

THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE MOTIVATION: A CASE STUDY OF COMMERCIAL BANKS IN ETHIOPIA

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ABSTRACT

The objective of the study was to investigate the effect of performance appraisal practice on employee motivation in commercial banks of Ethiopia. The approach of the study was quantitative and explanatory in its design. Data were collected from a sample of 172 employees selected from the head quarters of the banks. We found that there is significant correlation between performance appraisal practices and employee motivation. The regression result as shown by adjusted R square revealed that 48% of the changes in the employee motivation variables were attributed to the combined effect of performance appraisal practice considered as a predictor variables. The study recommends that effective feedback and communication; training opportunities to employees; and employees' participation in performance appraisal practice are essential elements for employee motivation.

Keywords: Employee Motivation, Performance Appraisal, Ethiopia

BACKGROUND OF THE STUDY

In today's business environment sustainable human resource play a vital role in order to remain competitive. Most winning organization in the 21st century focus on integrated HR processes and systems (Ayaz, 2010). Performance appraisal is one of the most critical functions in human resource management (Auguns, 2009). Performance appraisal is used for a variety of reasons such as promotions; pay raises, and career progression. Bacal (1999) explained that performance appraisal is

the process by which an individual's work performance is assessed and evaluated. It answers the basic question, how well has the employee performed during the period of time in question.

Many scholars like Desseler (2008). Armstrong (2006). defined performance appraisal as a system of evaluating an employee's current and /or past performance relative to his/her performance standards. They further explained that performance appraisal assume that the employees understood what his/her performance standards were, and that the supervisor also provides the employees with the feedback, development, and incentives required to help the person eliminate performance deficiencies or to continue to perform above par. This aims at improving employee's performance.

According to Snell and Bohlander (2007) performance appraisal is a process, typically performed/delivered by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success. According to this definition the basic things for employees are to understand the role, objective, which helps the employees to achieve the performance. Measuring and managing employee performance is of special relevance as it leads to employee satisfaction by linking benefits with higher performance which inturn enables organizations to achieve higher performances (Coens& Jenkins, 2002). Kamiti (2014) stated that performance appraisal has a significant effect on the employees' motivation. According to Armstrong (2009), people are motivated when they expect certain course of action will likely lead to achievement of a goal and a valued reward one that satisfies their needs and wants. Only when employees are motivated towards appropriate goals that there is a likelihood of organizational success enhanced. Since productivity is influenced by employee motivation level, organizations and particularly their line managers have to realize what inspires employees to reach the highest level of their performance (Beardwell and Claydon, 2007).

In Ethiopia, commercial banks, have been implementing several management tools to improve their productivity. Currently Ethiopian commercial banks are implementing performance management system for further improvement to remain competitive in financial sector as well strengthening their internal working system. However no systematic study was conducted to show the effect of performance appraisal practice on employees' motivation. Therefore, this study targeted to show the effect of performance appraisals practice on employee motivation in commercial banks in Ethiopia.

STATEMENT OF THE PROBLEM

Many empirical studies have revealed that an effective performance appraisal

makes a difference to achieve goals of the organization. Kamiti (2014), in his research on the effect of performance appraisal on motivation of civil servants revealed that performance appraisal is an important factor which touches on the employees' motivation. Resell (2011) revealed that performance evaluation practices have a significant and positive impact on the performance of employees and motivation. Though several studies have conducted in the area of performance appraisal they are much focused on Western and Asian organizations and limited empirical researches conducted in the context of African Banks and none systematic studies conducted at all in the Ethiopian organizations.

In other respect many organizations in Ethiopia are currently implanting new performance management system to improve their service operations. The newly introduced performance appraisal systems are mainly developed in the context of western countries and utilized even without contextualizing their contents. Preliminary investigations by the Researchers have shown that the employee's attitude towards the current performance practices of the banks is unsatisfactory and their perception towards its effectiveness is low. Therefore, this study targeted to fill the research gap observed in the area of performance appraisal in the context of Ethiopian organizations as well as create awareness for decision makers the status of performance appraisal practice and its effect on employee motivation in the organizations considered for present study.

This study targeted to address the following basic research questions;

- How do employees perceive performance appraisal practice of the commercial banks in Ethiopia?
- What is the level of employee's motivation in commercial banks?
- What is the effect of employee performance appraisal practices on employee's motivation?

REVIEW OF RELATED LITERATURE

Performance Appraisal and Employee Motivation

Performance appraisal has traditionally been viewed by industrial and organizational psychologists as a measurement problem (Murphy and Cleveland, 1995). Performance appraisal has increasingly become part of a more strategic approach to integrating human resource activities and business policies and is now a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher and Perry, 2001).

