

Evaluating employee satisfaction towards performance appraisal system (A case of Commercial Bank of Ethiopia North Addis Ababa District) a multiple mediation analysis

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Abstract: *The mediating role of feedback, employee participation and perceived fairness in the relationship between performance appraisal system and employee satisfaction has been established using Commercial Bank of Ethiopia North Addis Ababa District, yet theories and empirical studies have demonstrate that feedback, employee participation and perceived fairness mediate in the performance appraisal system-employee satisfaction relationship. The study used a mixed research approach. A systematic random sampling was used to sample 280 respondents from Commercial Bank of Ethiopia, North Addis Ababa district. The study used questionnaires and interview as for data collection instrument. Descriptive statistics, regression analysis and correlations were used to analyze the data collected. The result of the study shows a statistically significant relationship between performance appraisal system and employee satisfaction. The Baron and Kenny approach was used to test the mediation. The study revealed that feedback, employee participation and perceived fairness partially mediate between performance appraisal system and employee satisfaction. Key challenges identified include low feedback rate, appraisal is conducted annual base and manager is the only source that appraise employee's performance. The study recommends that participation style should be encouraged in order to appreciate employees in the performance appraisal process. Further, top management should consider giving performance feedback and coaching on time.*

Keywords: Performance appraisal, employee satisfaction, feedback, employee participation, perceived fairness

Background of the study

It is widely accepted that performance appraisal makes a significant contribution to an organization and employees (Singh, College, & Sahib, 2011). Performance appraisal is one of the most important human resource management practices that determine and communicate to employees how they performing on the job and ideally establishing a plan of improvement (Gary, 2013). Performance appraisal is used to assess an employee's performance and gives a stage of feedback about past, current, and future performance expectations (Jackson, 2010).

For an organization to survive in a turbulent and dynamic global work environment, performance ought to be measured, especially in human resource (Michael Armstrong, 2010). Employees play a pivotal role for the success of the organization. The efforts of employees can determine the success and survival of an organization (Barney, 2015) and performance appraisal can boost employees' motivation and performance can be managed (Cook & Crossman, 2004).

Performance appraisal can give answers to a wide cluster of work related inquiries (Naji, Ben Mansour, & Leclerc, 2015). Furthermore, by propelling a guide of achievement, poor performance can be improved (Sawaneh, Peter Kamara, & Gbassay Kamara, 2018). Indeed, even after a positive appraisal, employees get spurred and go hard and fast

improving their job performance. Be that as it may, performance appraisal programs ought to be structured in a way that it completely improves the talents and efforts of employees (Jackson, 2010).

If performance appraisal is poorly done, it can lead to disappointing results for all concerned bodies (managers, employees, and HR administrators), and there is a reason to believe that evaluation can cause bad feelings and destroy relationships if not managed well (Jackson, 2010). The satisfaction of employees in the performance appraisal plays a more prominent role for efficiency of the organization (Saleem Husna, 2015). A negative reaction towards the performance appraisal can collapse the entire performance appraisal system, even if it was built carefully (Aleassa, 2014).

Along these lines, it is conceivable to state that performance appraisal is a basic component of an organization. In the event that employees are assessed dependent on target criteria, it helps the employees, groups and organization in accomplishing their objectives and performance (Blau, 2015; Seniwoliba, 2014). If employees understand performance appraisal as unfair, they don't apply the feedback to improve their performance (Levy & Williams, 2004). Performance appraisal satisfaction has positive advantages for the employees and just as for the organization.

Statement of the problem

Many researchers and scholars do research on performance appraisal. This is because they are convinced that organizations that use performance appraisal perform better (Aleassa, 2014; Frimpomaa, 2014; Levy & Williams, 2004; Singh, College, & Sahib, 2011). So, from this one can comprehend the significance of performance appraisal, which occurs in the organization. Employees are the essential part of the organization. Organizations achieve their objectives through employees. Accordingly, performance appraisal system should go for improving the performance of employees and organization (Xavier & Joseph, 2015). However, it seems that performance appraisal is not given the serious attention by most organizations and it is practiced periodically more as a usual practice than as an instrument for improving employee's performance and administrative decision making. While organizations practice performance appraisal system, they should give a priority to people and recognize the employees as the most important asset of a company (Sawaneh et al., 2018; Cook & Crossman, 2004).

The Commercial Bank of Ethiopia (CBE) is the largest financial institution that plays the lion share in the economy of Ethiopia. This organization creates many job opportunities for many people in the country. It has more than 33,000 employees, who are directly involved. So as to deal with the performance and fulfill every one of these employees, the organization needs legitimately created and viably actualized performance appraisal system. Ground-breaking performance appraisal system benefits the organization to bring its objective to a fruitful end by creating gainful and satisfied employees. However, the current performance appraisal system in Commercial Bank of Ethiopia has certain problems and these problems could lead to employee dissatisfaction (Alemneh Admassu, 2017). Problems related to performance appraisal become a major problem for low productivity, absenteeism and increasing number of customer's complaints many organizations are experiencing (Jackson, 2010). If employees are satisfied with the performance appraisal system, they use their potential to the maximum and contribute much to the realization of organizational goal (Dechev, 2010; Kerosi Josaphat Bosire, Mukamuhinda Odette, 2014). But the reality is that, performance appraisal does not always help both the organization and employees achieve the desired objective. Fletcher & Williams, (1996) suggests that employee dissatisfaction with performance appraisal serves as a warning to organizations that performance appraisals are failing to accomplish the reason for which they were planned for.

Therefore, it is important for organizations to consider how employees react to these systems in order to acquire an understanding of what the impact of these reactions might be on the organizations (Murphy & Cleveland, 1991). A number of studies have been conducted on performance appraisal in Ethiopia (e.g. Alemneh Admassu, 2017; Getachew, 2016; Bayih, 2016; Ayalew, 2016) none of these have been ever focused on the satisfaction of employees on performance

appraisal. Filling this gap inspired the researcher to conduct this study. The researcher believes that assessing employee's satisfaction towards performance appraisal in Commercial Bank of Ethiopia North Addis Ababa District is well-timed and priority issue, because the performance appraisal satisfaction plays an integral role in the success of an organization, and the performance appraisal first of all contributes to the satisfaction of employees.

Objective of the study

General Objective

The main objective of this study is to carry out a thorough assessment of employee satisfaction towards the performance appraisal system by examining the mediation role of employee participation, feedback and perceived fairness in the relationship between performance appraisal system and employee satisfaction using the case of Commercial Bank of Ethiopia North Addis Ababa district.

Specific Objective

The study was guided by the following specific objective:

1. To investigate the performance appraisal system used by Commercial Bank of Ethiopia, North Addis Ababa District in evaluating the performance of the employees.
2. To determine the mediating effect of feedback on the relationship between performance appraisal system and employee satisfaction.
3. To assess the mediating effect of employee participation on the relationship between performance appraisal system and employee satisfaction.
4. To assess the satisfaction level of employees in the wake of the inception of the current appraisal system.
5. To examine the mediating effect of perceived fairness on the relationship between performance appraisal system and employee satisfaction.

Research questions

The study aims at answering the following research questions:

1. To what extent does feedback mediate the relationship between performance appraisal system and employee satisfaction?
2. Does employee participation mediate the relationship between performance appraisal system and employee satisfaction?
3. Is there a mediating effect of perception of fairness on the relationship between performance appraisal system and employee satisfaction.

Scope of the study

The study had involved employees and management staffs of Commercial bank of Ethiopia who were working in North Addis Ababa District. Commercial Bank of Ethiopia is selected for the purpose of this research, because Commercial Bank of Ethiopia (CBE) is the leading bank in the sector that plays the lions share in supporting the economy of Ethiopia. Employees from different age groups, work experience and

educational level were covered by the research as proportional as possible.

Significance of the study

The findings of this study serve the following purposes: Firstly, this research will help the organization to look in to the strength and limitation it had with regards to performance appraisal and to help managers decide if the performance appraisal system adopted now would be right for their company, and what measures and issues they need to take into account with the performance appraisal system. This will make the organization come up with better amendments of the existing system. Secondly, it will serve as a secondary source for those researchers who might want to conduct studies in this area and finally it helps the researcher to acquire knowledge.

Organization of the study

This thesis comprises of five chapters including references. The first chapter is the introductory part, which includes statement of the problem, objective of the study, research question, and significance of the study and scope of the study. The second chapter deals with review of related literatures and theories. The third chapter presents the methodology that the researcher used to find empirical results from the assessment of employee satisfaction towards the performance appraisal in case of CBE North Addis Ababa District where the data gathered are analyzed and interpreted. The fourth chapter discusses the results and analysis. The fifth chapter includes conclusion, recommendation, limitation and suggestions for future research.

2. LITERATURE REVIEW

Introduction

This chapter discusses the existing theoretical and empirical literature on the notion of performance appraisal, types of performance appraisal, objectives of performance appraisal and some errors associated with performance appraisal. Moreover, it also looks at the historical emergency of performance appraisal, perception and satisfaction level of employees towards the performance appraisal system, and the role of feedback. In line with the objective of the study, different studies which have been done by different scholars in this area would be analyzed.

Concept of performance appraisal defined

Performance appraisal is the efficient assessment of the performance of an employee by his/her supervisors (Joshi.M., 2013). He further explains that performance appraisal is a tool for discovering, analyzing and classifying the differences among workers in relation to job standards.

Performance appraisal is the formal process of observing and evaluating an employee's performance (Erdogan, 2002).

Performance appraisal is the process through which employees job is evaluated according to the setting standard

and communicating that information to them (Jackson, 2010).

Lansbury (1988) defines performance appraisal as the process of determining, figure out and progress the work performance of employees in the organization. By doing so the goal as well as the objective of the organization is more effectively and efficiently achieved, close to this it benefits employees in connection with receiving feedback and coaching. Performance appraisals results help organization to know the magnitude or the direction of employee's actual performance in their work place (Levy & Williams, 2004). Performance appraisal is an outstanding educational tool, because the entire process is based on providing feedback (Daoanis, 2012). Employees learn a lot about themselves through performance appraisal, whether the appraisals take the form of self-evaluations or evaluations from their managers, peers, and others in the workplace Lansbury (1988).

In this way, from the above definition from various researcher's various point can be derived.

