, I am confident because the appraiser knows enough about the PA to appraise me, the appraiser helps me to understand what need to be done to improve my performance and I am satisfied with the way the appraiser conducted my performance review” (mean=3.57, mode=4, SD=0.87). Likewise, the mode value for TA is 4 and it reveals most of the respondents agreed trained appraiser would affect the employees’ satisfaction and motivation towards their responsibility at work.

Rewarding performance measurement variables “Performance appraisal is linked with various incentives in DGB, I rewarded proportional to my individual performance, hard work is not necessarily recognized or rewarded” (mean= 2.92; mode = 4, SD=1.2). The mode value for RP is 4 and it reveals most of the respondents agreed with rewarding performance would affect the employee’s level of motivation. Furthermore result revealed employees participation on PAS process would affect the motivation level of the employees at the bank (mean= 2.0; mode = 4, SD=1.1). Furthermore result revealed employees participation on PAS process would affect the motivation level of the employees at the bank (mean= 2.0; mode = 4, SD=1.1).

4.3 Reliability and Validity Analysis

4.3.1 Reliability Analysis

According to Zikmund et al (2010) it is possible to evaluate the reliability of the data (otherwise speaking its internal consistency) by Cronbach’s α , which is supposed to be one of the most important coefficients of reliability that doesn’t depend on the arrangement of variables. This coefficient is based on included in the scale items and their correlations. Moreover, the reliability of instrument that is measured by alpha determines the level to which attained results are instantiated by retentiveness and not aligned with measurement errors. Zikmund et al., (2010)

suggests that acceptable value for Cronbach's α is .70 and higher, what makes it possible to infer that the scale is reliable. In this case to determinate the value of Cronbach's α , the "Reliability Analysis" in SPSS 20 was conducted. Moreover, using the function "Scale if item deleted" Cronbach's α for each item of the scale was defined in order to be convinced that no item causes a significant decrease in the overall Cronbach's α . The results are presented in Table 4.4.

Table 4.4: Reliability Analysis Result

Scale	No. of Items in the Scale(N)	Cronbach's Alpha Result (α)	α based on standardized items
Overall model	47	.896	.899
Ongoing feedback	11	.862	.873
Rewarding performance	3	.858	
Trained appraiser	4	.895	.900
Continuous open communication	4	.912	.923
Employees perception about fairness of PAS	15	.853	.863
Employee participation on PAS process	4	.883	.893
Employees motivation	6	.842	.853

Source: Own computation using SPSS 20

As it can be seen from the Table 4.4, the Cronbach's alpha for all the scales is above the established threshold of .70, what signifies about their good internal consistency. The values of Cronbach's alpha based on standardized items is just faintly higher than the Cronbach's alphas themselves (the differences don't exceed .01), therefore the expansion in the number of variables for each scale will insignificantly increase the Cronbach's alpha (not more than by .01). Thus, there is no need in quantity input of new variables. It should be mentioned that the scales of "Continuous open communication" and "Overall model" have the best reliability coefficients (.912 and .896, correspondingly), which exceed the level of .90 and indicate extra good value. The worst reliability index among all the scales is at "employees" motivation" (.842), which is still higher than the threshold. The coefficients for all the other scales are in the range between .852 and .896. Consequently, all the scales consistently repeal the constructs that they measure.

4.3.2 Validity Analysis

In order to confirm the validity of the results the following assumptions should have been satisfied since they are underlying the regression models. These assumptions can be summarized as follows

- Linearity: a linear relationship between the observed variables;
- Normality: normality of the random errors;
- Independence: independence of the random errors;
- No multicollinearity: absence of the high level of intercorrelations among independent variables.
- Homoscedasticity: constant variance of the random errors;

I. Linearity: Each of the above mentioned assumptions has been considered, since the violation of any of them may significantly impact the interpretation of obtained results. Thus, the first assumption of linearity states that there is an approximate straight relationship between two continuous variables (Rovai, Baker, & Ponton, 2014). It is necessary to know if the relationship between variables follows the linear trend so they can be analyzed by the means of linear regression analysis. Moreover, the violation of this assumption may understate the relationship between items. It was chosen to conduct a curve-linear regression (so called “curve-estimation” method) for all the relationships in the original model in order to check the data on linearity. As it can be seen from **Appendix A** almost all the relationships are sufficiently linear to be tested using SPSS 20, since they are significant at 5% level. The only exception is in the relationship “EP”→“Motivation”, which significance is .050. Despite of the fact that this value is equal to the threshold of 0.050, it is still inconclusive and therefore can be considered to be a limitation of this study.

