



**DEPARTMENT OF MASTER OF BUSINESS
ADMINISTRATION**

**ASSESSMENT OF EMPLOYEES' PERFORMANCE APPRAISAL
PRACTICE IN BANK OF ABYSSINIA**

BY

RAHWA W/MARIAM

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BY

RAHWA W/MARIAM

ADVISOR: TEMESGEN BELAYNEH (Ph.D.)

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APPROVAL

This research paper entitled as “Assessment of Employees’ Performance Appraisal Practice In Bank of Abyssinia” has been submitted to St. Mary’s University, School of Graduate Studies, Institute of Business, with my guidance and approval as a university advisor.

By
Rahwa W/Mariam

Approved By Board of Examiners

_____	_____	_____
Dean, Graduated studies	Signature	Date
_____	_____	_____
Advisor	Signature	Date
_____	_____	_____
Internal Examiner		_____
<u>Dr Getie Andualem</u>	_____	<u>21/2/2022</u>
External Examiner	Signature	Date

Endorsement

This thesis has been submitted to St. Mary's University, school of graduate studies for examination with my approval as a university advisor Dr. Temesgen Belayneh

Dr. Temesgen Belayneh _____

Advisor

Signature

St. Mary's University, Addis Ababa Dec, 2021

Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of advisor Dr. Temesgen Belayneh. 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. It is offered for the partial fulfillment of the degree of MA in Business Administration (MBA).

Declared by:

Rahwa W/Mariam

Name

Signature

St. Mary's University, Addis Ababa

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List of Acronyms and Abbreviations

PA: performance Appraisal

PAP: Performance Appraisal practice

S.C: Share Company

SPSS: Statistical Program for Social Sciences

Abstract

The key purpose of the study was to assess the Employees' Performance Appraisal Practice in Bank of Abyssinia S.C. City Branch of Western Addis District. Descriptive research design and Quantitative research Approach was used to carry out this study. The target population is from head office and employee working in Addis Ababa city under West Addis District was selected as a population of study which comprises 1,100 employees, out of this the sample size of study was about 285 respondents. A simple random sampling method was used to collect data. The study used questionnaires as its data collection instrument quantitatively. Regression Analysis and Correlations were used to analyze the data collected using SPSS version 20. Performance Appraisal practice could be negatively affect the organization for lack of certain performance manners, lack of effective communication between supervisors and employees and lack of clear performance expectations. So, the performance appraisal practice of independent variables and dependent variable is positively related to employee's performance. From the results of appraisal performance practice are less focus employee's performance in the bank. Therefore, The Bank should inspire more communication between management and all staff, critically measure the performance appraisal practice by focusing on employees performance and well-appointed with best methods of motivating employees through the proper performance appraisal policy.

Keywords: performance appraisal practice and Abyssinia bank

CHAPTER ONE

1. INTRODUCTION

1.1. Back ground of the study

Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988).

Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not only just the instruments for results, behaviors are also outcomes in their own right the product of mental and physical effort applied to tasks and can be judged apart from results (Armstrong, 2006:498). Performance appraisal is two rather simple words that often arouse a raft of strong reactions, emotions, and opinions when brought together in the organizational context of a formal appraisal procedure. Longenecker (1997) cited by Kumar (2005) emphasized that most organizations throughout the world regardless of whether they are large or small, public or private, service or manufacturing, use performance appraisal, with varying degrees of success, as a tool to achieve a variety of human resource management objectives.

Organizations use different tools and have a number of goals for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems. However, Kumar (2005) cited Wiese and Buckley (1998), the performance appraisal process allows an organization to measure and evaluate an individual employee's behavior and accomplishments over a specific period of time. He also cited Coutts and Schneider (2004) that performance appraisal is a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization .Yong (1996) cited by Kumar(2005) defines performance appraisal as "an evaluation and grading exercise undertaken by an organization on all its

employees either periodically or annually, on the outcomes of performance based on the job content, job requirement and personal behavior in the position”.

Performance appraisal, though an important function of human resource/personnel management, has not received the degree of concern it deserves. This function, if properly exercised by organizations, can serve a number of purposes, mainly administrative and developmental in nature Mount K. (1984). However, despite these intended goals, performance appraisal seems not to be effective in most cases mainly due to the subjective nature of criteria (standard) of performance, lack of rater understanding of or inadequate training on performance appraisal, which consequently led to the less importance and emphasis attached to it. Conducting performance evaluation helps organizations to reward and promote effective performers and identify ineffective performers to developmental programs or other personnel actions that are essential to the effectiveness of Human Resource Management Maund.L. (2001).

Longenecker and Fink (1999) cited several reasons that formal performance evaluations are to stay in organizations. According to them, formal evaluations are required to justify a wide range of human resource decisions such as pay raises, promotions, demotions, terminations, etc. It is also required to determine employees’ training need. The authors cited a study on high performance organizations that the practice of performance appraisal was cited as one of the top 10 vehicles for creating competitive advantage. Moreover, performance measurement allows the organization to tell the employee something about their rates of growth, their competencies, and their potentials (Cleveland JN 1995).

owned to 10 Banks (i.e. three government owned namely: Commercial Bank of Ethiopia (CBE), Construction and Business Bank (CBB) S.Co. and Development Bank of Ethiopia (DBE) and Eight privately owned Banks namely: Awash International Bank S.Co., Dashen Bank S.Co., Bank of Abyssinia (BOA) S.Co., Wegagen Bank S.Co., United Bank S.Co., NIB International Bank S.Co., and Cooperatives Bank of OromiaS.Co., and Anbessa Global Bank S.Co. which

Established its Branch recently) which is a radical change in Ethiopian banking businesses. Although this leads the industry to more competitive situation, the expansion of private companies in the country is encouraging which creates opportunities for banking business.

Over the years, contrary to the various achievements the Bank has been one of the Ethiopian private companies that have suffered a lot from an increased level of employee turnover due to lower level of employee satisfaction and wrong perception of management towards the benefit of career development (*Ibid*). Though this was the general finding of the diagnostic review made on core operational activities of the bank on the development of its third strategic plan, no formal or informal studies have been conducted so far to investigate the effect of performance appraisal system of the bank on employee career development. Hence, though one could enumerate numerous reasons for the dissatisfaction of employees and hindering factors on employees' career development goals, this study specifically will try to identify the role of performance appraisal system on Employees' career development at Bank of Abyssinia S.C come up with recommendations of devising a better performance appraisal system that will help the bank set a fair, proper and effective career development path for its employees.

1.2. Statement of the problem

Improving organizational productivity (performance) has become one of the overriding goals of human resource management. Organizational performance is the synergistic sum total of the performance of all employees in the organization. This is being the fact, employee performance has to be closely planned, coached, and appraised to ensure that it is in line with the interests of organizations. according to (Joseph, 2019) Without a planned appraisal system, there is little chance of ensuring that the Judgments made will be legal, fair, defensible and accurate in work place.

A formal performance evaluation program can have a number of objectives including performance assessment and improvement, providing a basis for individual remuneration, identifying training needs and, assessing suitability for promotion Denisi and Griffin,(2008). Performance evaluation serves many purposes, including: letting employees learn of their weaknesses and strengths, new goals and objectives are agreed upon, employees become an active participant in the evaluation process, and employees renew their interest in being part of the organization now and in the future.

In the organizations Performance appraisal system is applied in order to identify the skilled and best Performers employee of the organization to increase their benefits and to increase

productivity of employee by providing necessary training to fill deficiency gap which ultimately enable employee to be satisfied with Performance appraisal system. However, currently in bank of Abyssinia S.C most of employees not satisfied by the performance appraisal practice. These are due to Performance appraisal reason, employee's attitude towards performance appraisal, employee's satisfaction with performance appraisal practice, performance appraisal method, performance appraisal requirement and performance appraisal challenge. This study therefore, seeks to fill this gap by assessing the performance appraisal practice system on employee's performance of bank of Abyssinia S.C. So, by understanding performance appraisal problems, this study will be conducted to evaluate the performance appraisal practices of bank of Abyssinia S.C.

1.3. Basic research questions

This study will tried to answer the following main research questions:

1. How to evaluate the extent of performance appraisal reason of the bank and employees initiation towards their job?
2. How to test employees` attitude towards performance appraisal practice of bank of Abyssinia S.C?
3. How to analyze the major challenge in the process of performance appraisal practices of the bank of Abyssinia S.C?
4. How to assess the frequency of the appraisal practice of bank of Abyssinia S.C and what methods are available to appraising performance?
5. How to match performance appraisal standard of bank of Abyssinia S.C with the job requirements of the employee?
6. How to analyze employee's satisfaction in the process of performance appraisal practices of bank of Abyssinia S.C?

1.4 Objectives

1.4.1 The general objective of the study

The general objective of this study will be to assessing performance appraisal practice of bank of Abyssinia S.C and recommending solutions for problems related to the subject matter.

1.4.2 The specific objectives of the study

1. To evaluate the extent of performance appraisal reason of the organization and employees initiation towards their job.
2. To test employees` attitude towards performance appraisal practice of the bank of Abyssinia S.C.
3. To analyze the major challenge in the process of performance appraisal practices of the organizations.
4. Assess the frequency of the appraisal practice and what methods are available to appraising performance of bank of Abyssinia S.C.
5. To match performance appraisal standard of the organizations with the job requirements of the employee.
6. To analyze employees satisfaction in the process of performance appraisal practices of the Organizations.

1.5 Significance of the study

The findings of this study might serve as an input for assessing its performance appraisal practice and its employee's awareness towards the fairness of performance appraisal system practice, so as to identify the areas needing improvement in the Bank. The study has also used as a basis for further researchers to conduct on this area. Besides it might serve as a reference material for both academicians and practitioners.

