

**KOTEBE UNIVERSITY OF EDUCATION  
BUSINESS AND ECONOMICS FACULTY  
MANAGEMENT PROGRAM**

**THE EFFECT OF PERFORMANCE APPRAISAL PRACTICE  
ON EMPLOYEE PERFORMANCE: THE CASE OF ETHIOPIA  
COMMODITY EXCHANGE**

**BY:  
HILENA FEKADU.**

**JUNE, 2023  
ADDIS ABABA, ETHIOPIA.**

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**A THESIS PAPER SUBMITTED TO KOTEBE UNIVERSITY OF  
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**JUNE, 2023  
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**SCHOOL OF GRADUATE STUDIES**  
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**ADVISORS' APPROVAL SHEET**

This is to certify that the thesis entitled “**The effect of performance appraisal practice on employee performance: the case of Ethiopia commodity exchange**” submitted in partial fulfillment of the requirements for the degree of Master of business administration, the Graduate Program of the faculty of Business and Economics, and has been carried out by **Hilena Fekadu**, under our supervision. Therefore, we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the school of management and Accounting.

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We, the undersigned, members of the Board of Examiners of the final open defense by **Hilena Fikadu** have read and evaluated his/her thesis entitled “**The effect of performance appraisal practice on employee performance: the case of Ethiopia commodity exchange**”, and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree of Master of Business Administration in college of Business and Economics.

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## DECLARATION

I, Hilena Fikadu have carried out a research Thesis on “**The effect of performance appraisal practice on employee performance: the case of Ethiopia commodity exchange**” independently in partial fulfillment of the requirement of the Master of Business Administration in college of Business and Economics with the guidance and support of the research advisors Shewayirga A. It has not been submitted for any degree/Diploma in any University. In carrying out of the thesis work, I have different sources and materials, which have been appropriately acknowledged.

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Hilia Fikadu \_\_\_\_\_ 01/06/2023

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## ACRONYMS

**BARS:** Behaviorally anchored rating scales

**ECX:** Ethiopian commodity exchange

**HR:** Human Resource

**HRM:** Human resource management

**KSAs:** Skills and attitudes

**MBO:** Management by objectives

**MOFED:** Ministry of finance and economic development

**PAS:** Performance appraisal system

**PM:** Performance Management

**PMS:** Performance management system

**SPSS:** Statistics software for social science

## ABSTRACT

*The performance of an organization is a collective outcome, encompassing the individual performances of all employees within the organization. The effectiveness of an organization's performance appraisal system plays a crucial role in ensuring the success of its selection, training, and employee motivation practices. This study aimed to investigate the effect of performance appraisal practices on employee performance specifically in the context of the Ethiopia Commodity Exchange (ECX). To achieve the study's objective, a combination of primary and secondary data was utilized. Data were collected from ECX employees through questionnaires and interviews, employing stratified random sampling techniques. The sample size consisted of 285 participants selected from 11 different departments, representing a total population of 973 employees at ECX. The study employed a descriptive and explanatory research design, utilizing a mixed research approach. Correlation analysis and multiple regression analysis models were employed to test a series of hypotheses and analyze the collected data. The dependent variable in the study was employees' performance, while the explanatory variables included performance appraisal practices such as objective setting, interpersonal relationships, rating accuracy, and recognition. The research findings revealed that various factors, including competence assessment and development, management by objectives, performance-based pay, and employee training, had a significant impact on employee performance at ECX. However, among these factors, employee training, performance-based pay, and management by objectives emerged as the key drivers of employee performance. Although competence assessment and development were rated to a moderate extent by employees, indicating its contribution to employee performance should not be disregarded. The correlation and multiple regression analyses further emphasized that employee training, performance-based pay, and management by objectives were the primary factors influencing employee performance at the Ethiopia Commodity Exchange. Overall, these findings shed light on the importance of performance appraisal practices in influencing employee performance. The study highlights specific factors that have a significant impact and provides valuable insights for ECX and other organizations operating in similar contexts seeking to enhance employee performance.*

***Keywords: Organizational performance, performance appraisal system, ECX, performance appraisal practice***

# CHAPTER ONE

## 1. INTRODUCTION

This chapter had the following sections, providing the reader with a comprehensive overview of the study. The first section presented the subject matter by presenting the background of the study, followed by stating the research problem and outlining the general and specific objectives of the study. The subsequent part discussed the research scope and the significance of the study, followed by presenting the limitations of the study and the organization of the paper.

### 1.1 Background of the study

Performance management is a significant HRM process that provides the basis for the effective use of human resource that lead to an organization performance improvement. According to Armstrong (2009) performance management is systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Julnes, (2008) also stated that performance management as a holistic process bringing together many activities that collectively contribute to the effective management of individuals and teams in order to achieve high levels of organizational performance.

Performance appraisal can be appropriately described as a process of refereeing past performance of the employee & clear direction is given, in short management take the corrective action against the performance of its employee. It may also be defined as a structured formal interaction between subordinate and supervisor that usually takes the form of a periodic interview in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. PAS provides management a chance to recall as well as feedback to people as to how they are doing, so that they can correct their fault and acquire new skills. In most of the organizations appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions (Dessler 2008).

PMS process motivates employees if carried out properly and appropriate PMS policy & strategy, whereby employees are fortified to participate in the preparation of standards against

which their performance is evaluated and the employees along with their supervisors closely follow progress towards achievement of goals, would be an advantage. However, given the large number of employees and the high variability of tasks performed, setting performance objectives for each and every employee may be confusing and impractical. Hence a sort of team-based evaluation, whereby objectives are set for the teams (may be for the whole of departments or area banks or subunits in them) and individuals' roles in the teams of which they are a part are defined, would be advantageous from practical point of view. This would also allow to assess member's as well as team's overall performance. Thus, performance appraisal formats with criteria that satisfy the needs of different teams and individuals within them should be designed so that objectivity in rating can be enhanced results be more relied up on for any subsequent decision-making.

The achievement acknowledgement via feedback, the opportunities to achieve, the base to develop and guidance to career paths are non-financial rewards that are long-lasting and more powerful than financial rewards. Performance management encourages employees to be engaged in their jobs with enhanced commitment. Furthermore, PMS is also a way of cascading corporate strategy down to groups and entities to align separate aims with the aims of the organization. The cascaded strategy on the other hand, can be applied to the department's performance evaluation team by balanced scorecard. Since the Balanced Scorecard was invented in 1990s, it was received as a wide range of use and promotion in the global business community, and some of the major international commodity exchange markets have successfully used it, which makes increase their performance greatly (Armstrong, 2009).

The employee's performance through the activity and their efficiency which can easily observed and evaluated helps to line up the employee's performance with the organization objectives. So each and every organization puts the employee performance on the top. Employee's performance assists to link the individual objective with the organization's mission and goal and fit with its strategies plan. Performance can be measured by some combination of quantity, quality, time and cost. Organization always gives the feedback as per the performance of the employee and even the employee doesn't learn unless they are given the feedback on their performance. For learning to take place, feedback must be provided regularly and it should register both successes and failures and should follow soon after the relevant action. Performance appraisal properly describes a process of judging past performance of the employee and clear direction is given, in short management take the corrective action against the performance of its employee.

Employee performance management practice is a shared understanding about how individuals contribute to an organization's goals. An effective performance management and appraisals process focuses on aligning workforce, building competencies, improving employee performance & development, and driving better business results. In organizations, accountability of employees is managed through performance appraisal, which is an important tool for evaluating on-the-job performance of employees. Information obtained from such evaluation is recorded and subsequently utilized for managing the human resource management activities such as employee motivation and reward, training and development, and compensation management Akhtar, et.al (2014). The emphasis of the study will be to assess both the theoretical and practical aspects of performance appraisal being practiced in case of Ethiopia commodity exchange, identify the determinant of performance appraisal system and its effect on employee performance in ECX.

According to Ochoti Maronga & Muathe et.al (2012) the employee performance appraisal feedback procedure, the relationship between the supervisor and supervisee as well as the rating accuracy increases the employee performance efficiency. The study identified that if the implementation process has taken appropriately it has a relatively high influence on the employee performance. Begum,et.al (2022) also assure that employee performance is determined by factors like accuracy of the rating, its perceived fairness and the communication between the appraiser and the appraise. Different scholars has shown that there is a strong relationship between PMS and employee performance.

Employee reactions to appraisal in terms of perceived employee fairness, accuracy, and recognition are important components of appraisal effectiveness because these perceived employee reactions can force employees to improve their performance (Taylor, Tracy, Renard, Harrison and Carroll 2015). That is, performance appraisal serves as a means for providing feedback that can result in improved performance (Tornow, 2013). Research in performance appraisal has demonstrated that performance appraisal characteristics (such as appraisal purpose and source) can elicit positive employee reactions to performance appraisal and, which in turn, can motivate employees to improve their performance (DeNisi and Pritchard 2016).

Based on the study conducted on effect of performance appraisal practice on employee performance it can be concluded that performance appraisal can have significant impact on employee performance. Thus, by having the concept of performance appraisal practices and understanding that it is very important to have awareness of differences in understanding and

usage of performance appraisal definitions and concepts. By means firm cannot function if employees and environment are affected this research have the basic aim of summarizing the effect of performance appraisal practice which can be (setting of objective, Interpersonal relationship, Rating accuracy and recognition) on employees performance of ECX. Furthermore, the research examines performance appraisal practices of the organizations to generate positive effects on employee performance.

## **1.2 Background of the Organization**

ECX was established in 2008 and new initiative for Ethiopia and the first of its kind in Africa with its end-to-end integrated system of central trading, warehousing, product grade certification, clearing, settlement, delivery, and market information dissemination (MoFED, 2009). Ethiopian Commodity Exchange (ECX) is a public-private partnership initiative firm; establishment was founded on Proclamation No. 550/2007. This declaration mandate ECX to develop its own rules for the governance of its different operations. ECX is only one of its kind partnerships of market actors, the members of the Exchange, and main promoter is the government of Ethiopia. Ethiopian Commodity Exchange authority has organized by government through declaration in order to abolish market related evils and to make easy transparent, efficient, and innovative marketing system to keep the interests of both producers and consumers (Commodity Exchange, 2013).

The vision of ECX is to transform Ethiopia's old bound agriculture through creating a new market place like that serves all market actors, from farmers to traders to processors to exporters to consumer and properly implemented and regulated, commodity exchanges can contribute greatly to the achievement of the country's economic and developmental goals and strengthen the good deal power of weedy groups such as small farmers (Commodity Exchange, 2013). The Ethiopian Commodity Exchange (ECX) has three primary goals. Firstly, it aims to serve as a market for sellers and buyers, including exporters and importers of agricultural commodities, operating in the Ethiopian, regional, and global markets.

By providing a platform for trade, ECX facilitates transactions and promotes economic activity within the agricultural sector. Secondly, ECX strives to provide reliable and up-to-date commodity market information. This information encompasses crucial factors such as supply, demand, prices, and their trends in domestic, regional, and world markets. By offering comprehensive market data, ECX enables market participants to make informed decisions, manage risks, and optimize their trading strategies. Lastly, ECX aims to establish fair

commodity market prices for both sellers and buyers through a system of competitive and transparent trading. The exchange operates on the principle of price discovery, where prices are determined through open and competitive trading on the exchange floor. This approach ensures that prices accurately reflect market dynamics and enable fair transactions for all stakeholders. In summary, ECX plays a vital role in facilitating agricultural commodity trading, providing essential market information, and promoting fair and transparent pricing mechanisms. These goals collectively contribute to the efficient functioning of the exchange and support the growth and development of the agricultural sector in Ethiopia and beyond.

Since its establishment, ECX has set up a trading floor at the Mexico sub-city Show Grounds in Addis Ababa, where trading of commodities is conducted. The floor is open for trading limited types of agricultural commodities: crops such as Coffee, Sesame, Haricot Bean, Maize and Wheat (Commodity Exchange, 2003). ECX trading system is a ring-based trading system. Trading systems in which members' trade are openly and verbally on trading floor by crying' out of their price a designated area. In this system, all the trade participants should be present at on the trading ground and hence the best bargain price is discovered. Shouting is essential to draw attention towards the system being quoted by the trader, so that everybody interested in the system assemble the same place (Girma, 2011).

### **1.3 Statement of the Problem**

Organizational performance is cumulative result of the performance of all employees in the organization and hence in today's vibrant and competitive business environment improving organizational productivity has become one of the overriding priorities of all organizations. This being the truth, employee performance has to be properly appraised and coached to ensure that it is contributing toward achieving organizational goals. Performance appraisal plays a key role to measure the employee' s performance and help the organization to check the progress towards the desired goals and objectives. Performance appraisal help aligns individual goals and objectives with the organization goals. The system engages, motivates employees and thereby directs them toward achieving the strategic goals of the organization.

A lot of research has been done about the linkage between human resource management (HRM) and an organizations performance management as well as the effects and the relationship of performance appraisal with that of employee performance both in an international level of research as well as in Ethiopian academic institutions (mostly for dissertation purpose). However the question of how, has received much less attention. According to Edwards &

Wright (2011), there is a direct link between performance appraisal practice and employees performance but Katou & Budhwar (2006), argue that performance appraisal practice do not lead directly to business performance which is the direct reflection of employee performances but influence employee motivation and its these employee outcomes which ultimately influence performance.

Decenzo & Robbins, (2010) indicated that performance appraisals must convey to employees how well they have performed on established goals. It's also desirable to have these goals and performance measures mutually set between the employee and the supervisor. Without proper two-way feedback about an employee's effort and its effect on performance, we run the risk of decreasing his or her performance. Plus the performance management should be set in a way that is very clear and measures should be clearly identified and a well-structure communication should be there. Obisi (2011) focused solely on examining the impact of the appraisal system on employee performance, neglecting to consider the effectiveness of the system itself. As far as the researcher is aware, there have been no empirical investigations conducted on the relationship between performance appraisal practices and employee performance specifically within the context of ECX.

#### **1.4 Research question**

This study aimed to evaluate the effect of performance appraisal practices on employee performance within ECX by assessing the existing appraisal system. In order to achieve this objective, the study formulated the following research questions to investigate the influence of performance appraisal practices on the performance of ECX employees.

- 1) What is the effect of setting of objective prior to the performance on employee performance?
- 2) What is the effect of interpersonal relationship between the supervisor and supervisee on employee performance?
- 3) What is the effect of performance appraisal rating accuracy on employee performance?
- 4) What is the effect of recognition method on employee performance?

#### **1.5 Objectives of the study**

##### **1.5.1 General objective**

The general objective of the study was to identify the effect of performance appraisal practice on employee performance in case of Ethiopia commodity exchange.