1. Performance appraisal is a process by which an individual's work performance is assessed whether s/he did the work according to the intended standard or not and afterward feedback is given for improvement, so that organizational goal and objectives are more accomplished adequately and effectively.
2. Performance appraisal is beneficial to employees in terms of reward, recognition and equipping employees with new knowledge and skill.
3. The ambition of performance appraisal system is to figure out the performance of employees and upgrade employee performance.
4. Performance appraisal has a lot of uses the most influential is provides employees with meaningful feedback so as to improve their performance.

In this research, performance appraisal is defined as a regular formal interaction between employees and managers in the bank, where the work performance of employees is evaluated; accordingly the shortcomings as well as the strengths of employees are identified. In addition to this it benefits employees in terms of reward, bonus and recognition.

The Historical Emergence of PA

Performance appraisal is a broadly used management tool in business organizations around the 1980's (Taylor, 2005). Taylor further explains that in the first time performance appraisal system is blocked to army officers. Some of the earliest witness was seen in the 3rd century when a Chinese Din Yu criticized a biased rater of the Wei Dynasty on the grounds that the empirical rater of nine grades rarely rates men by their merits but always rates them according to his likes and dislikes (Patten, 1977).

Gradually performance appraisal became a formal process. According to Bellows & Estep (1954) in 1800's the US general army submitted an appraisal of his soldier to the department of war. Character books and blocks are the first recorder performance appraisal system by Robert Owen to rate staff members. In order to record daily workers, report he

used the character books. The blocks were colored differently on every side to represent an assessment of the worker rating them from strong to weak (Bellows & Estep 1954).

Performance Appraisal Today

Today, performance appraisals is being used in organizations for a various reasons, it is totally different from appraisal methods to be used in the previous times. According to Cleveland, Murphy, & Williams (1989) there are two main uses for performance appraisal in organizations today. First performance appraisal is important in identifying and developing individual's strengths and weaknesses. Second performance appraisal system is important to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Performance appraisal is important in justifying personal decision and ensure that employees are meeting the legal requirement (Cleveland, Murphy, & Williams, 1989; Wiese & Buckley, 1998). There are a lot of research papers on performance appraisal, because performance appraisal plays a huge role to every organization (Lawler, Benson, & McDermott, 2012; Ali, Mahdi, & Malihe, 2012; Naji et al., 2015).

Performance appraisal system in CBE

Banking services is one where a considerable amount of attention should be given to performance appraisal system. Performance appraisal program in Commercial Bank of Ethiopia is designed to determine the future use of an employee, whether to transfer the employee or even promote to a superior position inside the organization. What's more, performance appraisal is used to motivate employees to do better in his/her current job by providing the necessary feedback and acknowledgment too. The company management believes that an effective improvement of the individual performance brings improvement of the overall business performance of the organization and creates a performance driven environment. Management by objectives is a widely used tool in CBE (Annual report, 2018).

Methods for appraising performance

Performance can be appraised by a number of methods. Different employers utilize distinctive methods to assess the performance of their employees; here are the most widely recognized performance appraisal methods throughout the world: Graphic rating scales; behavioral anchored rating and management by objectives (MBO) (Dorfman, 1986).

Graphic rating scales

The graphic rating scale allows the rater to mark an employee's performance on a continuum indicating low to high levels of a particular characteristic. Because of the straightforwardness of the process, graphic rating scales are regularly utilized in performance evaluations (Jackson, 2010). Three aspects of performance are appraised using graphic rating scales: descriptive categories (such as quantity of work, attendance, and dependability), job duties (taken from the job description), and behavioral dimensions (such as decision

making, employee development, and communication effectiveness) (Landy & Farr, 1980; Jackson, 2010).

Behaviorally anchored rating scale (BARS)

The behaviorally anchored rating scale (BARS) form is a performance appraisal that provides a description of each assessment along a continuum (Kell & Shore, 2018). BARS focus on specific job behaviors rather than traits or characteristics. These scales reduce the amount of segment or subjectivity required of the rater and relies mostly on the artery powers of observation (Jackson, 2010).

The BARS approach offers several key advantages: - It's behaviorally based – easy to use – equitable – fully individualized and action oriented. Like any method, BARS isn't perfect. Here are some of the drawbacks to the BARS approach: - time consuming, difficult and expensive – require high degree of monitoring and maintenance (Jackson, 2010).

Management by objectives (MBO)

Another all-around respected and broadly utilized approach to performance appraisal is called management by objectives (MBO). By definition, under this method, you assess your employees based on results (Jackson, 2010). Management by objectives (MBO) is an individual assessment strategy which measures task outcomes rather than behaviors (Drucker, 1954). MBO is more than performance appraisal — it's a construct for managing the entire organization (Boulouta, 2012). Its expansiveness incorporates the organization's vision, values, strategies, goals, and performance measurement (Jackson, 2010). MBO starts with managers at the highest point of the organization by setting goals. Then managers and employees at each successively lower level build up their very own goals. Employees' goals are intended to help the goals of their own managers. Along this line, the entire organization is connected together in the pursuit of objectives (Jackson, 2010). Management by objective is the best method of developing employees by giving ongoing feedback (Shaout, 2014). Messah & Kamencu (2011) suggest that organization should adopt management by objectives so as to improve the performance of their employees.

According, (Shaout, 2014) MBO is the most successful method. Employees are profoundly energetic through MBO because they've been able to actively participate in the process of setting goals, instead of simply having the goals dumped on them. Their involvement in these types of decision making helps meet many of their higher-level needs for accomplishment, achievement, recognition, and self-worth (Jackson, 2010).

The essence of MBO is participative goal setting, choosing course of actions and decision making (Islami, Mulolli, & Mustafa, 2018). An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards that were set. Ideally, when employees themselves have been involved with the goal setting and choose the course of their action they are more likely to fulfill their responsibilities. Because individual

objectives are different for each employee results cannot easily be compared (Jackson, 2010).

In addition, MBO demands a lot of time and administrative work. On the positive side, MBO brings a wide range of advantages to the appraisal process: -It helps build relationships between managers and employees - MBO improves the quality of decision making and problem solving – MBO is reasonable snappy and simple (Jackson, 2010). What the literature makes clear is that MBO includes employees in the entire procedure of goal setting this potentially increase employee satisfaction and commitment.

Who conduct performance appraisal

Whatever method of performance appraisal is utilized; it is necessary to decide whom to use as the source of performance measures. There are various diverse choices concerning who ought to assess the individual employee, and the decision needs to be based on a series of factors. Each source have a particular quality and shortcoming. We can identify five primary sources managers, peers, subordinates, self and customer (Jackson, 2010).

Manager

Managers are as often as possible the best and most usually used options to choose as evaluators for the employees under their control. Be that as it may, this isn't always the situation due to problems with supervisor performance assessments (Jackson, 2010).

Peers and team members

As explained by Gary (2013) peers and team members are one source of performance measure. A noteworthy quality of using peers to appraise performance is that they work intimately with the evaluated employee and most likely have an undistorted viewpoint on typical performance, especially in team assignments. He further clears up that there are a great deal of favorable position utilizing peers and team members to appraise performance. Firstly, peers and team members know each other's performance better than anyone and can, therefore, evaluate performance more accurately beside this peer pressure is a powerful motivator for team members, members who recognize that peers within the team will be evaluating their work show increased commitment and productivity and peer review involves numerous opinions from different individuals (Jackson, 2010; Gary, 2013). Having this preferred standpoint using peers and team members to appraise performance have it is own drawbacks, if an employee has been inconsistent with another worker the person in question may truly "unload on the enemy," resulting in an unfair evaluation. Another problem concerns peers who interact infrequently and lack the information needed to make an accurate assessment. In fact, there is no research evidence on the validity of peer evaluation. Personality conflicts and individual inclinations can influence how individual employees rate their peers. Peer rating are particularly valuable when supervisors don't get the opportunity to observe each employee's performance but other group

members do (Jackson, 2010).

Supervisor

The most generally utilized methods for rating employees is based on the assumption that the immediate supervisor is the individual most met all requirements to assess an employee's performance sensibly and decently (Jackson, 2010). According to Gary (2013), an employee's immediate supervisor has been the most logical choice for evaluating performance and this continues to be the case. The supervisor is usually in an amazing position to watch the employee's job performance and the supervisor has the obligation regarding dealing with a specific unit (Gary, 2013).

Self

Self-appraisal works in certain situation. As a self-development tool, it requires employees to consider their quality and shortcoming and set goal for improvement. But the main disadvantage of self-appraisal is that employees may use quite different standards and not rate themselves in the same manner as supervisors (Jackson, 2010). If employees understand their objectives and the criteria used for evaluation, they are in a good position to appraise their own performance. Many people know what they do well on the job and what they need to improve. If they have the opportunity, they will criticize their own performance objectively and make a move to improve it (Gary, 2013). He further clarifies that employees who evaluate their own performance may turn out to be more highly energetic next to this self-appraisal provides employees with a means of keeping the supervisor informed about everything the worker has done during the appraisal period. For compensation purposes, however, its value is considerably less. Some individuals are masters at attributing good performance to their own efforts and poor performance to someone else's. A few people are experts at ascribing great performance to their very own endeavors and poor performance to somebody else's (Gary, 2013).

Customers

Customers are a good source of outside appraisal. Specifically, for service jobs customers may give valuable contribution on the performance behavior of employees (Jackson, 2010). It is essential to acquire performance input from customer (Gary, 2013).

360-degree evaluation

360-degree evaluation recognizes that for many jobs, employee performance is multi-dimensional and crosses departmental, organizational and even global boundaries. Along these lines, information should be gathered from a wide range of sources to sufficiently and decently assess an incumbent's performance in one of this job. The primary reason for 360-degree evaluation is that to capture evaluation of the employee's different roles to provide richer feedback during an evaluation (Brooks, 1999). There is a high level of acknowledgment that 360-degree feedback is reasonable to support appraisal (Silverman, Kerrin, & Carter, 2005). 360 degree feedback has turned out to be a standout amongst the

most prevalent HR practice throughout the previous ten years (Kearns, 2004).

360-degree systems are gaining popularity because they tend to reduce the problems of past ages of assessment methods (Antonioni, 1996). Barnes (1997) notes that 360-degree appraisal moves the manager back into a safe place as the manager is currently just a single among various assessors. Barnes also point out that 360-degree appraisal system lessens protectiveness with respect to the appraisal in light of the fact that there are a variety of assessors. A 360-degree system is very important since employee's behavior is assessed through a wide range of others who have worked with the employee (Campion, et.al, 2015).