1.6. Scope and Limitation of the study

This study focuses on assessing Employees' Performance Appraisal Practice in Bank of Abyssinia particularly on the selected branches in Addis Ababa and therefore it cannot be considered as a representative of the whole branches of Bank of Abyssinia; that mean, the finding and the conclusion drawn is limited to the selected branches located in western district of Addis Ababa City. Moreover, the reason behind studying on the selected branches is due to time

and resource constraint. Since the data collection instrument is self-administered questionnaire, there may be a response bias.

1.7. Organization Structure of the research

The study will organize under five chapters. The first chapter will deal with background of study, statement of the problem, research question, and objective of the study, significance of the study, scope of the study and organization of the paper. The second chapter will deal with review of literature. The third chapter will discuss with the methodology. The fourth chapter presents finding and analyze the data. The last chapter will make summary of the major findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2. PERFORMANCE APPRAISAL

Under this section contains theoretical and empirical literatures regarding the performance appraisal system and also conceptual framework developed based on the literature.

2.1 Theoretical literature review

Theoretical review deals with the concept of performance appraisal, purpose of performance appraisal, the performance appraisal process, performance appraisal methods, Characteristics of Performance Appraisal, Challenges in Performance Appraisal and Criteria of Performance Appraisal.

2.1.1 The concept of performance appraisal

Grubb (2007) defined performance management as a process of finding out the actual performance level of employees thereby distinguishing and narrowing the gap between the actual and the desired performance, and a means of meeting organizational objective, creating employee responsiveness and avoiding under performances.

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance (Mondy & Noe, 1990). It occurs constantly in both public and private organizations. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make contribution to organizational success. Moreover, performance appraisal data enables management:

Randall (2011) on the other hand says that performance appraisal is a formal, structured system of measuring and evaluating an employee's job, related behavior and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit accordingly, performance appraisal data enables management to help with career planning,

training and development pay increases, promotion and placement decisions and to assess the success of recruitment, selection, placement, training and development program's and other related activities.

Defining the job, appraising performance, and providing feedback are the three main components included in performance appraisal (Dessler, 2006). Performance appraisal is a process that involves determining and communicating to employees how they are performing their jobs and establishing a plan for improvement. Some of the common uses of performance appraisal are making decision, promotion, layoffs and termination of employment contracts. Performance appraisal information can also provide needed input for determining both individual and organizational training and development needs. For example, it can be used to identify individual strengths and weakness (Sile, 2007)

2.1.2 Purpose of Performance Appraisal

Grubb (2007) further describes the purpose of performance appraisal from four supportive perspectives: organizational perspective, administrative, individual and control. The purpose of performance appraisal is to promote organizational efficiency and effectiveness. The cumulative effect of good performance by employees will further result good organizational performance in terms of both effectiveness and efficiency. The second reason for support of performance appraisal is to enhance individual employee performance and satisfaction. Proper appraisal can help identify weak points of individuals so that with the appropriate training and support paramount to employees 'development could be given. It is possible to coach and mentor employees and counsel problem performers. Individuals can also be motivated through a recognition given to best performance. The third perspective is simplifying an administrative processing. Activities and decision such as award pay increases, promotion screening, career advancement, downsize/lay off decisions, legal documentation can be easily performed with the implementation of performance appraisal, and the fourth perspective is to ensure management retains control of employee behaviors and attitudes so that employee compliance and proper management direction can be achieved (Grubb, 2007).

Noe and Premeaux (1999) discussed the PA purpose, as performance appraisal data are potentially valuable for use in virtually every human resource functional areas like: Human

Resource Planning, Recruitment and selection, Training and development, Career planning and development, Compensation programs, Internal employee relation and Assessment of employee potential

According to Stredwick (2005:290) there are two main purposes driving towards performance management. Firstly, the operational reasons (control, communication and effectiveness), which serve to lead and control. As organizations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives. The performance management system sets out to communicate the link between an organization's mission and strategic direction and the required employee performance. The process can also be used as a form of strict control over employees.

As can be observed, the list is long even additional points could be added. However, behind all these lies the notion those managers are interested to see if employees are performing as well as they can and also to assess the potential for growth (Kressler, 2003). Most of the times performance appraisal is related with compensation level since both the employees and the employer want to assess whether the employees are fairly rewarded for the contracted services (Grote, 2002). The evaluation has to be on concrete or verifiable factors but some of the factors will be difficult to measure directly. Strebler (1997) as cited by Nyaoga (2010) clearly indicated that employee performance appraisal has become a key feature of an organization's drive towards competitive advantage.

Generally the above purpose of performance appraisal can be divided into two. The points related with compensation, promotion, demotion, layoffs, etc., could be termed as administrative purpose and the others which are forward looking like required training, identifying areas for growth, development planning, career planning, etc., can be called developmental purpose (Mathis and Jackson, 1997). The different purposes set to be achieved by the system demand a thorough thought to see whether such seemingly contradictory objectives could be achieved at all or fairly done. For this purpose one type of criteria or dimension will not be enough.

2.1.3 The Performance Appraisal Process

There are potentially many reasons for undertaking performance appraisal. Edmonstone (1996), in his article "Appraising the state of performance appraisal" presented the following list.

Improvement in the communication between boss and subordinate through the use of feedback between them; Identification of the scope for performance improvement and the means to achieve this; Identification of individual training and development needs; Identification of the potential of individuals for future promotion, or for retention or termination all for succession planning purposes; As the basis for remuneration and reward, on the basis of performance; As a powerful means of managerial control, through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these.

Ikramullah, Shah, Faqir, Hassan and Zaman (2012), on the other hand, argued that performance appraisal system are being used for purpose of administrative decisions relating to (salary, promotion, retention or termination, layoff) and developmental decisions like (training of employees, furnishing appraise with regular performance feedback, employee transfers, determining employees strengths and weaknesses). Likewise, Cleveland Murphy, and Williams (1989, as cited in Ikramullah et al., 2012), identified the following four purposes of PAS: Between employees (setting pay package, promotion to higher grades, and termination from service, identifying the poor performer). Within an employee (identifying weaknesses & strengths, employee training needs etc). Between employees (setting pay package, promotion to higher grades, termination from service, identifying the poor performer). System maintenance (helps in evaluation of personnel system, organizational goal attainment, organizational needs for training and developmental needs of organization). Ikramullah et al. (2012), affirmed that when PAS is perceived as purposeless function, then it loses worth in an organization and termed as vague activity. The system users (i.e. appraiser and appraises) deem the system as a formality of appraisal form filling, which has no serious implications for their development and rewards. Thus, in PAS of an organization appraisal ratings must be linked with HR decisions, so that users perceive that the system has some utility and it is not a useless ritual of form filling.

2.1.4. Characteristics of Performance Appraisal

Implementation of Performance appraisal differs from one organization to another in many different ways. The following are some of the major characteristics shared by all performance appraisal programs. Performance appraisal is a standardize process that is systematically applied to all employees and conducted through specific period (Typically quarterly and/or annually). As

a matter of sensitivity Performance, responsible body in an organization other than the employee itself should properly document appraisals (Fisher, 1993).

2.1.5 Challenges in Performance Appraisal

There are several challenges regarding the implementation and practice of performance appraisal. Performance appraisal and rewards serve more to punish and de-motivate employees, than to positively motivate them (Kohn, 1993). The following are typical problems encountered most of the time.

Subjectivity: performance appraisal assumes to be objective and presumes that the rational, scientific, measurement methodology will yield objective, valid, and reliable results. However, the reality is different from this. Individuals who do the appraising usually are subject in their judgment. Moreover, it is difficult to evaluate only on objective bases. In reality, evaluative processes are largely subjective and biased (Behn, 2003).

Counter effect of organizational system on individual performance:- it is not a one way that cumulative effects of individual's performance result in improvement of the overall organization. The organizational system also has a direct impact on the performance of individuals irrespective of the amount and kind of incentive given (Behn, 2003).

Attribution:- identifying the right degree of individual performance from the whole system is not an easy task. The performance of individual is tightly linked with the surrounding system. The group effect is not easily separated from the individuals (Behn, 2003).

Measurement Difficulties:- raters usually manipulate the measurement difficulties for different reasons with a positive or negative intention. There is a deliberate attempt by individuals to enhance or protect their self-interests when conflicting courses of action are possible. Such action therefore represents a source of bias or inaccuracy of measurement in employee appraisal. Some possible for manipulating the measurement are stereotype tendencies, gender, race, and age bias and evaluators self-image (Behn, 2003).

Conflict inherent in performance appraisal:- conflicts developed by performance appraisal systems tend to breed distrust among employees, supervisors, and within the organization; and conflicts occur at many levels (Employee Intrapersonal conflict, Employee-Employee,

Employee-Supervisor, Supervisor-Leadership Employee-Organizational Supervisor-Organizational) and many other (Behn, 2003).

In addition, according to Grote (2002), other possible errors that may occur at the time of conducting a performance appraisal are:-

Attractiveness effect:- The well-documented tendencies for people to assume that people who are physically attractive are also superior performers.

Attribution bias:- The tendency to attribute performance failings to factors under the control of the individual and performance successes to external causes.

Central tendency:- The inclination to rate people in the middle of the scale even when their performance clearly warrants a substantially higher or lower rating.

First impression error:- The tendency of a manager to make an initial positive or negative judgment of an employee and allow that first impression to color or distort later information. Hence, the proper care should be taken in conduction performance appraisal to avoid the above stated problems and others such as strong unusual influence of recent events.

Halo/horns effect:- inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance.

Past performance error: -Permitting an individual's poor (or excellent) performance in a previous rating period to color the manager's judgment about her performance in this rating period.

Recency effect:- the tendency for minor events that have happened recently to have more influence on the rating than major events of many months ago.

