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School of graduate studies

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Performance appraisal system and its effectiveness in Ethiopian private bank the case of bank of Abyssinia

A Thesis submitted to St Mary's university school of graduate studies in partial fulfillment of the requirement for the degree of master of business administration (MBA).

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Statement

I, the undersigned, declare that this study is my original work, that it has not been submitted for any other university's degree program, and that all sources of materials utilized in the study have been properly acknowledged.

Declared by:

Neguse berhan

Signature

Date: December 2021

Advisor Approval

This letter is to certify that Mr. Neguse berhan has finished his project, Assessing the Performance Appraisal Practice in Commercial Banks: The Case of bank of Abyssinia S.C. As far as I can tell, his project is suitable for submission as a partial fulfillment requirement for the award of a Master of Business Administration degree.

D.R Abraraw Chanie (PHD)

signature

Advisor

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Abstract

The goal of this research was to see how effective the Bank of Abyssinia's performance appraisal system was. The study employed a descriptive statistical method with a cross-sectional survey and a qualitative research strategy. The study's goals were to analyze employee awareness of the system's importance and criteria, as well as the effectiveness level of the performance appraisal system and the elements that influenced its successful implementation. We used both primary and secondary data. The study was carried out with the use of SPSS, and descriptive statistics, frequency tables, percentages, and pie charts were used to display the findings. The study's scope was limited to Addis Ababa's five branches and headquarters. According to the conclusions of the study, there is a high level of compliance in the bank when it comes to applying the system. The effectiveness measures revealed that behavioral factors such as customer relations, responsibility, and quality of work receive higher ratings than professional competence and quality of work, indicating a weakness in the system's implementation to differentiate weak and strong performance, and the system is not clearly linked to profitability. The system's effectiveness in improving employee and organizational performance is judged to be low. The utilization of appraisal findings to determine rewards resulted in appraiser leniency. The researcher suggests that the administrative and developmental parts of the appraisal format be clearly separated, refocus criteria to include task undertaken by employees to link the system with the bank's profit and goals, introduce multiple rating system, design scheme to reduce the use of appraisal results for salary adjustments, develop means to link profitability and performance appraisal, provide rater trainings, and develop f

The knowledge gathered during the evaluation might be applied to similar surveys in other human resources operations, adding value not only to the company but also to others in the same industry.

Key words: *employee performance appraisal, effectiveness, direct reportees, ratee, appraiser, rater, compliance and training.*

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Performance appraisal is defined as the process of identifying, evaluating, and developing the work performance of employees in an organization so that organizational goals and objectives are more effectively met, while also benefiting employees in terms of recognition, feedback, meeting work needs, and providing career guidance (Lansbury, 1988).

Performance refers to both actions and results. The interpreter's actions translate the abstraction performance into action. Not only are behaviors instruments for results, but they are also outcomes in and of themselves-the consequence of mental and physical effort applied to activities –and can be appraised independently of the outcomes (Armstrong, 2006:498).

When coupled in the organizational context of a formal evaluation process, performance evaluation is a very basic word that typically provokes a range of strong sentiments, emotions, and views. Longenecker (1997), referenced by Kumar (2005), stated that most businesses throughout the world, whether large or small, public or private, service or manufacturing, employ performance appraisal as a tool to achieve a variety of human resources management objectives, with varying degrees of success.

Organizations utilize a variety of techniques and have a variety of performance appraisal goals, which can lead to some misunderstanding about the underlying purpose of performance appraisal systems. The performance assessment process, according to Kumar (2005), allows a business to assess and evaluate an individual employee's behavior and accomplishments over a defined period, citing Wiese and Buckley (1998). According to Coutts and Schneider (2004), performance evaluation is a critical component of a broader set of human resource practices; it is the mechanism for assessing how closely each employee's day-to-day performance is tied to the organization's goals.

Employee performance appraisals can be roughly classified into two kinds. The first is administrative, whereas the second is developmental (Casio, 2003; Grote, 2002; Jackson and Schuler, 2003; and Mathis and Jackson, 1997). Other advantages could readily be divided into these two categories. Organizations attempted to assess employee performance using a variety of measures ranging from simple to complex processes. Although some methods were essentially

mental judgments, written formal techniques are currently used in a variety of organizations across the globe.

In Ethiopia, the same trend may be found in both government and commercial institutions. Although this was once a technique only seen in government agencies, the private sector has recently adopted it as a standard in employee performance rating systems. Emperor Menelik II launched the first Bank of Abyssinia on February 15, 1906, marking the beginning of banking in Ethiopia. It was a private bank, with shares available for purchase in Addis Ababa, New York, Paris, London, and Vienna.

On February 15, 1996, 90 years to the day after Emperor Menelik created the now-defunct but historically significant Bank of Abyssinia, the new Bank of Abyssinia (BOA), which shares nothing with the former but its name, was formed. The new Bank of Abyssinia had a poor beginning, with only 131 owners, 32 employees, and one branch. Furthermore, its paid-up capital was just Birr 18 million, while its subscribed capital was only Birr 25 million and its permitted capital was just Birr 50 million. The bank now has 630 million birr in the subscribed capital, 630 million birr in permitted capital, and 742 million birr in paid-up capital (including special and legal reserves).

The bank developed many uniform policies and processes to promote contemporary management practices throughout the country. As one of its key activities, one of these rules and procedures includes a provision for an employee performance assessment system. A "Graphical Rating Scale mixed with Essay type" technique is used in the performance evaluation system.

1.2 Statement of the problem

The need of assessing evaluation reactions is widely agreed upon among performance appraisal scholars and practitioners (Keeping and Levy, 2000). For example, it is widely believed that positive assessment reactions are required for performance assessment to have a beneficial impact on employee behavior and future growth. Otherwise, any evaluation system will be guaranteed to fail (Cardy and Dobbins, 1994; Murphy and Cleveland, 1995).

According to Faseeh (2013), the performance evaluation process should be reviewed and improved regularly. For example, the performance assessment process may be assessed by holding focus groups or surveys with workers to judge their satisfaction with it (and suggestions for

improvements). It's also a good idea to keep track of the concerns that supervisors and employees bring up regularly.

Employee contributions will suffer if they are not sufficiently valued. It can contribute not just to poor individual performance, but also to the failure of a project as a whole, as Stanleigh (2006) suggests. It must be difficult to guarantee that an employee appreciates his or her worth inside the business if the person analyzing their performance is not the person with whom they work daily, especially if the assessment is unfavorable. Accepting criticism from someone who is not there while executing their everyday tasks would be challenging.

Employees who receive a negative assessment may relate it to the supervisor's "poor judgment, lack of understanding, or personal bias," according to Edwards and Sproull (1988). According to Long, Cendana, and Setangg (2013), an efficient performance assessment system may help a business make the best decisions for future success and growth. Similarly, a poor performance assessment system can risk an organization's efforts by causing discontent and misunderstanding, which can lead to failure. Employee performance is matched with organizational business goals through performance management.

The capacity of a successful evaluation system to evaluate an individual's strengths and shortcomings, as well as indicate how those skills might be strengthened and deficiencies overcome, is emphasized by researchers.

Effective performance assessment relies on well-defined performance criteria that are measured using a methodical manner that eliminates or significantly lowers subjectivity (Caruth, et al., 2009). As a result, the system's success may be assessed from two perspectives. The first step may be to select the proper instrument, and the second step might be to apply the instrument correctly. Subjectivity was present in all known employee assessment techniques to varying degrees. The implementation of the system is what distinguishes successful systems from failed ones. When an employee performance assessment system is developed and managed incorrectly, it becomes a burden rather than a useful tool, and it can cause major difficulties for businesses (Glendinning 2002; Hazard 2004, as cited in Biron, et al., 2011).

The proper implementation of an efficient performance assessment system is based on well-defined criteria, and it allows a business to make the best decisions possible to achieve more

success and growth. The performance assessment process should be reviewed and improved regularly for workers to have a favorable attitude about it.

Misuse of the performance assessment system, poor system construction, a lack of review, and failure to communicate the practical elements of the results are all reasons why the system fails to provide the desired results (London et al, 2004). The bank's documentation (human resource handbook) plainly shows that it has not evaluated the efficiency of its performance assessment system since its inception more than 10 years ago. As a result, the research tried to assess the efficiency of the staff performance assessment system in place and to address the Bank of Abyssinia's concerns.

1.3 Research questions

This study sought to address the following research questions as part of the process of designing an effective employee assessment system.

- ✓ What is the nature (compliance) of the performance evaluation system that the Bank of Abyssinia uses to manage the performance of its employees?
- ✓ What is the awareness of Bank of Abyssinia staff and managers about the Bank's performance appraisal system?
- ✓ How effective is the performance measurement system at the Bank of Abyssinia?
- ✓ What factors influence the success of the implementation of the performance appraisal system in the Bank of Abyssinia?

These will be the research questions that will be discussed in the document during the study.

1.4 Objectives (targets) of the Study

1.4.1 General objective

The overall aim of the study was to assess the effectiveness of the Bank of Abyssinia's system for evaluating employee performance and to formulate operational recommendations for senior management.

1.4.2 Specific objectives

- A)** Assess the bank's compliance with the correct implementation of the performance assessment process.
- B)** Investigate awareness among Bank of Abyssinia employees and managers of the bank's performance measurement system.
- C)** Examine the effectiveness of preparation and monitoring in terms of timelines and resources for evaluating employee performance.
- D)** Verify the effectiveness of the supervisory performance assessment process for employees.

The evaluation of the system's implementation was chosen largely because any performance rating system's acceptability, relevance, and capacity to grasp are critical.

Employees and management will benefit since any needless pressure will be discovered if there are any doubts about the aim and method.

The knowledge gathered during the evaluation might be applied to other human resource operations to conduct similar surveys.

1.5 The Study's Importance (significance of the study)

Employees in every firm are assigned distinct tasks based on their specialty (skills and knowledge they possess).

After evaluating employee performance, it assists in making various decisions such as wage increases, promotions, demotions, discharges, transfers, and training.

Considering the Bank of Abyssinia's level of management practices, the system's efficacy and improvement will offer value not only to itself, but also to other firms of a similar sort.

It may also assist the bank in efficiently managing employee performance and increasing productivity; selecting appropriate tactics for promoting employee performance, focusing on outcomes and continuous development, and encouraging their workforce to greater levels of quality.

Bennett and Minty (1999:58) claim that the key to strategic success is to focus attention at all levels on critical business imperatives, which may be accomplished through good performance management.

Furthermore, it may be utilized as a starting point for future study in the areas of employee performance assessment, both in the minds of raters and those responsible for the construction of the instruments of performance assessment components that are used to assess employee performance.

1.6 Scope of the study

Geographic scope(area)

Due to accessibility, the study is confined to the efficiency of an employee performance assessment system deployed in Abyssinia Bank in Addis Ababa. In comparison to other branches in other places, Addis Ababa has a high number of permanent staff.

Time scope

Due to time and budget constraint only the branches found in Addis Ababa have been taken in to account.

conceptual scope (theoretical scope)

This research was conducted to see how effective the Bank of Abyssinia's performance appraisal system was. The study's goals were to analyze employee awareness of the system's importance

and criteria, as well as the effectiveness level of the performance appraisal system and the elements that influenced its successful implementation.

Methodological scope

The study employed a descriptive statistical method with a cross-sectional survey and a qualitative research strategy. The researcher used both primary and secondary data. The study was carried out with the use of SPSS, and descriptive statistics, frequency tables, percentages, and pie charts were used to display the findings. The population sample was 650 employees and the sample size of the research is 248.

1.7 Limitation of the study

The research focused solely on how well the bank's staff performance assessment system is executed. As a result, the influence of employee performance assessment on bank productivity and profitability is not taken into account. Because the survey is conducted in Addis Ababa on a sample basis, certain workers may not be addressed methodologically.

The study had difficulty finding enough materials, especially given this country's environment. This may limit the scope of the study's literature review and require it to rely on foreign sources.

Due to time and financial constraints, the investigation was limited to Addis Ababa. The researcher's research exposure is limited.

1.8 organization of the study

This paper was divided into five chapters, the first of which included a general introduction to the study, the gap or statement of the problem that this project aimed to solve, the research question that this paper answered, the research model, the objectives of the research, scope, significance, and limitations of the research.

The literature review in the second chapter will include numerous theoretical concepts linked to the performance appraisal system and its effectiveness in Ethiopian private banks, as well as many other concepts.

The research techniques were described in the third chapter, which comprised study design, target population, sampling methodology, sample size, source of data, kind of data, method of data collecting, procedure of data collecting, and method of data analysis.