Use of performance appraisal

Organization engages in the performance appraisal process for different reasons. According to Jackson (2010) organization generally use performance appraisal for two main purposes; First, to provide a measure of performance for consideration in making pay or other administrative decisions about employees (termination, transfer, promotion, etc.). This administrative role often creates stress for managers doing the appraisals and employees as well. Second, to focuses on the development of individuals (coaching, mentoring, training opportunity, etc.). In this role, the manager acts more as an instructor and mentor than as a judge, a perspective that can change the overall tone of the appraisal process.

According to Gary (2013) the use of performance appraisal is; First, most employers' still base pay, promotion, and retention decisions on the employee's appraisal. Second, appraisals play a crucial role in the employer's performance management process. Finally, supervisors use appraisals to identify employees training and development needs. The appraisal should enable the supervisor to identify if there is a performance gap between the employee's performance and his or her standards. And it should help identify the cause of any such gap, and the remedial steps required.

Organization may require the performance appraisal to accomplish any of the accompanying four primary targets (Fletcher, 1997):

1. Administrative: to help organization assess and monitor employee performance, to determine pay, salary, rewards and bonuses. It can also be used to help make staffing decision with respect to workforce planning. E.g. staff layoffs or downsizings.

2. Organizational strategy: performance appraisal systems provide organizations with the opportunity to communicate and implement their organizational strategies to all employees within the company.

3. Training and development: Performance appraisal can help managers to figure out what training and development employees might require to accomplish present or future personal and organizational goals.

4. Organizational feedback: by seeking useful information from employees, performance appraisal help managers and organizations gather feedback to help

determine the present or potential qualities and shortcoming of the organization.

Performance appraisal satisfaction

Researchers have emphasized that appraisal reactions play a crucial role in the development of favorable job and organizational attitudes and enhance motivation to increase performance (Taylor, S. J., & Bogdan, 1984; Getachew, 2016; Aleassa, 2014). Of all the appraisal reactions, the satisfaction of performance appraisal system has been the most frequently studied (Keeping & Levy, 2000; Frimpomaa, 2014). Performance appraisal satisfaction is the extent to which the employee perceives performance ratings reflect those behaviors that contribute to the organization (Giles & Mossholder, 1990) and is considered the most consequential among all the variables that measure reactions to appraisal feedbacks (Giles & Mossholder, 1990; Keeping & Levy, 2000; Levy & Williams, 2004). Furthermore, several authors have addressed important conceptual issues about the meaning of performance appraisal satisfaction (Cook & Crossman, 2004; Sibhoko, 2017) while others have argued that, in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions. If not, any appraisal will be doomed to failure (Cardy & Dobbins, 1994; Murphy, K. R., & Cleveland, 1995). Even though performance appraisal satisfaction is the most frequently measured appraisal reaction (Giles & Mossholder, 1990; Keeping & Levy, 2000) and there is extensive research on factors that contribute to performance appraisal satisfaction or other reactions (Levy & Williams, 2004) there is still lack of empirical evidence on how and why satisfaction with performance appraisal matters. For example, in reviewing performance appraisal research, (Levy & Williams, 2004) called for more field research on the relationship between performance appraisal reactions and employee attitudes and behaviors.

According to Keeping & Levy (2000), there are four main constructs, which have been used to investigate employee reaction to performance appraisal system. It may include satisfaction, fairness, utility and accuracy. Of these four, it has been suggested that performance appraisal satisfaction is the preferred construct (Keeping & Levy, 2000). Different research conducted by different scholar Keeping & Levy, (2000); Karimi et al., (2011); Levy & Williams, (2004) implies that appraisal reaction plays a very important role in the development of good job and organizational attitude.

Even though performance appraisal has many beneficial uses to the organization, there seems to be a negative attitude and considerable dissatisfaction with the appraisal systems from both employees and managers (Latham and Wexley, 1981; Fletcher, 1993; Khoury & Analoui, 2004). Absence of employee participation and involvement in the process of performance appraisal system are the most usual problem point out by researcher for the failure of an appraisal system (Lucas, 1994, Valerie, 1996). As noted by Khoury & Analoui (2004) many performance appraisals fail due to lack of

effective management system and top management support.

So, why does employee's satisfaction with the performance appraisal matter? It is because of a critical link that exists between satisfaction with the appraisal process and appraisal effectiveness (Bernadin and Beatty, 1984; Dobbins, et al., 1990). Since appraisals are designed to help organization's retain, motivate and develop their employees (Mount, 1983), there can be little hope that these outcomes will occur if individuals are dissatisfied with the process. If appraisees are not satisfied or perceive a system as being unfair, they will be less likely to use performance evaluations as feedback to improve their performance (Ilgen, et al., 1979). With regards to satisfaction with performance ratings, higher ratings usually elicit positive reactions to the appraisal (Kacmar, et al., 1996) and are related to satisfaction with the appraisal process (Jordan and Jordan, 1993). The level of performance ratings is an important characteristic of the feedback message (Kluger and DeNisi, 1996) and, since it is often the basis for many important administrative decisions (Murphy, K. R., & Cleveland, 1995), appraisee are more likely to be satisfied with higher ratings than lower ones.

In conclusion, performance appraisal satisfaction plays a vital role for the organization. Profitability, productivity and employee retention are highly linked to employee satisfaction. For this reason, satisfaction with aspects of the appraisal process is regarded as one of the most important reactions to performance appraisal. Based on the above discussion the researcher proposed Hypothesis 1.

H1: There is a significance positive relationship between performance appraisal system and employee satisfaction.

Perception of fairness

Employees want fair dealing in performance appraisal system. Fairness in performance appraisal system has a genuine ramification for the employees (Ikramullah. M.et.al. 2011) Ikramullah clarifies that fairness in the performance appraisal deals with outcome and standards followed. As explained by Roberson & Stewart (2006) management should give complete consideration to employee's fairness perception of performance appraisal. At last, this will assist the management with designing and actualize the performance appraisal as indicated by wants of its users. Employee point of view to the performance appraisal system is exceedingly related to satisfaction with the PAS. Perceptions of fairness of the performance appraisal system are an important aspect that contributes to appraisal system effectiveness (Wendy & John, 2000).

Understanding employee attitudes about the performance appraisal system in organizations is essential, as they can determine its effectiveness (McDowell and Fletcher, 2004). If the performance appraisal system is seen and believed to be one-sided that might be a source of dissatisfaction with the system, employee dissatisfaction may lead to failure of the performance appraisal system (Cardy and Dobbins, 1994). Moreover, dissatisfaction with appraisal procedures could potentially lead to employee turnover, decreased motivation and feelings of inequity. Certainly, it

would be hard to connect performance with rewards if the appraisee exhibited inadequate satisfaction with the appraisal process. Research has also demonstrated that satisfaction with the appraisal process has an impact on factors such as productivity, motivation and organizational commitment (Cawley, et al., 1998). An appraisal process should be designed to satisfy employees and inspire their continuous efforts toward goals, be that as it may, except if its participants are happy with and bolster it, the system will at last be ineffective (Mohrman Jr, A. M., & Lawler III, 1981). If employees believe that performance is unfair they don't apply the feedback they receive to improve their performance (Levy & Williams, 2004). In this manner, fairness in the performance appraisal system is vital for employee satisfaction.

The role of feedback to employee satisfaction

Feedback is the information reflecting the past performance and results and given by the managers to the employee (Dechev, 2010). Dechev further explains that feedback helps in making organizational decisions, directs individual to the organization missions and objectives, it is through feedback employees receives information about how they are performing and where they could improve. An appraisal system should have to provide meaningful feedback for employees (Daoanis, 2012).

Giving feedback is one of the importance reasons for conducting a performance appraisal system in the organization (Swan, 2012). He further explains that employees want to know where they are. Are they on the right truck or not so through feedback employees know what they did during the work period and use the feedback to improve their performance.

Feedback is considered as a tool for employee satisfaction. Specially, the positive feedback satisfies employees and encourages them for more responsibilities. In case of the employee performance is below standard fair criticism from the feedback helps employees to see their weakness (Cardy & Leonard, 2011). Feedback plays a vital role for employee satisfaction in the performance appraisal system (Jawahar, 2006). According to Lawler (1994) cited by (Jawahar, 2006) feedback plays an important role for the individual as well as for the organization because feedback potentially influences the employee performance and interest of organization. In order to satisfy employees during performance appraisal system one of the most important conditions is to provide clear, straightforward performance based feedback to employees (Jawahar, 2006). (Carroll and Schneier, 1982; Larson, 1984) after conducting performance appraisal managers need to give feedback in order to give employees a clear understanding their strength, weakness and how they stand in the eyes of their immediate supervisors and organization (Jackson, 2010). The success of the feedback depends on the acceptance of the process. The source of the feedback must be perceived by the recipient as being accurate, truthful reliable and objective (Levy & Williams, 2004).. Feedback can bring negative reactions and behavioral change

(such as absenteeism, lack of cooperation and lack of focus) if it is perceived unfair (Dechev, 2010). If employees perceive the performance appraisal feedback is not accurate, they ignore and don't use the feedback receive to improve their performance (Levy & Williams, 2004).

Employee participation

Employee participation in the performance appraisal is strongly related to satisfaction (Cawley, Keeping, & Levy, 1998). Participation includes the opportunity to self-appraise and actual participation in the performance appraisal procedure. In terms of self-appraisal it has been recommended by the researcher that self-appraisal may expand employee's participation (Farh, Werbel, & Bedian, 1988; Latharn & Wexely, 1981). In the event employees participate in self-appraisal they become increasingly dedicated to performance goals and more accepting of criticism (Riggio & Cole, 1992). According, Anderson (1993) participation in the performance appraisal process can be enacted at various phase of the process (design and implementation phase, during appraisal interview after appraisal interview).

If employees participate in the performance appraisal system it validates their feelings of belongingness in the valued group accordingly their satisfaction increase (Tyler & Lind, 1992). Encouraging employee participation satisfies employee's inner needs and serves as a motivating vehicle results in a prominent efficiency and effectiveness for the organization (Anzemo. A., 2010). He further clarifies that employee participation in the performance appraisal system improves organizational effectiveness improves communication and provides clarity. In this dynamic and turbulent work environment employees find it necessary to permit employee participation since satisfied employees perform more and lead the organization to better performance (Anzemo. A., 2010).