Similar-to-me effect:- the tendency of individuals to rate people who resemble themselves higher than they rate others.

Stereotyping: - the tendency to generalize across groups and ignore individual differences.

2.1.6. Criteria of Performance Appraisal

The criterion or criteria that management choose to evaluate, when appraising employee performance, will have a major influence on what employees do. Generally, content to be appraised is determined on the basis of job analysis. Content to be appraised may be in the form of contribution to organizational objectives (measures) like production, costs savings, return on capital, etc. (Rao & Rao, 2004:220). Mathis and Jackson (1997:341) and Robbins (1998: 1204-05), affirmed that criteria for evaluating job performances can be classified as trait-based, behavioral based, or results based as discussed below.

- I. Individual task outcomes: measure job-related results like amount of deposits mobilized number of customers served, number of new accounts opened, volume of transactions posted, number of tickets produced, etc.
- II. Behaviors: measure observable physical actions and movements. In many cases, it is difficult to identify specific outcomes that can be directly attributable to an employee's actions. This is particularly true of personnel in staff positions and individuals whose work assignments are intrinsically part of a group effort. In the latter case, the group's performance may be readily evaluated, but the contribution of each group member may be difficult or impossible to identify clearly. In such instances, it is not unusual for management to evaluate the employee's behavior. Thus a bank clerk may be evaluated on the basis of such behaviors as the quality of his/her customer services, his/her manner of communication with colleagues and customers, etc.

Traits: 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" is too vague to use as the basis for performance-based HR-decisions. If the criteria used focus solely on activities rather than output (results), or on personality traits rather than performance, the evaluation may not be well received (Pan and Li, 2006) and (Ivancevich, 2004). Generally, criteria are relevant when they measure employees on the most important aspects of their jobs. Mathis and Jackson (1997:341), again supplemented that 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. `

2.1.7. Methods of Performance Appraisal

Organizations currently use several methods to appraise performance. Jafari, Bourouni and Amiri, (2009) denominated that there are three existent approaches for measuring performance appraisal. These are:-

1. absolute standards
2. relative standards and
3. objectives
4. 360 Degree Feedback.

2.1.7.1 Absolute Standards

In the absolute standards, as performance appraisal approach, the employees are compared to a standard, and their evaluation is independent of any other employee in a work group (Dessler, 2000). Included in this group are the following methods: The essay appraisal: It is the simplest evaluating method in which evaluator writes an explanation about employee's strong and weak points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation term. This kind of evaluations usually includes some parts of other systems to cause their flexibility. This method often combines with other methods. In essay appraisal, we attempt to focus on behaviors (Mondy, 2008). The critical incident appraisal: It focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to job and based on individual's performance than characteristics. The necessity of this system is to try to measure individuals' performance in term of incidents and special episodes which take place in job performance. These incidents are known as critical incident. In this method, the manager writes down the positive and negative individuals' performance behavior in evaluation term (Mondy, 2008). The checklist: In this method, the evaluator has a list of situations and statements and compares it with employees. The checklist is a presentation of employee 's characteristics and performance. The results can be quantitative and give weight to

characteristics. Answers of checklist are often “Yes” or “No” (Decenzo, 2002, as cited by Jafari et al., 2009). The graphic rating scale: This is the most commonly used method of performance appraisal because they are less time-consuming to develop and administer and allow for quantitative analysis and comparison. It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008). This method evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of evaluator is to determine which state has an explanation of employee most (Mondy, 2008). Behaviorally anchored rating scales (BARS): This method replaces traditional numerical anchors tools with behavioral prototypes of real work behaviors. BARS let the evaluator to rank employees based on observable behavioral dimensions. The elements of this method are result of combination of major elements of critical incident and adjective rating scale appraisal methods (Wiese, 2000).

2.1.7.2 Relative Standards

In this category, individuals are compared against other individuals. These methods are relative standards rather than absolute measuring device. The most popular of the relative method are group order ranking, individual ranking and paired comparison. Group order ranking: In this method, employees are placed into a particular classification, such as “top one-fifth”. For example, if a rater has 20 employees, only 4 can be in the top fifth and 4 must be relegated to the bottom fifth (Decenzo, 2002, as cited by Jafari et al., 2009). Individual ranking: In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21st and 22nd employee.

In this method, the manager compares each person with others than work standards (Dessler, 2000). Paired comparison: In this method, employees are compared with all others in pairs. The number of comparison is followed as $(N \cdot (N-1))/2$ in which N shows the number of employees. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

2.1.7.3 Objectives

This approach to appraisal makes use of objectives. Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. This approach is frequently referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives into individual objectives. It consists of four steps: goal setting, action planning, self control and periodic reviews (Ingham, 1998).

2.1.7.4 360 Degree Feedback

Appraisal 360 degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. “Feedback from multiple sources or “360 degree feedback” is a performance appraisal approach that relies on the input of an employee’s superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses” (Yukl and Lepsinger, 1998). The 360-degree evaluation can help one person be rated from different sides, different people which can give the wider perspective of the employee's competencies (Shrestha, 2007). According to Wiese (2000) in the typical 360-degree process, supervisor(s), subordinates, peers and (less frequently) internal or external customers provide feedback on performance for each target rate, using some type of standardized instrument. Rasheed, Aslam, Yousaf and Noor (2011), claimed that 360-degree appraisal system is more effective as compared to the other systems that are one sided and could be biased at times. In 360-degree appraisal system, information is obtained through several sources; it includes the boss, top management, assistants, co workers, customers, dealers and advisors. All these can be classified into internal and external parties. In 360-degree appraisal system, information can be obtained from anyone who interacts with the employee and can tell how that employee behaves with him.

2.2 Empirical literature review

Mishra (2013) has studied the Employee Appraisal System in Hong Kong and Shanghai banking Corporation (HSBC Bank) and concluded that the process of performance appraisal has to be a continuous activity which should be conducted on a regular basis. Performance appraisal plays a vital role in achieving the predetermined goals of the organizations thorough the efforts of HR

which ensures the accomplishment of tasks by judging the behavior of employees and overall performance within the organization. The performance evaluation and feedback with the employee also facilitate in gaining the organization results. The study has also suggested that the process of performance appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization.

The performance appraisal system in the bank of Botswana was empirically evaluated and aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana Migiro and Taderera (2011). It has concluded that, the following issues need to be addressed for the Bank's performance appraisal system to be effective and meet its objectives: regular training for both the employees and the evaluators; transparency in the implementation of the appraisal system; provision of continuous feedback to employees on their performance and reduction of inconsistency in the system used across the bank. Based on these the study has recommended that; the bank should provide training to both the evaluators and the employees on the pay-based appraisal system, the bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of assessing performance such as multi-rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors.

A study made by Aschalew (2015) has assessed employee performance appraisal practice of Dashen Bank S.C. by applying purposive sampling technique with a sample size of 300. This study has founded that the there is no written policy which can guide performance appraisal system of the bank as a result the system lacks uniformity and consistency. Moreover, the employees of the bank have no awareness about the purpose of the performance and they are not a participant in setting performance criteria. It has been observed that there is no training for the rater about the ways of conducting performance appraisal. The study has mainly recommended that Dashen Bank S.C is better if it establish a written policy and guideline about performance appraisal process and system. The study has also suggested that appraisal criteria of the bank must be developed from job analysis by letting the employees to participate on it and also the objective of performance appraisal should be clear to all employee of the bank. In addition, the

study has also recommended that it would be better if training is provided for the rates or supervisors.

A study made by Fikirgenet Getachew(2016) assess the performance appraisal practice of United Bank S.C by applying descriptive research method and with specific objectives of looking in to the effectiveness, the process, problems of performance appraisal practice and investigating the employees' perception towards the fairness of performance appraisal practice of the bank. Performance appraisal process is a key contributor to successful HRM, as it is highly related to organizational performance. The administrative purpose of performance appraisal can also be used as a motivational tool by recognizing successful performance and rewarding; whereas the developmental purpose guides on the required skills, competences and behaviors by providing trainings. In line with this, the study tried to assess the performance appraisal practice of United Bank S.C The study has used mixed research approach; in which the primary data were collected through questionnaire and unstructured interview. Sample size was determined by using 95% confidence level. The sampling technique used in this study was stratified and 10 questionnaires were distributed to special branches, 43 to Grade "A" branches, 87 to Grade "B" branches and the rest 188 to Grade "C" branches. In checking the reliability, Cronbach's alpha score was applied and found to be acceptable. The study has found out that the banks appraisal system lacks acceptability and sensitivity which is due to the subjective appraisal criteria and these criteria are not in line with the job description of employees. The Bank's appraisal system doesn't follow the six scientific steps, judgmental errors were also found in the system and the employee's perception towards the fairness of the appraisal system of the bank was negative. Therefore, United Bank S.C should revise its performance appraisal manual and criteria in order to make its appraisal system effective. Besides sufficient training must be given to the rater so as to avoid the judgmental errors and set an accurate appraisal system.