### **1.5.2 Specific objectives**

- A.** To identify the effect of objective setting prior to the performance on employee performance.
- B.** To investigate the effect of interpersonal relationship between the supervisor and supervisee on employee performance.
- C.** To examine the effect of performance appraisal rating accuracy on employee performance.
- D.** To identify the effect of recognition method on employee performance.

### **1.6 Significance of the Study**

The objective of the study was to assess the effect of performance appraisal on employee performance in ECX. This study will contribute to the fundamental understanding of performance appraisal practices and their impact on employee performance. Consequently, the findings of the study will be applicable for future replication in various organizations, serving as valuable resources for policy makers in formulating guidelines and regulations related to the contribution of performance appraisal. The findings will also provide a foundation for researchers interested in conducting further in-depth investigations on related issues. Moreover, the findings will offer interested readers a clear understanding of the current state of research regarding the determinants of performance appraisal and its influence on employees' performance. Additionally, the findings will serve as a guideline for policy makers in the future and will contribute to the researcher's fulfillment of the requirements for the degree of Master of Business Administration..

### **1.7 Delimitation/ Scope of the study**

This study has covered conceptual and empirical findings of the existing both theoretical and practical aspects of performance appraisal being practiced in ECX. It has identified the effect of performance appraisal practice (such as setting of objectives, interpersonal relationships, rating accuracy, and recognition) on employee performance in ECX. Though this study titled "Effect of Performance Appraisal Practice on Employee Performance in ECX" was solely focused solely on the elements of performance appraisal practice that influence employee performance in ECX.

Methodologically, the study adopted both a descriptive and explanatory research design, and both primary and secondary data were collected using questionnaires, interviews, and document analysis.

**Geographical Scope:** In terms of the Universe of the study, the study limited itself to a single organization, which was ECX.

### **1.8 Limitation of the Study**

Some of the limitations that hampered the study included resource constraints and a lack of an organized database of the companies' reports. Another limitation was the difficulty of obtaining information from sources or organizations, such as well-documented and day-to-day recorded information. Additionally, there was a need for independent funding to explore further. Moreover, financial limitations arose, resulting in all costs being covered by the student, and there were challenges in accessing sufficient and up-to-date books on the subject.

Furthermore, time constraints hindered the collection of distributed questionnaires from targeted respondents, and due to a lack of sufficient time, it was not possible to assess all relevant information. Investigating all factors within the short period of time provided was also challenging, and it posed another limitation for this study.

### **1.9 Definition of terms**

**Performance appraisal:** is a systematic process that involves measuring and evaluating work and its outcomes using standardized scales and indices. It allows for the precise assessment of both quantitative and qualitative aspects, eliminating subjective judgments and ambiguous evaluation criteria. Through performance appraisal, activities are measured individually, and their results are compared against predetermined benchmarks to accurately gauge the desired levels of quantity and quality.

**Employee performance:** refers to the extent to which an employee meets or exceeds the expectations and standards set for their job responsibilities and contributes to the achievement of organizational goals. It encompasses the quality, quantity, timeliness, and effectiveness of an employee's work output, as well as their behaviors and contributions to the workplace Bauer, T. N., & Erdogan, B. (2012).

**Performance management:** is a methodical and structured approach aimed at enhancing organizational performance through the development of individuals and teams. It serves as a means to achieve improved outcomes by effectively understanding and managing performance within an established framework of predetermined goals, standards, and competency requirements. Essential processes are in place to establish a shared understanding of desired

achievements and to effectively manage and nurture individuals, increasing the likelihood of attaining goals in the short and long term. Line management assumes ownership and leadership of the performance management process (Armstrong, M. 2009)

**Objective Setting:** Objectives or goals (the terms are used most of the time interchangeable) define what organizations, functions, departments and individuals are expected to achieve over a period of time. It results in an agreement on what the role holder has to achieve and is an important part of the performance management processes of defining and managing expectations. It forms the point of reference for performance reviews (Stone, R. J. 2013).

**Rater accuracy:** refers to the extent to which the assessments and evaluations made by raters or evaluators align with the correct value or standard. In the context of performance management, rater accuracy is associated with perceived fairness and consistency in measuring an employee's contribution to their job. It involves minimizing errors and ensuring that the evaluations provided by raters accurately reflect an employee's performance and capabilities. By enhancing rater accuracy, organizations can strive for more reliable and objective performance assessments, leading to fairer and more equitable decision-making processes.

**Interpersonal factors:** refer to the aspects of the appraisal process that pertain to how the appraisee is treated by the appraiser Thurston & McNall, (2010). These factors play a significant role in influencing employee performance outcomes. The quality of interactions between the appraiser and appraisee during the appraisal process is crucial, as it can impact perceptions of fairness throughout the entire process (Greenberg, 2006). These interpersonal dynamics and interactions shape the appraisal experience and can influence the effectiveness and fairness of the evaluation process.

### **1.10 Organization of paper**

The first chapter of this research provided the background and introductory part of the performance appraisal system, as well as its general effect on employee performance, with a specific focus on the issue in ECX. Based on the introductory leading statements, the problem statement of the research was particularized, leading to the objectives of the research. The scope and significance of the study were given in the last section of chapter one.

The second chapter covered the literature review, encompassing the basic definition of performance appraisal and related theories.

The third chapter detailed the methodology of the research, including the data type, data collection techniques, and analysis.

In the fourth chapter, the results of the study were presented. This chapter discussed the results in conjunction with other findings in the literature.

The last chapter provided a conclusion of the study and recommended further potential study topics and results that should be considered in the planning and implementation of performance appraisal practices and their influence on employee performance, specifically in ECX.

## **CHAPTER TWO**

### **2. REVIEW OF LITERATURES**

#### **2.1 INTRODUCTION**

The first chapter introduced the problem investigated in this study, along with its purpose and research objectives. According to Brown (2003), conducting a literature review before starting a research project has several benefits, such as identifying gaps in the existing literature, building upon previous research, expanding knowledge in the subject area, identifying influential works, establishing the intellectual context for the study, and considering opposing viewpoints. This chapter offers insights into the theoretical framework and empirical reviews of performance appraisal practices and their impact on employees' performance. It provides a comprehensive understanding of the concepts and theories related to performance appraisal, laying the foundation for the subsequent analysis and findings in the study.

#### **2.2 Theoretical literature review**

##### **2.2.1 Definition of Performance Appraisal and Performance Management**

Performance appraisal is a widely discussed concept in the field of performance management. The importance accorded to performance appraisal systems in part arises from the nature of the current business environment, which is marked by the need to achieve organizational goals as well as remain relevant in intensely competitive markets through superior employee performance (Chen and Eldridge, 2012). Within this context, various studies suggest that organizations can hardly control the behavior of their employees (Attorney, 2007). The organizations can however control how employees perform their jobs. In addition, performance management research shows that a significant number of employees tend to have the desire to perform their jobs well as part of their individual goals as well as a demonstration of loyalty towards the organization (Wright & Cheung, 2007).

Arguably, the key to ensuring that employees perform well lies in the ability to provide them with the right working environment. Such an environment generally includes fair treatment offering of support, effective communication and collaboration. According Mark (2013), these are the very qualities that are created by an effective performance appraisal system. Performance appraisal also known as performance review, formally documents the achievements

of an individual concerning set targets. It is a component of Performance Management System

(PMS). The system has become an essential management tool in today's organizations. Managing employees' performance can be said to be as important as any other work that all managers execute during the year. Grote (2002) describes performance appraisal as a formal management tool that helps evaluate the performance quality of an employee. Schneier and Beatty as cited in Patterson (2007) define it as a process, which apart from evaluating also identifies and develops human performance. The history of performance appraisal is brief. Appraisal really began with the Second World War.

It is used to assess results. Dulewicz (2009) says that there is an indispensable human inclination to judge the work of other people as well as one's own work. It can thus be said that,

appraisal is both unavoidable and universal. Even without the existence of a planned appraisal system, one can have a tendency and find it natural to evaluate the job performance of another easily and subjectively.)

## **2.2.2 Techniques of Performance Appraisal**

Appraising an employee's performance is pivotal to the organization's ability to enhance productivity and improve the methods to achieve better outcomes. These are often annual reviews where an employee's contribution is compared to a structured set of desired results or objectives. Performance appraisals assist in identifying individuals who are performing well and those who are not, as well as the reasons for their poor performance. To measure one's performance, there are plenty of traditional as well as state-of-the-art methods that organizations use. Let's look at some of them in detail.

### **2.2.4.1 Traditional Methods of Performance Appraisal**

Generally, traditional methods of performance appraisal focus on employees' ability to take initiative, leverage resources, and perform tasks with innovation and creativity. Moreover, employees are also evaluated based on their leadership qualities, interpersonal skills, intelligence, and integrity.

**i) Ranking:** The ranking method is possibly one of the oldest employee performance appraisal methods. The process involves assessing an employee according to a set of parameters compared to all the other employees. Essentially, this places them in order of the most to the least productive. Although the ranking method has been around for quite some time, its advantages are limited and do not result in extremely useful outcomes. It is implemented in different variations, and each variation has its own benefits.

- **Simple ranking:** requires only that a ratter order all employees from highest to lowest, from best to worst employee.
- **Alternation ranking:** requires that a ratter initially list all employees on a sheet of paper.

**ii) Paired comparisons:** Use of paired comparisons is a more systematic method for comparing employees to one another. Here each employee is compared with every other employee, usually in terms of an overall category such as “present value to the organization” the ratter’s task is simply to choose the “better” of each pair, and each employees rank is determined by counting the number of times she/he was related superior. However, since these comparisons are made on an overall basis (that is, “who is better?”) and not in terms of specific job behaviors or outcomes, they may be subject to legal challenge. On the other hand, methods that compare employees to one another are useful for generating initial rankings for purposes of salary administration.

**iii) Forced distribution:** Another method of comparing employees to one another is forced distribution. The overall distribution of ratings is forced into a normal, or bell shaped curve. Under the assumption that a relatively small portion of employees is truly outstanding, a relatively small portion is unsatisfactory, and everybody else falls in between. Forced distribution does eliminate clustering almost all employees at the top of the distribution (ratter leniency), at the bottom of the distribution (ratter severity), or in the middle (central tendency).however, it can foster a great deal of employee resentment if an entire group of employees as a group is either superior or substandard. It is almost useful when a large number of employees must be rated and there is more than one ratter.

**iv)Behavioral checklist:** Here the ratter is provided with a series of statements that describe job-related behavior. His/her task is simply to “check” which of the statements, or the extent to which each statement, describes the employee. In this approach ratters are not so much evaluators as reporters whose task is to describe job behavior. Moreover, descriptive ratings are likely to be more reliable than evaluative (good-bad) ratings. In one such method, the Likert method of summed ratings, a declarative statement (e.g. “she/he follows up on customer complaints”) is followed by several response categories, such as “always”, “very often”, “fairly often”, “occasionally” and “never”. The rater checks the response category that he/she thinks well describes the employee. Each category weighted, for example, from 5 (“always”) to 1 (“never”) if the statement describes desirable behavior. To derive an overall numerical rating

(or score) for each employee, one simply sums the weights of the responses that were checked for each item.

**v) Critical incidents:** Critical incidents are brief anecdotal reports by supervisors of things employees do that are particularly effective or ineffective in accomplishing parts of their jobs. They focus on behaviors, not traits. Critical incidents lend themselves nicely to appraisal interviews because supervisors can focus on actual job behaviors rather than on vaguely defined traits. They are judging performance, not personality. On the other hand, supervisors may find that recording incidents for their subordinates on a daily or even a weekly basis is burdensome. Moreover, incident alone do not permit comparisons across individuals or departments. Graphic rating scales may overcome this problem

**vi) Graphic rating scales:** Graphic Rating Scale is a performance appraisal method in which an employee is rated against a list of traits or behaviors which are deemed important and relevant for effective employee performance and productivity. The rating scale helps employers to quantify the behaviors displayed by its employees. Many organizations use graphic rating scale. Many different forms of graphic rating scales exist.

#### **2.2.4.2 Modern Methods of Performance Appraisal**

**i) Behaviorally anchored rating scales:** A variation of the simple graphic rating scale is behaviorally anchored rating scales (BARS). The major advantage of BARS is that they define the dimensions to be rated in behavioral terms and use critical incidents to describe various levels of performance. BARS therefore provide a command frame of reference for ratters. BARS require considerable effort to develop, yet there is little research evidence to support the superiority of BARS over other types of rating system. Nevertheless, the participative process required to develop them provides information that is useful for other organizational purposes, such as communicating clearly to employees exactly what “good performance” means in the context of their job.

**ii) Management by objectives:** Management by objectives (MBO) is well- known process of managing that relies on goal setting to establish objectives for the organization as a whole, for each department, for each manager within each department, and for each employee. MBO is not a measure of employee behavior; rather, it is a measure of each employees’ contribution to the success of the organization. MBO is a complete system of planning and control and a complete philosophy of management. In theory, MBO promotes success in each employee because, as each employee succeeds, so do that employee’s manager, the department, the

organization; but this is true only to the extent that the individual, departmental, and organizational goals are compatible. Very few applications of MBO have actually adopted a formal “cascading process” to ensure such a linkage. An effective MBO system takes from 3 to 5 years to implement, and since relatively few firms are willing to make that kind of commitment, it is not surprising that MBO systems often fail (Stephen, W. (2007)

There are four main parts to this employee performance appraisal method:

1. **Goal Setting:** The manager and employee figure out what goals they must set. These would consist of outcomes that both parties feel need to be achieved.
2. **Performance Standard:** This is the standard that determines what is required to meet these goals. In other words, to what extent these parameters must be satisfied to achieve these goals.
3. **Comparison:** A comparison is drawn between when the goals were set and a predetermined point in time, for example, three or six months down the line. Managers and employees can see what changes have come about.
4. **Periodic Review:** This is where the employees and managers discuss the employee's development. The manager can then inform employees of what improvements are still required, which goals they have met or exceeded, and how to achieve these goals.

iii) **Work planning review:** Work planning and review is similar to MBO; however, it places greater emphasis on the periodic review of work plans by both supervisor and subordinate in order to identify goals attained, problem encountered, and the need for training.

iv) **Assessment centers:** So far, we have been talking about assessing past performance. What about the assessment of future performance or potential? In any placement decision and even more so in promotion decision, some prediction of future performance is necessary. How can this kind of prediction be made most fairly? One widely used rule of them is that “what a man has done is the best predictor of what he will do in the future. Typically, individuals from different departments are brought together to spend two or three days working on individual and group assignment similar to ones they will be handling if that are promoted. The pooled judgment of observers sometimes derived by paired comparison or alteration ranking leads to an order of merit ranking for each participant. Less structured, subjective judgments are also made.

v) **360- Degree Appraisal:** It is an appraisal that use input from managers, subordinates, peers, customers and even self-appraisal including others could be included (Wayne 2003:351).