Employee satisfaction

Satisfaction refers to the level of fulfillment of one's needs, wants and desire. Satisfaction depends basically upon what an individual want from the world, and what he gets (Nancy C. Morse, 1997). Employee satisfaction (ES) is a measure of how happy workers are with their job and working environment. Cranny, Smith, & Stone (1992) defined ES as the combination of affective reactions to the differential perceptions of what s/he wants to receive compared with s/he actually receives. ES literally means how happy the employees are with their jobs and their level of commitment towards the organization (Bohlander, 2002). There are many factors affecting the organizational effectiveness and one of the main important factor is employee satisfaction. Effective organizations should have a culture that encourages the employee satisfaction (Bhatti & Qureshi, 2007). In achieving employee satisfaction performance appraisal plays its own role. Hunter & Tietyen (1997) explains that employees are more devoted and productive when they are satisfied. There is no limit for the employees to reach the full satisfaction (Miller, 2006). Having good relationships with the colleagues,

high salary, good working conditions, training and education opportunities, career developments related with the increasing of employee satisfaction.

Employee satisfaction is important for both the organization as well as employees. From the organization point of view if employees are satisfied – increased productivity – increased customer satisfaction – energized employees. From the employee point of view if employees are satisfied they become more productive and committed to the organization (Sageer, 2012). Sageer further stated that in areas of customer service happy employees are extremely important because they represent the company to the public. One of the main core values of CBE is employee satisfaction. CBE is committed to employee training and professional growth, recognized employees as valuable organizational resource. Employee Satisfaction has a great impact upon the performance of an employee (Judge, Thoresen, Bono, & Patton, 2001). In order to increase employee satisfaction with the performance appraisal system, provide regular and honest feedback, giving regular constructive input into the employee's performance across a wide variety of issues, reward higher performance, challenge to new levels of performance and keep it real. Therefore, organization must give priority for employee satisfaction. Employee satisfaction is very important as satisfied employees can do more for organization in shape of better performance and productivity (Schneider, 1987).

Problem in performance appraisal

The performance appraisal systems have many problems. Most of the time evaluation of raters tends to be subjective based on their motivational status (DeNisi & Williams, 1998; Longenecker et al., 1987). Jackson (2010) one of the major sources of errors in performance appraisal is raters. The main important element why employees dislike performance appraisal is that managers don't always rate them on objective criteria. Gary (2013) potential weakness of performance appraisal methods is that they lack objectivity. Most of the time subjectivity will always exist in appraisal methods. For example, in situations where a manager dislikes an employee, the performance appraisal becomes a tool to use against an employee. If managers and employee have a solid friendship, the manger use this chance to develop their friendship more and does not report a valid fault while measuring the performance (Gary, 2013).

The employee reaction to accept feedback can determine the future productivity. A halo error/horn error occurs when a manager generalizes one positive/negative performance feature or incident to all aspects of employee performance, resulting in a higher rating or resulting in a lower rating (Gary, 2013). Errors in performance appraisal is inevitable so it is difficult to totally eliminate errors, making raters aware of them through training is helpful (Jackson, 2010).

Theoretical Background and hypotheses

Motivational theories are invaluable in the explanation

of performance appraisal. Examples of such theories are the Equity theory, Abraham Maslow's theory and the Goal setting theory.

Goal setting theory

In 1960's, Edwin Locke put forward the Goal-setting theory of motivation. This theory expresses that goal setting is basically connected to task performance. It expresses that particular and challenging goals alongside proper feedback add to higher and better task performance. In basic words, goals demonstrate and provide guidance to an employee about what should be done and how much endeavors are required to be placed in (Locke & Latham, 2013). The willingness to work towards attainment of goal is main source of job motivation. Clear, particular and difficult goals are greater motivating factors than easy, general and vague goals (Latham, 2016).

Better and appropriate feedback of results directs the employee behavior and contributes to higher performance than absence of feedback. Feedback is a means of gaining reputation, making clarifications and regulating goal difficulties (Lunenburt, 2011). It helps employees to work with more involvement and leads to greater job satisfaction. Participation of setting goal, however, makes goal more acceptable and leads to more involvement. Goal setting leads to better performance by increasing motivation and efforts, but also through increasing and improving the feedback quality (Locke & Latham, 2013). Without proper feedback channels it is impossible for employees to adapt or adjust to the required behavior. Managers should monitor performance to enable employees to see how successful they have been in achieving their goals. Providing feedback on short-term objectives helps to sustain motivation and commitment to the goal and without it, goal setting is probably not going to be effective. Feedback should be provided on the strategies followed to achieve the goals and the final outcomes achieved, as well (Shawn, 1995). Feedback on strategies used to obtain goals is very important, especially for complex work, because challenging goals put focus on outcomes rather than on performance strategies, so they impair performance (Locke & Latham, 2013; Latham, 2016). Properly delivered feedback is very essential for employee satisfaction. It can be deduced from the theory of goal setting and from reviewed literature which includes ongoing feedback practice of the appraisal system with employee satisfaction deduced Hypotheses 2.

H2: Feedback after appraisal will mediate between performance appraisal system and employee satisfaction.

Abraham Maslow hierarchy of needs

Abraham Maslow introduced his hierarchy of needs in a 1943 paper called "A Theory of Human Motivation." Maslow's Hierarchy of needs is one of the standouts amongst the best known motivation theories on the planet (McLeod, 2007) Maslow is a decent beginning stage to begin looking at the different motivation theories. Maslow begins with the idea that individuals constantly will in general need something and

what they need relies upon what they as of now have (Maslow, 1943). Maslow suggested that there are five unique dimensions of necessities individuals need to look for fulfillment of their fundamental needs (Mullins, 2007). The first or lowest level is Physiological needs. Before this needs which incorporate for instance salary and stable employment are satisfied an individual doesn't have some other needs. At the point when individuals basic need of survival are satisfied their requirements are to go to a second level. The second lowest level is Security needs. In that level a person needs to feel secure in his work environments. The need for safety is manifested with job security, savings and for insurances of health, mental health, old age and disability. Belonging needs is the third level of Maslow's hierarchy. After feeling safe, individuals need to feel that they are valued and they have good friendship. The fourth level is Esteem needs. It is simply the need to be unique with self-respect and to enjoy esteem from other individuals. Individuals need to assess themselves profoundly and dependent on their accomplishment get thankfulness from other individuals. Highest level of Maslow's hierarchy of needs is need of Self-actualization. The advancement of this need depends on the fulfillment at the other four lower levels (Maslow, 1943). It alludes to the need of self-fulfillment and to the inclination to move toward becoming completed in what an individual has potential. So from Maslow's hierarchy of belonging needs include employee participation. Participation satisfies an employee's higher level needs. We can see the influence of Abraham Maslow and his hierarchy of needs on employee participation. The concept of employee participation is very important for this research. It can be deduced from the theory of Maslow's hierarchy of needs and from reviewed literature which includes employee participation of the appraisal system with employee satisfaction deduced Hypotheses 3.

H3: Employee participation will mediate between performance appraisal system and employee satisfaction.

Equity Theory

First developed in the early 1960s by behavioral psychologist John S. Adams, equity theory is concerned with defining and measuring the relational satisfaction of employees regarding fair or unfair distributions of resources. The core of the equity theory is the principle of balance or equity (Venugopalan, O, 2007). As per this motivation theory, an individual's level is correlated to his perception of equity, fairness and justice practiced by the management. The higher the individual's perception of fairness, the greater the satisfaction level and the other way around (Adams & Rosenbaum, 1962). While evaluating fairness, employee compares the job input to outcome and also compares the same with that of another peer of equal category (Gashgari, 2016). If employee is being dealt with fairly, it makes him keep up a solid association with his colleagues and his organization. The contributions made by a worker are alluded to as input and what the organization gives consequently are alluded to as outcomes (Jewczyn, 2014). Along these lines the equity theory deals with ratio of inputs to outcomes. Equity

theory regularly centers on guaranteeing fairness in the distribution of an organizations resources and it is measured by comparing the ratio of inputs and outcomes of relational partners (Adams & Rosenbaum, 1962; Huseman, Hatfield, Miles, Hatfield, & Miles, 2013; Al-zawahreh, 2012). The researcher, thus, by bring together the factors from reviewed literature which includes fairness of the appraisal system with employee satisfaction deduced Hypotheses 4.

H4: Perceived fairness in the appraisal system will mediate between performance appraisal system and employee satisfaction.

Conceptual Framework

The literature review above reveals that individual employee performance and measures of performance are more complex than ever and need timely and more appropriate attention. Performance appraisal satisfaction is employee satisfaction with the performance appraisal system and is considered the most consequential among all the variables that measure reactions to appraisal feedbacks (Giles & Mossholder, 1990; Keeping & Levy, 2000; Levy & Williams, 2004) furthermore, some authors have addressed important conceptual issues about the meaning of performance appraisal satisfaction (Bard Kuvaas, 2006; Fletcher, 2001). Even though performance appraisal

satisfaction is the most frequently measured appraisal reaction (Giles & Mossholder, 1990; Keeping & Levy, 2000) and there is extensive research on factors that contribute to performance appraisal satisfaction or other reactions (Levy & Williams, 2004), there is still lack of empirical evidence on how and why satisfaction with performance appraisal matters. The employee satisfaction to performance appraisal system can be an important condition to improve the employee's performance. In fact, performance appraisal satisfaction cited as an important trend in the appraisal research during the past ten years (Keeping & Levy, 2000; Levy & Williams, 2004).

Following on for this, the study investigates employee satisfaction with the performance appraisal system relates to mediator factors as feedback, employee participation and perceived fairness towards the performance appraisal system. How this variable mediates the relationship between performance appraisal system and employee satisfaction in Commercial Bank of Ethiopia.