II. Normality Test. Normality test considers whether the data was normally distributed or it was spread evenly. It ought to be mentioned that violation of normal distribution may both affect the significance of the test and skew the relationship between items. Since there is no clear consensus regarding normality for specific parametric tests in SPSS, it was chosen to evaluate normality through the graphical method, i.e. probability-probability (P-P) plot. This method was chosen because of Rovai, Baker, & Ponton, (2014). suggestion of using visual tests in order to evaluate normal distribution for the sample sizes of 130 and greater. According to Rovai, Baker, &

Ponton, (2014). close arrangement of points on the scatter plot along the line speaks for the normal distribution of the observed data. Since most of the points fall inside the limits of the lines (while some of them are a little bit skewed on the right or on the left, but these skews are really insignificant) the data can be considered to be normally distributed (**Appendix C**).

III. Multicollinearity Test: The assumption of the absence of multicollinearity states that there are no excessively high correlations between predictor variables. If this assumption is not met the regression coefficients for each item wouldn't be reliable and therefore their impact on the outcome will be indistinguishable. It happens because the intercorrelations between independent variables are so high that their effects cannot be separated. Multicollinearity also affects the significance of the test since it increases the standard errors and decreases the accuracy of the coefficient estimates. Zikmund et al (2010), suggest using collinearity diagnostic test in order to examine the possibility of presence of multicollinearity issues in the model. For this purpose variance of inflation factors (VIF) should be used. This procedure, allows distinguishing acceptable values of collinearity for analysis of regression. Hair et al. (2010) established the threshold for VIF, which shouldn't exceed 10. At the same time he suggest using the tolerance value (TV) that should be greater than 10. It should be mentioned that the thresholds for VIF and TV vary in different sources: Rovai, Baker, & Ponton, (2014). suggest using $VIF < 10$ and $TV > .40$ in order to avoid multicollinearity; Field (2000) established the thresholds for $VIF < 10$ and for $TV > .20$; while Walker and Maddan (2013) accept VIF that is not greater than 5. Thus, taking into consideration all the thresholds it was decided to use the next ranges: $VIF < 10$, and $TV > .10$. The results of collinear diagnostics for the current model are represented in Table 4.8. The VIF values in all the cases are way below 10. Thus, it can be concluded that there are no severe problems with multicollinearity.

IV. Heteroscedasticity Test Results. The heteroscedasticity test aimed to determine whether in the regression model of the residual variance, inequality occurred from one observation to another. If the residual variance from one observation to another remains, then, it is called Homoscedasticity; otherwise, it is called, heteroscedasticity (Rovai, Baker, & Ponton, (2014).). The heteroscedasticity test in this study employed scatter plot and the Gleijser method. From the results, heteroscedasticity is observed because $Sig. < 0.05$, there by concluding that heteroscedasticity exists and therefore

can be considered to be a limitation of this study (**Appendix B**).

- V. Independence:** Assumption of independence of observations (i.e. absence of autocorrelation) signifies that multiple observations are not applied in accordance with outside effect. It should be mentioned that Zikmund et al (2010) violation of this assumption may substantially impact the level of significance and statistical power of the test. Independence in this study is evaluated by Durbin-Watson test. This test uses studentized residuals in order to estimate the assumption that the residuals from linear regression are independent. According to Zikmund et al (2010) the value of the test (d) may vary from 0 to 4. Values that are close to 0 designate the presence of high positive autocorrelation, while those close to 4 signify extreme negative autocorrelation. Values that are close to 2 indicate the absence or really low autocorrelation. The table with all the values is presented in Table 4.6. For these model the value is 2.148, what is a perfect coefficient signifying that the measurement of one variable is not influenced by another or any outside impact for every single case

4.4 Correlation Analysis

In order to establish the relationships between variables bivariate correlation analysis was conducted. Pearson correlation (r) was chosen for this purpose since it is best suited for the data of the study and helps to determinate the strengths and directions of the association between items. Among the three commonly used significance levels (i.e., .01 – highly significant; .05 – significant; and .10 – moderately significant) the one of 5% ($\alpha=.05$) was selected for this study.