In the fourth chapter, the obtained data would be analyzed and interpreted, and the analyzed and interpreted data would be presented. In the fifth chapter, a summary of the findings, conclusions, and possible ideas or recommendations would be offered.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter contains theoretical and empirical literatures regarding the performance appraisal system and also conceptual framework developed based on the literature.

Theoretical literature review

2.1 The foundation of employee performance appraisal

The most significant duty of Human Resources Managers, it might be said, is to improve the performance of the organization's personnel. To accomplish so, employees' performance must be controlled, which is a difficult task. Sin Yu, a Chinese philosopher, complained about senior mandarins in the Civil Service being treated unfairly under the then-current performance monitoring structure as early as 300 AD. Managers sometimes required 6 months or more to get over their evaluations, according to Stredwick, (2005) and Peters and Waterman, (1982).

Many practitioners are still wary of following a system that tries to quantify the intangible, convey performance to the inattentive, and offer additional payouts to the ungrateful.

The classic pioneering works of researchers such as Frederick Winslow Taylor, Henry L. Gantt, Frank and Lillian Gilbreth, Henry Fayol, and others formally established management as a science (Grote, 2002). One of the major activities of all academic works is the subject of employee performance evaluation. Scientific management, behavioral sciences, systems approach, and contingency approach are some of the well-known management theories.

The goal of all theories and methods in employee performance assessment is to discover a way to reward employees in some way in order to achieve higher and longer-term productivity. That is

why, in the early days of scientific management theory, researchers like Frederick W. Taylor looked at numerous methods for increasing workers' remuneration through greater productivity (Koontz & O'Donnell, 1988). People were thought to be intellectual, non-emotional beings back then. As a result, the major forms of reward were deemed to be merely an increase in compensation, independent of other factors.

The human relations approach produced numerous performance rating systems that treat employees as social beings in response to the difficulties in scientific management. Scholars such as Elton Mayo, who conducted the Hawthorne Studies, Abraham Maslow, who developed the Hierarchy of Needs Theory, and Douglas McGregor, who developed Theory X and Theory Y, were all influenced by the need to improve scientific management in this era (Grote, 2002; and Koontz & O'Donnell, 1988). Organizations at the time thought that employees had other requirements should be met that aren't always cost-effective.

As a result, companies must create objectives and performance appraisal standards that take these factors into account. Only a few firms and government organizations employed a documented employee performance review system prior to World War II. After WWII, the contingency approach to management emerged, bringing with it a new perspective on employee perception (Grote, 2002). Individuals were viewed as complex entities with varying, evolving, and changing needs. Employee performance evaluations have become an important aspect of a company's management. This can simply be attributable to the fact that outcome measurement is critical. This back up one of the psychological origins and consequences of relationships: what is rewarded gets done (Cascio, 2003). As a result, the primary concern for managers is determining what type of behavior they want to foster in their subordinates in order to complete the essential job. The use of performance assessment as an essential management tool continues to evolve in the developed

world, both west and east. Almost every firm in developed and developing nations, however, uses some type of employee performance assessment due to the high level of managerial responsibility.

The aims and purpose of employee performance evaluation have grown in breadth and depth as technology and companies have progressed. Simple procedures that were used in the beginning are being phased out in favor of more sophisticated strategies.

2.2 Purpose of performance appraisal

Evaluation serves a variety of purposes, according to Ivancevich (2004:257) and Rao (2000:220), including:

- ✓ **Improvement**

It can help determine which employees require additional training and evaluate the effectiveness of training programs. It facilitates the counseling relationship between subordinates and supervisors, and it encourages supervisors to observe subordinates' behavior in order to assist employees.

- ✓ **Inspiration(motivation)**

It can motivate people to take initiative, develop a sense of responsibility, and improve their performance. Motivation, according to P. Robbins (2003), is the process that accounts for an individual's intensity, direction, and persistence of effort toward achieving a goal.

- ✓ **Human resources and job placement**

It can be a useful tool for skill inventories and human resource planning.

- ✓ **Public relations** It can be used to start a conversation between a superior and a subordinate about a work-related issue. The parties get to know each other better through interaction and an efficient feedback process.

✓ **Adherence to the law**

It can be used to justify promotions, transfers, rewards, and discharges in the workplace.

✓ **Human Resource Management (HRM) research**

It can be used to check the accuracy of selection tools like a testing program.

2.3 Choosing Performance Appraisal Criteria

Most jobs have a variety of responsibilities and tasks, necessitating the use of multidimensional performance measurement tools. If some aspects of job responsibilities are left out of performance appraisal criteria, they will be inadequate as a measure of performance (Cascio, 2003). If some irrelevant criteria are added, the criteria will send out false signals, implying that they are below standard or unworthy of being outstanding. In this sense, the various methods in use are not without flaws, but systematic procedures can help to reduce the degree of error.

Furthermore, the use of both objective and subjective criteria is unavoidable, which can lead to a slew of issues. Although determining the amount of production in a given period may not be difficult, a supervisor's evaluation of an employee using adjectives such as "outstanding" or "unsatisfactory" is unlikely to be the same for different appraisers (Mathis and Jackson, 1997).

Setting realistic, measurable, and easily understandable performance standards from the start is critical for all parties. To avoid later disagreements and bias, these standards should be established up front. There are a few common areas where such standards must be established.

As previously stated, both quantitative and qualitative criteria are used. Quantity standards will be less likely to be disputed, but qualitative standards are more likely to be contested. To be useful, the overall criteria must be included in performance appraisal systems. Depending on its components, the appraisal system could be strong or weak.

Performance-appraisal system should be job-related, reliable and valid, standardized, practical and workable, acceptable to everyone in the organization, reflective of a managerial style that encourages employee growth, and predicated on a managerial willingness to offer suggestions for improved performance in order to improve the outcome (Arthur, 2008; Cascio, 2003; and Kressler, 2003). It can be challenging to satisfy all of these requirements at times. In such circumstances, it will be critical to focus on reliable facts. The criterion could be trait-based, behavior-based, or results-based, depending on the situation (Cascio, 2003; and Mathis and Jackson, 1997).

2.4 Employee Performance Appraisal Techniques

A variety of strategies can be used to evaluate performance. The numerous approaches are divided into four categories: category rating, comparison techniques, narrative approaches, and unique approaches (Mathis L. Robert and John H. Jackson, 1997:352).

2.4.1 Methods of Categorization

Category rating systems, which require a management to mark an employee's level of performance on a specified form, are the most basic techniques for evaluating performance. The visual rating scale and checklist are two prominent ways for categorizing items, while the forced choice approach is another (Mathis L. Robert and John H. Jackson, 1997:352).

2.4.1.1 Graphic rating scale

The rater can use a Graphic Rating Scale to place an employee's performance on a scale. This approach is the most commonly utilized because of its simplicity. It's also the earliest system, in which the rater evaluates each duty's suitable location on the scale. In the box provided for

comments after each factor assessed, more information can be contributed (Rao P.Subba and Rao V.S.P, 2000:224 and Robins Stephen P, and Mary Coulter, 2002:320).

The visual rating scale has some obvious flaws. Different features or elements are combined together, and the rater is given only one box to check. Another disadvantage is that various raters may have different interpretations of the descriptive language employed in such ratings. Term like initiative and collaboration may be interpreted in a variety of ways, especially when used in conjunction with terms like excellent, ordinary, and bad. This approach is commonly used since it is simple to construct; yet, because it is simple to construct, it encourages mistakes on the part of raters who may rely too much on it.

2.4.1.2 Check list

A checklist is a collection of statements or words. The assertions that are most reflective of the traits and performance of workers are checked by the raters. Mathis and Jackson (1997:354) give the following common check list statements: Rao P.Subba and Rao V.S.P, Rao P.Subba and Rao V.S.P, Rao P.Subba and Rao V.S.P, Rao P.Subba and Rao V. (2000:224).

The checklist may be tweaked to provide different weights to different statements or terms. The outcomes can then be measured. Typically, the weights are tallied by someone other than the rating supervisor, such as a member of the HR unit. The checklist, like the graphic grading system, has its own set of challenges. The phrases or sentences may have various meanings for various raters; if a weighted checklist is utilized and raters do not assign weights to the elements, the rating results will be difficult to determine.

The checklist, according to Ivancevich, is a series of objectives or descriptive statements. If the rater feels the employee exhibits a feature stated, the item is checked; if not, the item is left blank.

The number of checkboxes is equal to the rating score from the checklist.

According to Robert L. Mathis and John H. Jackson (1997); Rao P.SUBBA and Rao V.S.P, the Forced Choice format is an attempt to increase rater impartiality by concealing the "better" of two replies (2000:229). Both of these things might be beneficial.

As an example,

Select the best sentence to describe this employee:

Listens to criticism objectively

On complex undertakings, he seeks advice.

One of the two is more vital for the work at hand, but raters aren't always sure which one it is. The goal is to eliminate the possibility of rating inflation that is done on purpose. One option would receive one point, while the other would receive zero. Developing statements in such a way that the aim is not totally transparent is clearly an issue with the forced choice format.

2.4.1.3 Forced choice

The forced choice approach, according to Ivancevich, was devised to solve the drawbacks associated with the visual rating scale, which allowed supervisors to grade high. As sensitivity is one of the required properties of a good criterion, this makes it difficult to discriminate between bad and good performance.

2.4.2 Methods of Comparison

Unlike the other ways, these strategies need managers or supervisors comparing performance ratings of employees with the same job description (Robert L. Mathis and John H. Jackson, 1997).

An accountant's performance, for example, can be compared to that of other accountants. Ranking, paired comparison, and forced distribution are examples of comparison strategies for assessment systems.

2.4.2.1 Ranking

All employees are ranked from highest to lowest or from best to worst, in terms of performance. A supervisor must create a list of subordinates in order of an overarching characteristic in order to rank them. When the supervisor is requested to rate the greatest and worst workers in a trustworthy manner, it is far more difficult than ranking the average employees. The evaluators choose the top employee first, then the worst employees, and so on until all workers have been ranked (Ivancevich, 2004). The disadvantage of this strategy is that individual differences are not properly characterized. To some extent, this disadvantage can be avoided by awarding points to represent the magnitude of the gaps.

It's possible that the lowest-ranking person in one group will be the highest-ranking person in another. Furthermore, if the group to be rated is very large, ranking becomes quite difficult to handle (Robert L. Mathis and John H. Jackson, 200:354; Rao P.SUBBA and Rao V.S.P, 2000:227).

2.4.2.2 Paired comparison

The Paired Comparison technique was created to make the supervisor's job easier and more dependable, especially when there are a lot of individuals to rate. The supervisor uses a series of cards to show the strengths and weaknesses of each pair of employees at the same time, then chooses one of the two. This process is repeated until all employees have been paired and compared, and the final ranking is determined by counting how many times a given employee is chosen as the better performer of all comparisons (Ivancevich, 2005:271; Rao P. Subba and Rao V.S.P, 2000:228).

The term "paired comparison" was used by Robert L. Mathis and John H. Jackson (1997: 355) to describe a formal comparison of each employee with each other employee in the rating group one at a time.

The following formula may be used to compute the number of comparisons:

$n(n - 1)/2$ Where n is the number of employee rated.

Ivancevich, Mathis, and Jackson all agreed that the method's main disadvantage is the huge number of comparisons that must be done.

2.4.3 Narrative Techniques

Written appraisal information is needed of some managers and HR experts. Critical incident, essay, and field review approaches were classified by Robert L. Mathis and John H. Jackson (1997:356).

The essence of these strategies is documentation and explanation. Rather of giving an actual rating, these records describe an employee's behavior.

2.4.3.1 A Serious Incident

This strategy necessitates a list of the employees' excellent and negative performance activities. When an employee is involved in a major occurrence, the management records it. During each employee's entire rating term, a list of key occurrences is stored. The critical incident approach can be combined with other techniques to document why an individual was given a certain rating. The critical incident technique is not without its drawbacks. First, not all supervisors agree on what defines a major occurrence.

Following that, writing daily or weekly written comments regarding each employee's performance might take a long time. Employees may also become too preoccupied with what their boss writes and develop a phobia of the manager's black book (Mathis and Jackson, 1997:356; Robins Stephen P, and Mary Coulter, 2002:320; and Rao P.Subba and Rao V.S.P, 2000:234).

This methodology, according to Ivancevich (2004), requires raters to keep track of behavioral occurrences that signify either effective or poor performance for each employee being evaluated. These are life-threatening occurrences. Because these occurrences may not be directly comparable for various rates, an HR professional in cooperation with operational managers can create a list of standardized occurrences. When a subordinate acts in one of these activities, the rating task becomes one of logging.