Figure 2.1 Shows the conceptual framework. So, the study will use this conceptual framework to show the relationship between the independent (Performance appraisal system) mediator (Feedback, employee participation and perceived fairness) and dependent variables (Employee satisfaction)

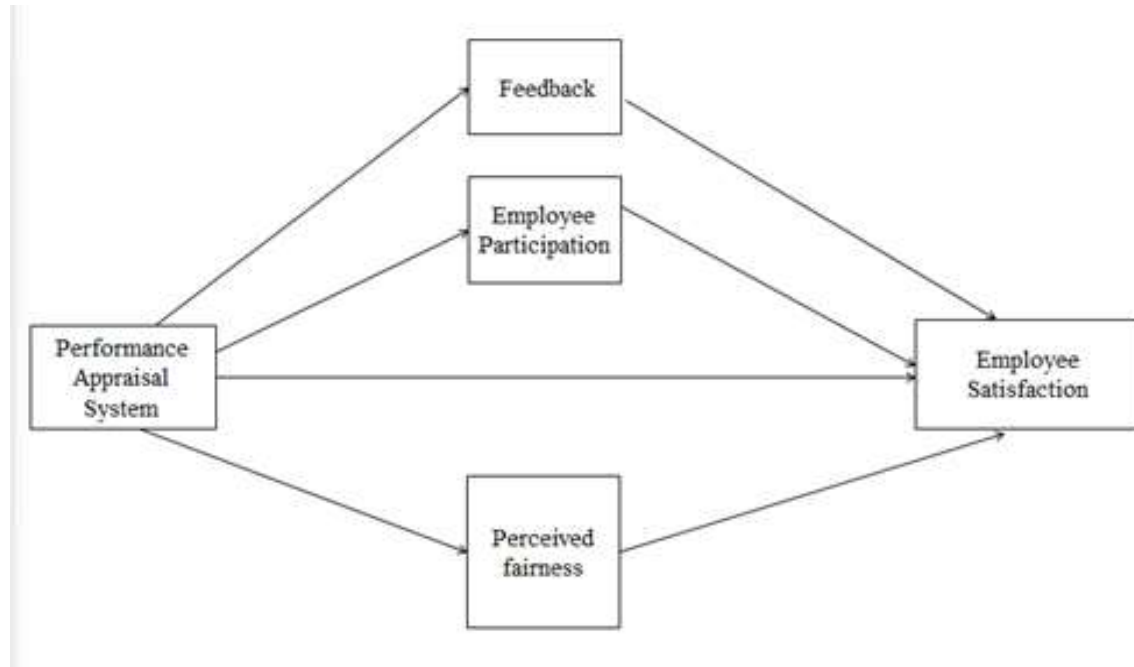


Figure 2.1 Conceptual framework of the study.

Source: Author with related articles

3. RESEARCH METHODOLOGY

Introduction

This chapter gives a brief outlook about the approach adopted for the study which describes the method and techniques that were adopted to collect data for the analysis. It looks at the research design, population and sampling, methods of data collection, sources of data and the framework for data analysis. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. According to Yin (2003) research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. Kumekpor (2002) also defines methodology as the methods, procedures and techniques used in an attempt to discover what we want to know.

Study setting

A reference to the Ethiopian history reveals that the first bank in the country, Bank of Abyssinia was founded during the reign of Emperor Menelik II in February 1905. Due to foreign domination of its management (mainly the British), the then Bank of Abyssinia was forced to dissolve and in its place was established the Bank of Ethiopia in 1931 whose management was still left to foreigners due to the lack of skilled manpower in the country. The Bank of Ethiopia was later replaced by the State Bank of Ethiopia soon after the war with Italy. The latter was the first bank in the country fully controlled and owned by the Ethiopian government. In the meantime, however, a number of foreign banks had opened their branches in the country, most of them with an interest to have control over the nation's economy. It was the State Bank of Ethiopia that gave rise to the present Commercial Bank of Ethiopia (CBE) and National Bank of Ethiopia (NBE).

The Commercial Bank of Ethiopia (CBE) is the leading bank sector that plays the lion's share in supporting the economy. In the last 75 years, the Bank has been providing loans for governmental development and investment projects. It also plays a role in developing the culture of saving through collecting savings from the society. The Commercial Bank of Ethiopia also provides services for foreign exchange inquiries.

The Bank is expanding its activities to increase public spending on saving. As a result, the Bank has the potential to raise its financial resources and will be able to overcome the limitations of providing credit and foreign exchange demands. Branches were opened in Djibouti and in Juba, South Sudan which ceased operation recently. Currently CBE has more than 20 million account holders and the number of Mobile and Internet Banking users also reached more than 1,736,768 as of June 30th 2018. Active ATM card holders reached more than 5.5 million (<https://www.combanketh.et/>, 2019).

Research design

The study was conducted using mixed research approach. The rationale for combining both quantitative and qualitative data is important to better understand a research problem by combining both numeric values from quantitative research and the details of qualitative research in order to neutralize limitations of applying any of a single approach. Creswell (2011) explains that the mixed research approach uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent within one method with the strengths of the other method.

The study uses descriptive survey approach in collecting data from the respondents. Descriptive survey is preferred because it ensures complete description of the situation and will help the researcher to minimize bias in the collection of data (Kothari, 2008). This design is suitable because it will help the researcher in collecting information from respondents particularly employees of CBE North Addis Ababa District on their attitudes and opinion in relation to their satisfaction towards the performance appraisal system.

According to Cooper & Schindler (2008) descriptive survey portrays accurate information of persons, events or accounts of characteristics like behavior, ability, belief, opinion and knowledge of a particular individual or group. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group.

This research is a quantitative and qualitative research which concentrates on evaluating employee's level of satisfaction with the performance appraisal in Commercial Bank of Ethiopia North Addis Ababa District. The study was to undertake a critical examination of the existing system. This approach allowed for in-depth study of the performance appraisal system as practiced in Commercial Bank of Ethiopia North Addis Ababa District. Information gathered from employees of Commercial Bank of Ethiopia North Addis Ababa District through questionnaire and interview combined with others from literature provided recommendations for a better model of performance appraisal system in this work.

Sources of data

The researcher use both primary and secondary source of data. The tool used to collect primary data is questionnaires and interview with regard to the research topic. The questionnaire was filled by those employees their performance was appraised before and those available employees in each branch at the time of distributing questionnaire. The interview was conducted with managers of CBE. In-depth personal interview with managers were used. For these personal in-depth interviews, an interview guide was developed. The interview responses were written down during the course of conducting the interview. Secondary data also came from available literature on the study, documents from the office of Commercial Bank of Ethiopia and all other related dissertations.

Population and sampling technics

Bryman & Bell, (2003) suggest that a population is the whole group that the research focuses on. Population also refers to a larger group of people with common observable features to which one hopes to apply the research results (Fraenkel and Wallen, 2003). As per the information collected from the bank, in 2018, there are 1022 professional employees and Forty-eight city branches under North Addis Ababa District which are the target population for this study. The reason for choosing North Addis Ababa District is based on the volume of transaction, variety of services provided and cash holding limits.

$$\text{Every } N^{\text{th}} \text{ selected} = \frac{\text{Total number of data}}{\text{Sample size needed}}$$

The total number of data contains 48 branches and the sample size needed to be 12.

$$\begin{aligned} \text{Every } N^{\text{th}} \text{ selected} &= \frac{\text{Total number of data}}{\text{Sample size needed}} \\ &= 48/12 = 4 \end{aligned}$$

Therefore, every 4th branch is selected until the sample size reach 12.

Systematic random sampling method has been employed for this research. Systematic sampling is a random method of sampling that applies a constant interval to choosing a sample of elements from the sampling frame (Lavrakas, 2008). From those 48 city branches, 12 sample branches have been selected by using systematic random sampling.

To determine the sample size, the researcher used (Cochrans, 1963) formula. Sample size calculated in the following sample size formula.

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where

e – is the desired level of precision (i.e. the margin of error)

p – the estimated proportion of the population

q – 1-*p*

Z value (found in a *Z* table)

$$\text{So, } ((1.96)^2 (0.5) (0.5)) / (0.05)^2 = 385$$

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where *n*₀ – Cochran’s sample size recommendation.

N – Population size

n - sample size

$$385 / (1 + (384 / 1022)) = 280$$

Therefore, the sample size for this study is 280.

Data collection instrument

The main data collection method used was questionnaires and unstructured Interview.

Questionnaires

The questions to assess the satisfaction level of employees towards the performance appraisal system i.e. Feedback, performance appraisal, employee participation, perceived fairness and satisfaction of employees are adopted from a standard questionnaire and the researcher made some necessary adjustments on the questionnaires to reflect the scope of this study. To measure perceived fairness scales were adapted from Thurston (2001) and used by Walsh (2003). An example of an item is: “I evaluated fairly according to the setting standards and without subjectively and biased.” The items were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. To measure performance appraisal system questionnaire developed by (Frimpomaa, 2014) used. An example of an item is: “The existing performance appraisal is good.” The items were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

To measure satisfaction of employee’s questionnaire developed by (Meyer & Smith, 2010) and used by (Bard Kuvaas, 2006). An example of an item is: “I am satisfied with the performance appraisal system in Commercial Bank of Ethiopia.” The items were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. To measure feedback questionnaire developed by (Alemneh Admassu, 2017) used. An example of an item is: “Employees are provided performance based feedback and counseling.” The items were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. To measure employee participation questionnaire developed by (Frimpomaa, 2014) used. An example of an item is: “Performance criteria are developed in consultation of employees.” The items were measured using a 5-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

Questionnaires were administered to staff of Commercial Bank of Ethiopia North Addis Ababa District. Structured questionnaires were designed in a concise and precise language to prevent ambiguity. The questions were broken to cover four major areas the objective of the research intends to evaluate. The six sections covered were the personal information of the respondents (sex, age, marital status, year of service, monthly income and educational qualification), followed by feedback, performance appraisal system, employee participation towards the performance appraisal, the perceived fairness of employees towards the performance appraisal and finally the satisfaction of employees towards the performance appraisal.

A set of close ended questions were asked to collect information from respondents on these areas mentioned. The close-ended questions guided respondents to choose from alternatives provided by the researcher. This procedure was adopted because the staff had busy schedules which made it

difficult to make time to attend to questionnaire when left with them and to make coding of data easy for analysis. The questionnaire requests the respondents to rate aspects based on a five-point Likert scale (1=strongly disagree, 2= disagree, 3= neutral, 4= agree 5=strongly agree). Therefore, likers scale was utilized for all survey items.

Permission was sorted from the departments of Training Operations at Commercial Bank of Ethiopia. The researcher explained the questions after copies of the questionnaire had been given to employees. The reason for doing this was to help the respondents to get a better understanding in order to provide their independent opinion on the questions. The researcher collected all the data by himself and takes for analysis.

Interviews

The interview questions used in the study were primarily used to assess the performance appraisal system in Commercial Bank of Ethiopia North Addis Ababa District. A purposive sampling technique was used to select six experienced interviewees.

Pilot Study

The questionnaire was pre-tested at Commercial Bank of Ethiopia using some employees. This was done to test the validity of the instrument and to ensure that all elements of ambiguity have been removed. Identified problems such as poor wording of sentences, misleading questions, spelling errors were smoothened and the instrument modified before the fieldwork.