Rovai, Baker, & Ponton, (2014). firstly introduced the specific criteria for categorizing the magnitude of linear relationship and divided them into weak, moderate, and strong. According to his often-cited publication the correlational values for Pearson approximately equal to $r = \pm.10$ are considered weak; $r = \pm.30$ are considered moderate; and $r = \pm.50$ are considered strong. They confirmed the dispensation and wide usage of this scale as well as its appliance for behavior science. Such wise, this classification will be used for correlation analysis.

Table 4.5 illustrates the correlation coefficients of the relationship between independent variables and dependent variable. From the correlation result it is found that ongoing feedback has a moderate positive interrelation with employees motivation ($r = 0.41$, $p < 0.01$). Likewise a significant moderate relationship is found between open communication and overall employees motivation ($r = 0.357$, $p < 0.01$). Similarly perception about fairness of PAS found to be

significant and positive correlated with employees motivation($r = 0.332$, $p < 0.01$) and its degree of correlation is moderate. The result also revealed that trained appraiser is significant and positively correlated with employees motivation($r = 0.256$, $p < 0.01$). Furthermore the study found a positive relationship between reward performance and employees motivation($r = 0.28$, $p < 0.05$). Finally employees participation towards PAS has a weak positive impact on employees motivation and it is not significant ($r = 0.172$, $p > 0.05$).

Table 4.5: The correlation analysis results for all variables under study

		OF	OC	TA	FPAS	RP	EP	EM
OF	Pearson Correlation	1	.767**	.598**	.839**	.533**	.620**	.410**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	130	130	130	130	130	130	130
OC	Pearson Correlation	.767**	1	.558**	.843**	.544**	.780**	.357**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	130	130	130	130	130	130	130
TA	Pearson Correlation	.598**	.558**	1	.657**	.359**	.406**	.256**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.003
	N	130	130	130	130	130	130	130
FPAS	Pearson Correlation	.839**	.843**	.657**	1	.455**	.673**	.332**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	130	130	130	130	130	130	130
RP	Pearson Correlation	.533**	.544**	.359**	.455**	1	.394**	.280**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.002
	N	130	130	130	130	130	130	130
EP	Pearson Correlation	.620**	.780**	.406**	.673**	.394**	1	.172
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.051
	N	130	130	130	130	130	130	130
EM	Pearson Correlation	.410**	.357**	.256**	.332**	.280**	.172	1
	Sig. (2-tailed)	.000	.000	.003	.000	.002	.051	
	N	130	130	130	130	130	130	130

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

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

4.5 Multiple Regression analysis

In this study multiple Linear regression was carried out in order to determine the explanatory power of independent variables (Ongoing feedback, Rewarding performance, Trained appraiser, continuous open communication, fairness of PAS, and participation in PAS) in the variance of

dependent variable (Employees motivation). The test result for classical linear regression assumptions and the estimated model results are presented in earlier.

Table 4.6: Result of model summary for model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.577a	.333	.323	.69644	2.148

a. Predictors: (Constant), OF, RP, TA, OC, FPAS, EP

b. Dependent Variable: EM

R-Square (coefficient of determination) is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R², also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables (Robert, 2004). From table 4.6, the adjusted R² of the model is 0.323, which shows that approximately 32.3% of variance in dependent variable (employees motivation) can be explained by the linear combination of the independent variables (Ongoing feedback, Rewarding performance, Trained appraiser, continuous open communication, fairness of PAS, and participation in PAS). The Durbin-Watson statistics is 2.148 which show the absence of serial correlation.

Table 4.7: ANOVA result

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	16.286	6	2.714	5.747	.000 ^b
Residual	58.091	123	.472		
Total	74.377	129			

a. Dependent Variable:EM

b. Predictors: (Constant), OF, RP, TA, OC, FPAS, EP

From the analysis of ANOVA, it is noted that the probability value of 0.000 ($p < 0.05$) indicates that the regression relationship was highly significant in predicting how independent variables (Ongoing feedback, Rewarding performance, Trained appraiser, continuous open communication, fairness of PAS, and participation in PAS) affect the employees motivation . Further, the analysis shows that the value of F is significant (5.747) which means that overall the model is statistically significant.