2.3 Conceptual Framework

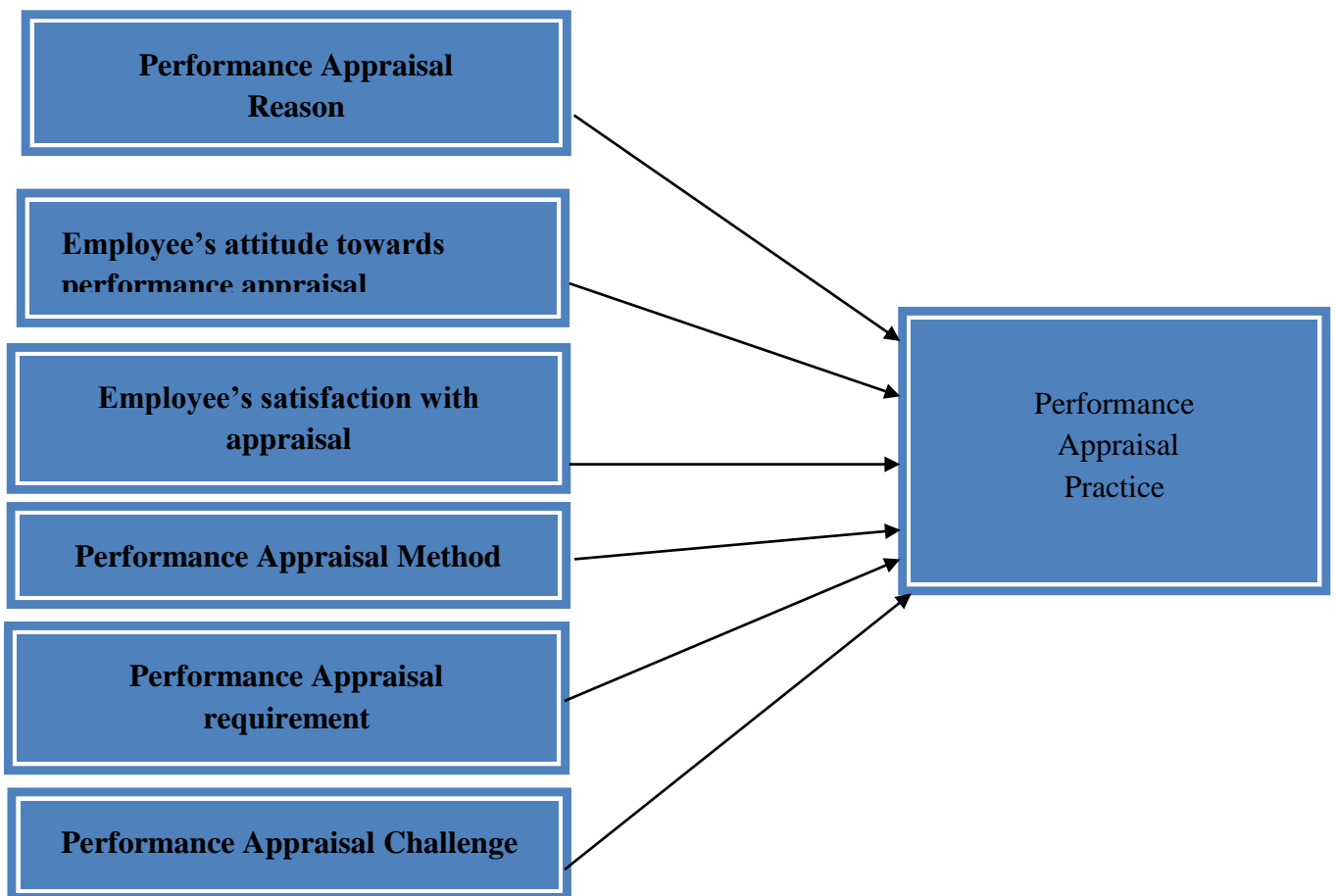
Employee performance appraisal in the modern business environment became a part of the performance management process. According to Pulakos (2009), Performance appraisal is considered as a technique that has positive effect on work performance and employees motivation and in addition to being an excellent supply of valuable feedback on training and development desires.

Furthermore, Levy, Silverman & Cavanaugh (2015) underline the ineffective appraisal systems subject to subjective judgments, errors, biases and favoritism on the other hand will delay the development of the general organization and personally upset individual employees, which will ultimately lead to their exit, and failure of the organization.

This research has investigated performance appraisal practice of Abyssinia Bank city branch of West Addis district. The factors investigated under this study include Performance appraisal reason, concept of performance appraisal towards employee, performance appraisal practice, performance appraisal method, performance appraisal requirement and performance appraisal challenges.

Independent Variable

Dependent variable



Source: Developed by the Researcher (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter the researcher employed in assessing performance appraisal practice of Bank of Abyssinia S.C. will be discussed. It includes the research design, approach, source of data, population of the study, sampling techniques and procedures, sample size determination, methods of data collection, validity and reliability, methods of data analysis and research ethical consideration.

3.1 Research Design

The study was used descriptive research design that sets out to describe performance appraisal practice on bank of Abyssinia Bank. Since this research contains clear objectives derived from research questions and specifies the source from which researcher intends to collect data, the major purpose of this research, therefore, is to describe the performance appraisal practice of Bank of Abyssinia S.C.

3.2 Research Approach

Quantitative research approaches was employed in this study. According to Leedy and Ormrod, (2005), quantitative research is impersonally experimental, manipulating variables and controlling natural phenomena, by constructing hypotheses and testing them against the hard facts of reality. Quantitative research is more descriptive and often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri and Grønhaug, 2005).

3.3 Sources of Data

The study will used both primary and secondary data in its construction. Primary data will be collected mainly through questionnaires of both types closed-ended.

Secondary sources such as, published books, company appraisal forms, and the Internet have also been extensively will reviewed as references.

3.4 Population and Sampling Technique

3.4.1. Target Population

Abyssinia Bank has 1,600 employees (The population of the study) and out of these numbers the target population is the head office and employee working in Addis Ababa city under West Addis District was selected as a population of study which comprises 1,100 employees. For this study, Non managerial level employees of Abyssinia Bank S.C working in Addis Ababa city under West Addis District were selected as a population. According to the bank's report following to the end of 2019/2020 The Bank has a total of 233 branches in Addis Ababa. For this study the researcher will use sample from the total population due to time, resource and proper organization of data. From the given scope, sample only take from head office employees and seven branches in Addis Ababa (head office, Filwhua , Negadras, Raguei, Bole, Bethel and Habesah corporate branch).

3.4.2 Sampling Techniques

The research is applying the simple random sampling technique method. In the study, the participants of the study were professional employees of Abyssinia Bank S.C. who are working around different city branches of Western Addis District. The desired method for selecting the sample from each district and head office is simple random sampling using the method of proportional allocation under which the sizes of the samples.

3.4.3 Sample size

Peterson (2006) stated that, larger the sampling size of a research, the more accurate the data generated but the sample size is different due to different situation. Therefore, according to Suran Rose, Nigle Spinks and Ana Isabl work of management research, applying the principles (2015), this study used the following formula to determine the sample size is found from

$$N = \frac{Z^2 * p * q}{d^2}$$

Where n = required sample size,

p = proportion of the population having the characteristic,

q = 1-p and

d = the degree of precision.

The proportion of the population (p) may be known from prior research or other sources; if it is unknown use $p = 0.5$ to obtain the assumed heterogeneity. The degree of precision (d) is the margin of error that is acceptable.

$$\begin{aligned} \text{Hence, } n &= \frac{(1.96)^2 (0.5) (0.5)}{(0.02)^2} \\ &= 385 \end{aligned}$$

After finding the sample size since the population was finite, the sample size was adjusted by population correction for proportions formula as follows.

$$\begin{aligned} n &= \frac{n_0}{1 + \frac{(n_0 - 1)}{N}} \\ &= \frac{385}{1 + \frac{(385 - 1)}{1100}} \\ &= 285 \end{aligned}$$

Therefore, based on the above sample size determination method, out of total population (1100) the selected sample size was 285 employees.

Table 3.1: The total number of population and sample size

Branch	No. of population	Sample size
Head Office	983	255
Filwha	20	5
Negadras	20	5
Raguel	18	5
Bole	24	6
Bethel	15	4
Habesha Corporate	20	5
Total	1,100	285

Source: Own Survey 2021

3.5 Data Collection Procedures

As discussed above in the sources of data section will be prepared and distributed to employees of the banks. The questionnaires will first test before distributing to the respondents so as to check their viability. The questionnaire test will be done by distributing 10 questionnaires (2 for

managers, 8 for non-manager staffs). Random sampling method will used to test the questionnaires. After testing and making revisions, questionnaires will be finally distributed to sample respondents. As to interview, questions for the discussion will be made ready before hand and the responsible HR directorate will be contacted for arranging a meeting. With consent of the respondent interview time will be scheduled.

3.6 Validity and Reliability

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

3.6.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about Validity defined as the extent to which data collection method or methods accurately measure what they will be intended to measure. Data will be collected from the reliable sources, from respondent who are employees of Bank of Abyssinia S.C. (managers as well as non-managers) working at the head office and seven selected branches located in Addis Ababa.

3.6.2 Reliability

Reliability means the ability of a measuring instrument to give accurate and consistent results. The question of reliability arises only for the questions used to measure perception. Cronbach's alpha is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. Hence, according to Lombard (2010), coefficients of 0.90 or greater are nearly always acceptable, 0.80 or greater is acceptable in most situations, and 0.70 may be appropriate in some exploratory studies for some guides. By tracing this literature the researcher tested the internal consistency of the items which were developed for respondents. Therefore, the reliability of the whole items is 0.931, which means the whole items were reliable and acceptable because as Lombard stated coefficients of 0.80 or greater is acceptable in most situations.

Table3.2 Reliability measure of the Variables

Reliability Statistics		
Scale	Cronbach's Alpha	N of Items
performance appraisal reason	.849	6
employee's attitude towards performance appraisal	.872	6
employee's satisfaction with performance appraisal practice	.875	6
performance appraisal method	.864	5
performance appraisal requirement	.826	6
performance appraisal challenge	.873	6
Overall performance appraisal	.931	36

3.7 Data presentation, analysis and interpretation

After the data collection, descriptive analysis method will be implemented. Collected data entered into computer and analyzed and presented are presented in text, tables and figures using SPSS Software. Correlation and Linear regression analysis is used to determine the association between dependent and each of the independent variables. Moreover multi-collinearity and one way Analysis of variance (ANOVA) are employed.