Reliability and Validity of the Instruments

The validity of a scale refers to the degree to which it measures what it is supposed to measure. Cronbach's alpha is a measure of reliability. Reliability refers to the consistency or dependability of a measuring instrument. It is defined as the proportion of the variability in the responses to the survey which is the result of differences in the respondents. That is, answers to a reliable survey will differ because respondents have different opinions, not because the survey is confusing or has multiple interpretations (Tabachnick & Fidell, 2007).

In order to use valid and reliable instruments of data collection the questionnaire was compiled from different reputed sources by making minor modifications to adapt it to the situation under investigation.

Table 3.1 Cronbach's Alpha of Instruments

Reliability Statistics	
Cronbach's Alpha	N of Items
.882	30

A reliability analysis was carried out scale comprising 30

items. Cronbach's alpha showed the questionnaire to reach acceptable reliability, $\alpha = 0.88$. The Cronbach's Alpha for the total scale are above .7 which means that the scales used in this study are considered reliable.

Data Processing

The qualitative data obtained through the interviews were analyzed qualitatively and presented in the form of a summary. The statistical package for social sciences (SPSS) version 24 was used to analyze the data from the research questionnaire. Group of data that shows some commonalities were segregated and assigned different codes. All the gathered materials from the various data collection sources were diligently worked to identify patterns, sequences and themes. The data was then transferred into the Statistical Package for Social Sciences (SPSS) software for analysis. The summarized data showed distribution of frequencies and percentages of responses. The study also utilizes correlation analysis and hierarchical multiple regression models to examine the research question, a Baron & Kenny (1986) mediation analysis was used to assess if mediator mediates the relationship between performance appraisal and employee satisfaction. Independent variable (performance appraisal system) mediator variables (employee participation, feedback and perceived fairness) and dependent variable (employee satisfaction).

Research Ethical Considerations

The study was conducted by taking various ethical issues under consideration. Every employee in the selected branches had the right to choose or determine whether or not to participate in the research project. The research participants had the right to be informed of all aspects of the research task. Besides, ethical and confidentiality concerns was observed in a way that individual respondents should never be identified in reporting survey findings and their names had never been given to the bank or other outsiders. In addition, the researcher respects the work of previous investigations and cited appropriately those works that has been taken as a basis.

Summary of Methodology

This chapter covers research design, data collection methods and instruments used to gather the data from the staff of Commercial Bank of Ethiopia North Addis Ababa District. The main purpose of this chapter was to briefly explain how data was collected and also provided the methodology used to conduct the study. The study made use of questionnaire and interview in order to find information from employees regarding their satisfaction level of performance appraisal system of the company. The chapter also looked at the population, sample and sampling techniques, data analysis techniques and ethical consideration. The next chapter discusses the analysis of the result from the research.

4.DATA PRESENTATION AND ANALYSIS

This chapter covers the analysis and the interpretation of the various data collected through the use of questionnaires and interview. The data collected from Commercial Bank of Ethiopia North Addis Ababa District through the questionnaire and interviews were analyzed. The interpretation of the questionnaire result is given by using the help of SPSS software version 24. In order to be able to assess and evaluate employees' level of satisfaction with performance appraisal system, questionnaires were administered to staff of Commercial bank of Ethiopia. The questionnaires were designed to assist in understanding the systems of performance appraisal employed in the organization and how it contributes to employee satisfaction.

A total of 280 questionnaires were distributed to respondents who were willing to participate in this survey. However, 231 were retrieved for the analysis, 82.5% response rate. This figure meets the acceptable requirements (Mundy, 2002). The analyses are presented below.

Demographic characteristics of respondent's

The personal information acquired from the completed and returned questionnaires is summarized and described here below. Demographic characteristics presented in this section include: sex, age, marital status, year of service, monthly income, and educational qualification.

Table 4.1 Demographic Characteristics of Respondents

<u>Gender (%)</u>	<u>Age (%)</u>	<u>Education (%)</u>	<u>Number of year (%)</u>	<u>Monthly Income (%)</u>	<u>Marital status (%)</u>
Male=58.9	20-30=45.9	Diploma=7.4	1-3= 29.8	<3000=13.4	Married=43.3
Female=41.1	31-40=30.3	Bachelor=59.7	4-8= 55.4	3000-7999=52.8	Unmarried=56.7
	41-50=19	Master=32.9	9-11= 13.9	8000-12,999=32.9	
	>51=4.8		>11= 0.9	>13,000=0.9	

Source: Author's Survey

From Table 4.1 above male respondents accounted for 58.9% while the females accounted for 41.1%. The results suggest that Commercial Bank of Ethiopia have more male's employees than females.

As shown from the table 4.1 most of the respondent's monthly income lies between 3000 and 13000 Birr. The results from the table revealed that the research clustered around the age groups between 20-30 and 31-40 years who accounted for 45.9% and 30.3% of the respondents respectively. The age group between 41 and 50 accounted for 19% and the age group 51 and above, accounted for 4.8%. From the above field data, it can be suggested that the Commercial Bank of Ethiopia is mostly comprised of the Middle age group since the majority respondents in the survey clustered around the age 20-40 years of age.

More than 70% of the respondents had been employed for more than 3 years. It is a very useful fact as it indicates responses from more experienced workers.¹ Table 4.1 also

shows the educational qualification of the respondents, from the above data, it can be suggested that most of the employees (59.7%) hold Bachelor Degree and Master Degree (32.9%) as their highest qualifications; while suggesting a very few percentage (7.4%) with Diploma.

The result suggests that CBE has more married people (43.3%) within the organization than unmarried people (56.7%) however; the difference is not significance as shown from the percentages. We can deduce that, CBE tries their best to be fair employer regardless of marital status.

Correlation Analysis

Correlation is the degree of correspondence between variables. This implies the relationship is mutual or reciprocating, but we do not include in our concept of correlation any proposition that one thing is the cause and the other the effect (Robert and Richard, 2008).

¹ According to the labor law of Commercial Bank of Ethiopia (CBE) employees are appraised at the end of the year. The researcher takes in to

consideration only employees that appraised before.

Table 4.7. Pearson correlation analysis

Variables	2	3	4	5
1. Employee satisfaction	.475**	.553**	.534**	.403**
2.Feedback		.660**	.36	.498**
3.PAS			.143*	.576**
4.PE				.363**
5. EP				

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

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

Note: [PAS=Performance Appraisal system; EP=Employee Participation; PF=Perceived Fairness]

Source: SPSS software package

Correlation result illustrated in table 4.7 Show that there is significant positive relation between feedback and employee's satisfaction ($r = .48, p < .01$). There is significantly positive relation between performance appraisal system and employee's satisfaction ($r = .55, p < .01$). There is significant positive relation between employee participation and employee satisfaction ($r = .53, p < .01$). There is significant

positive relation between perceived fairness and employee satisfaction ($r = .40, p < .01$). So, as shown from the table above there is appositive significant correlation between all four factors and employee satisfaction. This implies that all the factors are very important to judge employees whether they are satisfied or not.

Table 4.8. Result of Hierarchical multiple regression analysis.

variable	<u>Model 1</u> Employee Satisfaction	<u>Model2</u> Feedback	<u>Model3</u> Employee Participation	<u>Model4</u> Perceived Fairness	<u>Model5</u> Employee Satisfaction
Gender	-0.123	-0.080	-0.029	-0.031	0.097
Age	-0.027	-0.029	-0.006	0.004	-0.023
Marital Status	0.076	0.011	-0.038	0.027	0.073
Year of service	-0.033	-0.146**	0.136**	0.169**	-0.087
Monthly Income	0.068	-0.022	0.208**	0.165**	-0.016
Educational Qualification	-0.147**	-0.020	-0.252**	-0.071	-0.077
Performance appraisal	0.464***	0.556***	0.532***	0.088*	0.242***
Feedback					0.190**
Employee participation					0.150*
Perceived Fairness					0.399***
Adjusted R ²	0.31	0.43	0.33	0.02	0.45
F	84.77***	177***	113.65***	4.81**	47.73***

Note: Standardized coefficients are shown

* $p < .05$ ** $p < .01$ *** $p < 0.001$

The Baron & Kenny (1986) approach in testing for mediation was employed for the purpose of this study. For mediation effect to be considered positive, four conditions should be fulfilled, (1) The independent variable is significantly related to the dependent variable in the absence of the mediating variable, (2) The independent variable is significantly related to the mediator variable, (3) The mediator variable is significantly related to the dependent variable and (4) When controlling for the effect of the mediating variable on the dependent variable, the effect of the independent variable on the dependent variable is insignificant in the presence of the mediating variable.

The result on table 4.8 show that When the R value is adjusted for biases, the resultant adjusted R-square value is 0.31. This means that 31% of the total variations in the dependent variable (employee satisfaction) at Commercial Bank of Ethiopia North Addis Ababa District can be explained by the independent variables (Performance appraisal) in the model. Thus 31% of the variation in employee's satisfaction can be explained by performance appraisal and other unexplored variables may explain the remaining 69%. ($F = 84.77, p < 0.001$) which clearly indicates that the model was good for anticipating the association between performance appraisal and employee satisfaction. So the first mediation condition which states that the independent variable (performance appraisal) ought to be significantly related to the dependent variable (employee satisfaction) ($\beta = 0.46, p < .001, t = 10.04$) without the presence of the mediating variable providing support for Hypothesis 1.

The second condition to establish mediation is that the independent variable must significantly affect the mediator. The mediators were significantly related to dependent variables; Feedback ($\beta = 0.55, p < .001, t = 13.30$), employee participation ($\beta = 0.53, p < .001, t = 10.66$) and perceived fairness ($\beta = 0.08, p < .05, t = 2.19$) so the second condition has been satisfied.

The third condition to establish mediation is that the mediator must significantly affect the dependent variable. The mediators were significantly related to dependent variables; Employee participation ($\beta = 0.150, p < .05, t = 2.520$) It was proposed that employee participation will mediate between

performance appraisal and employee satisfaction providing support for Hypotheses H3. Feedback ($\beta = 0.190, p < .01, t = 2.836$). It was proposed that feedback will mediate the relationship between performance appraisal and employee satisfaction providing support for Hypotheses 2. Perceived fairness ($\beta = 0.399, p < .001, t = 5.522$). It was proposed that perceived fairness will mediate the relationship between performance appraisal and employee satisfaction providing support for Hypotheses H4. So the third condition has been satisfied.