Table 4.8: The results of regression coefficients between dependent and independent variables

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	3.467	.293		11.846	.000		
	OF	.357	.121	.463	2.963	.004	.261	3.837
	FPAS	.147	.063	.196	2.333	.021	.176	5.684
	TA	.084	.041	.087	2.048	.032	.555	1.802
	EP	.071	.063	.113	1.137	.258	.649	1.541
	OC	.327	.134	.453	2.444	.016	.185	5.402
	RP	.206	.088	.299	2.326	.022	.385	2.599

a. Dependent Variable: EM

From the above result, the estimated regression equation is therefore

$$EM = 3.467 + 0.357OF + 0.147FPAS + 0.084TA + 0.071EP + 0.327OC + 0.206RP$$

The above regression equation has established that taking all factors into account (Ongoing feedback, Rewarding performance, trained appraiser, continuous open communication, fairness of PAS, and participation in PAS). The result shows except employees participation in PAS, all the variables included in the model have statistically significant impact on employees motivation at 5% level of significance ($p < 0.05$). The result revealed that ongoing feedback, trained appraiser, continuous open communication, fairness of PAS and reward performance had a significant positive effects on employees motivation at 5% level of significance while employees participation in PAS not significant at 5% level of significance.

The regression coefficients of OF in the estimated model above is 0.357 and it indicates that that taking all other independent variables at zero (constant level), a one percent increase in the OF would lead to a 0.357 percentage point increase in employees motivation at the bank. The studies conducted by Armstrong (2009) and Fletcher (1997) come up with the similar results and found that that a significant positive relationship exists between ongoing feedback and overall employees motivation. From the analysis result, the coefficient values of OC and FPAS are 0.147 and 0.327 respectively signifying a one percent increase in OC and FPAS would lead a

0.147 AND 0.327 percentage point increase in employees' motivation. The studies conducted by Singh, S. & Rana, Shikha, (2014) come up with the similar results and found that that a significant positive relationship exists between open communication, perception about fairness PAS and overall employees' motivation at the bank. From the analysis the coefficients of trained appraiser (TA) and rewarding performance (RP) were 0.071 and 0.206 respectively indicating a one percent increase in TA and EP would lead a 0.071 AND 0.206 percentage point increase in employees' motivation.

4.6 Discussion of the Result

The primary objective of this study was to examine the effect of performance appraisal systems and its constituent elements (Ongoing feedback, Rewarding performance, trained appraiser, continuous open communication, fairness of PAS, and participation in PAS) on employees' motivation. To properly address these objectives, the study sought to determine, in the first place, the validity of the proposed theoretical model. Results showed that the model was valid (it also met all the criteria of linearity, homoscedasticity, independence, normality, and multicollinearity). This research supported that Employee's motivation is strongly affected by the variables of the effective PAS like ongoing feedback, rewarding performance, trained appraiser, continuous open communication, fairness of the PAS, and employee's participation in the PAS. Employee's motivation is the key factor for good performance and good working environment.

The study revealed strong positive relationship between performance appraisal and employees' motivation and it can conclude that performance appraisal system has a significant impact on the employee motivation in DGB. The studies conducted by Murphy & Cleveland come up with the similar results and found that that a significant positive relationship exists between performance appraisal and employees' motivation. In addition spriengel (1962) come up with the similar results.

The research found that ongoing feedback was positively and significantly related with employee's motivation. The studies conducted by Fletcher (1997) come up with the similar results and found that that a significant positive relationship exists between ongoing feedback and overall employees' motivation.

The results also showed that there is a significant positive relationship between open communication & employees motivation and between perception about fairness of PAS & employees motivation

These findings are similar with Rankin, G. and Kleiner, B. (1988) study where the presence of strong positive relationship between open communication, perception about fairness of PAS and employees motivation.

The study further revealed a significant positive impact of trained appraisers on employees' motivation. Trained appraiser means the appraiser should be trained in the performance appraisal process to help them diligently to overcome errors caused in the appraisal. It is obvious that appraiser must have enough knowledge about the PAS to use the PAS effectively without subjective and unbiased rating. The studies conducted by Kamiti (2014) recommended that training motivate employees in the civil service apart from monetary rewards.