3.8 Ethical Issues

Before the research conduct on the selected bank, the researcher will inform the participants of the study about the objectives of the study, and will consciously consider ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

CHAPTER FOUR

4. DATA ANALYSIS, PRESENTATION AND INTERPRETATION

This section involved in analysis of data collected through questionnaire's from respondents. The findings from the respondents on different aspects of the performance appraisal practice and possible reasons for any approaching problems and solutions are also presented. To answer those research questions and to meet the main objectives of the research 285 questionnaires were prepared and distributed to the respondents.

4.1 Response rate

A total number of 285 questionnaires were distributed to the sample selected randomly, however, 246 has completed and properly returned out of which 39 questionnaire were not completed and returned. Response rate of completely returned was 86%.

Table 4.1: response rate

Response rate	Frequency	Percentage
Collected	246	86
Uncollected	39	14
Total	285	100

Source: own survey 2021

4.2. Demographic characteristics of Respondents

The demographic characteristics include: Age, Gender, Educational and Work experience. This aspect of the analysis deals with the personal data collected through questioner from respondents. The table below shows the details of background information of the respondents.

Table 4.2 Demographic characteristics of Respondents

Background of the respondent	Description	Frequency	Percentage
Age	20-30	68	27.6
	31-40	65	26.4
	41-50	76	30.9
	Above 50	37	15.00
	Total	246	100
Gender	Male	138	56.1
	Female	108	43.9
	Total	246	100
Education	Diploma	22	8.9
	First Degree	143	58.10
	Master	81	32.9
	Above Master	0	0
	Total	246	100
Experience	1-5	71	28.9
	6-10	92	37.40
	11-15	46	18.70
	Above 15	37	15.00
	Total	246	100

Source: own survey 2021

From the data presented in table 4.2 above, the majority (30.9%) of the respondents were under age group of 41-50 years old; 27.6% of the respondents were under age group of 20-30 years and the remaining 26.4% and lowest percentage is 15% recorded by age group from 31-40 and above 50 years old respectively. Therefore, the number of respondents was highest at the age of 41 to 50.

From the data presented in table 4.2, from the total 246 employees participated in the study, the highest percentage about 138 respondents(56.1%) were males and the remaining 108 respondents 43.9% of the respondents were females. The percentage of male participated in the study is

higher than that of female respondents. This shows that Abyssinia bank hired male employees than female employees.

Concerning to educational level of the respondents, the above table 4.2 indicate that, about (58.1%) of the respondents were degree holders, 32.9% of the respondents were master holders, 8.9% of the respondents were Diploma. This indicates all the respondents have at least BA degree; this would have the required capability to effectively respond to the questions provided in the questionnaire.

As indicated in the table 4.2 28.9% of the respondents have served their current organization for 1-5 years, 37.40% have been with their employer organization between 6-10 years, 18.70% were working for their organization from 11-15 years and the rest 15% have been with their organization for more than fifteen years. This result ascertains that respondents have enough experience with the PA practices being undertaken in their respective organizations and this would allow each to share their experiences, understandings and knowledge of the practices via the questionnaire.

4.3 Descriptive Analysis

4.3.1 Results of the Performance Appraisal Practice

Under this section Analysis was made to identify the strongest and weakest contributors of the performance appraisal. The data collected through questionnaire from 246 selected employees working in Abyssinia Bank Western Addis District was developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 Neutral, 2 disagree, and 1 strongly disagrees. Questionnaires were analyzed using computer program SPSS 2020 program. Analysis of primary data were using table. Accordingly, Summary of responses of all the respondents for each question raised on the performance appraisal practice that helps to review the performance appraisal system summarized as follows.

4.3.1.1 Reasons for Conducting Performance Appraisal Practice evaluation of the banks

Satisfied and competent employees need to feel that they're valued and are producing good work. The formal appraisal is a great opportunity to give employees sincere response,

encouraging them on to work smarter and better. The mean of Reasons for Conducting Performance Appraisal Practice evaluation of the banks is summarized in the below table

Table 4.3: The mean value of Reasons for Performance Appraisal Practice evaluation

Descriptive Statistics			
Reasons for Performance Appraisal Practice evaluation	N	Mean	Std. Deviation
I know the purpose of performance appraisal in the organization?	246	3.1122	1.48388
I feel the performance appraisal system of the bank has purpose and output?	246	3.7520	1.26471
I believe performance evaluation is important to motivate employees by giving recognition and support?	246	3.7846	1.11681
Performance appraisal is an essential part of in our organization?	246	3.7561	.97597
I believe the appraisal data's are used by the HR department for other development decisions, like job rotation, job growth job enhancement and so on?	246	3.8659	.97011
Performance evaluation is used to identify both organizational and individual problems based on performance results?	246	3.6911	1.29129
Valid N (listwise)	246		

Source: own survey 2021

From the above table 4.3 the mean of the first variable of 3.11 indicate that the purpose of performance appraisal in the organization not clearly known. This shows that the formal appraisal performance in organization is a great opportunity to give the employees sincere response, urging them on to work keener and better. On the other hand, the mean value of 3.78 overcome that the respondents believe performance evaluation is important to motivate employees by giving recognition and support and the mean of 3.86 indicate that the respondents strongly agree that performance appraisal data's are used by the HR department for other development decisions, like job rotation, job growth job enhancement.

4.3.1.2 Employees 'attitude towards the performance appraisal practice of the bank

Employees have a respectful attitude when interacting with clients, customers and co-workers. Employees with this type of attitude are willing to treat other people politely and professionally,

even if they disagree with the other person's point of view. Therefore, Job satisfaction and organizational commitment in which companies assess employee attitudes through surveys of worker satisfaction and through exit interviews are the key attitudes that are the most relevant to important outcomes. The mean of Employees 'attitude towards the performance appraisal practice of the bank is summarized in the below table.

Table 4.4: the mean of Employees 'attitude towards the performance appraisal practice of the bank

Descriptive Statistics			
Employees 'attitude towards the performance appraisal practice	N	Mean	Std. Deviation
I believe performance appraisal is helpful to the employees?	246	3.6098	1.23311
I believe the criteria of performance appraisal method in my organization very clear?	246	3.5081	1.14550
I believe the criteria of performance appraisal are related to my work?	246	3.4959	1.21805
I can challenge a performance rating if I think is biased or inaccurate?	246	3.6626	1.20373
I am satisfied with the current performance appraisal process method on my organization?	246	3.4268	1.23913
Evaluation of my performance is based on my accomplishment and achievement?	246	3.0407	1.39620
Valid N (listwise)	246		

(Source: Own Survey, 2021)

From the above table 4.4 the mean of the sixth variable of 3.04 indicate that the Evaluation of my performance is not based on my accomplishment and achievement. This shows that the performance evaluation of employees based on their accomplishment and achievement will give them to know their weakness and strength. On the other hand, the mean value of 3.5 overcome that the respondents believe that the criteria of performance appraisal method in my organization very clear and the mean of 3.6 indicate that the respondents strongly agree that they can challenge a performance rating if they think is biased or inaccurate and they believed performance appraisal is helpful to the employees.

4.3.1.3 Employees satisfaction with performance appraisal practice in the Bank

The purpose of performance appraisal (PA) is to improve the contribution of employees into the achievement of organizational objectives. Therefore, perception of fairness towards the Performance Appraisal is a crucial for achieving employee's satisfaction. The mean of Employees satisfaction with performance appraisal practice in the Bank is summarized in the below table.

Table 4.5: the mean of Employees satisfaction with performance appraisal practice in the Bank

Descriptive Statistics			
Employees satisfaction with performance appraisal practice	N	Mean	Std. Deviation
I am satisfied with the performance appraisal practice system of the bank?	246	3.6260	1.45068
I am satisfied with the performance appraisal approach, of evaluation of the employees?	246	2.9309	1.37889
I always compare and satisfy my performance evaluation with my colleagues/peer workers/?	246	3.5813	1.19159
There is counseling and advising meeting before the performance appraisal is done in the organization?	246	3.5000	1.24786
My evaluator gives performance appraisal feedback to assistants and to all staffs?	246	3.1626	1.34543
In my opinion, the performance Evaluation form used to evaluate my performance is capable of distinguishing successful from unsuccessful performances?	246	3.3699	1.31450
Valid N (listwise)	246		

(Source: Own Survey, 2021)

As stated in the above table 4.5 the mean of the second variable of 2.9 indicate that employee's evaluation were not satisfied with the performance appraisal. This shows that the employees in the bank was not satisfied with the performance appraisal evaluation of employees in the bank. Conversely, the mean value of 3.58 overcome that the respondents always compare and satisfy their performance evaluation with their colleagues/peer workers/ clear and the mean of 3.62 indicate that the respondents strongly agree that they satisfied with the performance appraisal practice system of the bank.

4.3.1.4: The of performance Appraisal practice method at Bank

Performance appraisal practice method enables managers to gauge better results, provide constant feedback and maintain consistency in evaluation employees. The mean of performance appraisal practice method in the Bank is summarized in the below table.