The following is an example of a positive critical event for a salesclerk: attentively listened to the customer's complaint, answered the woman's inquiries, and then returned the purchase, providing the customer full compensation for the returned item. He was kind, timely, and really concerned about her condition. A terrible critical situation, on the other hand, can be described as follows:

remained eight minutes past his break time at the busiest portion of the day. He failed to respond to three intercom calls from store managers and to report to the pay register quickly.

2.4.3.2 Examining an Essay

The management must produce a brief essay explaining each employee's performance throughout the rating period using the essay or free-form evaluation approach. Typically, the rater is provided a few generic topics to group comments under. The goal is to follow the rater's flexibility more closely than previous techniques. As a result, the essay approach is frequently used in conjunction with other techniques (Mathis and Jackson, 1997:356; Robins Stephen P, and Mary Coulter, 2002:320, and Rao P.Subba and Rao V.S.P, 2000:224).

The rater may be asked to describe the positive and negative elements of the employee's conduct using this approach. The essay approach is employed only in some organizations; in others, it is paired with another approach, such as a visual rating scale. In this instance, the essay summarizes the scale, elaborates on some of the ratings, or explores other dimensions not included on the scale. The essay can be open-ended in either of these ways, but most of the time there are constraints criteria for the themes to be addressed, the essay's objective, and so forth

Raters who are superiors, colleagues, or subordinates of the individual being assessed might use the essay technique (Ivancevich, 2004:267). Essay assessments have been criticized for their accuracy and usefulness. They do, however, provide flexibility, and an evaluator can particularly address the rate's successes in this area in an employer that places a premium on customer satisfaction. One of the advantages of essays is the ability to express what the company is aiming to accomplish. Comparing essays authored by the same or various raters, on the other hand, is

challenging. In comparison to incompetent writers, professional writers can present a more accurate picture of an employee.

2.4.3.3 Review of the Field

The HR department becomes an active participant in the rating process during the field review.

Each employee's performance is discussed with the management by a member of the unit. After that, the HR representative gathers the notes from each interview and assigns a rating to each employee. The supervisor then goes through the rating and makes any necessary revisions. This strategy implies that the HR representative understands enough about the workplace to assist supervisors in providing more accurate and detailed evaluations. The HR representative has a lot of power on rating, which is a big drawback of the field review.

2.4.4 Special methods

2.4.4.1 Behavioral Rating

Several distinct behavioral techniques are one effort to solve some of the problems of the methods previously discussed. For some cases, behavioral techniques show promise in solving issues that other methods have failed to solve. This approach is classified into three categories by Robert L. Mathis and John H. Jackson: behaviorally anchored rating scales, behavioral observation scales, and behavioral expectation scales.

Behaviorally Anchored Rating Scales link descriptions of probable behaviors with the most prevalent behaviors displayed by the employee.

The number of times specific behaviors are displayed is counted using Behavioral Observation Scales.

Outstanding, medium, and poor performance is defined using Behavioral Expectation Scales, which rank behaviors on a scale of one to ten.

2.4.4.2 Management by objective (MBO)

MBO identifies the performance objectives that an individual aspires to achieve in a reasonable amount of time. Although MBO should not be used as a cover for a superior to dictate the objectives of individual managers or employees, the objectives that each manager sets are drawn from the organization's overarching goals and objectives. MBO is most commonly used for this purpose; however it is not restricted to it. Appraisal by results, targeting, coaching, work planning and review, performance targets, and joint goal setting are some of the other names for MBO (Robert L. Mathis and John H. Jackson, 1997: 357).

It takes four stages to implement a guided self-appraisal system utilizing MBO (Mathis and Jackson, 1997 – p.358).

The following are some of them:

- ✓ Job evaluation and agreement
- ✓ Developing performance standards
- ✓ Setting guided objectives
- ✓ Continually discussing performance

In principle, MBO encourages each employee's success since when each person succeeds, so does the manager, the department, and the organization. This can happen, though, if all parties involved have similar objectives (Cascio, 2003). Furthermore, because no management tool is flawless, MBO is not suitable for all employees or companies (Mathis and Jackson, 1997).

2.4.5 Selection of appraisal methods

Methods to improve the efficiency of performance assessment systems would be beneficial. However, there is unlikely to be a single clear answer to this issue. A simple assessment of the issue might be crucial. The bottom line when it comes to the various assessment procedures is that what matters is not the difference in the findings, but rather the relevance and acceptability of the system by employees and supervisors (Cascio, 2001; Mathis and Jackson, 1997; and Sandler, et al., 2004).

Performance assessment has an impact on the employee's interests, sometimes a significant one. It affects earnings, future employment, advancement, and, of course, self-esteem, security, and status (Kressler, 2003; and Scholtes, 1998). Whether the outcomes are clear or not, employees must get feedback on their performance reviews. This will boost acceptance and decrease communication and perception issues.

2.5 The Methodology for Conducting Performance Appraisals

2.5.1 The process

The Methodology Organizations can measure success in a variety of ways; some are more objective, but most entail some subjectivity. Appraisal is one of the primary prerequisites for a successful human resource policy in today's firms - assuming it works. Whether or not it works, however, depends on the business culture, management style and the form and objectives of the chosen system. In conducting the appraisal process, it is possible to think two processes with different emphasis: top-down appraisal and bottom-up appraisal.

2.5.1.1 Top-Down Evaluation

In most cases, all members of a company are involved in the evaluation process. With the exception of those "at the very top" or "at the very bottom," everyone both conducts and is appraised (Kressler, 2003). Traditionally, the assessment process took place in a hierarchical arrangement, with a person reporting on a direct report conducting an evaluation while also being evaluated by someone on the next level up. In general, the "top-down" assessing method is the most basic form of employee evaluation.

Rather than replacing the system, organizations should aim to supplement it. The technique is critical to success, both in terms of economic efficiency and the effective utilization of human resources (Kressler, 2003). As a result, every effort must be made to ensure its successful implementation and to prepare all parties involved for the completion of this critical work.

2.5.1.2 Bottom-Up Evaluation

The bottom-up appraisal procedure is another type of evaluation method. It alters the relationship between the performer and the evaluator, as well as the partnership's purpose. According to Kressler (2003, p.49),

"What is now judged is not first and foremost professional performance or the superior's contribution to the company's accomplishments, but rather how he or she behaves as a department or team leader. Communication, motivation, dedication, credibility, and training are all addressed, as well as efficiency, objectives, supervision, and feedback." The results can be utilized for a variety of purposes, including assessing the supervisor's potential for advancement as a manager.

2.5.2 Who is in charge of appraisals?

Anyone who is knowledgeable with the performance of individual employees can conduct a performance appraisal. Employee assessment can be done by: Wayne F. Cascio (2003), Susan E. Jackson and Randall S. Schuler (2003), and Felice D. Perlmutter and et al. (2001), according to Wayne F. Cascio (2003), Susan E. Jackson and Randall S. Schuler (2003), and Felice D. Perlmutter and et al. (2001).

Managers and executives, Reporting line, Members of the group, Sources from the outside
Examining one self.

Each appraisal has a different objective and target area, therefore it's important to choose one carefully.

2.5.3 Appraisal Period

When it comes to performance review, the time of the appraisal is crucial. Traditionally, formal appraisals are completed once or twice a year (Cascio, 2003). Varied organizations have different appraisal schedules, but three points should be noted. This includes things like the main point, the anniversary, and the natural time span.

2.5.3.1 Focal-Point Approach

Many companies do formal review meetings on a regular basis, such as every quarter, every six months, or once a year. Although it develops workloads at a specific time period and a work cycle system will be formed, this interval of assessment offers the advantage of uniformity Jackson and Schuler, 2003). The challenge will be recalling data from memory, particularly for all of the subordinates at the same time.

2.5.3.2 Anniversary Approach

The assessment function is dispersed throughout the year in accordance with the anniversary dates of the employees' seniority dates. It offers the advantage of easing the burden on managers while also providing vital input to employees.

According to some research, organizations with year-round performance appraisal systems outperformed companies with once-a-year or no performance review systems on a variety of financial and productivity criteria (Cascio, 2003). The problem will arise if the company employs curved appraisal distributions (Jackson and Schuler, 2003).

2.5.3.3 Natural Time Span of the Job

Another method for establishing the length of a performance appraisal is to utilize the job's natural duration. This method is particularly useful for project-type work where a clear start and completion can be defined. If the appraisal is completed too soon, the work will suffer from a lack of knowledge, and if it is completed too late, the valuable advantage of feedback for improvement will be lost. It is suggested that for projects with a longer life cycle, a milestone or interval appraisal is an appropriate moment (Mathis and Jackson, 1997). Many companies do employee evaluations on a yearly basis. Any fair view will be given by such practice.

2.5.4 Faults in Appraisal

When it comes to employee ratings, if the criteria aren't clearly defined and there aren't any incentives for rating accuracy, a range of errors might occur during the process (Jackson and Schuler, 2003). Raters have their own preferences, dislikes, and expectations, which may or may not be correct (Cascio, 2003). These biases result in the significant rating flaws listed below.

- ❖ Issues with varying standards The perception of equal treatment is critical to the system's acceptability (Mathis and Jackson, 1997). Resentment is sparked by the thought and real application of different criteria in evaluating people who perform comparable jobs.
- ❖ Error of Leniency this is a circumstance in which every employee has a good rating. The motivation for a rater to make such a decision could be diverse, but its utility will be diminished (Jackson and Schuler, 2003).
- ❖ Error of Strictness The strictness error is the polar opposite of leniency error, in which all employees are given a negative rating.
- ❖ Tendency Central Despite individual variances, some raters may classify most employees as average performers. A forced distribution system could be one reason for this trend (Mathis and Jackson, 1997). On the other side, when there are too many subordinates, a lack of enough time for performance observation could be a factor.
- ❖ Error in Contrast the contrast error is the tendency to grade employees based on how they compare to one another rather than on a set of performance standards. When a weak employee is compared to an average employee, the rater may consider the latter to be great (Jackson and Schuler, 2003).

2.5.5 Providing useful performance feedback

The ability to deliver feedback to employees who are the subject of the performance appraisal process plays a role in the system's efficacy. Supervisors are required by many firms to undertake formal performance review interviews with their subordinates (Arthur, 2008; Mathis and Jackson, 1997; and Scholtes, 1998). Employees, likewise, want to know where they stand in the eyes of their bosses and the firm as a whole.

2.5.6 Why do Performance Evaluations Fail?

Many companies believe that policies, rules, and complicated procedures will lead to increased and improved usage of performance appraisal tools. Some attempted to upgrade their systems in order to rectify flaws in traditional ones. However, the performance appraisal system has fallen short of expectations. The most prevalent sources of difficulties why performance appraisal fails, according to Robert Bacal (1998) and Jackson and Schuler (2003), are one or a combination of the following factors. Lack of leadership, commitment Desire for uniformity, Process bureaucratization, Insufficient incentives and resources, Issues with good standardization, Issues with the appraisal process, The comparison approach.

2.6. Issues that can be raised related to employee performance appraisal

2.6.1 Implementation of employee performance appraisal

Despite its reputation as a Western technique, performance appraisal is now part of the management repertoires of businesses in both developed and developing countries around the world. Despite their apparent ubiquity, there is a scarcity of knowledge about their applications and implementation in non-western settings (Fletcher, 2001 ;). C. Fletcher, C. Fletcher, C. Fletcher, C (2001). The use of performance appraisal systems raises a number of issues. Who created the system, how often appraisal is conducted, who is the primary source of appraisal, and which appraisal methodologies are employed are some of these questions (Taylor & O' Driscoll, 1994).

To be effective, senior management must be supportive in supplying information, clear performance criteria must be established, assessments must not be utilized for anything other than performance management, and evaluations must be free of any rating biases (Goff & Longenecker,

1990). According to Armstrong (2001), accuracy and fairness in judging employee performance are critical in performance assessments.

As one can see, the evaluation process becomes exceedingly complicated very quickly, according to Robert and John (2013), and remembers, whenever a process in an organization becomes complicated; it costs a lot of money.

If done correctly, performance assessments can yield a number of useful outcomes. When done incorrectly, however, the process of reviewing employee performance can result in reduced job satisfaction and productivity. Organizations complete performance evaluations for three main reasons: communication, decision-making, and motivation.

The primary and most important reason for performance appraisal is to provide for formal communication between management and employees about how the company views each employee's performance.