The last condition is that when the mediator variables controlled for the effect of the independent variable on the dependent variable. In the fourth step, the remaining effect of the independent variable of performance appraisal should decline or disappear when the mediating variables of feedback, employee participation and perceived fairness are included in the measurement. When the mediating variables of feedback, employee participation and perceived fairness are controlled for in the regression analysis, the score on the effect of performance appraisal system on employee satisfaction decreases, but still exists ($\beta = 0.242, t = 4.103, p < 0.001$). This results in the last step of Baron & Kenny (1986) not being met, which in turn leads to the conclusion that there is partial mediation.

$$c = \beta: 0.464 \quad p < 0.001$$

$$c' = \beta: 0.242 \quad p < 0.001$$

$$c' < c: 0.242 < 0.464$$

Since $c' < c$ and not $c' = 0$ there is a partial mediating effect

Multiple mediation analysis

A multiple mediation analysis with condition (Performance appraisal) as independent variable; employee participation, feedback, and perceived fairness as mediator variables; and employee satisfaction as dependent variable was conducted, controlling for demographic variables. Figure 2 displays the results of the model. In this model, Performance appraisal was significantly related to the mediator variables and employee satisfaction. Employee participation, $\beta = 0.53, p < .001$, feedback $\beta = 0.55, p < .001$, perceived fairness $\beta = 0.08, p < .05$, employee satisfaction $\beta = 0.46, p < .001$.

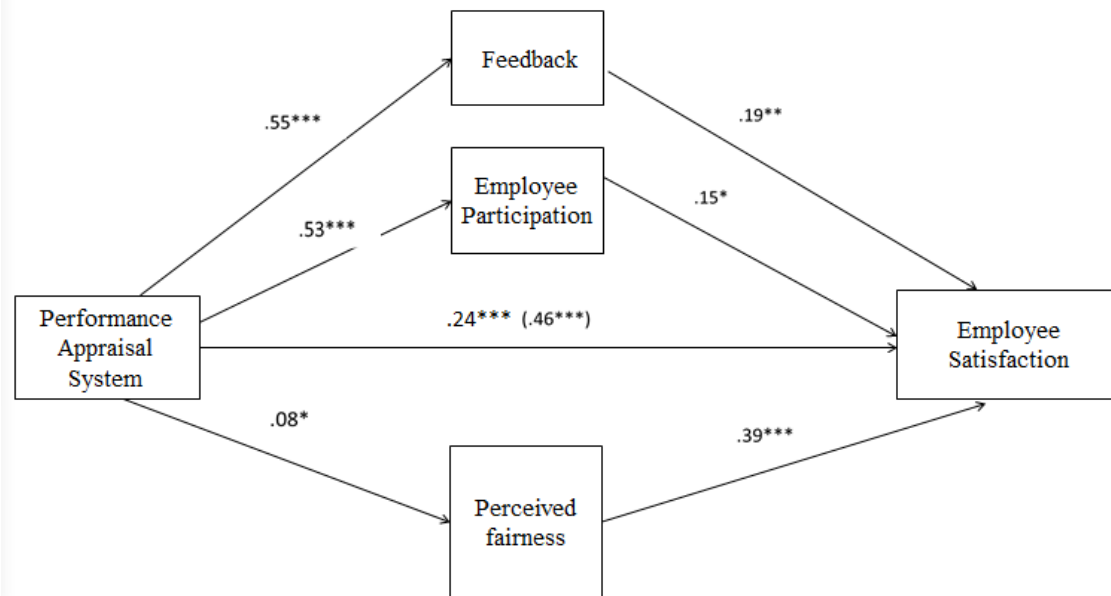


Figure 2: Multiple mediation model. Note * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Moreover, the mediators were significantly related to dependent variables; employee participation, $\beta = 0.15$, $p < .05$, feedback $\beta = 0.19$, $p < .01$ and perceived fairness $\beta = 0.39$, $p < .001$. After controlling the mediators the direct effect of performance appraisal on employee satisfaction is significant $\beta = 0.24$, $p < .001$. Bootstrapping revealed the largest indirect effect of the performance appraisal system on employee satisfaction through ongoing feedback (0.10), then employee participation (0.08), and a smaller indirect effect of perception of fairness (0.03). With this model, 45% of the variance in employee satisfaction accounted for.

Summary of Hypothesis Testing

The summary of the Hypothesis testing is presented in table 4.9. All the mediator variables mediate between performance appraisal and employee satisfaction which provide support for Hypothesis H2, H3 and H4. And there is a positive relationship between performance appraisal and employee satisfaction which provide support for Hypothesis H1.

Table 4.9 Summary of Hypothesis testing

No.	Hypothesis	Status
H1	There is a positive relationship between performance appraisal system and employee satisfaction.	Supported
H2	Feedback mediates the relationship between performance appraisal system and employee satisfaction.	Supported
H3	Employee participation mediates the relationship between performance appraisal system and employee satisfaction.	Supported
H4	Perceived fairness will mediates the relationship between performance appraisal system and employee satisfaction.	Supported

Interview Analysis

To gather more information about the performance

appraisal system in Commercial Bank of Ethiopia North Addis Ababa district unstructured interview questions were forwarded to the managers of the CBE. Interviewees'

responses to the questions are depicted briefly as follows.

A. Purpose of performance appraisal in commercial bank of Ethiopia North Addis Ababa District.

Performance appraisal can be used for different purpose. As the literature review showed that performance appraisal system is used for two main purposes.

1. Administrative Use – assist in making decisions about employees such as transfer, promotion, and bonus.

2. Developmental Use - for developmental purpose i.e. provide feedback, coaching and training opportunity. As all managers mentioned: “In Commercial Bank of Ethiopia North Addis Ababa district, the performance appraisal system is basically used for promotion, transfer and bonus purposes.” It is entirely sensible to reward performance who fulfils the performance standard. By acknowledging employees who fulfil the performance standard; the company showing their value to Commercial Bank of Ethiopia. In any case, the managers must to keep in mind that nobody wants to be a poor performance employee, everyone wants to be a decent employee and get the advantage that the organization gives. Along these lines, the managers should give feedback to employees to learn from their mistake to improve their performance in the future.

B. Who evaluate employee’s job performance?

As the literature review revealed that there are various distinctive choices concerning who should evaluate the individual employee such as managers, peers, subordinates, self and customer. All the interviewees response show that managers are the only source used to rate the employees.

The drawback of single source deals with absence of assortment in input. The manager may not know each part of the job. Not all the time is not the manager around the area so absence of observation can lead to mistaken rating of the employee’s performance. Managers may not generally have a reasonable comprehension of all aspects of a job; it is much advisable to have multiple source of information in order to create a better understanding of the job. Campion et al. (2015) it is very difficult to question the accuracy of performance appraisal feedback that originates from multiple sources. As one manager noted that “there should be a possibility of having a self-assessment, customer and peer’s assessment. Since employees have a high connection with the customer and their peers, it will be much better to open a door for customers and peers to rate them.”

C. How regular performance appraisal is done

Melissa Jones (2017) studied in UK small business indicated that the annual employee appraisal is no longer sufficient enough to allow employees the opportunities they need to progress in their careers. Because organizations need to make a move to guarantee that their employees are getting feedback and personal development opportunities when they

need it. As the manager noted “performance appraisal is done on annual basis.” Based on the informant view, annual performance appraisal may have a negative impact since it is hard to recall a whole year of work.” Another manger cited: “the performance appraisal done in CBE is on a yearly base, so the managers keep in to consideration only on the performance of past few months. Therefore, the current appraisal system should be reviewed and changed. At least there should be half yearly appraisal review process.”

Motherway (2013) State that principle issue of evaluating the whole year of work is that managers regularly feel an excess of time has gone to talk about certain situations. So, at the time of giving feedback to employees they have expelled negative feedback from the appraisal result on the grounds that the situation happens excessively long prior to for the feedback to be significant.

Motherway finding is in accordance with the key informant views about “the need of PA to be prepared either quarterly or half-yearly, so that a person to be assessed will be given room for continuous improvement.”

D.What are the areas to be improved in the appraisal systems?

The interviewee’s response showed that the performance appraisal system needs some improvement. As the managers noted that “performance appraisal should be conducted at least semi-annually to assess the employee’s progress.”

Another manager cited: “Managers must take time to provide feedback for employees; employees need regular feedback to know their strength and shortcoming. So, managers should be better at giving feedback.” As one manager noted: “the manager should allocate enough amount of time so as to give feedback.”

Further the interview with the managers also supported that “we don’t have much employee participation in the performance appraisal process” so, Commercial Bank of Ethiopia must create a conducive environment for employee to participate in the performance appraisal process that would result in satisfaction and trust. Another manager cited “Decisions on performance ought to be founded on actualities.” It is a typical thing that managers or supervisors would have their very own discernments about every employee. Be that as it may, while coming to appraisal of employees, supervisors ought to take out such inclinations and assess worker with a simply target point of view. Assessing employees with target criteria is essential that CBE need to give genuine consideration.

4.3 Discussion

The present research was conducted with an aim of evaluating employee satisfaction towards the performance appraisal system by examining the mediation role of employee participation, feedback and perceived fairness in the relationship between performance appraisal system and employee satisfaction in Commercial Bank of Ethiopia North Addis Ababa district. The result from this study shows that feedback will mediate between performance appraisal system

and employee satisfaction which confirm previous findings (Mukesh Kumar et.al, 2017). A higher level of feedback in performance appraisal system would exhibit a higher level of employee satisfaction. An effective and suitable performance appraisal practice in the organization should provide necessary feedback to the employees. Employees want feedback to reinforce appropriate action and to be in a position to make adjustment when their performance needs improvement (M. Armstrong, 2006). One of the main objectives of conducting performance appraisal within the organization is to evaluate and improve employee's performance. In order to improve employee's performance after performance appraisal organization should provide clear and performance-based feedback to employees.

The importance of ongoing feedback concerning to satisfaction of employees is supported by numerous authors (Kerosi Josaphat Bosire, Mukamuhinda Odette, 2014; Alemneh Admassu, 2017; Frimpomaa, 2014; Daoanis, 2012). If the organization give feedback on time employees who believe their organization is committed to providing feedback they may feel an obligation to repay the organization through high work performance (Lee & Bruvold, 2003). So feedback plays a crucial role in the performance appraisal process.