The study also obtained clear findings in Positive relation to rewarding performance and employee's motivation in DGB. The finding indicating that effective rewarding system toward performance implies higher employee's motivation in the organization. For instance Cawley et al, (1998) research support that tying rewards to performance is a common strategy across all industries and widely recognized as an effective measures.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The main objective of this study was to examine the impact of performance appraisal and its constituent elements (Ongoing feedback, Rewarding performance, trained appraiser, continuous open communication, fairness of PAS, and participation in PAS) on employees' motivation. In addition, the relationships in between these elements have been investigated as well. To achieve these goals relevant data collected and explored by dint of statistical tools used in SPSS 20. Based on the analysis result the following conclusion is forwarded.

Form descriptive analysis, the result revealed that the performance appraisal systems practices such as ongoing feedback, Rewarding performance, trained appraiser, Continuous open communication, Employees perception about fairness of PAS and Employee participation on PAS process had a positive effect on employee motivation which leads to employee satisfaction and improving employees' performance.

From the correlation analysis, it is found that ongoing feedback, perception about fairness of PAS and open communication had a moderate positive interrelation with employees' motivation whereas trained appraiser, reward performance and employees participation towards PAS founded positive and weakly correlated with employee's motivation.

From the regression analysis, the study found that the indicators of effective PAS such as, ongoing feedback, rewarding performance, trained appraiser, continuous open communication, and perception about fairness of PAS has a significant and positive impact on employee's motivation while employees' participation in the PAS was not significant. Thus effective PAS implemented in the organization would affect employees motivation in positive ways.

In general, the study contributes to the field of understanding of employees' motivation. The findings may be used in organizations so as to improve the overall motivation of the staff or to understand the areas of concern that might negatively affect employees' motivation. It should be mentioned that this work to some degree can be considered a unique study, because it was based on the information received from DGB respondents. For that matter the findings are likely to

describe and explain the situation with performance appraisal and its impact on employees' motivation in DGB. All in all, this research and other research to follow will contribute to knowledge of employees' motivation and its interrelations with performance appraisal and its elements. This topic will never lose its relevance since motivated employees will always be a target of companies that want to be successful and to survive in the modern competitive world.

5.2 Recommendation and Implications for Future Research

A number of recommendations were deemed necessary in respect of the result obtained in the study. To begin, more future research should be focused on evaluating the impact of perception about fairness of PAS, and trained appraisers on appraisal satisfaction and employees' motivation. Since the results showed significant relationship between these elements, it becomes important for companies to train managers and supervisors (i.e. all the raters) to conduct appraisals in obedience to the companies' performance appraisal procedures and policies. These trainings might increase employees' perception towards the procedural fairness of ongoing in their organizations appraisals. Particular attention should be also given to the impact of interactional fairness on appraisal satisfaction and its mediation effect on employees' motivation. Based on the above, it is recommended that raters would be trained to conduct personnel evaluation system in a fair manner.

It also recommended organizing trainings for appraisers in order to improve their business communication skills as well as the knowledge of interaction with raters during the performance appraisal so they would correspond to international standards. This might not just increase employees' perception of interactional fairness, but also improve different aspects of managers' and supervisors' work. At the same time it is also suggested to provide on-job trainings for employees with the explanation of accepted organizations culture and rules of behavior. That might allow rates to understand that ongoing in the organizations communication styles might not be the result of management unprofessionalism, but rather because it is the chosen way of organizations' functionality.

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APPENDICES

APPENDIX A:

Test Result for Linearity Assumption for each independent variable

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.168	25.883	1	128	.000	3.282	.317

The independent variable is OF.

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.110	15.889	1	128	.000	3.512	.250

The independent variable is OC

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.065	8.961	1	128	.003	3.671	.223

The independent variable is FPAS.

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.032	4.280	1	128	.041	4.138	.114

The independent variable is RP

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.128	18.728	1	128	.000	3.514	.258

The independent variable is TA.

Model Summary and Parameter Estimates

Dependent Variable: EM

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.030	3.906	1	128	.050	3.993	.118

The independent variable is EP.