2.6.2 Employee performance appraisal system acceptability

Valid and dependable performance management tools must be acceptable and practicable, as well as particular. It is valid if it measures the process that was required to be measured. When we say a measure is reliable, we mean that it performs consistently each time we use it. Acceptability and feasibility refer to whether or not a measure is acceptable to the people who use it and whether or not it is a realistic measure that can be successfully employed in a given context.

Acceptability refers to whether or not a performance appraisal method is accepted because it is thought to be distributive and procedurally fair, as well as a suitable metric for the job at hand. As a result, given the significant time and money required to build and operate an assessment system, an inadequate appraisal system would pose a serious danger to an organization and result in a

significant loss of resources. Based on these findings, it appears that each business should verify on a frequent basis to determine if its performance appraisal is regarded as intended and if users continue to support the system and process.

Performance assessment systems, according to Elverfeldt (2005), must be effective in enhancing or maintaining employee performance, or they will be a waste of time and money spent on creation and implementation. According to literature reviews, the most important aspect in determining the success of a performance rating system is its users' approval.

2.6.3 Knowledge of employee about the system

Individuals that are involved as raters should be trained in order to build an efficient Performance appraisal system (Goff & Longenecker, 1990). They should be taught how to manage, motivate, and evaluate their employees' performance. The system should not be viewed as a one-size-fits-all solution. The raters should consider it in the context of performance management as a whole (Boice & Kleiner, 1997).

The following criteria must be met in order for ratees to perceive the system as fair: a formal appraisal system, ratees must have a high level of job knowledge, ratees must have the opportunity to appeal their performance ratings, the dimensions of performance must be relevant, and action plans must be in place to address any weaknesses. Instead of being competitive, the work environment should be cooperative (Murphy & Cleveland, 1995; Landy et al, 1978). It's not just the ratees' perceptions of the PAS that matter. The system is also influenced by the mindset of the raters (Brown et al, 2010).

2.6.4 Bank Profitability and Efficiency, as well as Performance Appraisal

Although most businesses have implemented employee assessment techniques, their efficacy is still debatable. A key point of contention is that some evaluations are based on personnel preferences rather than the performance of the person being evaluated. Another major flaw is that the evaluator is more concerned with the rate's behavior than with his contribution to the company. Shambhu, Dr. (2008). With enormous size and substantial variations in salaries and rates, the efficient utilization of labor is a fundamental driver of relative profitability, according to Christos K (1989). In the Bourke research, the degree of staff costs appeared to have a negative influence on banks' ROA (1989).

However, Molyneux (1993) discovered a link between employee costs and total earnings. High profits produced by businesses in a regulated industry, as he proposes, may be appropriated in the shape of greater payroll expenses, which are continually escalated through performance assessment.

According to Pallavee and Usha (2012), a performance appraisal system helps to promote a better understanding of an employee's role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions, identify an employee's development needs, establish common ground between the employee and the supervisor, and increase communicative effectiveness.

2.7 Guidelines for a successful performance appraisal system deployment

The guidelines, according to Rafikul and Shuib (2005), are

2.7.1. Employee participation: In any case, if employees believe the appraisal system is biased, unjust, and lacking in rigor, they are unlikely to accept the system's results. Employees that

participate have the ability to speak up during the appraisal process. Employees can assist in the development of performance standards, evaluation criteria, and the evaluation form itself

Greater employee participation fosters a cooperative and supportive environment, facilitating the formation of a coaching or counseling relationship and lowering appraisal-related tension and rater-ratee conflict (Jordan, 1992).

A discourse session between the manager and the staff, according to Somerick (1993). If a problem arises with the evaluation system, it can be discussed in the dialogue session right away, rather than months later when the employee's performance has been assessed and documented in his or her personal file.

2.7.2 Creating performance standards: Standards will be created to measure the most important job activities and responsibilities. Employee input, once again, aids in the development of trustworthy, legitimate, fair, and meaningful performance criteria.

2.7.3. Setting goals: Setting goals has proven to be a great motivational technique. The majority of goal-setting research has taken place in non-appraisal environments. Goal setting comprises of precise, fairly hard, and acceptable performance targets. Setting goals as part of a performance review has been linked to higher appraisal satisfaction and better performance (Dobbins et al., 1990). According to Stevens (1990), "give employees a sequence of goals to be achieved over the course of a year." When conducting annual reviews, assess how far the staff have progressed toward these objectives."

2.7.4. A well-handled performance appraisal interview: If the performance appraisal interview is badly conducted, the appraisal system's efficacy is harmed. The interviewer must be sensitive to the interests of the employee for privacy and secrecy. It's critical to give the

interview your complete attention and set aside enough time for a thorough discussion of the concerns (Roberts, 1994). “My supervisor was too busy to evaluate me last spring, so I have no idea what kind of evaluation, if any, was sent in at all,” a disgruntled East Carolina University employee says (Mani, 2002, p.150).

2.7.5. Self-evaluation: This is essential to settle general complaints from employees. “No assessment of me is taken into account in our appraisal procedure. At the very least, I'd like to express my thoughts on what I've accomplished and where I think I may improve.” Employees can use self-evaluation to examine their own performance in a systematic way. Self-evaluation has been shown in studies to improve employees' perceptions of fairness in the appraisal process. Employees can evaluate themselves by filling out their own appraisal form and giving it to the evaluator for discussion.

Employees who are given the opportunity to evaluate their own performance, according to McCarthy (2000), often come up with innovative solutions that would not have surfaced in a one-sided managerial appraisal. CB's vice president of human resources, Pam Perry According to Richard Ellis (cited in McCarthy, 2000, p. 25).

2.7.6. Management feedback: For obvious reasons, management feedback is necessary. Employees expect a pat on the back (positive feedback) when they do a good job; on the other hand, if poor performers do not receive any constructive feedback telling them to improve, they will believe that their current level of performance is acceptable in the organization and will not make additional efforts to improve. Camardella is a character in the film Camardella (2003, p. 105). There must be both formal and informal performance feedback in order to have an effective performance appraisal system. Roberts (2003, p. 93) agrees with Camardella.

2.7.7. Create a user-friendly procedure: Performance criteria and rating procedures should be clear enough for raters and ratees to understand.

The most important components of an employee's employment should be included in the performance criteria. When a critical feature is overlooked, it sends the message that it is inconsequential and may be overlooked.

2.7.8. Create particular and appropriate appraisals: Employees frequently complain about the appraisal system, claiming that "Our Company utilizes the same appraisal for all roles." I don't think the things on which I'm judged have much to do with what I do on a daily basis" (McCarthy, 2000, p. 24). Only when the objects appraised meet the job's requirements and vital functions will the appraisal method be successful. The selection criteria should be explicit and relevant to the job.

2.8 Empirical literature review

Migiro and Taderera (2011) empirically evaluated the performance appraisal system in the bank of Botswana using stratified sampling to divide the sampling frame into strata and then simple random sampling was applied from each stratum. The study aimed to identify the purposes of performance appraisal, effectiveness of PA, challenges of existing PAS in the bank of Botswana. 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

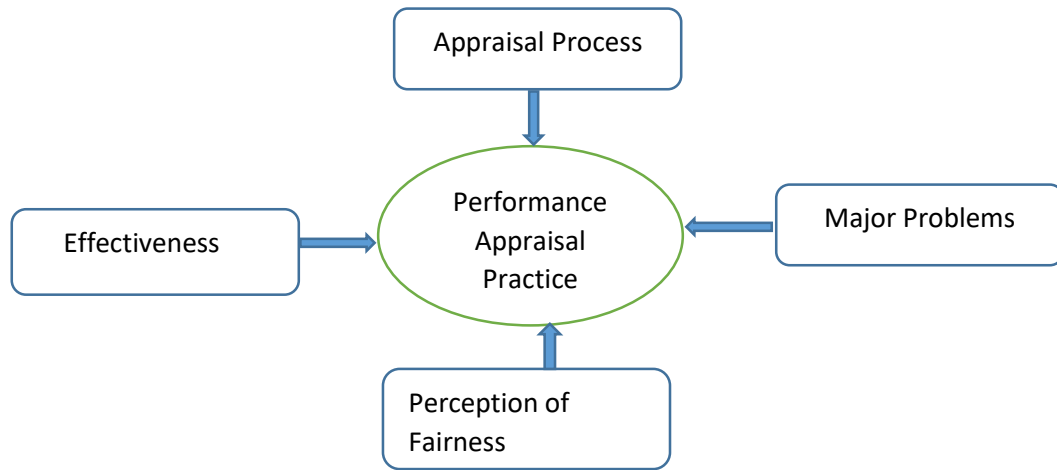
bank should centralize the distribution or allocation of the monetary reward to avoid inconsistency, disciplinary measures should be taken on supervisors who do not provide continuous feedback to the employees and the bank should consider adoption of a new system of assessing performance such as multi-rater feedback or 360 degree feedback, to remove the biasness and subjectivity reported on the part of the supervisors. 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. Atta-Quartey (2015) in the research entitled “Evaluation of the annual performance appraisal system at the University of Cape Coast” has investigated staff’s perception on the effectiveness of the annual assessment system and also examined the motivation status of staff after assessment by applying convenience sampling technique and the data collection methods used were both quantitative and qualitative. The study has concluded that the current appraisal system of the university is ineffective and performance appraisal, likewise performance management at the University of Cape Coast, lacks policy direction. Without the use of guiding principles for monitoring performance and appraising staff, it is possible that many people are actually not performing and therefore assessments at University of Cape Coast suffer a variety of judgmental errors and biases due to subjective appraisals. The

study has recommended that the Division of Human Resources (DHR) should review the appraisal system from start to end and introduce new appraisal system for various levels of administrative staff. It was also suggested that training has also be arranged to all supervisors in order to provide them appropriate assessment skills like communication of feedback to staff so as to make them to have a meaningful interaction which will motivate the staff in improving their work. In designing the appraisal forms, the Human resource has also recommended to include guiding principles to the appraisal form which enables the supervisors to do more objective appraisals. 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 20 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.

2.9 Conceptual frame work

Effective performance appraisal strategy is crucial in making sure that the business is operating effectively and also on a truck to achieve strategic goals as a result organization must be capable of installing it so as to achieve competitive advantage (Femi, 2013).



Conceptual frame work (source literature review)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview of the Chapter

This chapter primarily discusses the study's methodological framework, which was used to collect relevant data, evaluate the data, provide the findings' output, and offer conclusions and suggestions based on the study's research findings.

3.2. Methodology of Investigation

A research design (or a strategy or plan of action that relates techniques to outcomes) is the logic that connects the data to be collected (and conclusions to be derived) to the study's initial questions (Creswell, 2003; Yin, 1989). This study provides a descriptive analysis of the efficiency of the Bank of Abyssinia's deployment of a staff performance appraisal system. Because there are many alternative ways to perform such a study, a cross sectional study was chosen as the major type of study to be employed, with a qualitative research technique.

3.3 sampling design

3.3.1 Total population

The study's total population consisted of all permanent employees at Abyssinia Bank's Head Office and "A" grade branches in Addis Ababa. There was 650 permanent staff in five branches, including the central office.

3.3.2. The Sampling Frame

The banks in Addis Ababa, notably the head office and "A" grade branches, were chosen as the sampling frame from which to choose the sample for the study. The key rationale for this choice of criterion was the large number of permanent workers working there compared to other branches.

3.3.3. Sampling Size

In comparison to other studies, descriptive statistics requires a smaller sample size. The population consisted of 650 permanent employees, and the appropriate sample size is 248, as determined by Robert V. Krejcie and Daryl W Morgan (1970). (Annex 5). When the total population is divided into 69 percent (448) head office, 8% (52) Bole branch, 7.5 percent (49) Legehar branch, 7.5 percent (49) Mexico branch, and 7.5 percent (49) Kasanchis branch, the total population is divided into 69 percent (448) head office, 8% (52) Bole branch, 7.5 percent (49) Legehar branch, 7.5 percent (49) Mexico branch, and 7.5 percent (49) Kasanchis branch.

As a result of the overall population percentage across the branches and the sample size decided, 69 percent (171) of the sample was sent to the Head Office; 8% (20) Bole branch, 7.5 percent (19) Legehar branch, 8% (20) Mexico branch, and 7.5 percent (18) Kasanchis branch. A stratified sample was used to assign 69 percent (171) of employees to head office divisions.

3.4. Source and Type of Data Collection

The information for this study came from both primary and secondary sources. The core data was acquired using a questionnaire and an interview, with the goal of obtaining employee and manager feedback on employee performance appraisals, which was then analyzed. Top management, particularly General Managers and Human Resources Managers, were interviewed.