On this case employee-generated feedback on management performance (also known as upward appraisals). So far some of very common methods, which are found to be more practical and applicable mentioned. However, it should be noted that every technique cannot be implemented in every organization. Selection of this method is based on many factors such the type of job activities

### 2.2.3 Performance Appraisal Process

Performance appraisal process is a process of evaluating and assessing the job performance of employees. The performance appraisal typically involves the following process.

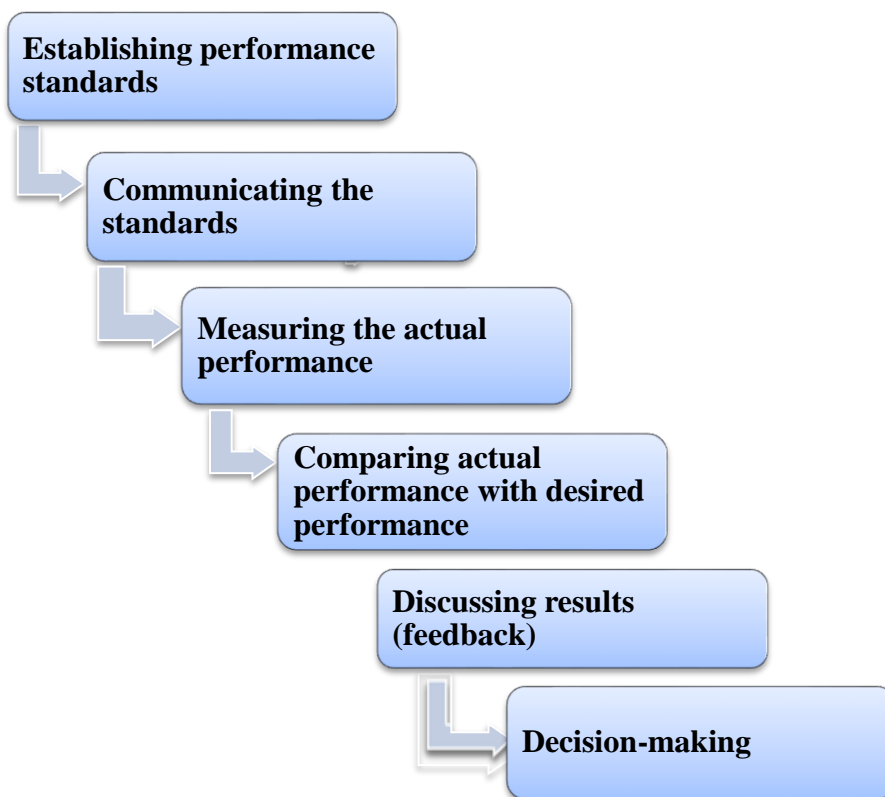


Figure 1-Performance appraisal steps Source: [www.whatishumanresource.com](http://www.whatishumanresource.com)

- ❖ **Establishing performance standards:** The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear,

easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

- ❖ **Communicating the standards:** It is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers according to the relevant feedback from the employees or the evaluators.
- ❖ **Measuring the actual performance:** The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in employees' performance.
- ❖ **Comparing actual performance with desired performance:** The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.
- ❖ **Discussing results (feedback):** The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may lead to emotional outburst if it is not handled properly.

#### **2.2.4 Effective Performance appraisal System**

Addis (2014) indicated that Performance Management has positive outcome in increasing productivity and quality, customer satisfaction, proper utilization of resources and employee satisfaction. Therefore, effectiveness of performance appraisal system is vital for the proper functioning of an organization. He also stated the advantages of effective Performance appraisal system as well as disadvantages of poor performance appraisal systems. “Employees tend to show an increase in motivation to perform, self-esteem is increased, managers gain insight about subordinates, organizational goals are made clear, employees become more competent, there is better and more timely differentiation between good and poor performer and organizational change is facilitated. These create a sense of belongingness to their organization”.

Pulakos (2004) as cited by Addis (2014) “Employees be quite due to results, self-esteem may be lowered, time and money are wasted, relationships are damaged, and motivation to perform is decreased.” Sound programming, clearly defined roles and responsibilities of Managers, Employees and departments, and consultative and participatory processes are characteristics of effective performance management system. To attain greater culture of fairness, equality, transparency, factor of motivation and to achieve goals, organizations must pay attention to implement effective PMS.

#### **2.2.5 The importance of Performance appraisal**

As noted by Stevent, W.S.(2007)), the existence of PA was visible since the early 1900s. The role of PA and the importance of the process itself have been changing over the years to suit the goals and objectives of organizations. Henderson as cited in Borman, W. C., & Motowidlo, S. J. (2003) noted that PA systems are not generic or easily passed from one company to another; their design and administration had to be tailor-made to match employee and organizational characteristics and qualities. Generally, PA was incorporated for a number of potential agendas. Edmonstone (2006) noted that some of the agendas that lead to PA procedures being conducted within an organization include:-

- a) Improvement in the communication between boss and subordinate through the use of feedback between them.
- b) Identification of the scope for performance improvement and the means to achieve this.
- c) Identification of individual training and development needs.
- d) Identification of the potential of individuals for future promotion, succession planning, or for retention or termination purposes.

- e) As the basis for remuneration and reward, on the basis of performance.
- f) As a powerful means of managerial control, through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these. From the reviews of the literatures, there stages of PA process are noticeable, each with its own importance.

### **2.2.6 Employee's Performance**

High employee's performances lead an organization and have greater opportunities for employees than those who have low performance (Bratton, J. 2015). "Performance is related to that organization hires the person to do and do well. Performance is not only related to the actins but also involves judgment and evaluation process (Brown, T etal, 2018). The activities that can be examined and measurable are reflected as performance. Organizations need highly performance of its employees so that organization can meet their goals and can able to achieve the competitive advantage. (Borman and Motowidlo, 2003) differentiate between work and performance. Work related to the person abilities through which employee performed activities which is contributed by the technical core. Performance not related to the technical core characteristics but it cares about the organization psychological environment and social environment in that organization achieve its objectives. It involves behaviors such as helping colleagues or being a reliable member of the organization (Fredie, 2016).

Performance appraisal emphasizes on the performance variables not on personal traits (Sabir, 2014). (Kollmann, T., et al , 2019) argued that performance should be measured in term of the work related behavior. Mondy in 2010 argued that analyzing performance through personal characteristics has different disadvantages. Mishra, K. 2013) argued that the validity and reliability of attribute based performance appraisal are greater suspected as the perception of superior officer maybe biased. Appraisal based on traits of employee has little value. Without fairness the performance appraisal system, rewards, motivations and developments create negative impact and frustration.

## **2.3 Underlying theories of performance appraisal**

### **2.3.1 Justice theory**

More recently, Roch and Shanock (2006) used exchange theory to incorporate all four justice dimensions into one theoretical framework. They found that procedural, interactional, interpersonal, and informational justice were related to social relationships, either with the organization (i.e. procedural justice) or with the supervisor (i.e. interactional, interpersonal, and informational justice), whereas distributive justice is related more to an economic exchange

relationship. In the current study, we draw upon this integrative framework and apply it specifically to a performance appraisal context. This conceptualization may hold the key to explaining employees' perceptions of fairness concerning their performance appraisals and appraisal systems. The relevant performance appraisal literature pertaining to each of the four justice dimensions as procedural justice perceptions, distributive justice perception, interpersonal justice perceptions, and informational justice perceptions.

### **2.3.2 Implicit Person Theory**

Dweck (1996) defined implicit theories as lay beliefs about the malleability of personal attributes (e.g., ability and personality) that affect behavior. A prototypical entity implicit theory assumes that personal attributes are largely a fixed entity, whereas an increment an implicit theory assumes that personal attributes are relatively malleable. Implicit theory research, conducted with children and students by educational and social psychologists. It has focused largely on the motivational implications of holding a primarily entity or incremental implicit theory. Within an organizational context, several studies have examined how implicit theories of ability influence aspects of self-regulation including the goals that people set, their level of self-efficacy the resilience of their self-efficacy following setbacks and their performance on complex decision-making tasks. However, no published studies, to our knowledge, have examined the effect of managers' implicit theories on their judgments of others.

### **2.3.3 Equity Theory**

The pay-for-performance effect is clearly rooted in the equity theory that emphasizes employees' perception of fairness. According to the theory, employees will perceive a practice to be fair or equitable when their input-output ratio is equal to that of a referent. When paid in accordance to individual performance, it is likely that employees perceive fairness or justice in the ratio. Studies have shown that a rating based on individual performance and a salary based on the rating tends to enhance employee perceptions of distributive justice (Campbell et al., 1998; Greenberg, 1996). It is true that the equity aspect has been largely ignored in collectivistic cultures such as Korea, in which pay-for-performance was rarely utilized. As described, however, recent changes in the compensation techniques of Korean companies toward an ability/performance basis are quite notable. Despite the suspicions that the technique conflicts with the traditional cultural value of the country, an increased number of companies have used it as the preferred remedy to enhance flexibility and productivity.

### **2.3.4 Social Justice Theory**

The organizational justice literature provides a robust framework for explaining and improving perceptions about performance appraisals. Organizational justice is deeply rooted in social exchange theory. Social exchange theories make two basic assumptions about human behavior (Mowday, 1991): social relationships are viewed as exchange processes in which people make contributions for which they expect certain outcomes; and, individuals evaluate the fairness of these exchanges using information gained through social interactions. The original version of social justice theory suggested that social exchanges were perceived as fair when people sensed that their contributions were in balance with their rewards. This equity theory later became known as the distributive form of organizational justice because it involved the allocation or distribution of outcomes (Greenberg, 2006).

### **2.4 Empirical Review**

Studies conducted by Risher (2005), Lee (2005), Furnham (2004), Erdogan (2002), Longenecker (2008), and Ivancevich (2011) incorrect ratings can defame performance of an employee and cause unnecessary resistance to the acceptance of feedback. They also indicate that the validity and accuracy of the most commonly used performance, supervisory ratings, has always been a major concern. These measures are also likely to suffer from both deficiency and contamination problems, including subjectivity, personal bias, deliberate distortion, and various other intentional and unintentional rating errors (e.g., halo, contrast, central tendency, etc.).

Ochoti, Maronga & Muathe, (2012) on their research study titled “Factors Influencing Employee Performance Appraisal System” identified that communication, and the relationship between the supervisor and supervisee as well as the rating accuracy increases the performance system efficiency. According to the finding the study concludes that if the implementation process has taken appropriately it has a relatively high influence on the performance. As a research by Ellen & Amani (2018) in controlling stage, training provided to managers and employees prior to the performance appraisal session is important, in order to minimize tendency of mistakes and obtaining the best results from the performance appraisals. It was reported that attitudes about the performance appraisal practice and person in charges’ competencies on the systems determined the tendencies of giving higher versus lower rating and the accuracy of the ratings.

Trained appraisers are able to make comparison of employees' current performance against established standards in order to ensure that their performances are aligned with organizational objectives. Furthermore, forms relevant to performance appraisal system are distributed to managers to record the comments or remarks in the process of performance evaluation. With this, all necessary information and feedbacks are recorded and will be reviewed at the company level (i.e. HR level) to ensure that the comments are not biased and to ensure that the sounds of appraises are taken into consideration. For instance, severely negative feedback is depleting the confidence of employees towards performance appraisal system and eventually reduces its effectiveness (Curzi et al, 2019; Deb, 2008).

In performance appraisal system, decision making is crucial to determine outcomes of the performance appraisal such as promotion or demotion. All appraisal forms are consolidated in a systematic system (i.e. Management Information System) in order to allow the higher management to implement HR decision. The results are then analyzed to ensure fairness and justice is embedded in the whole appraisal process. The top management then decides on the rewards, promotion or compensation to be given to the employees. Decision making is the choice of an outcome from among the alternative outcomes that were given to the decision maker (Fredie, Mbabazize & Shukla, 2015).

Harari M. & Rudolph C. et al. (2016) titled "The effect of rater accountability on performance ratings" highlighted rater accountability and suggested that efforts to develop models of contextual determinants of performance ratings should incorporate rater accountability meaning the supervisor should be accountable for the reason that it could be used for performance pay decisions; to identify high performers for management purposes or poor performers for remedial action or dismissal; and can tell employees where they stand.

As per studies conducted by, Hellriegel & Slocum (1996), Decenzo & Robbins (2005), Locke & Latham (2002), an article by Erasmus et al (2003) & Bagram et al (2003) performance improves most when specific objectives are established and mutual objective are sated on performance. In addition to the above Mone & London (2002) with Buchner (2007) states that goal-setting theory makes a solid case for the use of difficult and specific goals to create the strong situations necessary for substantial achievement.