APPENDIX B

Heteroscedasticity Test for Residuals

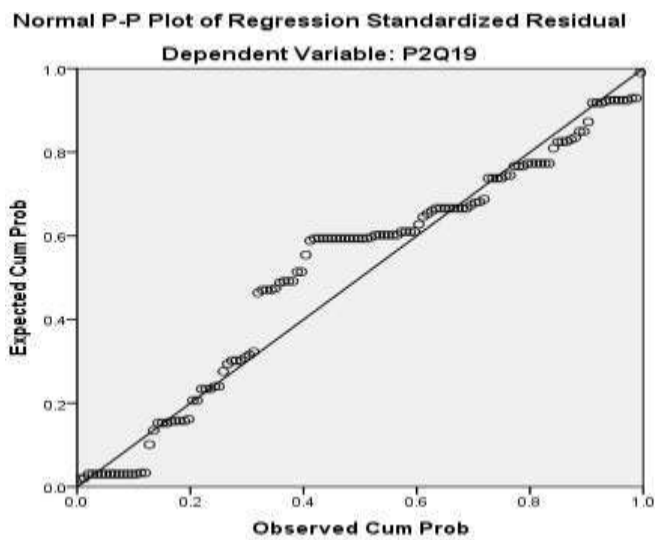
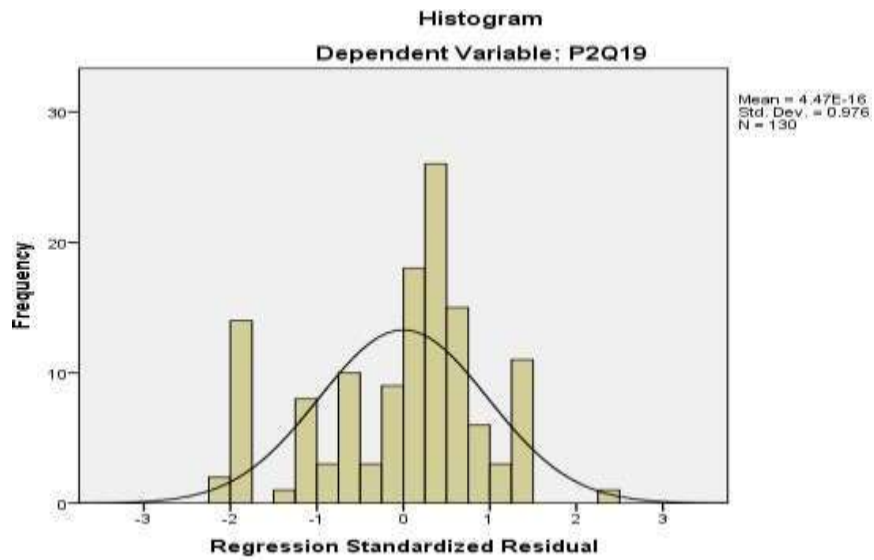
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	21.672	1	21.672	86.210	.000 ^b
Residual	32.177	128	.251		
Total	53.849	129			

a. Dependent Variable: sqresid

b. Predictors: (Constant), pAq1

APPENDIX C



ST. MARY’S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

GRADUATE PROGRAM IN BUSINESS ADMINISTRATION

Dear Respondents,

I am Nataly Damenu, an MBA student of St.Mary’s University. Currently I am conducting a research work entitled “**The Effect of Performance Appraisal Practices on Employees’ Motivation In the Case of Debu Global Bank**” as a partial fulfillment of the requirements for Masters of Business Administration (MBA). The purpose of this questionnaire is, therefore, to collect data from the employees and management bodies of Debu Global Bank on the issues of performance appraisal practices and employees motivation. Thus, kindly cooperate in filling the questionnaire as your genuine, complete, and timely responses are crucial for the success of my study. Besides, I would like to assure that the data collected using this questionnaire is purely for academic requirement and your responses will be held confidentially and anonymously. Hence, the researcher kindly requests you to respond each item carefully.

Note:

- No need of writing your name
- Please fill the answer by putting “√” mark
- Kindly provide your response attentively and return the completed questionnaire as soon as possible

Thank you for participating in this questionnaire!

Section I: Background Information

1. Gender 1. Male 2. Female
2. Educational Qualification
 1. Diploma 2. Degree 3. Masters 4. Other
3. Age (**in year**)
4. Years of experience(**in year**)
5. Your current position in the bank
6. In which branch of the bank you are currently working? _____

Section II: Performance Appraisal System (PAS) and Employee Motivation.