Secondary data was obtained from the organization's strategic plan, performance measurement policy, historical performance record, and other associated papers to form the sources of data.

3.5. Research Instrument

Questionnaires and interviews were used as research tools. The questions used to evaluate the evaluation process were created using a guideline recommended by the US Office of Personnel Management (USOPM) (1997). To assess the effectiveness of an employee performance appraisal program, the guideline includes 38 points divided into compliance (to determine if the organization is in compliance with regulatory, system, and program requirements) and effect (to determine the effect or results of the appraisal program, that is, are the stated objectives of the appraisal program being met?).

The variables brought up have to do with the survey's problem statement areas. The lack of a usable instrument for the assessment is the fundamental reason for picking the guideline.

The questionnaire was created to gather field data from employees who were chosen at random from all of the branches that met the criteria. There are closed-ended questions, Likert scale questions, and a few open-ended questions in the questionnaire.

Secondary data was gathered from the bank's employee database, personnel files, and published sources. General Managers and Human Resources Managers were interviewed using an open-ended interview question.

3.6. Data Analysis and Presentation One type of data analysis was descriptive statistics, and the statistical program used for the analysis was SPSS (Statistical Package for Social Science). Wherever possible, the analyzed data will be displayed as graphs and tables.

In evaluating questionnaire questions, which are closed ended and based on a Likert scale; data entry and analysis were converted. Questions with yes/no answers were translated to 1 and 0 codes. 1-5 codes were converted to Likert scale sorts of questions. Strongly disagree (not at all) was translated to “1,” occasionally (least disagree) to “2,” on average (accept or reject) to “3,” agree most of the time to “4,” and strongly agree to “5.”

For compliance with the SPSS method of analysis, non-applicable questions to a responder were converted to “6,” and missing responses in the questionnaire were converted to “7.”

Tables, frequency distributions, pie charts, and graphs were used to create the presentation. The Chi-square test can also be used to evaluate how some of the factors in the 39 questions are related. The Chi-square (X²) test was a nonparametric statistical analysis tool that was frequently employed in experimental work when the data consisted of frequencies or counts to determine the likelihood of association or independence of facts (Zibran, 2007).

To enhance the findings under the relevant headings, the open ended questions and interview results were summarized in bulleted lists to indicate some of the areas found in the questionnaires and interview.

3.7. Validity Analysis Performance appraisal method and items were identified from the literature and examined by professionals and academicians to assure the content validity of the instrument for this study. The questions were adapted from USOPM in order to improve the acceptability and validity of the data acquired. The goal of using USOPM questions was to evaluate the validity of the measures.

3.8. Reliability Analysis

The instrument utilized in the research provides reliability in terms of the consistency of the results, according to Bells (1993) mentioned in (Eriksson, 2002). The current study is trustworthy since it employed reliable procedures and techniques that were tailored to the study's goals. To ensure the study's dependability, it was also attempted to offer extensive proof of the research strategy (i.e. information of the research site, technique of sample selection, instruments utilized) and its implementation in the methodology section.

3.9. Ethical Issues

Before conducting the study on the chosen bank, the researcher informed the participants of the study's objectives and consciously considered ethical issues in obtaining consent, avoiding deception, maintaining confidentiality, respecting the privacy of all respondents, and protecting their anonymity. Because the legislation of research ethics forbids conducting a study without the consent of the respondents for the reasons stated above, a researcher must examine these factors.

The following are the ethical problems that were discussed:

- ✓ The study's objectives were clearly specified in the proposal, and the participants were given adequate information about them.
- ✓ The research advisor went over the study's plan with me.
- ✓ The interviewees volunteered to participate in the study.
- ✓ They also had the option of withdrawing from the study at any moment. The research was carried out in such a way that it did not disrupt the study locations' normal operations.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Chapter Overview

The purpose of this research is to determine the efficiency of Bank of Abyssinia's employee performance appraisal system. As stated in the methodology section, the study was primarily done utilizing questionnaires filled out by randomly selected respondents and secondary data. An interview with General Managers and Human Resources Managers was also conducted.

Table 4.1: Questionnaires distributed

No	Branches	Distributed questionnaires		
		Distributed	Collected and verified	Percent
1	Head office	71	168	98.2%
2	Bole branch	20	19	95%
3	Legehar branch	19	19	100%
4	Mexico branch	20	18	90%
5	Kasanchis branch	18	17	89.5%
Total		248	241	96.8%

248 questionnaires were distributed according to the sample plan. After receiving the surveys, a thorough verification process was carried out before proceeding to further analysis to ensure that

the questionnaires were complete and consistent. 96.8% of the total distributed surveys were found to be correctly completed and used for further study, while 7 questionnaires were not returned.

Based on the study questions and replies from the sample respondents, the findings, analysis, and interpretation of data are presented.

4.2 Individuality of the people

The characteristics of the respondents are reported based on a questionnaire that includes the number of years spent at the Bank of Abyssinia and the kind of post held (management (supervisor), non-management (clerical), or both), which are crucial factors in the analysis.

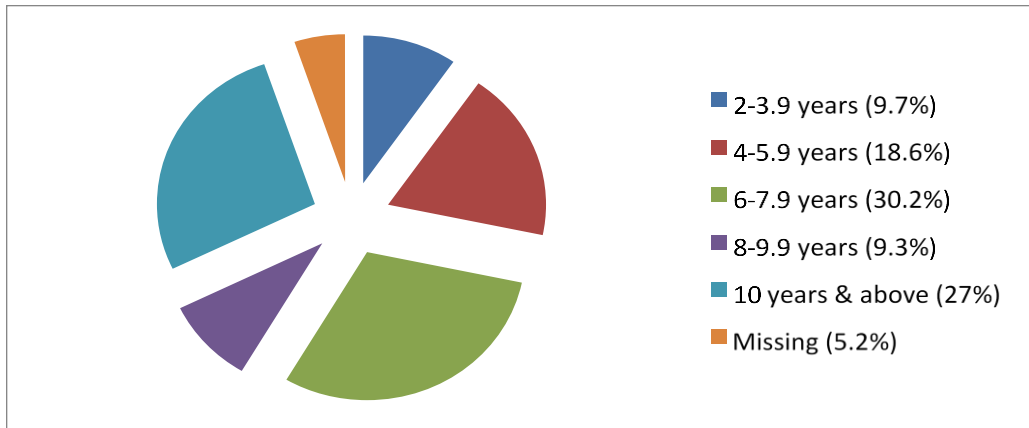
4.2.1 Bank of Abyssinia Work Experience

Under typical circumstances, an employee should receive at least one performance appraisal report within two years. The following graph depicts the distribution of years of banking experience.

The total number of respondents who correctly reported their service years in the bank on the questionnaires was 89.2% (215), while 10.7% (26) did not specify their service years.

30.2 percent (63) of individuals who have given the number of years have service years ranging from 6.0 to 7.9 years. The second immediate category, which includes those who have served for ten years or more, accounts for 27% of the total (58). The third group, which accounts for 18.6% of the total (40), has served for 4.0 to 5.9 years. The latter two categories (8.0-9.9 years and 2.0-3.9 years) account for 9.3% (20) and 9.7% (21) of the total population, respectively.

Figure 4.1 Bank of Abyssinia Work Experience



Data source: from questionnaire

4.3. Adherence to the performance appraisal system's implementation

True, in order to assess how well employees' performance appraisal systems were implemented, respondents should have knowledge of and experience with the appraisal process, either as appraisers or appraisees. There were several approaches to evaluating the banks' compliance with the correct implementation of the employee performance appraisal procedure, which are summarized here.

4.3.1 Employee Performance Appraisal in Action

The first set of questions in the questionnaire, which respondents answered, asks if the employee has had an appraisal in the previous two years. The question essentially assesses the bank's compliance with the policy, which specifies that a non-management employee's performance should be evaluated at least once every six months and a management employee's performance should be evaluated at least once a year. Two people did not respond to the question from the total of 239 people that filled out the questionnaire, so the analysis was based on 237 replies. 97.1

percent (232) of those surveyed received some type of performance evaluation in the previous two years. The remaining 2.9 percent (7) said they had not received anything.

The effectiveness of employee performance appraisal might theoretically be monitored by a survey of those participating in the system to see if it is being done at all (Kirkpatrick, 1984). The vast majority of respondents stated that it is done on a regular basis, which is the beginning point for further investigation. Furthermore, based on the interviews with Human Resources Managers and General Managers, the organizations complete the employee assessment process in the timeframes planned, with some delay in providing comments from appraisers.

4.3.2 Employees' Knowledge of Performance Appraisal Factors

Compliance with the appraisal procedure would include receiving the appraisal. It also necessitates the appraiser's knowledge of the factors being employed as an evaluation factor. The responses of the respondents to the aforesaid issue are summarized in the table below.

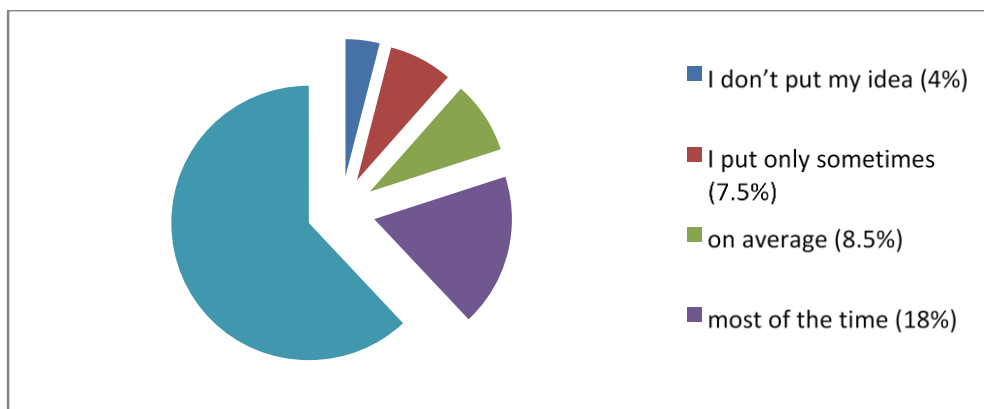
The mean of the respondents to question 5 is 4.1042, indicating that they have responded to the appraisal factors in which their performance is measured. Appraisers' knowledge of the factors is important because they will accept the system as a measure of their performance if they understand the factors by which their accomplishments are weighed.

4.3.3 Employee Reactions to Appraisal Formats

The appraisee may or may not agree with the supervisor's findings and remarks. There is a second opportunity to rise to the next level and be judged by a higher authority. For the form to be complete, all three parties must sign it. Signing the form by the employee being evaluated is merely a formality; it does not imply complete approval of the results. Because the system is an open

assessment system, supervisors are required to submit comments on the formats and discuss them with the employees they are personally evaluating.

One of the compliance issues to be addressed is ensuring that the process is followed. A question was posed to determine whether the supervisor's indications of areas for improvement and the appraises comments on the performance results were accurate. The following is the response to the question:



Data source: from questionnaire

Only one employee has not checked responses from the 241 respondents for question 4 analysis. According to the report, 62 percent of respondents always express their opinion on the format. The next group, who put the remarks the majority of the time, makes up roughly 18% of the total. Those who do, on the other hand, account for 8.5 percent and 7.5 percent on average and occasionally, respectively. The study attempted to verify the legitimacy of the response by looking for comments made by employees and supervisors on secondary source formats or copied forms from personnel files in order to validate the validity of the response.

According to the findings of the study based on secondary sources (personnel files), 96 percent (239) of employees commented on the performance appraisal format. The distinction is in the

amount of detail provided on the questionnaire. There is no structure to the types of comments because the format just has one available place for them.

As a result, a high degree of feedback demonstrates the bank's compliance in adopting the system, allowing them to obtain the claimed benefits. The Human Resources Managers indicated that they monitor both raters and rates' remarks for irregularities and accusations that indicate a disagreement between the two sides. Other encouraging remarks and planned skill-upgrading programs are also taken into consideration.

4.3.4 Practice of Performance Appraisal

According to the human resource manual, the system is divided into three modules: supervisor, clerical, and non-clerical staff. The supervisory and clerical appraisal system is the subject of this research. For clerical (non-management) jobs, there are nine elements to consider, while for supervisory jobs, there are six (management groups).

As shown in table 1.1, the point grade for each category of the performance appraisal criterion varies from "1" to "5". At the bottom of the form, you'll see a summary of the findings. The summary is useful for the first part of the format; however, the second section, which is an essay, is not graded. If the space on the first page is insufficient for the appraisee to comment on the performance result and convey his or her feelings, the form provides a second page with the option of adding sheets of paper. More sheets of paper can also be added for the appraiser's remarks on the performance. All of the recommendations are key elements of the appraisal process because they create areas for proposals that lead to improvement and development opportunities.