An studies by Beer & Walton (2014), Armstrong (2007), Denisi & Pritchard (2016), Storey (2013) and Daniel & Metcalf (2009), discussed on employee recognition program as it can be a great morale-building tool for any organization, whether large or small. An effective

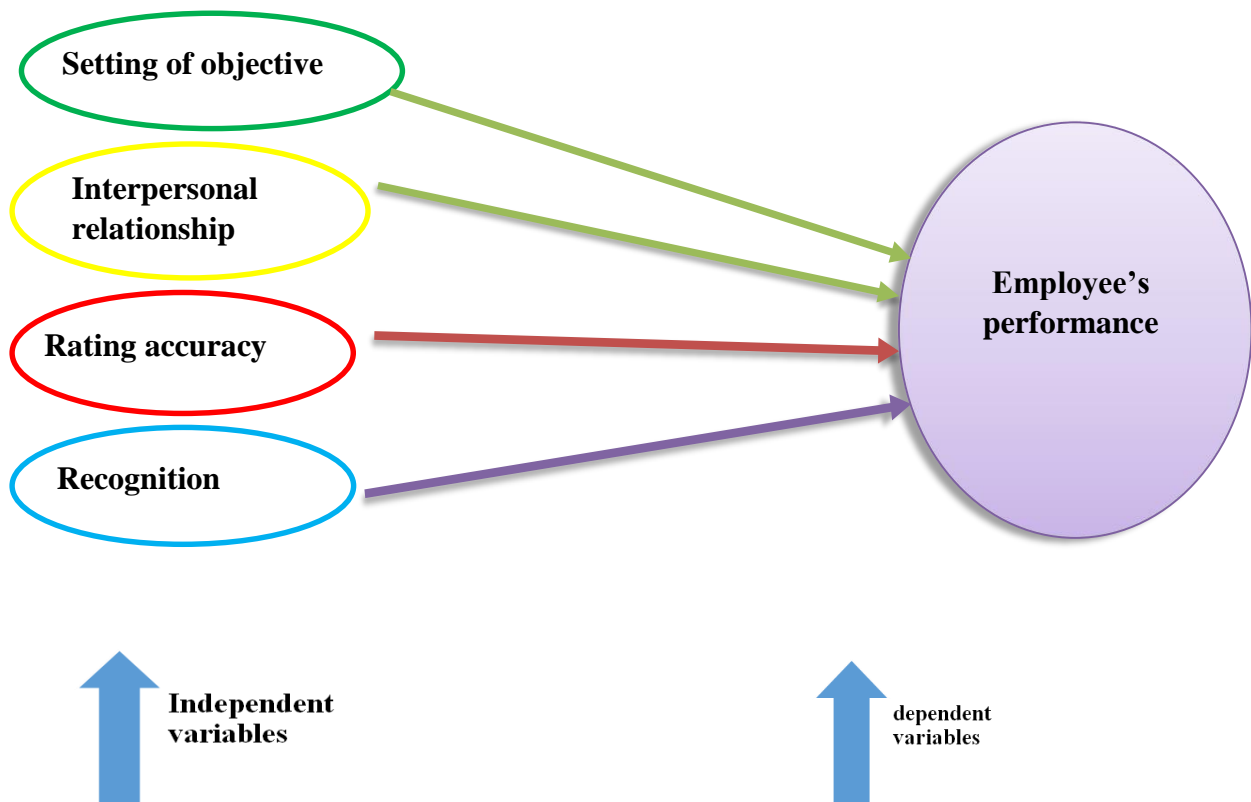
recognition program can lead to innovation, higher productivity and greater job satisfaction for the workers. Employee recognition programs could include several levels of recognition, from a simple Certificate of appreciation to employee of the month to awards given on the division and companywide level, recognition should be provided to those who exceed expectations and earn the award. They also add that recognition is one of the strong factors for employee performance improvement as employees feel comfortable when they are praised and recognized.

Muthuo (2010) cleared that performance appraisal has a positive impact on employees Performance. Performance appraisal gives employees job satisfaction and effectiveness. The results indicated that majority of the officers reported that it helps the ministry to achieve its targets, performance appraisal leads to employee effectiveness however its prone to failure when there is lack of commitment from the top management. Both the manager and the supervisor should provide feedback for the process to be effective. However her findings revealed that performance appraisal alone should not be used for assessment because it does not address some issues like motivation and the work environment.

## **2.5 Conceptual framework**

The discoveries from the above literatures, researches and articles labeled the significance of performance appraisal, objective setting, interpersonal factors, rater accuracy and recognition on employee performance as well as in the achievement of the organizations objectives. Therefore this research study will be developed by the below conceptual framework. The study will apply independent and dependent variables in order to put the research into practice. The variables under study as represented on the below diagrammatically show the relationship between them by illustrating the influence of the independent variables on the dependent variable thus that it will give coherence to this research.

**Figure 1: Conceptual framework**



**Source: own compilation based on previous literature and finding (2023).**

## **2.6 Research hypothesis**

Hypotheses are testable assertion about a relationships between two or more concepts, it is not necessarily statement about reality, is something to be proved or disproved (Matthews, 2010). In order to achieve the specific objectives of this research based on the prior studies and discussion the following research hypothesis is proposed to be proved or disproved in the study:

**Hyphotheses 1:** Setting of objective prior to the performance has positive and significant effect on employee performance.

**Hyphotheses 2:** Interpersonal relationship between the supervisor and supervisee has positive and significant effect on employee performance.

**Hyphotheses 3:** Performance appraisal rating accuracy has positive and significant effect on employee performance.

**Hyphotheses 4:** Recognition method has positive and significant effect on employee performance.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The previous chapter introduced the theoretical and literary works of scholars related to performance appraisal systems and employee performance, while this chapter delves deeper by discussing the methodology used to collect data on ECX's performance appraisal practice. It covers the research design, data types and sources, population study, sampling design, data collection methods, analysis and presentation, and ethical considerations.

#### **3.2 Research design**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure and it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). This study applied both descriptive and explanatory research design. Hence, if the objective of the research was to determine which variable might have caused a certain behavior, i.e., whether there is a cause and effect relationship between variables, explanatory research had to be undertaken (Shields, 2013). Accordingly, an explanatory research design was useful for research that had the basic aim of considering the cause and effect relationship between variables.

#### **3.3 Research Approach**

According to Creswell, (2009) research approach can be classified into: quantitative, qualitative and mixed research approach. A quantitative approach is one in which the investigator primarily uses post positivist claims for developing knowledge (i.e., cause and effect thinking, reduction to specific variables and hypotheses, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. Qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences, meanings socially and historically constructed. with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e. Political, issue-oriented, collaborative. or change oriented) or both. It also uses strategies of inquiry such as narratives, phenomenology, ethnographies, grounded theory studies, or case studies (Creswell, 2009).

Mixed methods approach is one in which the researcher tends to base knowledge claims on

pragmatic grounds (e.g., consequence-oriented, problem-centered, and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problems. The data collection also involves gathering both numeric information (e.g., on instruments) as well as text information (e.g., on interviews) so that the final database represents both quantitative and qualitative information (Creswell, 2009).

Adopting mixed approach in this study is justified as it provides the best understanding of a research problem because it opens the door to multiple methods of data collection and to both generalize the findings to a population and develop a detailed view of the meaning of a phenomenon or concept for individuals. According to Mark et al. (2009) mixing qualitative and quantitative approaches gives the potential to cover each method's weaknesses with strengths from the other method. In this study, a combination of qualitative and quantitative approaches of doing research were employed, which has been practiced, as recommended by Creswell (2009). The rationale of using mixed approach were to gather data that could not be obtained by adopting a single method and for triangulation.

### **3.4 Data type and source**

When deciding on the method of data collection for a study, it is important to consider two types of data: primary and secondary. Primary data refers to information that is collected afresh and for the first time, representing original information. In this study, qualitative data regarding performance appraisal variables were collected as primary data from ECX employees. An appropriate data collection instrument was used to gather primary data directly from the employees involved in performance appraisal practices. On the other hand, secondary data refers to data that are already available and have been collected and analyzed by someone else. These data sources provide additional information and background context for the study.

In this research, secondary data sources such as financial statements, files, brochures, office manuals, circulars, and policy papers were used. Additionally, a variety of books, published and unpublished documents, websites, reports, and newsletters were reviewed to enrich the study and provide a broader perspective. By utilizing both primary and secondary data sources, the study can benefit from the original insights obtained directly from ECX employees as well as the existing knowledge and information available from various secondary sources. This comprehensive approach enhances the depth and validity of the research findings, ensuring a well-rounded analysis of performance appraisal practices.. Additionally, a variety of books, published and/or unpublished documents, websites, reports, and newsletters were reviewed to make the study fruitful.

### **3.5 Data Collection Methods**

According to Koul (2006) using appropriate data gathering instruments can help researchers to combine the strengths and amend some of the inadequacies of any source of data to minimize risk of irrelevant conclusion. Primary data was collected using questionnaires specifically developed for each performance appraisal practice variable. In addition to questionnaires, interviews were conducted to obtain more detailed data related to the research problem. The interviews allowed for in-depth exploration and clarification of various aspects of the performance appraisal practices. This mixed-method approach of utilizing questionnaires and interviews aimed to gather comprehensive primary data for the study

The primary data collection involved the use of questionnaires that were carefully developed to cover each performance appraisal practice variable. These questionnaires comprised a mix of open-ended and closed-ended questions, allowing for both qualitative and quantitative data to be collected. The open-ended questions provided an opportunity for respondents to elaborate on their experiences and perspectives, while the closed-ended questions offered structured response options for quantitative analysis.

In parallel, secondary data was gathered from various sources such as books, research journals, and articles that focused on performance appraisal systems, employees' performance, and related topics. Additionally, unpublished documents sourced from the study areas and web addresses were accessed to gather relevant literature. The questionnaire was selected as the preferred tool for primary data collection to validate and complement the insights obtained from the secondary data. Its incorporation of both open-ended and closed-ended questions provided a comprehensive and nuanced understanding of the research topic.

### **3.6 Population of the Study**

A population of study refers to the total collection of elements that are of interest to the researchers and that they wish to investigate regarding a particular phenomenon and make inferences (Cooper and Schindler, 2003). In this study, the population consisted of employees of ECX located at the head office. According to the records held by ECX, there were a total of 11 departments and 973 employees included in the population. The selection of ECX employees at the head office as the population for this study was based on their direct involvement in the performance appraisal practices being examined. By focusing on this specific population, the study aimed to obtain relevant and targeted insights regarding the effect of performance appraisal practices on employee performance within ECX.

S.n <sup>o</sup>	Department name	Total population	S.no	Department name	Total population
1	CEO Staff	15	7	Internal audit	25
2	Compliance	24	8	Market operation	46
3	Facility management	39	9	Quality operation	339
4	Finance	17	10	Strategy	18
5	HRM	12	11	Warehouse	404
6	IT	34	<b>Total population.....973</b>		

Source: ECX Human resource, 2023

### 3.7 Sample Size Determination

According to Catherine Dawson (2009), determining the appropriate sample size for a study depends on the nature of the population and the study's objectives. In this particular study, the target population consisted of all employees within the organization, which was quite large and not feasible to include in the data collection process. Therefore, the researcher opted to select a representative sample that would sufficiently represent the characteristics of the target population. To calculate the sample size, the researcher utilized the Yamane formula, a commonly employed method for estimating sample sizes. This formula takes into account a 95% confidence level and a 5% level of significance to estimate population parameters. By applying the Yamane formula (1967), the researcher derived the appropriate sample size that would provide reliable and meaningful results for the study as:

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

$$n = \frac{973}{1 + (973)0.05^2}$$

$$n = 283.46 \approx 283$$

Therefore, the sample size for the study was determined to be 283, to be selected randomly from the total population of 973 employees across the 11 departments, proportionally. This sample size was determined using the Yamane formula, considering a 95% confidence level and a 5% level of significance. The selection of the sample aimed to ensure a representative representation of the population, allowing for reliable and valid inferences to be drawn from the collected data.

### 3.8 Sampling Design

Sampling is the process of selecting sub set of cases or units (e.g., people, organizations) from a population of Interest so that by studying the sample we generalize our results back to the

population from which they were chosen (Kothari, 2004). Sampling design is a process to select an appropriate amount of units from the population of interest to provide accurate information about the entire population (Hair, Babin, Money, & Samuel, 2003) (Melaku 2017). It is a definite plan for obtaining a sample from a given population, which refers to the technique, or the procedure the researcher would adopt in selecting items for the sample (Kothari, 2004).

To ensure a comprehensive and representative sample, the study employed a well-designed sampling strategy. Stratified sampling, a reliable probability sampling method, was chosen to categorize the employees of the Ethiopian Commodity Exchange (ECX) into their respective departments. This approach recognized the diverse functional areas within the organization and acknowledged that the impact of the performance appraisal system extended to all employees.

By dividing the population into distinct strata based on department units, the study aimed to capture the unique characteristics and perspectives of each group. This approach ensured that every department within ECX was adequately represented in the final sample. Through stratified random sampling, the researcher increased the reliability and validity of the findings, enhancing their generalizability to the entire population of interest. By employing this robust sampling technique, the study not only guaranteed a representative sample but also enabled meaningful insights into the influence of performance appraisal practices across the organization. This sampling design lays a strong foundation for the study's credibility and the reliability of its conclusions.

To ensure fairness and representativeness, the study utilized a simple random sampling method to select a sample population that would effectively capture the diverse employees from various departments at ECX. This technique provided every employee an equal opportunity to be included in the study, minimizing biases and increasing the reliability of the findings. The selection process involved a randomized approach, where individuals were chosen from each stratum or business department within ECX. By employing this method, the study aimed to obtain a well-rounded sample that accurately reflected the entire population of employees. The data collection took place at the headquarters of ECX, ensuring a centralized and accessible location for the participants.

The use of simple random sampling not only enhanced the fairness of the study but also facilitated the generalizability of the results. By randomly selecting individuals from each department, the research captured a comprehensive representation of the organization's workforce. This approach strengthens the validity and reliability of the study, making it more

robust and insightful for both practitioners and researchers.

<b>Sampling cluster</b>	<b>Population of each category</b>	<b>Sample size calculation</b>	<b>Sample size</b>
CEO Staff	15	$(15/973)*283$	4
Compliance	24	$(24/973)*283$	7
Facility management	39	$(39/973)*283$	11
Finance	17	$(17/973)*283$	5
HRM	12	$(12/973)*283$	4
IT	34	$(34/973)*283$	10
Internal audit	25	$(25/973)*283$	7
Market operation	46	$(46/973)*283$	13
Quality operation	339	$(339/973)*283$	99
Strategy	18	$(18/973)*283$	5
Warehouse	404	$(404/973)*283$	118
<b>Total</b>	<b>973</b>	<b>100%</b>	<b>283</b>

Therefore, out of the 973 employees of ECX from 11 departments, a total sample size of 283 was determined using the Yamane formula. This sample size was considered appropriate and manageable for the nature of the study. The researcher recognized that including a larger sample size would have been challenging and potentially difficult to manage effectively. Therefore, the chosen sample size of 283 was deemed sufficient to provide valuable insights and meaningful analysis of the research objectives. By adhering to this sample size, the study aimed to strike a balance between obtaining a representative sample and ensuring the feasibility of data collection and analysis. This approach allowed the researcher to delve into the research questions and draw conclusions that could be applied to the broader population of employees at ECX.

### **3.9 Data Analysis and presentation**

Data analysis is the process of organizing, structuring, and deriving meaning from the collected information (Mugenda & Mugenda, 1999). In this study, the obtained data were thoroughly reviewed for completeness before proceeding to the coding stage. Once the data were coded, they were entered into statistical software for analysis. Both descriptive and inferential statistics were applied to fulfill the objectives of the study. Descriptive statistics were employed to summarize and interpret the data. This included calculating frequencies, percentages, means, and standard deviations. These descriptive measures helped provide a comprehensive overview and understanding of the collected data. The analysis was conducted using SPSS version 16, which facilitated the organization and interpretation of the data.