Performance appraisal refers to the process by which an observer, often a

supervisor or a peer, rates the job performance of an employee (Murphy and Cleveland, 1995). Kondrasuk (2012) suggested that the ideal performance appraisal is a format (process), not a form (specific instrument). It is a process that involves setting expectations of the supervisor and subordinate, having the subordinate perform to achieve the expectations of appraising and feeding back the results, and applying the results of the assessment in ways that benefit the organization, the supervisor and the subordinate involved. In most organizations, these appraisals are conducted periodically, usually annually, and are normally recorded on some standard rating scale. The products of this appraisal process, which are sets of ratings, can play an important role in enhancing organizational effectiveness and have been used in a variety of contexts (Landy and Farr, 1980).

Components of Performance Appraisal System

An effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988). Fletcher (2004). listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being.

According to Cawley et al (1998). subordinates reactions to performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003). Rankin & Kleiner (1988) believed that effective performance appraisals have six key factors as shown below:

Ongoing Feedback

It can provide employees with clear understanding of their strengths and weaknesses to develop into a better performer in future and this might be increased motivation, job satisfaction, and self - esteem of employees. It also creates an opportunity to discuss career aspirations and any guidance. It will improve working relationships with supervisors. To keep employees motivated and informed, the supervisor needs to tell them when they are doing something right, not just when they are making a mistake.

- **Fairness**

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

- **Employees Participation**

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

- **Rewarding performance**

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

- **Trained appraisers**

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

- **Continuous open communication**

An open communication should be encouraged between the employees and the management with respect to the appraisal process as well as any other concerns or suggestion that the employees may have. It will provide an opportunity to improve communication between the employees and management (Rankin & Kleiner, 1988). Ensuring that the performance appraisal ties in with organizational goals is essential to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could, in fact, be of harm to effective organizational functioning (Barrett, 1967).

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

performance appraisals to motivate, direct and develop subordinates (Wiese & Buckley, 1998).

Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987) as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behavior and rater – ratee conflict which could be caused by the appraisal. Peterson, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that performance appraisal systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation. On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other harmful outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover. In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money (Cited by Anteneh Admassu 2017).

Effect of Performance Appraisal Process on Employee Motivation

According to Rue and Byars (2005) performance appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities. Performance appraisal process can also be referred to as a procedure for determining employee performance (Herbert et al, 2009). Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development. Performance appraisal system is usually identified as a critical element for boosting employee motivation (Selvarajan and Cloninger, 2011). Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Performance appraisal system is a significant technique aimed at enhancing the performance of the employee in the organization. Performance appraisal is often considered one of the most important human resource management functions and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness Guest 1997 cited in (Ibid, 2011).

Therefore, the study targeted to test the following hypotheses postulated as follows:

HYPOTHESES

Based on the conceptual framework developed in the previous section, and for achieving the research objectives, the following research hypothesis were developed for this study.

H1:Ongoing feedback has significant effect on employee motivation.

H2:Continuous open communication has significant effect on employee motivation.

H3:Fairness on performance appraisal has significant effect on employee motivation

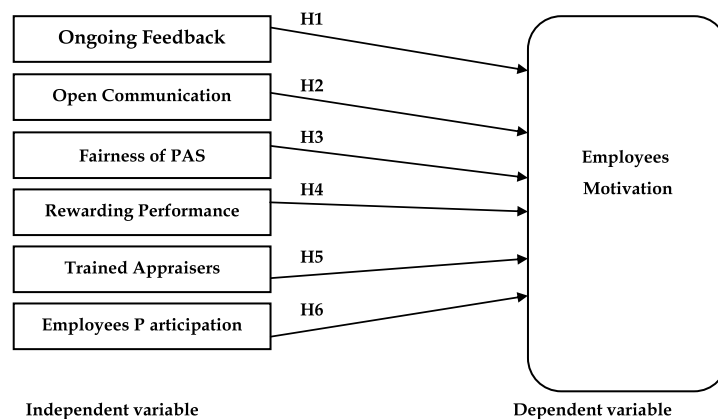
H4: Rewarding performance has significant effect on employee motivation

H5: Having trained appraisers have significant effect on employee motivation.

H6:Employees' participation on appraising has significant effect on employee motivation

CONCEPTUAL FRAMEWORK

For present study the components of performance appraisal are considered as independent variables and employees' motivation as dependent variable. Their relationship is shown in the conceptual frame work of the study as shown below.



Source: Adopted from Fletcher (2004); Manuel (2009)

Figure 1:- Conceptual Framework

RESEARCH METHODOLOGY

Study Area

Ethiopia, with total area of 1,103,609 square meters located at the horn of Africa, its plateau covers 2/3 of the country. Ethiopia is Federal government and had nine regional administration and two city regions. There are currently sixteen commercial banks in Ethiopia. The present study selected headquarters of commercial banks located in Addis Ababa as sample location of the study.