4.3.4.1 Appraisal grades for performance

Respondents were asked to list the highest and lowest grades they received in the previous two years in terms of grades, i.e. 5, 4, 3, 2, and 1. The outcome is shown in the table below.

Table 4.3 Appraisal Grade for Respondents' Performance.

Grades	Frequency	Percent
5	188	78.7
4	23	9.6
3	1	0.4
No response	27	11.3
Total	239	100

Data source: questionnaire

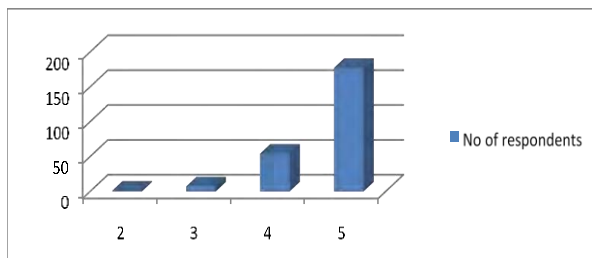
The number of responders who declared their greatest result was 212, accounting for 88.7% of the total, while the remaining 11.3 percent did not. A cross tabulation study was performed to see how well those who received the highest grades understood the elements that were used to evaluate their performance.

Table 4.4 Highest Grade and Appraisal Factors Knowledge

Level of agreement	Highest point obtained			Total
	5	4	3	
Strong disagree all the time	2	2	0	4
Agree only some times	3	4	0	7
On average	22	8	1	31
Agree most of the time	72	3	0	75
Strongly agree all the time	91	7	0	98
Total	190	24	1	215

The following table shows that 92.9 percent of individuals who firmly agree that they understand the appraisal components received the highest rating of "5". (91). The paper, on the other hand, attempted to correlate these percentages to performance results expressed in terms of grades gleaned from secondary data sources.

Figure 4.4 Appraisal grades for performance



source: secondary data source

According to the personnel record, there were approximately 239 responders who were validated to be part of the analysis. According to the statistics, 74 percent (177) of the students received a "5" grade. On average during the last two years, 22.6 percent of people received a 4. (54). Those who got 3 and 2 make up 2% of the total (8).

The study asked respondents if they agreed with the outcomes that their supervisors had given them over the previous two years. The outcome is shown in the table below.

Table 4.5 Acceptance of the Respondents' Results

Level of acceptance	Count	Percent
Strongly disagree all the time	13	5
Agree only some times	14	5.9
On average	34	14.2
Agree most of the time	111	46.8
Strongly agree all the time	62	26.4
No response	5	1.7
Total	239	100

Source: questionnaire

Only four people failed to answer to the questions out of the 239 that were asked. When it comes to accepting the results of their supervisors' performance appraisals during the last two years, 46.8% (112) say they agree with the outcome most of the time and are satisfied with the assessment.

Acceptance of the system as a means of assessing performance is critical to the successful implementation of any employee performance appraisal system. The greatest proportion is 73.2 percent, which includes those who strongly accept the outcomes and those who accept the results most of the time. As a result, it is apparent that employees had a positive attitude regarding the existing system.

To get at the correct findings, various tests are required to check the veracity of the aforesaid study. One method was to look at their results during the previous two years, which is the time period under inquiry.

4.3.4.2 Changes in Employee Performance Appraisals One crucial aspect of the evaluation process is determining whether or not the appraisal results are changing over time and in which direction. The study used a questionnaire filled out by the respondents and secondary data from personnel files to examine the points from primary and secondary sources.

Table 4.7 Changes in Employee Performance Appraisal Results over a Two-Year Period.

Conditions	Frequency	Percent
Yes-Increasing	82	34.3
Yes-Decreasing	11	4.6
Yes-Both	18	7.5
No change	119	49.8
No response	9	3.8
Total	239	100

Source: questionnaire

In response to the question, 49.8% (119) said their findings had not changed, while 46.4 percent (111) said their results had changed in some way. The trend in the personnel file suggests that the information is more accurate because it considers points within the same grade. The results are listed in the table below.

Direction	Frequency	Percent
Decreased	58	24.7
No Change	97	41.2
Increased	74	31.5
Missing	6	2.6
Total	235	100

Source: Secondary data source

According to the results of a review of data from employee performance appraisals based on personnel files, those who had demonstrated no change account for 41.2 percent.

Those who experienced a change in their evaluation findings account for 56.2 percent of the total, which is larger than the number of respondents who indicated a rating of 5, 4, or 3 in their questionnaire responses.

4.3.4.3 Experimentation (number of Years) The Impact on Employees' Performance.

The relationship between the appraisal results and the number of years spent at the Bank of Abyssinia was one aspect considered in the study, so that a link could be made to see how the

appraisal findings are influenced. Employees that stay longer have more exposure to the system, thus any changes will be noticeable.

Table 4.9 Change in appraisal result and experience.

Change in appraisals	No of years In BOA	No of years in Bank Of Abyssinia					Total
		2-3.9 years	4-5.9 years	6-7.9 years	8-9.9 years	10 & above	
Decrease	Frequency	9	11	10	11	18	59
	Percent	31%	17.4%	24.3%	33.3%	25.3%	25%
No change	Frequency	7	28	22	11	32	100
	Percent	24.1%	45.2%	53.7%	33.3%	45%	42.4%
Increase	Frequency	13	23	9	11	21	77
	Percent	44.9%	38.4%	22%	33.3%	29.7%	32.6%
Total	Frequency	29	62	41	33	71	236
	Percent	100%	100%	100%	100%	100%	100%

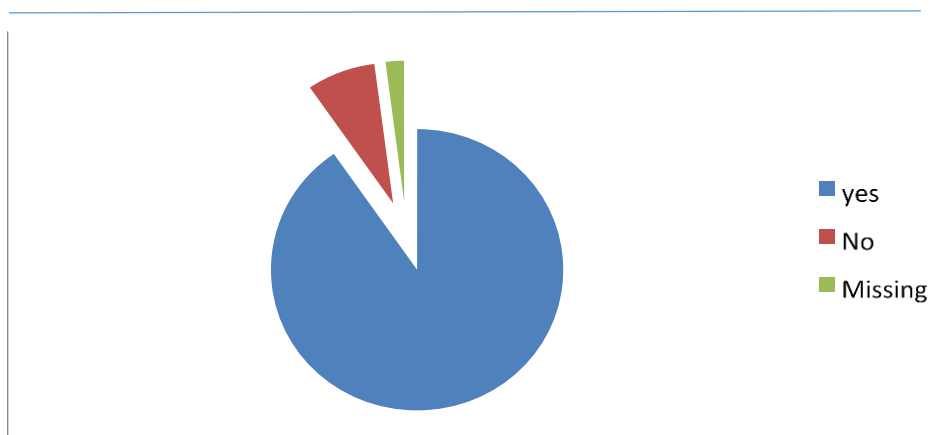
Source: Secondary data source

4.4 Awareness of employees and managers towards performance appraisal system.

4.4.1 Acceptance of the Appraisal System as a Tool for Evaluating Employee Performance

The questionnaire asks respondents about the importance of an employee performance rating system in appraising the jobs they conduct. This is essential to determine whether the issues experienced are the result of the appraisal process or the instrument itself. The outcome is depicted in the figure below.

Figure 4.5 Respondents' Acceptance of the Usefulness of the Appraisal System.

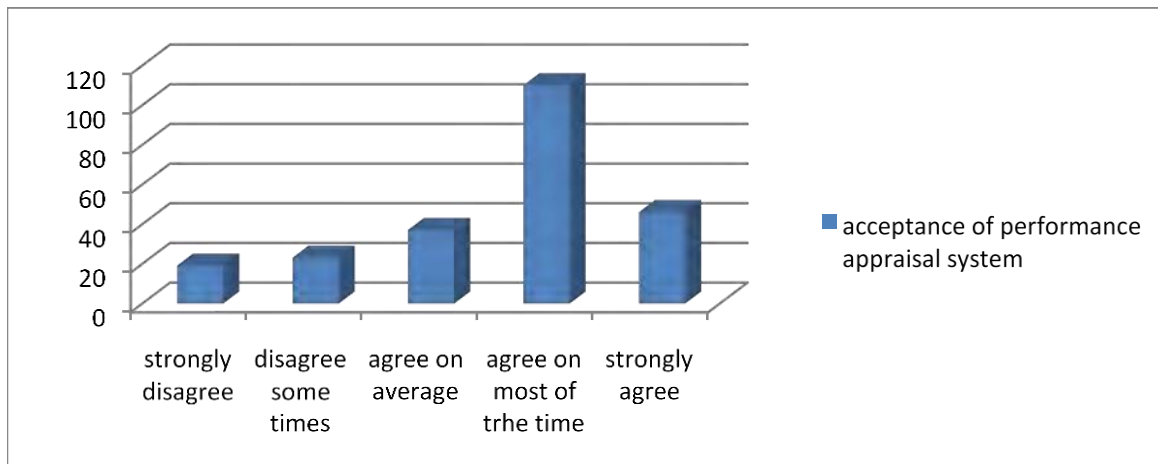


Source: questionnaire

Only five people did not respond to the question. The importance of employee performance appraisal systems is agreed upon by 90.4 percent (212) of those who replied to the question. The acceptance of the system demonstrates that the respondents understand what is expected of them. Employees will not embrace a system that is not properly known and understood. The difference will be in the degree of acceptance, as the magnitudes will differ.

As a result, after determining the significance of performance appraisal, one of the variables in determining effective implementation is the level of acceptability of any appraisal system. On a five-point Likert scale, respondents were asked how satisfied they were with the current system. The study's findings are depicted in the image below.

Figure 4.6 Respondents' Acceptance of the Usefulness of the Appraisal System.



Source: questionnaire

Respondents who said they agree most of the time accounted for 46.8 percent (110) of the total, with 19.6 percent strongly agreeing (46). The remaining 33.6 percent of respondents were divided into three categories (average, disagree, and strongly disagree), as indicated in the graph above. Respondents who doubt the performance appraisal system as a good indicator of their performance give a variety of reasons. The following are the primary reasons stated:

- ❖ Appraisers had varied opinions of different employees, and there was no body to resolve conflicts.
- ❖ Appraising was based on incidences from the prior period (current period performance outcomes were influenced by previous period registered results).

- ❖ Relationship with the boss
- ❖ A few managers influenced supervisors to provide low scores, despite the fact that it is the immediate supervisors' obligation to fill out the assessment forms, show them to the appraisees, and discuss them with the department manager.
- ❖ The supervisors always gave us low scores without providing us with opportunities to improve based on the comments they made.
- ❖ The appraisal factors are condensed points that are tough to apply to assess an individual's specific abilities and results.
- ❖ There are individual skills that are unique to a person but are not reflected in appraisal formats.
- ❖ There is no dialogue or listening by the supervisors.
- ❖ Both the appraisee and the appraiser have a limited comprehension of the system's factors.

These are some of the reasons, summarized from an open question posed to respondents, why they do not agree on the assessment system as an effective indicator of their job outcomes and achievements. Some of the above issues are based on characteristics that are already in the system but are not being used effectively. It is recognized that selecting the suitable approach for the right assignment would increase the rate of success in conducting employee performance appraisal (Biron, et al., 2011). Furthermore, some proposals in the area include training raters, the alignment of employee and organizational goals, a way that motivates employees to perform better, the ability to compare among employees, the cost of adopting the system, and its ability to produce error-free judgments (Jafari, et al., 2009).

4.4.2. Rater Training and Performance Appraisal

The value of training cannot be overstated, but the type of training is provided is critical. Borman (1979) discovered a strong relationship between rater training against halo and performance appraisal accuracy errors. As clearly mentioned by the respondents and the study findings in the literature, rater trainings should be conducted at all times to ensure that the employee assessment system is implemented effectively.

A question was asked to respondents to determine how far they had progressed through such training, which included at the very least an orientation program on the performance rating system. It was discovered that approximately 65 percent of respondents who had management positions to review direct deportees had received some orientation regarding the performance appraisal system. The other 35% had no such training or orientation.

The complaint that "the raters are not trained" has gained traction to the extent illustrated here. As a result, one factor to consider when dealing with the effectiveness of employee performance rating is the training of raters.

4.4.3 Rater Discussions

Because the assessment process is thought to be a good opportunity for direct deportee's and supervisors to discuss performance appraisals and job-related issues, a question was given to determine if appraisers discuss performance appraisals with their direct deportees during appraisals. The following table summarizes the results of the respondents' responses.