Inferential statistics, such as hypothesis testing and regression analysis, were used to draw conclusions and make inferences about the population based on the sample data. These techniques allowed for testing hypotheses and examining the relationships between variables. The results of the analysis were presented in both qualitative and quantitative forms, using summary statistics such as frequencies and percentages. For variables measured on a Likert scale, which involved survey responses ranging from 1 (strongly disagree) to 5 (strongly agree), the interpretation took into account the distribution of responses across the scale. This provided insights into the participants' perceptions and attitudes toward the variables under investigation.

By employing a comprehensive data analysis approach, this study aimed to gain meaningful insights and draw valid conclusions based on the collected data, thereby contributing to the understanding of the relationship between performance appraisal practices and employee performance in ECX.

### **3.10 Model Specification**

In this research paper, data from employees of ECX was used for analysis. The nature of the data allowed for the utilization of a cross-sectional data model. Cross-sectional studies are observational in nature and enable the researcher to examine multiple characteristics simultaneously within a given timeframe. The independent variables in this study were performance appraisal practices, including objective setting, interpersonal relationships, rating accuracy, and recognition. The dependent variable was employee performance. To determine the relationship between performance appraisal practices and employee performance, inferential analysis was conducted using the Pearson correlation coefficient. This statistical measure helped assess the strength and direction of the relationship between the variables.

Furthermore, regression analysis was employed to examine the influence of one or more independent variables (performance appraisal practices) on the dependent variable (employee job performance). Regression analysis is a statistical methodology that estimates the association between variables and helps identify the strength and direction of the relationship. By utilizing these analytical techniques, this study aimed to uncover the potential causal effect of performance appraisal practices on employee performance. The findings would contribute to a deeper understanding of the relationship between these variables and provide valuable insights for organizations, specifically in the context of ECX.

### **3.11 Validity Test**

Quantitative studies are characterized by their objectivity, measurability, and ability to provide broad and comprehensive coverage, which enhances their validity and generalizability (Gudjonsdottir & Jujubova, 2015). As stated by Kothari (2004), validity is a crucial criterion that measures the extent to which an instrument accurately assesses what it is intended to measure. It represents the degree to which propositions or measures align with established knowledge or truth. In essence, validity reflects the extent to which differences observed using a measuring instrument accurately represent true differences among the subjects being tested. In this study, validity was ensured by conducting a theoretical review as part of the literature review process, aligning the research with established knowledge.

According to Bryman and Bell (2007), validity is achieved when the analysis results are consistent with reality and demonstrate uniformity. However, a certain level of subjectivity is expected, particularly in qualitative research, where primary data collection methods such as interviews can be influenced by the prior understanding and experiences of the participants. To establish content validity, two approaches were taken. First, the researcher engaged in discussions with supervisors, lecturers, and colleagues from the School of Business to refine the definition of the research topic, the items to be included in the questionnaire, and the scales to be used. As content validity is judgmental in nature, their input was valuable in ensuring the robustness of the instrument. Second, content validity was determined through piloting, where the responses of the participants were assessed against the research objectives. This process helped refine and validate the instrument further. By considering the principles of validity and employing these validation methods, this study ensured the accuracy and reliability of the data collected, thus contributing to the overall quality and rigor of the research findings.

### **3.12 Reliability Test**

Reliability is concerned with the consistency of data collection and analysis procedures, indicating the extent to which these procedures yield consistent findings (Saunders et al., 2009). In quantitative research, reliability is a crucial concept used to test and evaluate the quality of measurements (Kaguri, 2012). It ensures that the data collected is trustworthy and dependable. In this study, data reliability will be ensured by obtaining information from reliable sources such as annual reports and the company's websites. Additionally, a pilot test were conducted to assess the reliability of the instrument (questionnaire), and adjustments were made accordingly.

The study primarily relies on primary data, aiming to provide insights into the research question

by analyzing the data in relation to the existing literature. To achieve this, scientific articles and books from reliable databases, industry study reports by various authors, and responses from company officials and authorities were used. In assessing the reliability of the data, Cronbach's alpha were employed. According to Hair et al. (2003) as cited in Gebeyehu Jalu (2014), Cronbach's alpha measures the internal consistency of items in a scale. It determines the extent to which the items in a questionnaire are related to one another and whether the scale is one-dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value is between 0 and 1, with higher values indicating a higher degree of internal consistency. While different authors may have varying criteria for internal reliability, a commonly accepted value is 0.70 or higher. By considering the principles of reliability and using appropriate measures such as Cronbach's alpha, this study aims to ensure that the data collected is consistent, reliable, and internally consistent, thereby enhancing the overall quality and trustworthiness of the research findings.

### **3.13 Ethical consideration**

Before conducting the research, the students carefully considered and addressed ethical issues that could arise throughout the study. These ethical considerations applied to all stages of the research process. The researchers recognized the importance of conducting research that would benefit the individuals being studied and provide meaningful insights for others. They ensured that the research did not further marginalize or disempower the study participants and refrained from making claims about groups to which the results could not be generalized. The purpose of the study was to provide a descriptive analysis of the sampled firms, and the researchers took measures to protect the well-being of the participants. They respected the rights of vulnerable populations and ensured that the participants and their information remained confidential as needed.

Once the data was analyzed, the researchers maintained it for a reasonable period of time and then disposed of it appropriately to prevent unauthorized individuals from misusing it. They also ensured that the language and words used in the research were unbiased and did not discriminate against individuals based on gender, sexual orientation, racial or ethnic group, disability, or age. Fabricating, falsifying, or suppressing findings to align with the researchers' or participants' needs was strictly avoided. The researchers made every effort to maintain the confidentiality of the information obtained and ensured that the data was used solely for its intended purpose. By adhering to these ethical considerations, the researchers conducted a responsible and trustworthy study that respected the rights and well-being of the participants.

## CHAPTER FOUR

### 4. DATA PRESENTATION ANALYSIS AND DISCUSSION

#### 4.1 Introduction

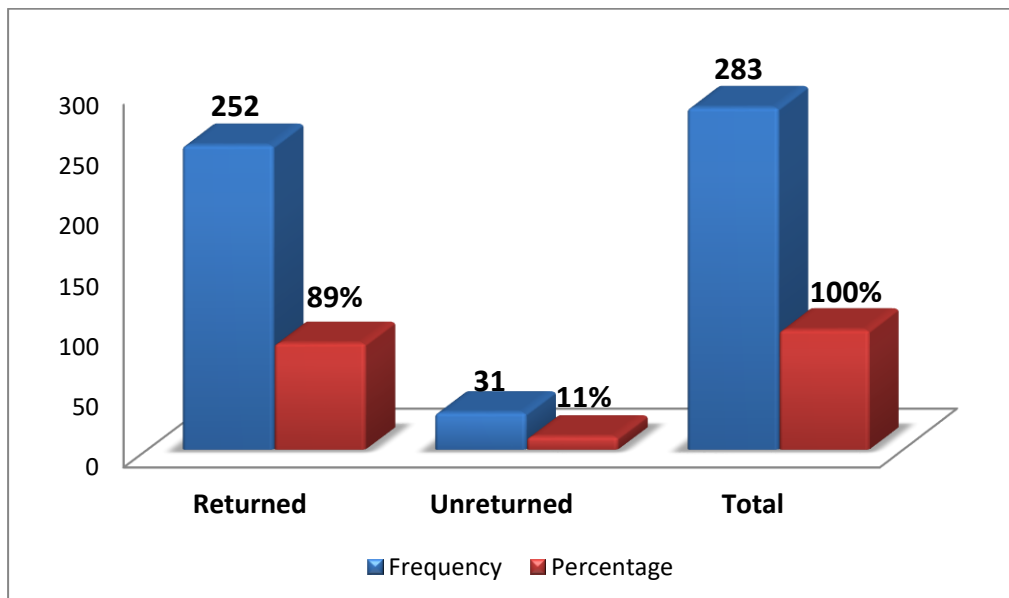
This chapter encompasses the data analysis, interpretation, and discussion of the research outcomes. It is divided into five subsections, which include the research background, response rate, comprehensive characteristics of the respondents, descriptive statistics, inferential statistics, and interpretation of the results. Collectively, this chapter serves as a concise summary of the framework used for presenting, analyzing, and interpreting the data.

#### 4.2 Response Rate and Background

##### 4.2.1 Response Rate

In survey research, the response rate refers to the percentage of received responses in relation to the total number of targeted responses. It is an indicator of the completion rate or return rate of the survey and is typically presented as a percentage. The findings regarding the response rate for this research are presented in Table 4.1.

**Figure 4. 1: Response rate of the study.**



(Source: Own Survey, May, 2023)

Table 4.1 above presents the distribution of questionnaires to the staff of ECX, where a total of 283 questionnaires were prepared and distributed. The findings reveal that out of the 283 distributed questionnaires, 252 responses were received and deemed suitable for analysis, resulting in an overall study response rate of 89%. This response rate aligns with the

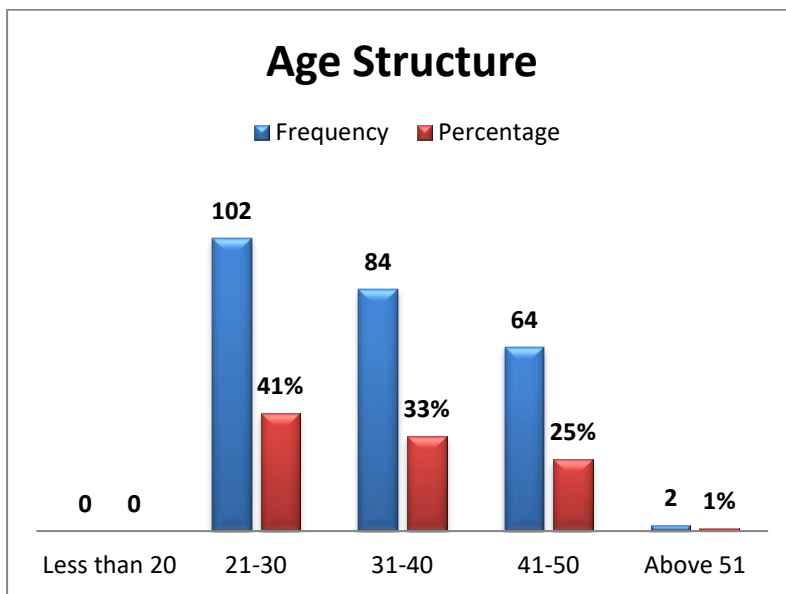
recommendation by Mugenda and Mugenda (2010), who suggest that a minimum response rate of 70% is adequate for analysis and drawing conclusions.

#### 4.2.2 Background information of the respondents

The following Figure shows the background and characteristics of the 252 respondents who were employees at ECX. The study gathered information on various aspects such as gender, education level, age, and work experience. These background and respondent characteristics were derived from Part A of the questionnaire administered as part of the research process.

##### 4.2.2.1 Age Structure

**Figure 4. 2: Age Structure**

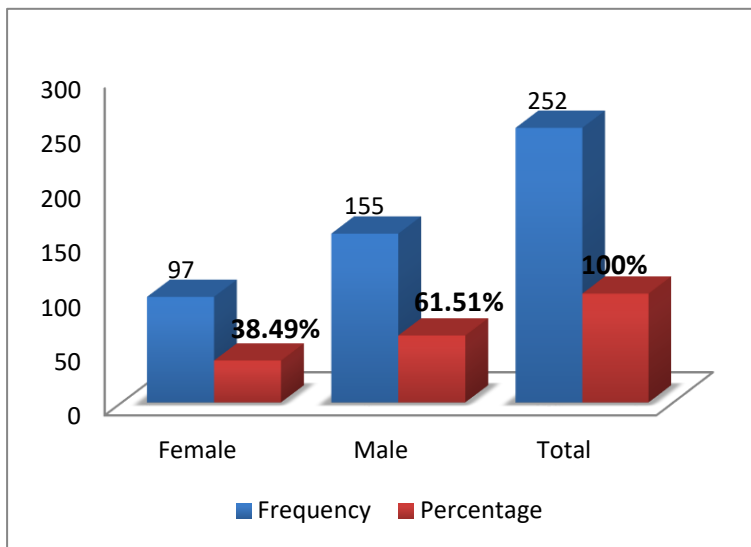


**(Source: Own Survey, May, 2023)**

Figure 4.2 presents the distribution of employees at the ECX according to their age. It is noteworthy that the highest percentage of employees, comprising 41 percent, falls within the age range of 21-40. This age group is considered to be highly active and productive in their work, making them integral in carrying out the organization's functions. They play a crucial role in promoting the scheme to a wider audience, attracting more individuals to join and benefit from the organization in the future. Additionally, the observation of Figure 4.2 reveals that a significant proportion of employees, accounting for 33 percent, are in the age range of 31-40. These individuals have reached a stage in their careers where they are settled and possess a wealth of experience. With senior officials such as managers and senior human resource officers falling within this age group, the organizational planning and functioning exhibit stability and efficiency. The composition of employees across different age groups demonstrates the diversity and strength of the workforce at the ECX.

#### 4.2.2.2 Gender structure

Figure 4. 3: Gender structure

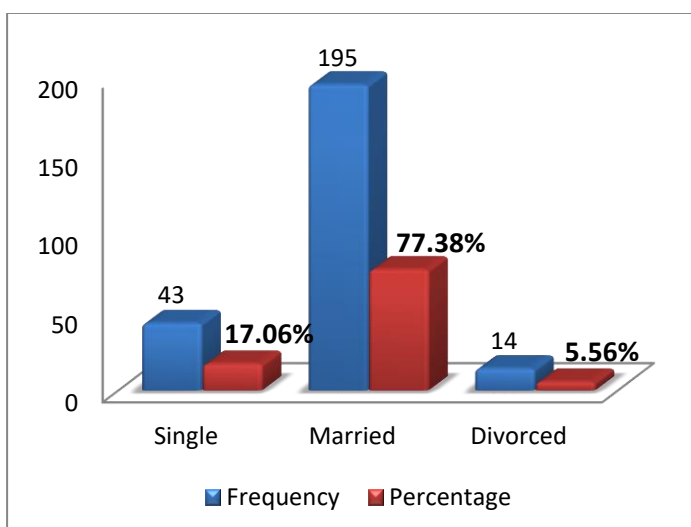


(Source: Own Survey, May, 2023)

According to Figure 4.3, above the ECX distribution of male and female employees within organization shows that male 155 (61.51%) and Female 97 (38.49%). Although males dominate with a share of 61.51 percent, both genders have equal opportunities for employment. This equitable representation sends a positive message to customers, signaling that the organization is open to serving all individuals in ECX who are interested in joining the scheme and comply with the law. This diverse workforce contributes to the overall effectiveness and success of the organization in serving its members and fulfilling its mission.