Table 4.6: mean of the Performance appraisal practice method in the bank

Descriptive Statistics			
Performance appraisal practice method	N	Mean	Std. Deviation
My rater usually keeps my document on file what have done during the appraisal period to evaluate my performance?	246	3.89	1.151
Subordinates have the chance to evaluate their supervisors or mangers performance in the organization?	246	3.9228	1.01324
Individual employees assess/evaluate/ their own performance appraisal in the organization?	246	3.8008	1.09403
Appraisers use different information sources such as supervisors, customers, subordinate, colleagues and customers to evaluate employee’s performance (360 degree feedback)?	246	3.7033	1.14880
If I have question or reservations about my performance evaluation, my evaluator provides me with specific examples of things which I have accomplished during the [evaluation] period?	246	3.4593	1.23403
I feel that the rater takes into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure. (Change over time)?	246	3.8740	1.04412
Valid N (listwise)	246		

(Source: Own Survey, 2021)

As stated in the above table 4.6 the mean of the fifth variable of 3.45 indicate that my performance evaluation, my evaluator does not provides me with specific examples of things which I have accomplished during the evaluation period. Conversely, the mean value of 3.89 overcome that the respondents rater usually keeps my document on file what have done during the appraisal period to evaluate my performance and the mean of 3.92 indicate that the respondents strongly agree that Subordinates have the chance to evaluate their supervisors or mangers performance in the organization.

4.3.1.5 Performance appraisal standard match with the job requirements of the employee

A performance appraisal practice standard is a management-approved expression of the performance threshold, requirement, expectation that must be met to evaluate an employee's job performance against a set of expectations and goals. The mean of performance appraisal standard match with the job requirements of the employee in the Bank is summarized in the below table.

Table 4.7 mean of performance appraisal standard match with the job requirements of the employee in the Bank

Descriptive Statistics			
performance appraisal with the job requirements	N	Mean	Std. Deviation
I know the existence of performance appraisal criteria in the organization related with my work?	246	3.6992	1.03360
I believe there is a discussion in the organization prior to performance appraisal about the method, the criteria, the purpose etc to use in the process of appraisal?	246	3.7561	1.12371
I get the necessary material and conditions required to my job?	246	3.7236	1.07893
Evaluation of my performance is based on my accomplishment and achievement?	246	3.4309	1.30669
I believe the standards for apprising employees' performance are based on job related requirements derived from job analysis and reflected in the job description and job specification?	246	3.5976	1.24402
The performance evaluation in my organization helped me to improve my job performance and based on my accomplishment and achievement?	246	3.4593	1.27950
Valid N (listwise)	246		

(Source: Own Survey, 2021)

As stated in the above table 4.6 the mean of the fourth variable of 3.43 indicate that Evaluation of employees performance does not based on their accomplishment and achievement. This shows that Evaluation plays a significant role in any organization to assess its employee's achievements and improve upon their effectiveness in activity. The mean value of 3.45 indicted that the performance evaluation in organization does not helped employees to improve their job. On the other hands, the mean value of 3.72 overcome that the respondents get the necessary material

and conditions required to their job clear and the mean of 3.76 indicate that the respondents strongly agree that they believe there is a discussion in the organization prior to performance appraisal about the method, the criteria, the purpose etc. to use in the process of appraisal practice system of the bank.

4.3.1.6 Challenges of performance appraisal practice of the Bank

Table 4.8: mean value of Challenges of performance appraisal practice of the Bank

Descriptive Statistics

Challenges of performance appraisal practice	N	Mean	Std. Deviation
The evaluator is influenced by personal liking and disliking when evaluating my performance?	246	3.8130	.88387
I observe that the rater most of time is influenced by specific aspects of performance. (halo/horns)?	246	3.1504	1.27685
The supervisor or manger does not have enough information on employee’s real work performance?	246	2.9146	1.27328
The supervisor or manger does not have enough knowledge and skills to evaluate employee’s performance?	246	3.2683	1.17507
I believe in my organization performance evaluation is not focused on employees development?	246	3.3496	1.30921
Most of the time, I understand that performance appraisal in my organization mainly depends on attitude, Appearance, only recent action, and personality?	246	3.0325	1.31822
Valid N (listwise)	246		

(Source: Own Survey, 2021)

As stated in the above table 4.8 the mean of the third variable of 2.91 indicate that the supervisor or manger does not have enough information on employee’s real work performance. This shows that Employees who feel that they were evaluated unfairly will likely lose self-esteem, which can create resentment towards management as the organization as a whole ultimately damaging employee morale across the company. The mean value 3.03 indicate that Most of the time, employees understand that performance appraisal in my organization mainly does not depends on attitude, Appearance, only recent action, and personality. Conversely, the mean value of 3.34 overcome that the evaluator is influenced by personal liking and disliking when evaluating with their performance appraisal practice system of the bank.

4.4 Inferential Analysis

4.4.1 Correlation Analysis

Correlation analysis is a statistical measure that study the relationships between variables fluctuate together and strength of relation between the variables. Higher correlation value indicates stronger relationship between both sets of data (Zinbarg 2005). Pearson's Correlation Coefficient, multiple regression analysis was computed. With the help of these statistical tools, conclusions are drawn with regard to the sample and decisions are made with respect to the research questions. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship. Under correlation coefficient 0 to 0.19 result indicates very weak correlation, a result between 0.2 and 0.39 indicates a weak correlation among variables, and a result which is between 0.4 and 0.59 shows a moderate correlation, a result between 0.6 and 0.79 indicates a strong correlation among variables while a result between 0.80 and 1 indicates very strong correlation. Correlation analysis does show the relationship between the variables of interest, hence to answer the proposed research questions the following correlation analysis is undertaken by the researcher.

The Pearson correlation between performance appraisal practices in the bank shown below in table 4.9

Table 4.9: Pearson correlation between independent variables and dependent variable

Correlations

independent variables		Performance Appraisal Reason	Employees attitude towards performance appraisal	Employees satisfaction with performance appraisal practice	performance appraisal method	performance appraisal much with the job requirement	performance appraisal challenge	Overall Employees Performance Appraisal
Performance Appraisal Reason	Pearson Correlation	1						
Employees attitude towards performance appraisal	Pearson Correlation	.417**	1					
Employees satisfaction with performance appraisal practice	Pearson Correlation	.386**	.024	1				
performance appraisal method	Pearson Correlation	.529**	.366**	.623**	1			
performance appraisal requirement	Pearson Correlation	.489**	.473**	.301**	.658**	1		
performance appraisal challenge	Pearson Correlation	.290**	.483**	.363**	.506**	.523**	1	
Overall Employees Performance Appraisal practice	Pearson Correlation	.635**	.645**	.545**	.810**	.787**	.686**	1

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

(Source: Own Survey, 2021)

As indicated in table 4.9 portray that, there is a significant positive relationship between all independents variables and dependent variable. In order to find out the multicollinearity problem, the bivariate correlations among the independent variables should be examined and the existence of correlation of about 0.8 or larger indicates a problem of multicollinearity Lewis-Beck (2005).

Employees satisfaction with performance appraisal practice and Employees Performance Appraisal practice is found to be significant ($r = 0.545$, $p < 0.001$). Correspondingly, a very strong and significant correlation coefficient found between performance appraisal method and performance appraisal much with the job requirement and Employees Performance Appraisal practice ($r = 0.810$, $p < 0.001$ and $r = 0.787$, $p < 0.001$) respectively. On other hand, the significant correlation coefficient between Performance Appraisal Reason, Employees attitude towards performance appraisal and performance appraisal challenge and Employees Performance Appraisal practice ($r = 0.635$, $r = 0.645$ and $r = 0.686$, $p < 0.001$) were found. The Correlation coefficient value between performance appraisal method and Employees Performance Appraisal practice indicated is a very strong and significant relationship between the variables ($r = 0.810$, $p < 0.001$).

4.5 Tests of Assumptions of Regression Analysis

4.5.1 ANOVA Result

Table 4.10 ANOVA test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	691.000	6	115.167	597.320	.000 ^b
	Residual	39.332	204	.193		
	Total	730.333	210			

a. Dependent Variable: Overall Employees Performance Appraisal

b. Predictors: (Constant), performance appraisal much with the job requirement, Employees attitude towards performance appraisal, Performance Appraisal Reason, Employees satisfaction with performance appraisal practice, performance appraisal method

(Source: Own Survey, 2021)

As indicated in the above ANOVA table 4.10, displays the overall model significance, and P-value is less than α -value ($0.000 < 0.001$). Therefore, it can be concluded as, the overall regression model is significant, $F= 597.320$, $p < .001$, adjusted $R^2= .945$ (i.e., the regression model is a good fit of the data). So we can conclude that there is significant linear relationship between all independent on the dependent variable.

4.5.2 Multi-collinearity

Multi-Collinearity indicates that in a multiple regression model two and above predictors that are correlated with other predicted variables is analyzed against independent variable in order to understand their statistical implication of various values. However, the examination of this kind could have multi-collinearity phenomenon in which two or more predictor variables are highly correlated with each other variable can be linearly predicted from the others with a significant degree of accurateness. In multi-collinearity, Tolerance demonstrates that how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula $1-R$ squared for every variable. If the value of tolerance is less than .10 it indicates that the multiple correlation with other variables is high, suggesting the possibility of Multi-collinearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value ($1/1-R$).

Multi-collinearity can be detected with the tolerance values and variance inflation factor (VIF). VIF values above 10 would be a concern here, indicating multi-collinearity. As table 4.11 below shows the tolerance values of all independent variables are above 0.1 and the VIF values are below 10 which indicate there is no Multi-collinearity problem.

Table 4.11 Multi-Collinearity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
	(Constant)	2.175	.229				9.491
Performance Appraisal Reason	.146	.028	.150	5.226	.000	.602	1.660
Employees attitude towards performance appraisal	.342	.022	.395	15.451	.000	.758	1.319
Employees satisfaction with performance appraisal practice	.209	.027	.216	7.686	.000	.627	1.595
performance appraisal method	.315	.044	.277	7.100	.000	.327	3.056
performance appraisal requirement	.260	.037	.261	7.029	.000	.359	2.786
performance appraisal challenge	.237	.018	.272	13.481	.000	.647	1.546

a. Dependent Variable: Overall Employees Performance Appraisal
 (Source: Own Survey, 2021)

4.5.3 Normality test

The P-P plot shows the normality test of P-P plot that compares the observed Cumulative probability of the standardized residual. The P-P plot shows that strews of the residuals tightly close to the normal distribution line. Therefore, the above P-P plot indicates that it is a normal distribution because the resulting image is close to a straight line. Moreover; the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed.