Table 4.11 Practice of Appraisal Discussions with Direct Deporteas by Supervisors

Level	Frequency	Valid Percent
Not at all	1	1.1
Sometimes	3	3.3
On average	16	17.8
Most of the times	19	21.1
Always	51	56.7
Total	90	100

Source: questionnaire

According to the above data, around 77.8 percent of respondents always and most of the time have dialogues with their direct deportees to solve problems and raise awareness.

Another topic relating to this feedback procedure was how a supervisor conducts the discussion under what conditions. The following table contains the answer to this question.

Table 4.12 When the Feedback Discussion Takes Place

	Frequency	Percent
When the result is low	18	19.5
When the result is high	9	10.2
Both of the times	61	68.1
I do not make any discussions	2	2.3
Total	86	100

Source questionnaire

According to the above table, 68.1 percent of the time, conversation is held at both times, i.e. when the outcome is high or low. Employee performance appraisal is discussed as part of the feedback process to employees whose importance was underlined in the study and associated literature. Conducting such a debate is also part of the system's requirements. As previously stated, a sizable number of employees stated that they have less discussion with their appraisers. As a result, there is a good chance that the percentage listed above as having had such a discussion is on the high side.

4.4.4 Acceptance of the Appraisal System by Supervisors

Supervisors benefited from being reviewed by the system as well as reviewing their direct deportees using the same system. As a result, respondents in this category were asked whether they felt their direct deportees' performance is fairly appraised to show their level of achievement by the performance appraisal system. It is critical that an appraisal system distinguishes between good

and poor performance. The questions are part of the questionnaire, and 85 to 93 of the total 239 respondents validated for analysis have completed the supervisory section of the questionnaire.

4.5 The effectiveness of the performance appraisal system

4.5.1 Bank Efficiency and Profitability, as well as Performance Evaluation

In the 1990s, the usual traditional Performance Appraisal Process concentrated nearly completely on identifying what was to be accomplished. Today, however, competency-based Performance Management Schemes abound and are quickly becoming the blueprint for the future. These hybrid models evaluate and reward both outcomes and demonstrations of competencies; both what employees provide and how they do it, according to Dr. Shambhu (2008).

Banks can link their performance appraisal system to the bank's goals if employees are aware of their responsibilities and how to evaluate their performance in relation to what is expected of them.

In this regard, General Managers and human resource managers were interviewed to determine whether there is a link between performance appraisal and efficiency and profitability, that is, whether the movement in performance appraisal results follows or is equal to the growth in the banks' efficiency and profitability. None of them agreed to such a notion, and they all agreed that each individual's performance evaluation is not dependent on the work and goal in front of him. As a result, the danger of incurring big costs without reaping commensurate benefits for the business need systematic control.

4.5.2 Criteria for Performance Appraisal Rating In light of the foregoing, the existing evaluation system is examined to determine which components, namely developmental, which is related to the bank's aim and objectives, or behavioral rating criteria, are given the most attention in the Bank of Abyssinia.

Years	Factors	Numbers		Mean	S.D.	Variance
		Valid	Missing			
2019/20 20 G.C (2018/20 19 E.C.)	Professional competence	238	2	4.54	.409	.159
	Efficiency	238	2	4.46	.463	.217
	Quality of work	238	2	4.14	.441	.204
	Customer/Employee relations	238	2	4.64	.368	.119
	Attendance	238	3	4.50	.478	.234
	Responsibility	237	4	4.59	.392	.142
2019/2020 G.C (2018/20 19 E.C.)	Professional competence	239	3	4.53	.433	.184
	Efficiency	239	3	4.43	.441	.192
	Quality of work	239	3	4.20	.418	.168
	Customer/employee relations	239	3	4.69	.356	.108
	Attendance	239	3	4.54	.437	.188
	Responsibility	236	7	4.64	.356	.108

Source: Secondary data source.

The highest mean recorded in both years is the customer/employee relationship, which was 4.64 in the first year and 4.69 in the second. Responsibility was rated second in both years, with 4.59 and 4.64 for the first and second years, respectively. To smooth the disparity, the two years' results are summed and divided by two to arrive at an average rating. The average result for the two years is summarized in the table below.

Table 4.16 Two-Year Average Result Statistics

N	Valid	239
	Missing	0
Mean		4.4923
Std. Error of Mean		0.013139
Std. Deviation		0.23532
Variance		0.0469

Secondary data source

The two-year mean result was 4.49, with a standard deviation of 0.23532 and a standard error of the mean of 0.0131139. According to normal distribution theory, 95.27 percent of the population would be within two standard deviations of the mean, ranging between 4.30 and 5.00. In general, the distribution of performance appraisal scores does not closely resemble the normal distribution of a bell shaped curve. It is usual for 60 percent to 70 percent of an organization's employees to be rated in the top two performance tiers (Mathis and Jackson, 1997). This demonstrates how performance appraisal results are displayed in personnel files as documented in the bank's personnel data.

Normally, a bank's competitive advantage is maintained when its workers demonstrate high professional competence in their work, which is a developing part of performance evaluation. According to the data, the highest rated elements are customer/employee interactions and responsibility, which are considered by many to be secondary concerns. This reduces the system's efficacy because it provides less benefit to the bank while having a greater impact in terms of costs, whether administering the system or granting staff merit pay based on performance.

4.5.3 Performance Appraisal Factors and Appraisers' Attention

Appraisers must pay close attention when making appraisals because they are making decisions that affect the motivation and productivity of direct deportees, which are related to the bank's profitability and efficiency. A query was raised asking whether "Efficiency and quality" or "customer relationship and responsibility" were given substantial consideration throughout the appraisal process. The findings are summarized in the table below.

Table 4.17: Raters' Focus Areas When Making Appraisals

Appraisal factors	Count	Percent
Efficiency and quality	13	9.2
customer relation and responsibility	8	7.9
Both the factors	74	82.9
Total	95	100

Source: questionnaire

According to the appraisers, 82.9 percent of respondents pay close attention to both categories, which are "Efficiency and quality" and "Customer Relationship and Responsibility" as appraisal factors. The reaction is critical because it indicates whether the evaluation process and appraisers are focused on the company's productivity and profitability or on behaviors that have no direct relationship with such criteria.

The outcome of this request may be seen in the results acquired by searching through personnel files on the points assigned to employee performance elements. As shown in table 4.15, elements such as customer relationship and accountability scored higher than other aspects connected to productivity and profitability. Such signals point to a flaw in the implementation, as the raters became more relaxed and less objective. The appraisers are also asked if they provide similar evaluation results to an employee based on all of the parameters listed on the form. The findings are summarized in the table below.

Table 4.18 Supervisors weigh the Manner Appraisal Factors.

	Frequency	Percent
Strongly disagree	32	36.7
Some times	7	6.7%
On average	16	18.9%
Agree most of the times	29	31.1%
Strongly agree	6	6.6%
Total	90	100%

Source: questionnaire

The appraisers who responded to the question significantly disagreed, with 36.7 percent agreeing that direct deportees should be given separate evaluation findings for each criteria. 31.1 percent of those polled indicated that the outcome may be equal most of the time. Those who agree on average account for 18.9 percent of the respondents, while those who strongly agree account for 6.6 percent.

4.5.4 What is the purpose of the Performance Appraisal System?

The performance appraisal system, as stated in the Human Resources Policy Manual's goals, had several functions. The survey attempted to determine which purpose was more significant to respondents.

Table 4.19 Respondents' Ranking of Appraisal Purpose

Observations		Promotion	Recognition	Salary increment	Penalizing	Feedback	Administrative form	Total percent
1st	Frequency	21	65	26	7	98	22	239
	Percent	8.9%	27.2%	10.9%	2.9%	41%	9.2%	100
2nd	Frequency	36	81	30	7	67	12	233
	Percent	15.4%	34.7%	12.9%	3%	28.8%	5.2%	100
3rd	Frequency	76	48	51	12	27	21	235
	Percent	32.3%	20.4%	21.7%	5.1%	11.5%	9%	100
4th	Frequency	51	34	72	11	28	29	225
	Percent	22.7%	15.1%	32%	5%	12.4%	12.9%	100
5th	Frequency	26	15	41	24	47	71	224
	Percent	11.6%	6.7%	18.3%	10.7%	20.98%	31.69%	100
6th	Frequency	34	53	54	20	25	35	221
	Percent	15.38%	23.98%	24.43%	9.04%	11.31%	15.83%	100
Total		244	296	274	81	292	190	

Source: questionnaire

According to the above table, the perceived purposes of employee appraisal are listed in the following order:

First, provide feedback to staff, Second, commendable performance is recognized.

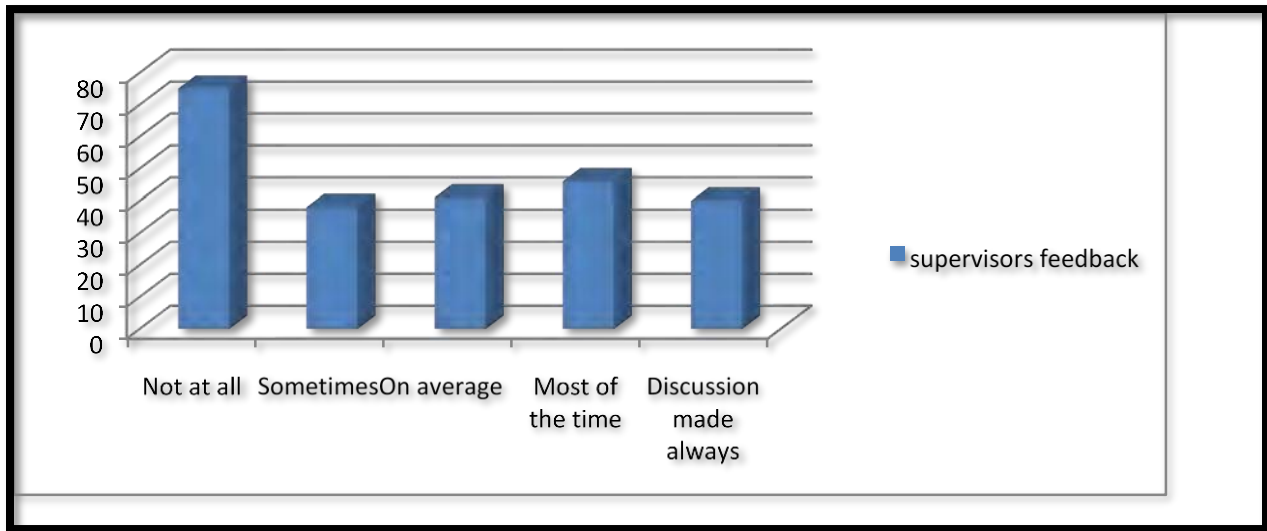
Promotion to a higher rank for the third time, The fourth salary increase, 5th Administrative procedures, Sixth, employees are penalized.

The preceding table shows that the employees' responses are consistent with the goal of the assessment system, which is to provide feedback and appreciation. The crucial factor will be whether the practice acknowledges the priority based on the findings. The ultimate purpose of performance appraisal should be to offer managers with knowledge that will help them enhance employee performance (Dargham, 2008).

4.5.5 Employee Feedback

One key aim of employee performance appraisal was discovered to be the providing of feedback to employees. The research looked into the practice of offering feedback as a common topic of conversation between the appraisee and the supervisor. The following are the findings:

Figure 4.7: Supervisors' Feedback to Employees



Source: questionnaire

According to the study findings, 31.25 percent (75) of respondents had not gotten any feedback discussion from their superiors. Only 15.83 percent (38) of those who received feedback discussion received it on a regular basis. Those who have discussions all of the time and most of the time, on the other hand, are 16.67% and 19.17%, respectively.

In all cases, feedback or discussions with appraises should be practiced. Those who are performing well should be encouraged to keep it up, while those who are not performing well should be assisted in improving their performance. Such conversations would be appropriate during the performance appraisal phase. The feedback mechanism is a key component of the bank's evaluation system. The vast majority of appraises and appraisers stated that they made comments on the formats. However, this will not be sufficient until there is a face-to-face dialogue between the two parties to ensure the system's success. Because the employee and supervisor are expected

to share the employee's performance appraisal results, respondents were asked whether they discuss the appraisal with their supervisor and under what circumstances they do so.