#### 4.2.2.3 Marital status

Figure 4. 4: Marital status

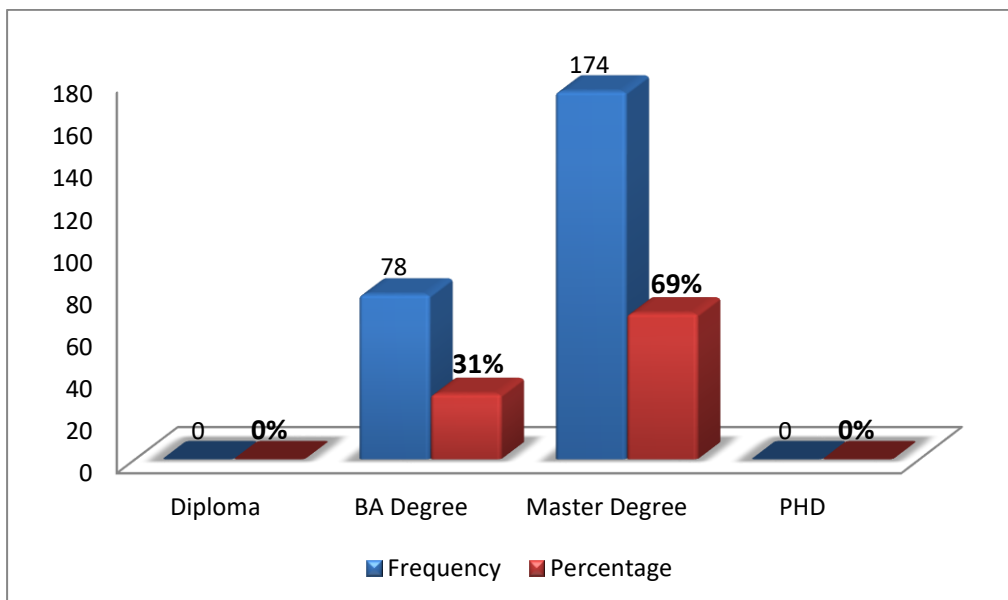


(Source: Own Survey, May, 2023)

Figure 4.4 above reveals that over 77.38 percent of the employees at the ECX are married. This statistic signifies a workforce that is relatively stable, as married individuals tend to have fewer frustrations and enjoy the support of their families. The presence of stable and healthy family relationships contributes positively to the overall performance of the organization. Furthermore, the data presented in the Figure indicates that only a small percentage, specifically 5.56 percent, of the employees have experienced divorce. This figure is relatively insignificant in terms of its potential impact on employee performance within the organization. It is unlikely that these few divorce cases would significantly affect the overall functioning of the employees or give rise to legal issues that need to be addressed in court. The stability of the majority of employees' marital statuses is beneficial for fostering a work environment that is conducive to productivity and well-being. Employees who have stable personal lives and positive relationships at home are generally better equipped to focus on their job responsibilities and perform at their best. Therefore, the high percentage of married employees within the ECX suggests a favorable condition for maintaining organizational effectiveness and achieving desired outcomes.

#### 4.2.2.4 Educational background

**Figure 4. 5: Educational qualification information**



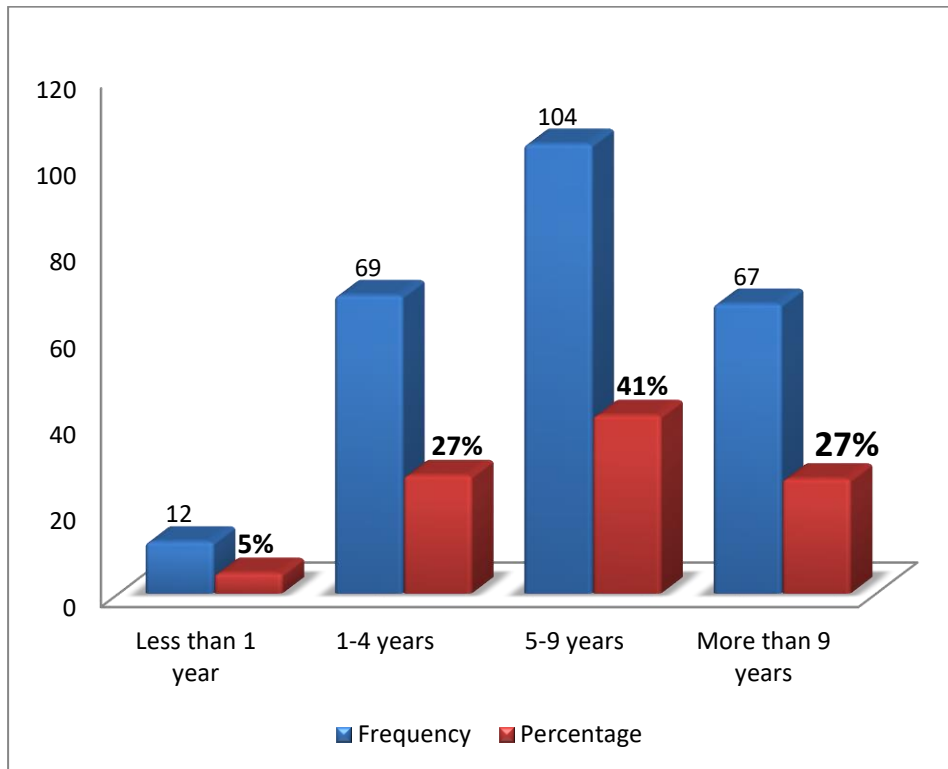
(Source: Own Survey, May, 2023)

The statistic presented in Figure 4.5 shows that all employees of ECX possess either a first degree or a second degree. Out of the total employees, 78 individuals (31%) have completed their first degree, while the remaining 174 employees (69%) have obtained their second degree. This statistic highlights ECX's focus on recruiting and acknowledging well-educated personnel

who can contribute significantly to its growth. By prioritizing highly qualified individuals, ECX aims to improve its efficiency and enhance service delivery, benefiting both the organization and its stakeholders. ECX's commitment to hiring individuals with advanced qualifications demonstrates its dedication to maintaining a skilled workforce.

#### 4.2.2.5 Employees experience

**Figure 4. 6: Working experience of employee**

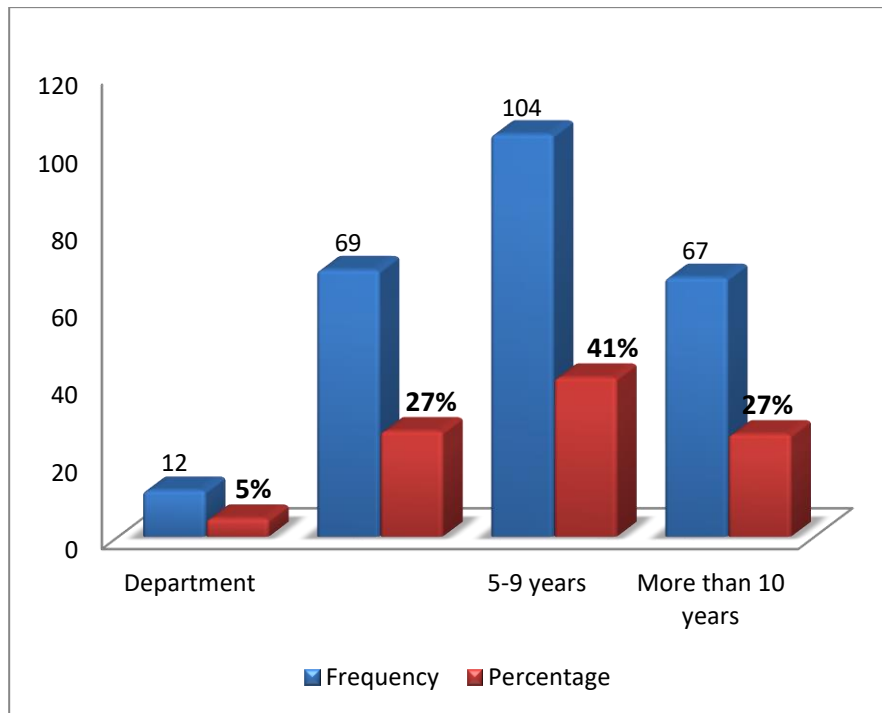


**(Source: Own Survey, May, 2023)**

The figure mentioned indicates the job experiences of the sampled employees. Out of the total respondents, only 12 individuals (5%) reported having less than one year of experience. A larger portion of the respondents, 69 individuals (27%), had job experience ranging from one to four years. Additionally, 104 respondents (41%) had job experience between five to nine years. Notably, 67 employees (27% of the total sampled employees) reported having more than nine years of experience. This distribution of job experiences suggests that a significant number of employees within the sampled group possess a considerable level of experience, particularly in the five to nine-year range. The presence of employees with extensive experience (more than nine years) also indicates the presence of seasoned professionals within the organization. This mix of experience levels can contribute to a diverse and knowledgeable workforce, bringing different perspectives and expertise to the organization.

#### 4.2.2.6 Current position

Figure 4. 7: The current position of ECX employees



(Source: Own Survey, May, 2023)

As shown in Figure 4.7 respondents were asked to indicate the number of years they had worked in the organization, the majority of the respondents had worked for 5 to 9 years, followed by respondents who had worked for 1 years to 4 years and for more than 10 with totals of 104(41%), 69(27%) and 67 employees respectively. This shows that the respondents have been in the organization long enough to understand and respond to study variables effectively and thus the information to be provided are reliable.

### 4.3 Descriptive statistics

**Table 4-1: Responds rated to the measures indicating Objective Setting**

<b>A.</b>	<b>Measures indicating Objective Setting</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>t-value</b>	<b>p-value</b>
<b>1.</b>	I participate in the setting of my goals/targets prior to the performance period.	252	4.05	1.15	7.29	0.000
<b>2.</b>	I understand the importance of my goals/targets in relation to the overall objective of the organization.	252	3.98	1.02	16.53	0.000
<b>3.</b>	Performance standards in my organization are clearly set and easily understandable.	252	3.58	1.07	5.73	0.000
<b>4.</b>	My supervisor provides me with clear direction to improve my performance and I get fair and constructive feedback regularly to my goals/targets.	252	3.39	1.11	4.65	0.000
<b>5.</b>	The setting of objectives/goals has a positive impact on the overall performance of an employee within an organization.	252	4.98	0.94	12.98	0.000
<b>Average of Objective Setting</b>		252	3.996	1.058	1.058	0.000

(Source: Own Survey, May, 2023)

The table presents findings related to employee perceptions in three areas: participation in goal setting, understanding the importance of goals, and clarity of performance standards at ECX. The majority of employees (M=3.99) agreed that their managers allow them to participate in setting their goals, as indicated by a significant t-value ( $t=7.29$ ,  $P=0.000<0.05$ ). Similarly, most employees (M=3.98) understood the importance of their goals in relation to the organization's overall objectives, as demonstrated by a significant t-value ( $t=16.53$ ,  $P=0.000<0.05$ ). Furthermore, employees' agreement level (M=3.58) regarding the clarity and understandability of performance standards at ECX was significantly different from the moderate level ( $t=5.73$ ,  $P=0.000<0.05$ ), indicating that there is a well-defined and easily comprehensible performance standard in place. Overall, these findings suggest a positive perception among employees regarding their involvement in goal setting, understanding the significance of their goals, and the clarity of performance standards at ECX.

The findings related to employee perceptions regarding the supervisor's clear direction to improve performance and the provision of fair and constructive feedback, as well as the impact of goal setting on overall performance at ECX, are as follows: For the question concerning the supervisor providing clear direction to improve performance, the agreement level was M=3.39,

with a significant t-value ( $t=4.65$ ,  $P=0.000<0.05$ ). This indicates that the majority of employees slightly deviate from the moderate level of agreement, suggesting that they receive some clear direction from their supervisors to enhance their performance. Regarding the provision of fair and constructive feedback regularly, the agreement level was  $M=4.98$ , with a significant t-value ( $t=12.98$ ,  $P=0.000<0.05$ ). This result indicates that the majority of employees highly perceive that they receive fair and constructive feedback related to their goals on a regular basis. This feedback is likely to contribute positively to their performance improvement.

Moreover, the perception of employees regarding the impact of goal setting on overall performance within ECX was significantly different from the moderate level, with an agreement level of  $M=4.98$  and a significant t-value ( $t=12.98$ ,  $P=0.000<0.05$ ). This indicates that employees highly recognize the influence of objective setting prior to their performance period on their overall performance within the organization. In summary, the findings reveal that employees at ECX perceive that they receive some clear direction to enhance their performance, and they highly value the fair and constructive feedback they receive regularly in relation to their goals. Additionally, they strongly believe that the setting of objectives prior to their performance period has a significant positive impact on their overall performance within ECX. These perceptions indicate that the existence of constructive feedback and effective goal setting practices contribute to employees' performance improvement at ECX.

When considering the overall agreement of employees regarding the expected practice of objective setting, the average rating is 3.99, with a t-value of 1.05 and a significance level of  $P=0.000<0.05$ . This rating is close to the moderate level of agreement. Therefore, it can be concluded that employees highly appreciate objective setting as a practice that influences employee performance. These findings align with previous research conducted by Latham & Locke (1984), Yearta, Maitlis & Briner (1995), Salaman (2005), Lawler and McDermott (2003), and DuBrin (2012), further supporting the significance of objective setting in driving employee performance.

**Table 4-2: Respondents on the effect of interpersonal relationship on their performance**

<b>B.</b>	<b>Measures indicating Interpersonal Factors</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>t-value</b>	<b>p-value</b>
1.	My supervisor takes my performance throughout the evaluation period rather basing on the relationship I have with him/her.	252	3.23	1.37	2.09	0.039
2.	My supervisor completes the performance appraisals reflecting his/she personal like or dislike towards me.	252	2.42	1.36	-5.38	0.000
3.	Measuring employee's contribution to the job rather than employee's behavior/relationship will be more effective on the improvement of employee performance.	252	3.78	1.22	8.09	0.000
4.	My supervisor treats me with kindness and show concern about my rights as well as able to suppress personal biasness during performance evaluation process.	252	3.45	1.11	5.06	0.000
5.	The appraisal system exists in GE is fair enough in terms of procedures, outcome received on the Basis of performance and treatment of top management with the employees	252	3.13	1.12	1.42	.158
<b>Average of interpersonal factor</b>		252	3.202	1.348	3.42	0.01

(Source: Own Survey, May, 2023)

The interpretation of the table reveals insightful perspectives from the respondents. In terms of the first statement, with an average agreement level of  $M=3.23$ , there is a significant difference ( $t=2.09$ ,  $p=0.039<0.05$ ) indicating that employees at ECX perceive their performance to be evaluated based on their actual performance rather than their relationship with supervisors. This suggests that performance evaluation is conducted fairly and takes into account employees' actual achievements. On the second statement, the average agreement level is  $M=2.42$ , and the t-value of  $-5.38$  ( $P=0.000<0.05$ ) suggests that employees perceive supervisors at ECX complete the performance appraisal process without personal biases or preferences towards individual employees. This demonstrates a fair and objective approach to performance appraisal within the organization.