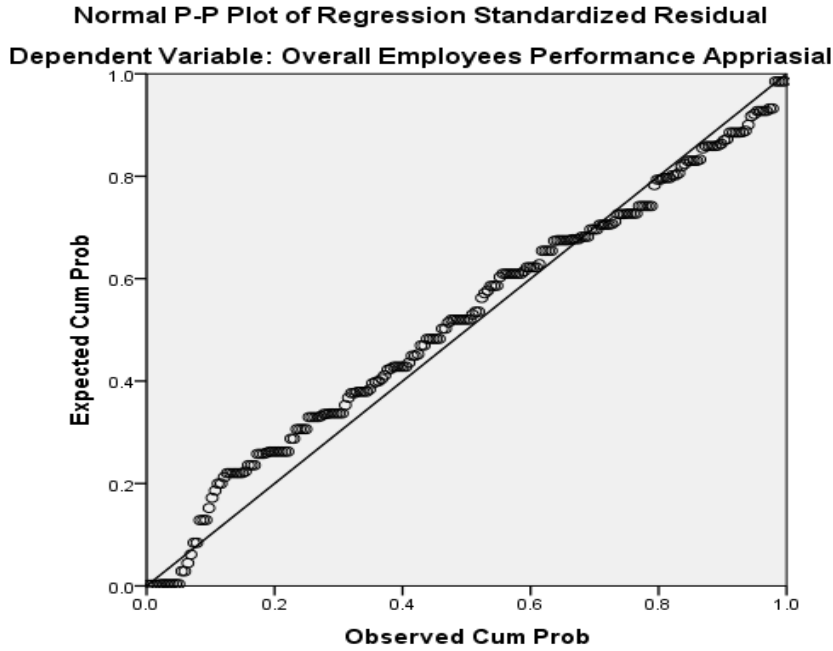


Figure 4.1 Normality testing
 Source: survey 2021

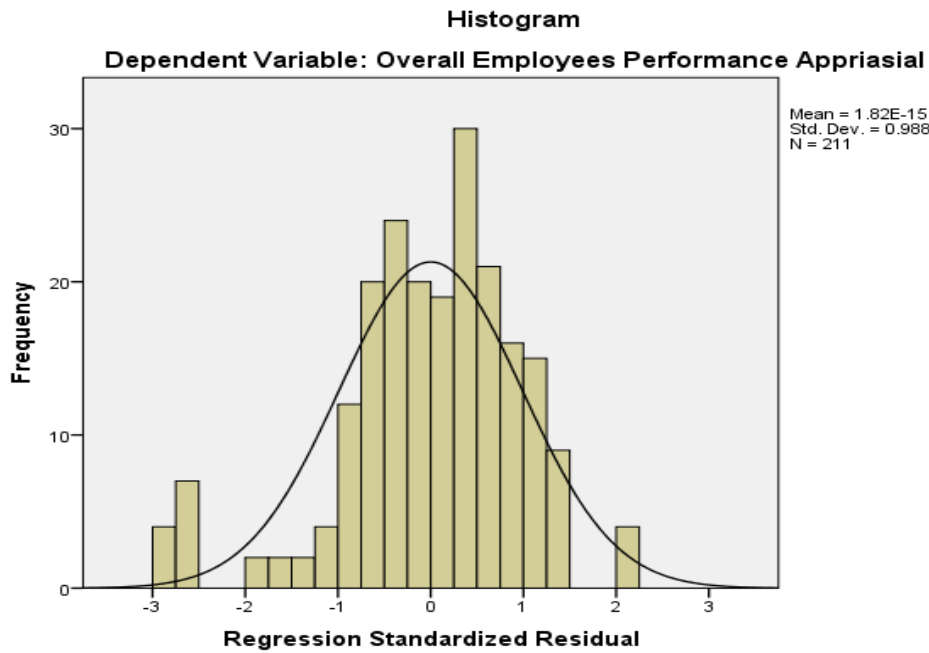


Figure 2: Frequency Distribution of Standardized Residual
 Source: survey 2021

Thus, from an examination of the information presented in all the three tests the researcher conclude that there are no significant data problems that would lead to say the assumptions of classical linear regression have been seriously violated. Thus, no violations of the assumption normally distributed error term.

4.6 Multiple Regression Analysis on employee’s performance appraisal practice

Table 4.12 model summary

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.973 ^a	.946	.945	.43910	.946	597.320	6	204	.000

a. Predictors: (Constant), performance appraisal much with the job requirement, Employees attitude towards performance appraisal, Performance Appraisal Reason, Employees satisfaction with performance appraisal practice, performance appraisal method

b. Dependent Variable: Overall Employees Performance Appraisal

(Source: Own Survey, 2021)

From the above table 4.12 explain the model summary of the study. Based on the result the R value demonstrates the total correlation of all the independent variables with the dependent variable. Therefore, the correlation of all the independent variables including performance appraisal much with the job requirement, Employees attitude towards performance appraisal, Performance Appraisal Reason, Employees satisfaction with performance appraisal practice, performance appraisal method with the dependent variable, i.e. employee performance appraisal practice is 0.948. This result portrays that there is a strong and positive correlation between independent and dependent variable. R square shows the total effect of all independent on the dependent variable. The value of R square is 0.946. This value shows that 94.6% variance in employee engagement is due to change in all the independent variables and the remaining 5.4% employee’s performance appraisal is explained by other variables. Adjusted R square shows the overall strength of the model. The value of adjusted R square is 0.945. This shows that the model is 94.5% which is strong.

Regression Analysis (Coefficients^a)

Table 4.13 Coefficients Table

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.857	.169		11.005	.000		
	Performance Appraisal Reason	.173	.020	.178	8.464	.000	.597	1.676
	Employees attitude towards performance appraisal	.266	.017	.308	15.557	.000	.676	1.480
	Employees satisfaction with performance appraisal practice	.180	.020	.187	9.038	.000	.620	1.613
	performance appraisal method	.321	.032	.282	9.939	.000	.327	3.056
	performance appraisal much with the job requirement	.149	.028	.149	5.270	.000	.328	3.047
	performance appraisal challenge	.237	.018	.272	13.481	.000	.647	1.546

a. Dependent Variable: Overall Employees Performance Appraisal
(Source: Own Survey, 2021)

The findings above table 4.13 (Coefficients^a) indicate that performance appraisal practice have a significant impact on employees performance at $P < 0.01$. From the result the beta value of Performance Appraisal Reason is ($\beta = 0.173$) will cause a positive change in employee performance and it is statistically significant at $p < 0.01$. The beta value of Employees attitude towards performance appraisal is ($\beta = 0.266$) will cause a positive change in employee performance and it is statistically significant at $p < 0.01$. The beta value of Employees satisfaction with performance appraisal practice is ($\beta = 0.180$, $p < 0.01$). The beta value of performance appraisal method is ($\beta = 0.321$, $p < 0.01$). The beta value of performance appraisal much with the job requirement ($\beta = 0.149$, $p < 0.01$) and the beta value of performance appraisal

challenge ($\beta = 0.171$, $p < 0.01$) will cause a positive change in employee performance appraisal respectively. From the finding result it is clear that all independent variables are positively related with performance appraisal practice. Therefore, the researchers conclude that there is sufficient evidence, at the 1% level of significance, that there is a strong positive relationship between performance appraisal and employees' performance.

The result of this finding is related with prior study of Aguinis (2009) and (Kuvaas, 2006) study, that measuring the performance of the employees based only on one or some factors can provide with inaccurate results and leave a bad impression on the employees and the organization. Therefore, a balanced set of measures should be used for measuring the performance of the employees.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Finding

The main objective of this study was to assess Employees' Performance Appraisal Practice in Bank of Abyssinia S.C. City Branch of Western Addis District. To attain the objective of the study six research questions were raised to evaluate the area of the problems with Employees' Performance Appraisal Practice in Bank of Abyssinia S.C. City Branch of Western Addis District. Descriptive research design and Quantitative research Approach was used to carry out this study. Based on the information obtained through questioner the summaries of major findings were presented below.

Regarding to performance appraisal practice in the bank numerous responses are further than the average response rate. But, weak responses are also detected on few of the questions like: "I am satisfied with the performance appraisal approach, of evaluation of the employees" mean value of 2.93, "The supervisor or manger does not have enough information on employee's real work performance." mean value of 2.91. These weaknesses can be summarized as, employees do not satisfied with performance appraisal evaluation and supervisor or manger does not have enough information on employees real work performance.

On the other hand, most of the respondents give their observations on the performance appraisal practice in the bank: the similar appraisal performance standard is used through all process and to all employees regardless of the type of task they are accomplishing, the appraisal standards is focused on result and less focus give to performance, this means it emphasizes on what employees produce than how employees perform the job which leads them to find the way to achieve results which can negatively affect the organization for lack of certain performance manners lack of effective communication between supervisors and employees, which lead it to violation of employees performance appraisal practice and dissatisfied on their jobs.

Regarding to correlation analysis, the result of finding is helped us to realize the degree of association between the independent and dependent variables. Accordingly from the finding the Pearson's correlation coefficient should be between 0 and 1. This show that the proximity to 1

despite the sign showed the strength of the relationship between the variables. Approaching to the variables in this study the correlation coefficient between independent variables and dependent variable is $r = .545$ to $r = 0.810$ at $p < 0.01$ this indicated that there is a strong and significant relationship between the all variables. With concern to the direction of the relationship all variables have a positive sign that dictates a positive change in the independent variable can result in a positive change in the dependent variables. From this analysis a strong correlation is observed between independent variables and dependent variable.