The research findings supported the mediation role of employee participation in the relationship between performance appraisal system and employee satisfaction. Employee participation mediated between performance appraisal system and employee satisfaction. This means that the higher employee participate in the performance appraisal system, consequently a higher level of employee satisfaction. This finding confirms previous findings (Frimpomaa, 2014; Kumar et.al., 2017; Namwagwe, Atibuni, & Sekiwu, 2017; Daoanis, 2012) to appraise in order to say performance appraisal to be more useful when they had more involvement and participation over the performance appraisal process. Thus, it is suggested that, in order to increase employee satisfaction in the performance appraisal system, the managers of CBE should take time and effort to participate employee in the performance appraisal system. When managers take time and effort to participate employees in the performance appraisal system the underlying message to employees is that they are important and relevant and this alone satisfies employees.

The result of the study support that perceived fairness mediates the relationship between performance appraisal system and employee satisfaction. This finding confirms previous findings (Naji et al., 2015; Wendy & John, 2000; Levy & Williams, 2004). Perceived fairness in the performance appraisal system significantly impact employee satisfaction in the performance appraisal system. If employees notice that performance appraisal system is unfair their satisfaction decrease so the perceived fairness of performance appraisal system is critical to employee's satisfaction.

There is a positive and significant relationship between performance appraisal system and employee satisfaction. The finding of this study is in line with (Karimi, Malik, & Hussain,

2011; Naji et al., 2015). Employee satisfactions towards performance appraisal play a significant role for the employees as well as for the organization. The finding of Katavich (2013) suggest that as performance appraisal continue to be used by organizations, developing a performance appraisal system which employees are satisfied with may contribute to building a loyal and committed workforce. If employees are satisfied with the performance appraisal process, they contribute to the success of their organization. Such organization having satisfied employees can respond better to environmental change beside this meet the needs of their customers. Therefore, all the Hypotheses were supported by the result obtained.

From the finding of the research the researcher noted that association between performance appraisal system and employee satisfactions was partially mediated by feedback, employee participation and perceived fairness. The finding of the study also revealed that manager is the only source to appraise employee's performance and appraisal is conducted annual base. The finding confirms previous finding (Brooks, 1999; Melissa Jones, 2017; Motherway, 2013) most appraisals have the managers or supervisors evaluating his or her employee's performance once a year. The main draw back for only using managers as a source of appraisal is that on average managers has limited contact with his or her employee. Research indicates that managers spend only 5 to 10 percent of their workweek with employees; managers in this way approach just to a little sample of their employees work (Cascio 1995). Managers, regardless of whether they don't let it be known, some of the time needs assistance with the performance appraisal process. The 360- degree performance appraisal overcome previously mentioned shortcomings of only using managers to appraise employee's performance. Management by objective is a widely used tool in Commercial Bank of Ethiopia. Here the researcher would like to follow the advice given by (Messah & Kamencu, 2011) organization should adopt management by objectives so as to improve the performance of their employees. However the researcher would like to add to this that adopting management by objective is not enough by itself. After adopting management by objective there should be support from top management. Mostly performance appraisal system in Commercial Bank of Ethiopia used for promotion, transfer and bonus purpose. As the study revealed that employees are not provided with feedback and counseling as much as possible. This finding confirms previous findings by (Kerosi Josaphat Bosire, Mukamuhinda Odette, 2014; Alemneh Admassu, 2017; Frimpomaa, 2014).

5. CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the recommendations of the study, research conclusions, contribution of the study and limitation and areas of future research of study. The main aim of this study was evaluating employee satisfaction towards the performance appraisal system by examining the mediation role of employee participation, feedback and perceived fairness in the relationship between performance appraisal system and employee satisfaction in Commercial Bank of

Ethiopia North Addis Ababa district. It has been noted that there is a relationship between employee satisfaction and performance appraisal system. The conclusions are drawn in agreement with the objectives of the study. Directions for future research will be introduced in this chapter lastly the suggestions of this study will be made accessible to the top management of the bank.

Conclusion

From the findings of this research, it is evident that there is a positive significant relationship between employee's satisfaction and performance appraisal system in Commercial Bank of Ethiopia, North Addis Ababa District. The satisfaction of employees is critical for the favorable outcome of the bank. Employee satisfaction is an important factor which encourages employees to give their best performance and help in attaining organizational goals. The overall objective of this study was to carry out a thorough assessment of employee satisfaction towards the performance appraisal system by examining the mediation role of employee participation, feedback and perceived fairness in the relationship between performance appraisal and employee satisfaction using the case of Commercial Bank of Ethiopia North Addis Ababa district. Chapter two focused on researching literature with respect to the overall objective of the study. Information was drawn from a wide body of knowledge in order to gain a better understanding of employee satisfaction and performance appraisal system. In view of the findings the study established that there was empirical evidence that feedback, employee participation and perceived fairness partially mediate the relationship between performance appraisal system and employee satisfaction. The results support a partial mediating effect of feedback, employee participation and perceived fairness on the relationship between performance appraisal system and employee satisfaction. In CBE performance appraisal is linked to incentives and reward system. This confirms the fact that when performance is rated high employees were recognized, promoted or get salary increment. The appraisal result is mainly used for promotion and bonus rather than training and counseling. Performance appraisal is extremely important to the organization. The achievement and failure of the organization process relies upon the performance of employees. At the point when the organization analyze the performance of employees constantly then it gives the best exposure to the employee just as organization. Based on the findings, the researcher concluded that employee satisfaction is an important goal of an organization; since employee satisfaction is strongly related to the productivity, profitability, employee's retention and customer satisfaction. Commercial Bank of Ethiopia is delivering service to customer satisfied employees generate higher customer fulfillment and in return high organizational performance. Therefore, encouraging employees to participate in the performance appraisal system during the process of performance appraisal and also ongoing feedback ought to give by managers of CBE so as to increase employee

satisfaction towards the performance appraisal system in the Bank. From the finding of this study and in combination with those obtained in previous research, suggest that feedback, employee participation and perceived fairness in the performance appraisal play a vital role for employee satisfaction towards the performance appraisal system.

Recommendation

Satisfaction of employees is very essential for organizational effectiveness. Satisfied employees become dedicated to the organization beside this they also perform their jobs in the best manner. Management should consider the following recommendation.

Participation style ought to be encouraged so as to acknowledge employees voice and energize them include in making decision about performance appraisal system. The procedure must be open and interactive to take into consideration the full inclusion of the individual being evaluated. If employees participate in the performance appraisal system, employees can easily understand the reason and justification used by managers in determining their performance ratings. In this way, the workers ought to take part in several phase of performance appraisal process. The bank must embrace another performance appraisal system which will take into consideration more prominent involvement of employees. To make performance appraisal progressively compelling and worthy employee participation is an absolute necessity. Employees want to know how they are playing out in their work. The fundamental target of performance appraisal system must be to improve the employee's performance just as organization. Employees performance can be improved through feedback and training. Without feedback there is no real way to learn, develop and improve shortcoming. At the point when employees are performing ineffectively performance appraisal can give the reminder that they have to get refocused and reenergized. In this way, CBE ought to give feedback to employees on time. If CBE gives feedback on time it is a decent component for employees to most likely learn, develop and perform well at work. Ongoing feedback, coaching, instructing and guidance play a remarkable powerful role in building employees performance and productivity. Along these lines, top management ought to think about giving feedback and advising on time. So as to perform at pinnacle level employees need to know their quality and shortcoming. Employees ordinarily feel increasingly drawn in when they trust that their employer is worried about their development and gives roads to achieve singular vocation objectives while satisfying the organization's main goal. When all is said in done, the objective of performance appraisal is to help and improve employee's performance.

Top administration ought to consider appeal process. There ought to be an appeal process in CBE, since appeal process is a method for employees and administrators to determine contradictions in case of performance appraisal evaluation.

The top management should make the performance appraisal a two-way process instead of single direction. It is proposing by the researcher that designs a 360-degree system that includes peer reviews, customer review as well as self-review for effective performance appraisal system. The employees ought to be permitted to make a self-evaluation of their own performance. This make a chance to clarify any circumstance that may have made them fail to meet expectations, in addition to this to distinguish diverse impediments averting great performance. Moreover, since employees have a high connection with client it is fitting for the top management to open an entryway for clients to rate them.

It is hence the intense expectation and conviction of the researcher that these suggestions which are basic elements of a decent and viable appraisal system would be implemented to invigorate the performance of the staff of CBE to improve efficiency and productivity.

Contribution of the study

This study is going to contribute immensely to existing knowledge on the study of performance appraisal. The study was the first in its kind to investigate employee satisfaction towards performance appraisal with focus on Commercial Bank of Ethiopia, North Addis Ababa District. The main contribution of the study is that feedback, employee participation and perceived fairness act as important determinants of employee satisfaction in the performance appraisal system. The study contributes the following to the literature on the role of appraisal in employee satisfaction. First the study addresses the gap in the effectiveness of appraisal to organization HR practices. Secondly the study found out that not all aspects of appraisal elicit positive employee outcomes. Beside this in terms of practical contribution, the finding of this study could serve as guidelines by managers to improve the design of performance appraisal system in Commercial Bank of Ethiopia. In order to achieve the objectives managers needs to consider the suggestions.

Limitation and suggestion for future research

This study is cross-sectional which means that all the data was collected at the same time. Shortcoming of a cross-sectional study is the trouble in making causal relationships (Bryman, 2004). Another drawback of cross-sectional studies is the time length. Cross-sectional studies are performed at a solitary point in time. The results of the study might be diverse when another time period was picked (Bryman, 2004). The utilization of questionnaires has several disadvantages. Respondents may give one-sided answers, since they may have filled in the questionnaires in nearness of their managers. Besides, they probably won't realize the response to certain questions. More, respondents might tend to fill in the questionnaires in a consistent way.

This study was limited to CBE North Addis Ababa district. A study of the whole organization would demonstrate intriguing. Employees in other branch may react differently

with this study being an accomplishment in measuring employee satisfaction towards the performance appraisal system; another larger study would permit all of the employees and departments in CBE to be involved in the data pool. The aftereffects of such a study could yield some fascinating discoveries and could likewise essentially sway the conveyance of important outcomes to the administration of the organization. Beside this, future research should examine these relationships with other sample to determine whether the result could be generalized to other employees. Furthermore, the amount of variance accounted for in the multiple mediation model was 45%. This finding underlines that other predictors that were not specified in this research model may contribute to employee satisfaction. Therefore, future research should investigate additional factors that may mediate the relationship between performance appraisal system and employee satisfaction.

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