The third and fourth statements have average agreement levels of  $M=3.78$  and  $M=3.45$ , respectively. The corresponding t-values of  $8.09$  ( $P=0.000<0.05$ ) and  $5.06$  ( $P=0.000<0.05$ ) indicate that employees strongly believe that their contributions should be measured based on their job performance rather than their relationship with supervisors. This highlights the

importance of objective evaluation criteria and suggests that supervisors at ECX treat employees without bias, enhancing the effectiveness of the performance evaluation process. Overall, these findings demonstrate that employees perceive the performance appraisal process at ECX to be fair, objective, and focused on job-related contributions. The organization's emphasis on performance-based evaluations and unbiased treatment by supervisors contribute to the employees' positive perception of the performance appraisal system. For the overall performance appraisal system and procedure in ECX the respondents agreement level  $M=3.20$ . This level of agreement (for  $t=1.42$ ,  $P=.158<0.05$ ) indicating employees tends to agree on the existing performance appraisal system and procedure as it is significantly different from moderate level.

**Table 4-3: Responses on Measures indicating Rater Accuracy**

<b>C.</b>	<b>Measures indicating Rater Accuracy</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>t-value</b>	<b>p-value</b>
<b>1.</b>	My organization makes sure that I am assigned a rater who understands the requirements & difficulties of my work.	252	3.43	0.98	5.52	0.000
<b>2.</b>	My rating is treated with dignity and without subjectivity which strive me to perform more	252	3.40	1.00	5.00	0.000
<b>3.</b>	I feel that the manager take into consideration my performance throughout the rating rather than looking the short term achievement or failure.	252	3.44	0.95	5.88	0.000
<b>4.</b>	My last performance appraisal represented my past year's performance which strive me to perform more in future.	252	3.60	0.98	.7.74	0.000
<b>5.</b>	The Perceived fairness & accuracy of the performance appraisal rrating have an overall effect on my performance.	252	3.77	0.97	10.00	0.000
<b>Average of rater accuracy</b>		252	3.53	0.67	9.90	0.000

(Source: Own Survey, May, 2023)

In the above table, the responses of the participants regarding certain aspects of the performance appraisal process are presented. For the question concerning whether the organization assigns a rater who understands the requirements and difficulty of their work, the average agreement level is  $M=3.43$ , with a significant t-value of 5.52 ( $P=0.000<0.05$ ). This indicates that most employees believe that the organization ensures the assignment of a rater who comprehends their work, suggesting a level of understanding and expertise in evaluating their performance. Regarding the question about treating the rating with dignity and without

subjectivity, the average agreement level is  $M=3.4$ . The significance of this agreement level (t-value not provided) implies a notable difference from the moderate level of agreement. It suggests that employees perceive their ratings to be conducted in a fair and objective manner, without biased or subjective judgment.

Similarly, for the question concerning whether managers consider their performance throughout the rating period rather than focusing solely on short-term achievements or failures, the average agreement level is  $M=3.44$ . This level of agreement (t-value not provided) also indicates a significant difference from the moderate level. It implies that employees believe their managers take into consideration their performance throughout the year, reflecting a more comprehensive evaluation approach. Furthermore, for the question regarding whether last year's performance appraisal accurately represents their performance and motivates them to strive more in the future, the average agreement level is  $M=3.6$ . This indicates that the majority of employees agree with this statement, suggesting that they perceive the performance appraisal process as an accurate reflection of their performance and a motivating factor for future improvement.

Overall, these findings demonstrate that employees at ECX have positive perceptions of the performance appraisal process. They believe that the organization assigns raters who understand their work, and that their ratings are conducted with dignity and without subjectivity. Additionally, employees feel that their performance is considered holistically, and they find the performance appraisal results motivating for their future endeavors.

In summary, when considering the overall level of agreement regarding the impact of rater accuracy on employee performance, the results from the last row of the provided table indicate that employees at ECX have a high level of trust in the performance appraisal rating system of the organization. They perceive the rating process to be fair and accurate, and this perception has a significant effect on their performance. The average agreement level for this aspect is  $M=3.53$ , with a p-value of  $0.000 < 0.05$ , suggesting a strong relationship between the perceived fairness and accuracy of rating and employee performance.

**Table 4-4: Responses measures indicating recognition**

<b>D.</b>	<b>Measures indicating Recognition</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>t-value</b>	<b>p-value</b>
<b>1.</b>	The performance appraisal has a defined purpose in EXC	252	3.49	1.14	5.45	0.00
<b>2.</b>	It is important for me to be recognized by my manager, peers and co-workers for a job well done	252	4.04	0.96	13.67	0.000
<b>3.</b>	During my stay in EXC my performance appraisal is used once at least for one of these reasons. (Promotion, Reduction, salary adjustment ,demotion or transfer)	252	3.02	1.17	0.20	0.000
<b>4.</b>	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	252	3.65	1.00	8.04	0.000
<b>5.</b>	If my performance is recognized in any way it will definitely have an effect on my future performance.	252	3.89	0.99	11.28	0.000
<b>Average of recognition indicators</b>		252	3.62	0.69	11.29	0.000

(Source: Own Survey, May, 2023)

The overall level of agreement regarding the recognition practice of the organization is examined in this analysis. The respondents' mean agreement is reported as 3.62, with a p-value of  $0.000 < 0.05$  at  $t=11.29$ . This indicates that, on average, employees at the organization are satisfied with the recognition practice in relation to their performance appraisal outcomes. The findings suggest that employees perceive the recognition they receive for their performance as valuable and meaningful. This recognition is believed to have a positive impact on their future performance improvement. The agreement level suggests that employees feel acknowledged and rewarded for their efforts, which in turn motivates them to continue performing well in the future.

These results are consistent with the research conducted by Daniel and Metcalf (2009) and Armstrong (2007), who emphasized the importance of recognition in influencing employee performance. The findings align with the notion that when employees perceive that their efforts are recognized and rewarded, they are more likely to be motivated and strive for better performance outcomes. Overall, the analysis highlights that the recognition practice of the organization is positively perceived by employees, and they believe that such recognition will contribute to their future performance improvement.

## 4.4 Relationship of performance appraisal with employee performance\

### 4.4.1 Correlation result

In order to examine the relationship between performance appraisal and employee performance, a correlation analysis was conducted. Pearson's coefficient, as suggested by Kothari (2004), was used to measure the degree of relationship between the two variables. The value of 'r' in Pearson's correlation coefficient ranges between -1 and +1. Positive values indicate a positive correlation, where both variables change in the same direction. Negative values indicate a negative correlation, where the variables change in opposite directions. A value of zero suggests no association between the variables.

To interpret the strength of correlation coefficients, Daniel M. (2004) provides cutoff points. A correlation coefficient ranging from  $\pm 0.80$  to  $\pm 1$  is considered very strong,  $\pm 0.50$  to  $\pm 0.79$  is considered strong,  $\pm 0.30$  to  $\pm 0.49$  is considered moderate,  $\pm 0.10$  to  $\pm 0.29$  is considered modest, and less than 0.1 indicates a weak correlation. By analyzing the correlation between performance appraisal and employee performance, the researcher aimed to determine the strength and direction of their relationship based on these established criteria. According to the correlation table 4.6 there are many correlation coefficients above 0.5. That means the variables are very well correlated with each other.

**Table 4-5: Correlation matrix of independent variables with dependent variables**

S.no	Correlated Factors		QP_1	QP_2	QP_3	Employee_ Performance
1.	PA_ Interpersonal factor	Pearson Correlation	.386**	.322**	.547**	.530**
		Sig. (2-tailed)	0.000	0.000	0.000	
		N	252	252	252	
2.	PA_ Objective Setting	Pearson Correlation	.697**	.423**	.473**	.667**
		Sig. (2-tailed)	0.000	0.000	0.000	0.000
		N	252	252	252	252
3.	PA_ Rater Accuracy	Pearson Correlation	.578**	.770**	.557**	.794**
		Sig. (2-tailed)	0.000	0.000	0.000	0.000
		N	252	252	252	252
4.	PA_ Rater Accuracy	Pearson Correlation	.458**	.363**	.415**	.522**
		Sig. (2-tailed)	0.000	0.000	0.000	0.000
		N	252	252	252	252
		**. Correlation is significant at the 0.01 level (2-tailed).				

(Source: Own Survey, May, 2023)

The results presented in the table above indicate that there is a significant and positive relationship between the interpersonal factor in performance appraisal and employee performance. The aggregated Pearson's correlation coefficient,  $r=0.530$ , with a significance level of  $0.000$  ( $p<0.01$ ), demonstrates that the relationship is statistically significant. This suggests that changes in the interpersonal factor are associated with corresponding changes in employee performance. Moreover, the correlation coefficient of  $0.530$  falls within the range of strong correlation as defined by Daniel M. (2004). Therefore, it can be concluded that the interpersonal relationship factor has a strong and positive association with employee performance.

The correlation analysis presented in the table above reveals that rater accuracy has the highest correlation with employee performance, with a correlation coefficient of  $-0.794$ . This indicates a strong negative relationship between employees' perception of rating accuracy in their performance appraisal and the effectiveness of their performance. Objective setting also shows a strong positive correlation with employee performance, with a correlation coefficient of  $0.667$ . This suggests that employees who perceive clear and well-defined objectives tend to have better performance. Recognition, on the other hand, has a moderate positive correlation with employee performance, with a correlation coefficient of  $0.522$ . Although it is the least strongly correlated variable among the three, it still shows a significant relationship with employee performance. For more detailed information on the correlation between these variables, please refer to the table above.

#### **4.4.2 Regression Analysis**

Multiple regression models have been used to investigate the relationship between different factors relating to performance appraisal and the effect of performance appraisal. On the below table four factors are expected to receive through factor analysis and the estimated factor score have been included as inputs in regression analysis.

The adjusted R-squared value of  $0.72$  indicates that the independent variables included in the multiple regression model explain  $72\%$  of the variance in employee performance, while taking into account the degrees of freedom and the number of predictors. This means that the performance appraisal factors (rater accuracy, objective setting, interpersonal relationship, and recognition) have a significant influence on employee performance, explaining a large proportion of the variation observed. It is important to note that the adjusted R-squared

considers the number of predictors and adjusts the R-squared value accordingly. In this case, the adjusted R-squared of 0.72 suggests that the included independent variables have a substantial impact on employee performance, even when accounting for other potential factors not included in the model.

This result indicates that the performance appraisal factors examined in the study, when considered independently while holding other factors constant, have a strong influence on the development of employee performance. It suggests that organizations should pay close attention to these factors and consider implementing effective performance appraisal practices to enhance employee performance. However, it is essential to interpret the results cautiously and consider other potential factors that may also influence employee performance but were not included in the analysis. Additionally, further research and analysis may be needed to understand the specific relationships and interactions between the independent variables and employee performance more comprehensively.

**Table 4-6: The overall effect of performance appraisal of employee performance**

1.	Model	Unstandardized Coefficients		Stand. Coefficients	t-value	p-value	Collinearity Statistics		Model Summary		
		B	Std. Error				Beta	Tolerance	VIF	R	R <sup>2</sup>
2.	(Constant)	-1.142	.240		-4.764	0.000			0.853	.720	.720
3.	PA_ Interpersonal factor	.184	.056	.161	3.316	.001	.756	1.322			
4.	PA_ Objective Setting	.366	.072	.290	5.090	.000	.551	1.816			
5.	PA_ Rater Accuracy	.664	.071	.526	9.327	.000	.561	1.783			
6.	PA_ Rater Accuracy	.063	.066	.052	.965	.336	.625	1.599			

(Source: Own Survey, May, 2023)

In addition to the above in order to see the effect of each independent variables effect on employee performance, step-wise regression analysis is conducted. This analysis believe to help to elaborate more and respond to the researcher question.

According to the results presented in the table, it can be observed that the accuracy of rating in performance appraisal has the highest influence on employee performance, accounting for

62.7% of the variance. This finding suggests that focusing solely on improving the accuracy of rating, while keeping other factors constant, has the potential to enhance employee performance by a significant percentage. Furthermore, when considering the inclusion of setting objectives during the performance period, the overall influence on employee performance increases to 70.2%. This indicates that the setting of objectives provides an additional 8.5% impact on employee performance, on top of the effect of rater accuracy.

Moreover, when interpersonal factors are taken into account alongside rater accuracy and objective setting, the impact on employee performance further increases to 72%. This finding underscores the significance of considering interpersonal relationships and factors in conjunction with other performance appraisal practices to maximize their impact on employee performance. The results highlight the importance of rater accuracy, objective setting, and interpersonal factors as influential components in performance appraisal practices. By focusing on these dimensions and continuously improving them, organizations can potentially enhance employee performance by a considerable margin.

However, it is important to note that these results are based on the specific context and variables examined in the study. The influence of performance appraisal practices on employee performance can be influenced by various organizational and individual factors, and the findings should be interpreted within the scope of the study's limitations and the broader organizational context.

#### **4.5 Post-estimation Tests**

Diagnostic tests of multicollinearity, model specification and normality were conducted and declared that the estimation technique has not model specification problem. In order to overcome the problem of heteroskedasticity, the researcher conducted robust regression analysis. For multicollinearity, the variance inflation factor (vif) was used and the value obtained from the test (4.93) indicated that, there is no perfect collinearity among the regressors.

For the model specification, omitted variable test (ovtest) was conducted. The test result indicated that we can't reject the null hypothesis of model has no omitted variable at 5 percent level of significance. Multivariate normality test was conducted using Doornik-Hansen test of normality and according to the result of the test we fail to reject the null of normally distributed at the default 5 percent level of significance.