Instructions: using the scale below, please indicate to what extent you agree or disagree with the following items. Thus, if you strongly disagree with the statement choose 1; if you strongly agree choose 5; if the statement corresponds as somewhere in the middle, please rate it accordingly. Please use “√” in the block that best reflects your answer where:

Performance Appraisal practices		Measurement scale				
No.		1	2	3	4	5
Ongoing Feedback						
1	I receive regular and timely performance feedback beside the annual performance review.					
2	The information provided by my supervisor during my performance feedback is accurate.					
3	The performance feedback I receive helps me to improving my job performance and to attain my goals.					
4	The feedback I get helps me to gain insight about my weakness and strength.					
5	My last feedback interview (appraisal) increased my understanding of the job					
6	My last feedback interview (appraisal) gave me a good idea of how well I'm doing in my job					
7	My last feedback interview (appraisal) with my supervisor made our relationship worse					
8	My last feedback interview (appraisal) would have been improved if subordinate ratings were included					
9	I felt satisfied with the feedback interview (appraisal)					
10	I felt the feedback interview (appraisal) was unfair					
11	I think the feedback appraisal helped me learn to do a better job					
Rewarding Performance						
1	Performance appraisal is linked with incentives in DGB?					
2	I rewarded proportional to my individual performance.					
3	Hard work is not necessarily recognized or rewarded.					

Trained Appraiser		1	2	3	4	5
1	The PAS is regularly carried by the responsible appraiser.					
2	I am confident because the appraiser knows enough about the PA to appraise me.					
3	The appraiser helps me to understand what need to be done to improve my performance.					
4	I am satisfied with the way the appraiser conducted my performance review.					
Continuous Open Communication		1	2	3	4	5
1	The PAS provide an opportunity to communicate with the supervisors to facilitate my job performance.					
2	There is a two way communication with both managers and employees for expressing their views.					
3	I find difficult to discuss work issues with my managers.					
4	The PAS provide a scope for well communication the overall business and plans to the employees.					
Employees Perception about Fairness of PAS		1	2	3	4	5
1	I trust the PAS in my organization is rational and fair.					
2	I feel fairly treated in every way in the PAS.					
3	I get fair feedback from my supervisor and proportion reward to my performance.					
4	I evaluated fairly according to the setting standards without subjectively and biased.					
5	Has the performance appraisal been applied consistently?					
6	Has the performance appraisal been based on accurate information?					
7	Have you been able to appeal the outcome arrived at by the performance appraisal?					
8	Has the performance appraisal upheld ethical and moral standards?					
9	Does your outcome reflect the effort you have put into your work					
10	Is your outcome appropriate for the work you have completed?					
11	Does your outcome reflect what you have contributed to the organization?					
12	Has your supervisor treated you in a polite manner?					
13	Has your supervisor treated you with dignity?					
14	Has your supervisor treated you with respect?					

15	Have you been able to express your views and feelings during the performance appraisal?					
Employees Participation on PAS process		1	2	3	4	5
1	I personally involved in the process of setting objectives and targets of my future Performance.					
2	Participating in the PAS motivate me, because it make me feel I am part of the organization.					
3	I would prefer my performance to be evaluated by an instrument developed and design with help of employees.					
4	There is no/low involvement in decisions making regarding to PAS process.					

Section III: Employees' Motivation

Instructions: using the scale below, please indicate to what extent you agree or disagree with the following items. Thus, if you strongly disagree with the statement choose 1; if you strongly agree choose 5; if the statement corresponds as somewhere in the middle, please rate it accordingly. Please use “√” in the block that best reflects your answer where

No.	Statement about the level of Motivation	1	2	3	4	5
1	I am satisfied with the current rewarding linked to the performance appraisal system in enhancing my motivation.					
2	I am satisfied with the current appraisers in enhancing my motivation.					
3	I am motivated by and satisfied with the participation provided in the performance appraisal process in the Bank.					
4	I am satisfied with the current ongoing feedbacks applied in DGB and it helps me to improve my performance.					
5	I am motivated by the ways of communication between the employees and the management with respect to the appraisal process as well as any other concerns.					
6	I am satisfied and motivated with the PAS because it is fair.					