Table 4:20 Discussion of Appraisal Results with Employees

Occasions	Frequency	Percent	Cumulative percentage
When the result is good	4	1.3	1.20
When the result is not good	70	28.7	31.20
Both times	116	47.6	78.60
I do not do it at all	45	19	98.10
No response	7	2.4	100.00
Total	241	100	

Source questionnaire

According to the above table, 78.6 percent of respondents had discussions with their supervisors (appraisers). About 19.5 percent of those polled do not engage in any debate. Finally, those who did not respond account for 1.9 percent of the total. Approximately 21% of people do not engage in any type of conversation at all times. This is not a good indicator of the system's effectiveness. As a result, the appraisers' failure to consult with their immediate reporters is an indication of weakness on their behalf.

4.6 Factors Influencing Successful Performance Appraisal System Implementation

Previously, as many studies have indicated, greater emphasis was placed on performance management tools and practices. Experienced practitioners, on the other hand, unanimously believe that having good tools and processes is a necessary but not sufficient prerequisite for establishing an effective performance system.

This is due to the fact that the effectiveness of any performance management system is determined on how seriously managers and employees take it. As a result, successful implementation is both the most difficult and critical aspect of establishing an effective performance management system.

There are various factors to implementation, but the most important aspect is delivering a user-friendly, value-added system that both managers and staff can and will use efficiently. The table below summarizes how respondents prioritized aspects of successful performance appraisal system deployment in Bank of Abyssinia.

Table 4.21: Factors Influencing Successful Performance Appraisal Implementation

Factors	1	%	2	%	3	%	4	%	5	%	Total
1.Employee participation	4	4.5	5	5.6	3	3.4	55	61.8	22	24.7	89
2.Developing performance standards	2	2.2	6	6.7	11	12.4	35	39.3	35	39.3	89
3.Goal setting	7	7.9	13	14.6	15	16.9	37	41.6	17	19.1	89
4.Self evaluation	14	15.7	10	11.2	16	18.0	38	42.7	11	12.4	89
5.Management feedback	2	2.2	6	6.7	12	13.5	50	56.2	19	21.3	89
6.Develop simple procedure	4	4.5	4	4.5	8	9.0	45	50.6	28	31.4	89
7.Design specific and relevant appraisal	2	2.2	4	4.5	12	13.5	40	44.9	31	34.8	89
8.Evaluator training	5	3.9	7	7.9	11	12.4	31	34.8	35	39.3	89
9.Reviese performance appraisal process	2	2.2	3	3.4	5	5.6	66	74.2	13	14.6	89
10.Sound performance appraisal interview	6	6.7	6	6.7	15	16.9	43	48.3	19	21.3	89

Source: questionnaire

The elements given in table 4.21 are prioritized by adding the replies of the respondents as strongly agree (5) and agree (4) (those respondents who have demonstrated above neutral response), and the factors are listed in ascending order by adding these.

First, the performance appraisal process was revised.....88.8 percent

Second, 86.5 percent of employees participated.

3rd Create a basic procedure.....82.0 percent

Even though the respondents prioritized the aforementioned success elements in the manner described above, each aspect contributes to the effective execution of the performance appraisal process. A systematic method for performing performance reviews is required because it ensures that each individual is fairly appraised and keeps discrimination out of promotions and compensation decisions. It also avoids any legal difficulties that may arise as a result of termination or promotion. Furthermore, having an uniform procedure guarantees that employee performance requirements remain consistent throughout the life of the bank.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The primary goal of an appraisal system should be to help employees and organizations improve their performance. The system must be built on a foundation of genuine respect for people and an understanding that employees are the most valuable resource. First and foremost, the system should contribute to the pleasure of all employees. Employee performance appraisal systems are widely regarded as critical in organizations, and they are used for a variety of purposes including pay raises, improvement and training, transfers, compensations, counseling, promotion, employee recognition, and termination. These are all acceptable reasons for firms to use performance appraisal systems. The entire performance of a company is improved by a simple and effective appraisal system that promotes continuing professional development. The process of performance appraisal, on the other hand, should continue throughout the year. Even if a formal evaluation is only given once a year, an employee should be informed about his or her work on a regular basis. It's also worth remembering that the review isn't just focused on the employee's performance in the two-to three weeks leading up to the evaluation, but also on the employee's work during the course of the appraisal period, whether it's three, six, or twelve months. This concept will necessitate an ongoing commitment to counseling, coaching, and honest, open communication between employees and managers. A descriptive survey method was utilized in this study with the expectation of gathering a wide range of information about the practice and process of employee performance appraisal. This strategy is thought to aid in the collection of many types of data on the subject of research. Some research questions were posed in order to examine the situation and make recommendations as remedies to the problems revealed in the study.

Based on a review of the related literature and data acquired from respondents and personnel files as secondary data, the following conclusions may be drawn from the study about the efficient implementation of the workers' appraisal system in Bank of Abyssinia. All conclusions and recommendations are offered in accordance with the study's research objectives.

- a) One of the things that had to be examined was whether or not the appraisal was being done at the bank utilizing the system that had been set in place. One of the objectives of the program to be checked, which has been proven to be in place, was indiscriminate implementation. The survey found that 97.1 percent of respondents got performance appraisals within the time periods examined. The bank was following the intended timing, which was based on the seniority date. The completion of the appraisal for all employees in the study is backed by primary data acquired from respondents as well as personnel files analyzed for the study. It is possible to conclude that the bank is in compliance with the system in place.
- b) There is no apparent link between bank efficiency and profitability and performance appraisal. Employees are also Performance appraisal serves a variety of reasons, the most important of which is feedback to employees, which reflects how an employee is perceived by his or her rater. It offers you a sense of accomplishment and helps you meet your goals. Many systems do not provide such a clear indication. This is a more psychological outcome than other practical goals mentioned in the study, such as merit evaluations, promotion, and training. In the bank's employee performance appraisal practice, the first part, which assigns grades and points, receives more attention. The second half, which is likely to be employed for developmental objectives, was discovered to be used infrequently and with less focus.

- c) According to the findings, there is no direct correlation between the bank's success and the results of staff performance appraisals. This is in contradiction to the bank's stated mission, which states that the goal of the Bank of Abyssinia's employee performance appraisal system is to improve employee and organizational performance. The system's effectiveness should be linked in some way that benefits both the bank and the employees.
- d) The number of respondents who believed that an employee performance appraisal system is useful is 90.4 percent, which is a very high rate. On the other hand, 66.4 percent of respondents agreed that the present system should be used to assess performance, with 46.8% agreeing most of the time and 19.6 percent strongly agreeing that the existing system should be used to accurately evaluate performance. It is clear that the concept of a system's requirement is higher than what is actually measured; there is a disconnect between what is expected and what is gained from the system.
- e) Employee acceptance is a critical aspect in the system's adoption and utility. One component that enhances system acceptance is knowledge and fairness of the criteria being used. It may be determined that the average result for those who are aware of the evaluation factors in general is 4.1042, based on which their performance is measured. This is a significant number of respondents, indicating that the measuring criteria are well understood. As can be seen, the outcome does not indicate that a complete overhaul of the system is required, but rather that the raters' management of the system has to be improved.
- f) The second component of the Bank's Performance appraisal format is an essay-style question designed to get feedback from appraisers and appraisees by examining the remarks submitted for developmental insights. One factor evaluated for the test of system compliance was the inclusion of comments from both sides, which aids conversation and

future follow-up. A large number of respondents included comments in their performance appraisal formats. On the other hand, both parties use less follow-up and action plans based on remarks. As a result, some respondents claimed that they heard the same type of comments from time to time. The broad discussion of performance results between management and employees is less common, which has left several respondents perplexed.

- g) The idea that performance appraisals increase when they are tied to rewards is well acknowledged. There is significant compliance to fulfill the procedures because numerous administrative actions, most notably wage modifications, are based on the performance appraisal outcomes. Simultaneously, it is discovered that many of the results are higher grades, reducing their utility for other purposes. Many parties have stated that a number of supervisor's conduct performance appraisals in a forgiving manner in order to avoid influencing employee pay raises. This type of event will be excessively costly to the bank. When the developmental and administrative purposes of performance appraisal are examined together, there exist conflicting scenarios, as previously indicated. Maintaining a balance will be critical for the system's successful implementation.
- h) 82.9 percent of respondents gave the two categories of appraisal variables in the questioner same weight, namely "efficiency and quality of service" and "customer relationship and responsibility." The system assigns equal weight to all aspects, which is to be expected, although factors connected to efficiency and profitability will be more crucial for survival when compared to the bank's overall success. On the total average assessment, appraises are given higher scores on customer relations and responsibility, according to secondary sources from personnel files. This is a good clue that the appraisers made a leniency error. Some of the feedback on the system suggests that appraisers are being treated unfairly.

Customer relations and responsibility are two areas that provide such information. A variety of errors could occur throughout the rating process if the criteria aren't clearly defined and there are no incentives associated with rating accuracy. Because high points are awarded to less objective points, the tool's ability to distinguish good from bad performance will be severely limited.

- i) Factors that influence the success of performance appraisal implementation are believed to aid in maintaining a performance appraisal system flexible to the needs of companies. It is also envisaged that personnel decisions based on the assessment results will be significantly better and more informed, resulting in increased organizational goal achievement. Every system develops flaws over time. To have a good appraisal system, the performance appraisal system should be improved, employees must engage in the system development, a simple appraisal system should be available, and other aspects should be tailored to the type of employee, the work performed, and the bank's needs. It should also be regularly monitored and input should be sought on a regular basis. On a question about the factors that contribute to successful performance appraisal implementation, respondents ranked revision of the system first (88.8%), with 74.2 percent agreeing and 14.6 percent strongly agreeing, employee participation second (86.5 percent), and development of a simple appraisal procedure third (86.5 percent) (82.0 percent).

5.2 Recommendation

The study's main goal is to evaluate the efficacy of the Bank of Abyssinia's staff performance appraisal system and make operational recommendations to top management.

- The raters' supervisor's signature on the format serves merely as a witness to compliance, with no discernible engagement in the process and no distinct commenting place to record evaluations. As a result, other raters' techniques can be considered as part of the system. Still, the supervisor could be granted the majority of the credit because his or her exposure and instant observation are so high in comparison to the other raters in the system.

- Employee performance appraisal goals, which can be classified as administrative and developmental in general, are frequently at odds. To get a stunning result, a balance must be struck in order to make the employee performance system effective. To meet these aims, the bank's format must be improved, and the essay portion of the format must be strengthened with a more structured approach rather than a simple open space for comments.
- Because the system of common goal formulation and follow up will provide measurable results for the bank and its workers, performance appraisal must be refocused by starting with the sort of task being done and what is to be expected, rather than dealing with behavioral characteristics.
- The parameters used to evaluate employee performance must be improved to include factors that raters and rates agree on and understand. This is because, while most of the respondents in the survey are aware of the existing components, there is a distinct uncertainty regarding the type of employee performance metric they produce.

- Employee performance appraisal is employed in particular since the employee's compensation rise is set by his or her supervisor without input from other bank stakeholders. As a result, the real ratings of employee performance have been impacted. As a result, the pay increment element of the system should be separated from the other grades.
- The aim and mechanism of any general system must be known in advance for it to work successfully and efficiently. Continuous training must be the norm in order to strengthen this. Top management is dedicated to employee performance evaluations, and taking advantage of such opportunities is critical. Unskilled raters (those who have not received sufficient training) are to blame for some of the study's incorrect conclusions.
- The employee performance procedure must help the bank's management deal with bad performance, and it must be based on keeping accurate records of employee performance. Mechanisms should be established to assist appraisers in taking notes and providing feedback conversations. The focus of the appraisal sections should be on past accomplishments and future capabilities based on output, knowledge and skills, personal traits, and employees' contribution to the overall business performance of the organization.
- Human resource managers or other concerned department members should follow up on comments made by both appraisers and appraisees in a timely and proper manner. To be useful in summarizing some categorical factors, the forms must be standardized and methodical. As a result, each one should have its own

documentation and mechanisms. When adequate preparation and commitment are undertaken, training can be one of many intervention approaches.

- People would be interested in documenting certain unusual achievements as their performance appraisal outcomes, but the existing system only requires improvement areas. If there is exceptional performance, a letter of praise should be included in the guideline. This should be taken into account when the system is restructured in the future.
- To establish an effective performance appraisal system in the bank, system developers and performance appraisal process implementers should pay close attention to those elements that affect the successful implementation of performance appraisal.
- In conclusion, continual overall performance review system reassessment should be part of the process in order to apply the aforementioned recommendations and assure future improvements.

The focus of the recommendation was on having an effective performance appraisal system that allows employees to understand what is expected of them, accurately inform them of their performance, assist them in areas where they need assistance in improving their performance, and still share the fruits of their success so that both the organization and the employees benefit.

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