#### **4.6 Summary of analysis for Interview Question**

The analysis from interview held with head of administration and human resource department and supervisor at different level states that as he performance appraisal system serves as a crucial tool for employee performance development. One among the question asked was on what type of performance management system the organization is using and the respondent said that ECX is said to be using mixed type of performance management system as it includes and promotes the employee to use MBO as well as 360 degree of performance appraisal system. It facilitates effective feedback & communication between managers & employees, providing constructive feedback on strengths and areas for improvement. According to data collected from the by aligning goals and expectations, employees gain clarity on organizational objectives and can prioritize their work accordingly. The system also recognizes and rewards outstanding performance, motivating employees and reinforcing positive behaviors. Moreover, it identifies areas for improvement and development, enabling employees to create personalized development plans and receive the necessary training and support.

Additionally, performance appraisals contribute to career development by discussing aspirations and growth opportunities, while also forming the basis for performance-related decisions such as promotions and salary adjustments. Overall, the system aims to foster continuous improvement, enhance communication, and support the professional growth of employees.

In relation to difficulties that was encountered in carrying out the Performance Management process shows as they were encountered various challenges. The respondent replied as “most of the time supervisors try to ignore the process and they didn’t submit the PA for their superordinate’s on time. As a result the department is forced to circulate a repetitive email to remind the supervisors and bring their attention to the subject.” The respondent added even if the purpose of the PA is to evaluate the employees and to identify their weakness and strength so that the organization can work in improving their weakness and expand their strength however due to the late responses most of the time the organization is not be able to respond to the purpose of performance evaluation on the expected time. Accordingly they shows a direction that addressing these challenges requires proactive measures such as promoting objectivity, enhancing clarity in expectations, improving communication skills, allocating sufficient resources, fostering employee engagement, providing adequate training, and aligning the process with the organizational context.

The data from interview held states that when employees face difficulties in carrying out the Performance Management process, organizations can address the issues through various approaches. This may include providing training and support to improve employees' understanding of the process, offering clear guidelines and resources for goal-setting and performance measurement, facilitating open communication channels for addressing concerns, ensuring fair and unbiased evaluations, and implementing feedback mechanisms to continuously improve the process. Additionally, organizations can create a supportive culture that encourages employee engagement, fosters collaboration, and provides opportunities for growth and development. By addressing employee difficulties through these strategies, organizations can enhance the effectiveness and overall success of the Performance Management process.

Regarding to their overall opinion about the effect of the performance appraisal practice on ECX employee's performance they agree as the effect of performance appraisal practice on employee performance can be significant and positive. Accordingly when implemented effectively, performance appraisals provide valuable feedback, clarify expectations, and align employees' efforts with organizational goals. By recognizing achievements, identifying areas for improvement, and offering development opportunities, performance appraisals can motivate employees to perform at their best. They also serve as a basis for career advancement, fair decision-making, and overall performance improvement. However, the effectiveness of performance appraisal practices depends on factors such as clear communication, fairness, objectivity, ongoing support, and a positive organizational culture that values employee development.

As per the interview to improve the implementation of performance appraisal management systems, the respondent agrees as organizations can consider the following ideas. Firstly, establish clear performance expectations and goals that are aligned with organizational objectives. This ensures that employees understand what is expected of them and provides a framework for evaluating their performance. Additionally, providing training and development opportunities for both managers and employees can enhance the effectiveness of the process. Training should focus on effective feedback and communication skills, objective evaluation techniques, and goal-setting strategies. Ongoing feedback and communication should be encouraged to foster a culture of continuous improvement, allowing for timely discussions on performance, addressing concerns, and providing guidance and support. It is important to

establish objective evaluation criteria and metrics to minimize biases and subjectivity. Managers should receive specific training and support to enhance their ability to conduct performance appraisals effectively. Lastly, involving employees in the process by encouraging self-assessment, personal goal-setting, and seeking their input promotes ownership and engagement in the appraisal process. Regularly reviewing and assessing the performance appraisal system, gathering feedback, and making informed adjustments contribute to continuous improvement and increased effectiveness.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter gives the study summary and the discussions guided by the study objectives. The chapter also gives the study conclusions that have been derived from the study findings. Finally proposes recommendations for the study are categorized by recommendations for improvement and those for additional studies.

#### 4.1 Summary of the Findings

The purpose of this study was to determine the effect of performance appraisal practice on employees' performance using the case of ECX. Thus, using the research methods indicated in chapter three of this study it pointed out that, the performance appraisal in relation of the stated factors is significantly appreciated by the organization at moderate level, which can also be seen from the analysis result on each independent variable as follows.

On average, the employees have moderate level of appreciation towards the interpersonal effect on their performance as well as the organizations practice inputting a system which is free of biases and removal of personal liking or disliking from that of the employee performance. Hence, overall performance appraisal system of the organization is appreciated in terms of procedures and outcome received in moderate level. Again, looking at the aggregate employees perception result, the objective setting process, in the view of the employees is also appreciated at a significantly above the moderate level. The study showed that management allowed employees to participate in the setting of their goals and they understood the importance of their goals in relation to the overall objective of the organization. The study also showed that employees were satisfied with the setting of the performance standards by the organization as it is clear and easily understandable and appreciated their supervisors fair and constructive feedback provision. Additionally, they believed this objective setting process impacted their performance over the period.

This study also find that that the rater accuracy is the most influential factor and consequently this factor affects directly and very sharply the effectiveness of employee performance. In addition, the finding shows that employees appreciate their performance rating process and feel that the performance rating is more concentrated on their work performance and treated with dignity and without subjectivity. Which again is appreciated significantly above moderate level

by the employees. Finally the study revealed that ECX did recognize employee's performance to some extent. According to the finding the aggregate agreement is significantly above the moderate level in regards to this employee's appreciate the current performance management of the organization and feel that they need to be recognized for their performance. They also feel that the existence of recognition for good performance will inforce them to perform more and this will have an effect on their future performance as well.

In general the this study identified the overall aggregate level of agreement to the stated factors are significantly above the average level indicating employees appreciate the organization on the current performance appraisal contribution to their performance improvement in relation to the factors in question.

## **5.2 Conclusion**

The general objective of the study was to identify the effect of performance appraisal practice on employee performance in case of ECX. The literature presented in chapter two indicates the different performance appraisal factors that lead to effective employee performance. The study reveals that there is a highly considerate level effect on employee performance, which is significantly influenced by all the selected factors, where rater accuracy takes the highest share.

In addition the researcher has also attempted to investigate the degree of relationship between the independent variables (performance appraisal components) and dependent variables (employee performance). Based on the correlation analysis result it is concluded that again accuracy of rating on performance appraisals have a positive and a very strong relationship or association with employee performance compared to the other factors correlation result. The others, objective setting, interpersonal factor and recognition also have a positive and strong relationship with employee performance.

Based on the regression coefficient result the stated variable in deed has an effect on employee performance. By comparing the regression coefficient result the researcher has reached on a conclusion that rater accuracy has a larger effect on employee performance than the other factors. Therefore based on the overall analysis the researched concludes that rater accuracy is the most influential factor and consequently this factor affects directly and very sharply the effectiveness of employee performance. In addition, objective setting, interpersonal factor and recognition have significant positive relationship with the effectiveness employee performance.

### **5.3 Recommendation**

The researcher believes that the findings of the study have a very wide range of Implications in ECX as well as other organizations especially who are found under the same structure as ECX. Therefore the researcher forward recommendations which help to improve employee performance.

The first recommendation that the researcher would forward is that in order to ensure the effectiveness of employee performance, organizations can enhance rater accuracy by using appropriate measurement of employee contribution, implementing fair performance appraisal and removing errors based on age, gender or race. As indicated in discussion part of this research by Harari, M.B., & Rudolph, C.W. et al (2016) ECX can implement a rater accountability procedure.

Secondly to ensure the effectiveness of employee performance organizations should also present their concern on developing the objective prior to the appraisal period so that they have the clear idea of their objective as well as the organizations and what is expected from them. The organization should also re-evaluate the goals that are set, and also implement constructive feedback in relation to the goals. Additionally, the study recommends that the if possible organization includes mentorship and regular training as a way of keeping the workforce motivated and accountable to their goals. Latham & Locke (2006)

Establishing perfect and well-structured interpersonal relationship between the supervisor and the supervisee also received an important contributor to overall employee performance effectiveness. Therefore the organization should work in this aspect so that employees feel their contribution to the job as an employee is prioritized rather than their relationship with their supervisors. The employees should be given training on the performance appraisal so that biasness and subjectivity could not be a subject.

On top of all this the organization should set a forma and well-structured recognition system that could be linked with the outcome of the employee performance appraisal in a cost-effective way of boosting morale of the employees.

In general this study analysis was evaluated on the basis of a moderate level of agreement. Which means if the analysis of the study was conducted on the basis of agreement level the result of the study would have gone in different direction. Therefore ECX should deeply work

on this factors by developing user friendly PA format, conducting a repetitive inducting or a refreshment training on performance appraisal rating to make it less biased and subjective as well as try to link this outcomes with any kind of recognition method so that the employee's appreciation can move to beyond the agreement level.

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**APPENDIX-I**  
**KOTEBE UNIVERSITY OF EDUCATION**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT MBA PROGRAM**  
**QUESTIONNAIRE DESIGNED FOR RESPONDENTS.**

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**SECTION I: INTRODUCTION.**

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Dear respondent,

My name is **HILENA FIKADU BEKELE** (ID No. PGW/19930/13) I am a graduate student at kotebe University of education pursuing a Master's of business administration (MBA). As part of my work I am conducting a research study under title of “**The effect of performance appraisal practice on employee performance: the case of Ethiopia commodity exchange.** You have been selected to participate in this study so I hereby bring to you this paper questionnaire) with a set of questions seeking for your answer. Your answers will be highly concerned as a basis for writing my academic report on performance appraisal practice and its effect on employee performance your identity will be treated with utmost confidentiality.

- a) Names must not be written in any part of this questionnaire
- b) Kindly, fill in necessary information
- c) Choose the answer by putting a tick [ $\surd$ ] and mention or explanations where needed.
- d) For any additional information, questions and or clarifications, please see or contact and ask the provider of this questionnaire.

I am therefore seeking for assistance in collect the necessary information by filling in the questionnaire attached herein. Kindly not that the information being sought is purely for academic proposes and will be treated with outmost confidentially. A copy of the final report will be availed to you upon request. Your assistance and co-operation will be highly appreciated. If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Mobile: +251-937-358-487)

**THANK YOU VERY MUCH IN DVANCE**  
**HILENA FIKADU**

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## SECTION II: SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

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1. Gender

A. Male [ ]

B. Female [ ]

2. Age

A. Less than 18 years [ ]

D. 36–45 years [ ]

B. 18–25 years [ ]

E. 46–55 years [ ]

C. 26–35 years [ ]

F. Over 56 years [ ]

3. Level of Education

A. Diploma/Vocational Education [ ]

C. Master's Degree [ ]

B. Bachelor's Degree [ ]

D. PHD [ ]

4. For how long have you served in EXC?

A. Less than 1 year [ ]

C. 5-9 years [ ]

B. 1-4 years [ ]

D. More than 9 years [ ]

5. Where is your current location (**region only**): \_\_\_\_\_

A. Department [ ]

C. Support [ ]

B. Programme [ ]

D. supervisor [ ]

6. How often is your performance appraised or reviewed?

A. Every month [ ]

B. Quarterly [ ]

C. Half yearly [ ]

D. Yearly [ ]

### SECTION III: RESEARCHES VARIABLE RELATED QUESTIONS

**Instruction:** Dear respondent! This section contains characteristic related to interpersonal factor, objective setting and ratter accuracy and their effect on employee performance. Please analyze each item and answer accordingly Using the key below, please indicate the extent to which you agree with each statement by rating the question on a scale of a five-point scale (ranging from 1 = strongly disagree to 5 = strongly agree) where *1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree* used to measure your response.

<b>A.</b>	<b>Measures indicating Objective Setting</b>	<b>SA</b>	<b>A</b>	<b>UN</b>	<b>DA</b>	<b>SDA</b>
6.	I participate in the setting of my goals/targets prior to the performance period.					
7.	I understand the importance of my goals/targets in relation to the overall objective of the organization.					
8.	Performance standards in my organization are clearly set and easily understandable.					
9.	My supervisor provides me with clear direction to improve my performance and I get fair and constructive feedback regularly to my goals/targets.					
10.	The setting of objectives/goals has a positive impact on the overall performance of an employee within an organization.					
<b>B.</b>	<b>Measures indicating Interpersonal Factors</b>	<b>SDA</b>	<b>DA</b>	<b>UN</b>	<b>A</b>	<b>SA</b>
1.	My supervisor takes my performance throughout the evaluation period rather basing on the relationship I have with him/her.					
2.	My supervisor completes the performance appraisals reflecting his/she personal like or dislike towards me.					
3.	Measuring employee's contribution to the job rather than employee's behavior/relationship will be more effective on the improvement of employee performance.					
4.	My supervisor treats me with kindness and show concern about my rights as well as able to suppress personal biasness during performance evaluation process.					
5.	The appraisal system exists in GE is fair enough in terms of procedures, outcome received on the. Basis of performance and treatment of top management with the employees					
<b>C.</b>	<b>Measures indicating Rater Accuracy</b>	<b>SA</b>	<b>A</b>	<b>UN</b>	<b>DA</b>	<b>SDA</b>

1.	My organization makes sure that I am assigned a rater who understands the requirements & difficulties of my work.					
2.	My rating is treated with dignity and without subjectivity which strive me to perform more					
3.	I feel that the manager take into consideration my performance throughout the rating rather than looking the short term achievement or failure.					
4.	My last performance appraisal represented my past year's performance which strive me to perform more in future.					
5.	The Perceived fairness & accuracy of the performance appraisal rating have an overall effect on my performance.					
<b>D.</b>	<b>Measures indicating Recognition</b>	<b>SA</b>	<b>A</b>	<b>UN</b>	<b>DA</b>	<b>SDA</b>
1.	The performance appraisal has a defined purpose in EXC					
2.	It is important for me to be recognized by my manager, peers and co-workers for a job well done					
3.	During my stay in EXC my performance appraisal is used once at least for one of these reasons. (Promotion, Reduction, salary adjustment ,demotion or transfer)					
4.	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
5.	If my performance is recognized in any way it will definitely have an effect on my future performance.					

❖ If you have any points to add regards to the performance appraisal practice of ECX for the improvement of employee performance.

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## **APPENDIX-II**

### **Interview Question:**

Interview Question to Head of Administrative & Human Resource Department

1. What are the Performance Management appraisal and your practices in your organization?
2. What is the purpose of the performance appraisal system contributes to the employee's performance development?
3. Have you encountered any difficulties in carrying out the Performance Management process?
4. If employees are experiencing issues how are they dealt with?