Regression analysis is also done in order to identify the extent to which performance appraisal an affect employee's performance appraisal. Before interpreting Regression analysis, Assumptions of Tests of Regression Analysis such as Multi-collinearity, ANOVA Result, Normality test, Frequency Distribution of Standardized Residual and model summary were done. Regression analysis is also done so as to pinpoint the extent to which performance appraisal can affect employee's performance appraisal. The significance of performance appraisal for employee's performance is analyzed and this relationship found to be significant. This is an indicator of a strong positive relationship between the all variables. From the regression model it is identified that the 94.5% is a result of variance in employee's performance appraisal practice.

5.2 Conclusion

The key purpose of the study was to assess the Employees' Performance Appraisal Practice in Bank of Abyssinia S.C. City Branch of Western Addis District. From the finding of the study we can concluded that performance appraisal is conducted to show the effect of performance appraisal on employee's performance. Based on the findings of the study the following conclusions were drawn.

Based on the finding, with regard to performance appraisal practice there are problems observed: similar appraisal performance standard is used through all process and to all employees regardless of the type of task they are accomplishing, the appraisal standards is focused on result and less focus give to performance, this means it emphasizes on what employees produce than how employees perform the job which leads them to find the way to achieve results which can negatively affect the organization for lack of certain performance manners, lack of effective

communication between supervisors and employees, that lead it to violation of employees performance appraisal practice and unsatisfied on their jobs.

Regarding to the correlation analysis the association between independent variables and dependent variable observed strong and positive relationship. With regarding to the results of regression analysis observed that performance appraisal has a significant positive effect on the employee's performance of employees working in Bank of Abyssinia S.C. City Branch of Western Addis District.

According to Allen (2005), Employees with high commitment will contribute significantly more to the organization, perform better, engage in organizational citizenship behavior, and less likely to engage in behaviors that are not productive or destructive behavior. The outcomes of this study support the assumption stated in this study that, when employees are satisfied with their performance or work and feel loyal to their organization; they develop the habit not to terminate their employment voluntarily from the organization. This is for the reason that employees who have committed will be able to ensure that they will keep working and stay within their organization for a long time.

5.3 Recommendation

As presented in the findings performance appraisal practice has a positive relationship and significant effect on employee's performance. The results of appraisal performance practice is less focus employees performance, this means it emphasizes on what employees produce than how employees perform the job which leads them to find the way to achieve results which can negatively affect the organization for lack of certain performance manners, lack of effective communication between supervisors and employees, that lead it to violation of employees performance appraisal practice and unsatisfied on their jobs.

- The Bank should inspire more communication between management and all staff particularly with regards to the performance of employees, the organization can make employees" satisfied with their jobs and inspire them with their performance in the organization.

- The bank should critically measure the performance appraisal practice by focusing on employees performance to increase the commitment from the parties concerned the appraisal and the appraise
- Training needed should be arranged for the managements or supervisors and to employees about performance appraisal practice to increase their common understanding and to continue a good relation with the employee so that the employee will be gratified with their supervisor performance measure. Since, effective communication between supervisors and employees should be encouraged and supervisors must know the value of being able to communicate effectively with employees as this directly influence the job satisfaction of the employee.
- In generally, top management and managers of Bank of Abyssinia S.C. City Branch of Western Addis District who undertaken the employees performance appraisal should well-appointed with best methods of motivating employees through the proper performance appraisal policy.

5.4. Limitations and Direction for Future Research

The aim of this study was to assess the Employees' Performance Appraisal Practice in Bank of Abyssinia S.C. City Branch of Western Addis District. Even Though the employees of Bank of Abyssinia S.C have the opportunity to see their performance result, it can't prove that the bank has a formal appraisal system. This is because the rater fails to explain the rating standard to the employees and also fails to apply the performance rating standards constantly across employees. The results of appraisal performance practice is less focus employees performance, this means it emphasizes on what employees produce than how employees perform the job which leads them to find the way to achieve results which can negatively affect the organization for lack of certain performance manners, lack of effective communication between supervisors and employees, that lead it to violation of employees performance appraisal practice and unsatisfied on their jobs.

The study was geographically limited to the Bank of Abyssinia S.C. City Branch of Western Addis District in Addis Ababa. Also Further studies should be conducted in all district and regional branches in this area to measure employee's performance appraisal practice in bank of Abyssinia S.C.

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WEB

www.bank of Abyssinia sc.com

APPENDIX

St. Mary University

School of Graduate

Master's Program in Business Administration

QUESTIONNAIRE TO BE FILLED BY EMPLOYEES BANK OF ABYSSINA S.C

Dear Respondents,

I am MBA students at St. Mary University School of graduate studies and I am collecting data for my thesis .The purpose of this questionnaire is to collect primary data for conducting a study on the topic. “Assessment of Employee’s performance appraisal practice in bank of Abyssina S.C ” as partial fulfillment to the completion of the Masters of Business Administration (MBA) Program at St. Mary University. In this regard, I kindly request you to provide information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. I would like to assure you that confidential treatment of your answers. I extend my deepest heart thanks in advance for being a volunteer to devote your valuable time in filling this questionnaire.

General guide lines:

- No need of writing your name
- Put your level of agreement by putting (√) sign among the alternatives.

Part I – Background information

1. Age:

20-30 yrs 31-40 yrs 41-50 yrs above 50 yrs

2. Gender:

Male Female

3. Educational Level:

Diploma First Degree Master Degree Above Master’s Degree

4. How many years of experience do you have in Abyssinia Bank S.C?

1 - 5 yrs 6 - 10 yrs 1 - 15 yrs Above 15 yrs

Part II performance appraisal practice in Abyssinia bank S.C

This part of questionnaire covers about performance appraisal practice in Abyssinia bank . Please indicate how much you agree or disagree with each of the following statements by putting a thick mark (√). Please use the following key for your information as a guideline to fill the questionnaire.

1 = Strongly Disagree (SD) (if your level of agreement is very low in the measured attribute).

2 = Disagree (D) (if your level of agreement is below average in the measured attribute).

3 = Neutral (N) (if you are not so sure about the measured attribute).

4 = Agree (A) (if your level of agreement is above average in the measured attribute).

5= Strongly Agree (SA) (if your level of agreement is very high in the measured attribute).

1. Questions related with performance appraisal reason

S.No	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
1	I know the purpose of performance appraisal in the organization?					
2	I feel the performance appraisal system of the bank has purpose and output?					
3	I believe performance evaluation is important to motivate employees by giving recognition and support?					
4	Performance appraisal is an essential part of in our organization?					
5	I believe the appraisal data's are use by the HR department for other development decisions, like job rotation, job growth job enhancement and so on?					
6	Performance evaluation is used to identify both organizational and individual problems based on performance results?					

2. Questions related to employee's attitude towards performance appraisal

S.no	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
7	I believe performance appraisal is helpful to the employees?					
8	I believe the criteria of performance appraisal method in my organization very clear?					
9	I believe the criteria of performance appraisal are related to my work?					
10	I can challenge a performance rating if I think is biased or inaccurate?					
11	I am satisfied with the current performance appraisal process method on my organization?					
12	Evaluation of my performance is based on my accomplishment and achievement?					

3. Questions related with employee's satisfaction with performance appraisal practice

S.No	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
13	I am satisfied with the performance appraisal practice system of the bank?					
14	I am satisfied with the performance appraisal approach, of evaluation of the employees?					
15	I always compare and satisfy my performance evaluation with my colleagues/peer workers/?					
16	There is counseling and advising meeting before the performance appraisal is done in the organization?					
17	My evaluator gives performance appraisal feed back to assistants and to all staffs?					
18	In my opinion, the performance Evaluation form used to evaluate my performance is capable of distinguishing successful from unsuccessful performances?					

4. Questions related with performance appraisal method

S.No	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
19	My rater usually keeps my document on file what have done during the appraisal period to evaluate my performance?					
20	Subordinates have the chance to evaluate their supervisors or managers performance in the organization?					
21	Individual employees assess/evaluate/ their own performance appraisal in the organization?					
22	Appraisers use different information sources such as supervisors, customers, subordinate, colleagues and customers to evaluate employee's performance (360 degree feed back)?					
23	If I have question or reservations about my performance evaluation, my evaluator provides me with specific examples of things which I have accomplished during the [evaluation] period?					
24	I feel that the rater takes into consideration the performance of the employee throughout the evaluation period rather than looking the short term achievement or failure. (change over time)?					

5. Questions related with performance appraisal requirement

S.No	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
25	I know the existence of performance appraisal criteria in the organization related with my work?					
26	I believe there is a discussion in the organization prior to performance appraisal about the method, the criteria, the purpose etc to use in the process of appraisal?					
27	I get the necessary material and conditions required to my job?					
28	Evaluation of my performance is based on my accomplishment and achievement?					
29	I believe the standards for appraising employees' performance are based on job related requirements derived from job analysis and reflected in the job description and job specification?					
30	The performance evaluation in my organization helped me to improve my job performance and based on my accomplishment and achievement?					

6. Questions related to performance appraisal challenge

S.N	Questions	5(SA)	4(A)	3(N)	2(D)	1(SD)
31	The evaluator is influenced by personal liking and disliking when evaluating my performance?					
32	I observe that the rater most of time is influenced by specific aspects of performance. (halo/horns)?					
32	The supervisor or manger does not have enough information on employee's real work performance?					
34	The supervisor or manger does not have enough knowledge and skills to evaluate employee's performance?					
35	I believe in my organization performance evaluation is not focused on employees development?					
36	Most of the time, I understand that performance appraisal in my organization mainly depends on attitude, Appearance, only recent action, and personality?					