Research Approach and Design

The present study is quantitative in its approach. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon. The type of academic research can be exploratory, descriptive, or explanatory. Exploratory studies aim for basic knowledge within the problem area. Descriptive research is appropriate when a problem is clearly structured but the intention is not to conduct research about connections between causes and effects. Explanatory research is useful for studying relations between causes and effects (Kothari, 2004). As the present study targeted to show the effect of performance appraisal on employee motivation, it is explanatory in its design.

Target Population

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study (Kothari, 2004). The target population of this study was managerial and professional employees of the banks who have experience of more than or equal to one year. These employees were selected as respondents because it is believed that they have adequate knowledge about appraisal practice of the banks.

Sample Size and Sampling Technique

Malhortra and Peterson (2006) stated that, larger the sampling size of a research, the more accurate the data generated but the sample size will be different due to different situation. For this study the researcher has taken samples from the head quarter of commercial banks located in Addis Ababa. As per the suggestion of Carvalho (1984) a population size in the range of 1200 to 3200 could be represented by 200. Since the population size for the current study was 2329 a sample size of 200 was considered. In order to provide equal chance for the heterogeneous groups of employees of the banks, questionnaires were distributed in the head quarter of commercial banks using proportionate stratified sampling method.

Methods of Data Analysis and Presentation

Questionnaires were constructed in line with relevant literature in the area of the study. The reliability of the questionnaires were tested using alpha Cronbach test. Each variable consistency was checked based on Alpha Cronbach test. The overall findings of the pilot study was (= .842) that shows all the seven scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 by (Pallant, 2005). The collected data were processed using SPSS version 20. Descriptive statistics like frequencies, mean and standard deviation, were employed.

Inferential statistics like correlations and linear regression were employed to show the effects performance appraisal on employee motivation.

Model Specification

The following linear regression equation was used for this study:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \varepsilon$$

where:

Y = employee motivation (dependent variable)

α = smoothing constant

β_1 = ongoing feedback

β_2 = open communication

β_3 = fairness on PAS

β_4 = rewarding performance

β_5 = trained appraisers

β_6 = employee participation

ε = standard error

RESULTS AND DISCUSSION

Demographic Profile of Respondents

The respondents were drawn from the head quarters of commercial banks located in Addis Ababa. All were employees holding professional and managerial positions in commercial banks.

Accordingly, 200 questionnaires were distributed and 172 of them properly felt the questionnaires and returned. The demographic characteristics of the respondents are shown in Table 1.

Table 1: Demographic Characteristic of the Respondents

Employees			
Demographic Variables		Frequency	Percentage
Sex	Male	107	62.2
	Female	65	37.8
	Total	172	100.0
Age	Below 25	27	15.7
	25-35	114	66.3
	36-45	27	15.7
	46-55	4	2.3
	Above 55	-	-
	Total	172	100.0
Education	Diploma	18	10.5
	First degree	106	61.6
	Masters Degree	48	27.9
	Above MA	-	-
	Total	172	100.0
Years of Experience	1-5	84	48.8
	6-10	46	26.7
	11-15	30	17.4
	Above 15	12	7.0
	Total	172	100.0

Source: Questionnaire

As shown in Table 1, the majority of the sampled employees are male (62.2%) which is a common fact as observed in many organizations in Ethiopia. Age-wise, the majority (66.3%) of the respondents fall in the age category of 25-35 implying that most of them are youngsters. In terms of the years they served, all of them had an experience of more than one year in their respective organizations. The level of their educational qualification shows that the majority (61.6%) of them are qualified with first degree. The overall demographic characteristics of the respondents shows that the sampled employees had adequate exposure in the area of the study that justifies the reliability of the source of information used for the purpose of this study.

Performance Management Practice and Employee Motivation

The respondents were requested to rate 30 items relating to performance appraisal practice and 7 items related to employee motivation using v-rating scale points, ranging from strongly agree to strongly disagree. The following statistics were used in interpreting the results of the study: 1.00 - 1.80 Strongly Disagree/Very Dissatisfied, 1.81 - 2.60 Disagree/ Dissatisfied, 2.61 - 3.40 Moderate Agreement/Moderately Satisfied, 3.41 - 4.20 Agree/Satisfied, 4.21 - 5.00 Strongly Agree/Very Satisfied. Table 2 shows the descriptive statistics report of performance appraisal practices of the case Banks.

Table 2: Performance Appraisal Practice Indicators and Employee Motivation

Variables	N	Mean	Std. Deviation
Ongoing Feedback	172	2.7515	1.15928
Continuous Open Communication	172	2.5814	.90518
Fairness of PAS	172	2.4244	.89677
Rewarding Performance	172	2.5262	.84986
Trained Appraisers	172	2.6483	.92550
Employees Participation	172	2.6279	.94687
Employees Motivation	172	2.3682	.88398
Source: Questionnaire			

The above descriptive statistics clearly indicates the corresponding arithmetic mean and standard deviation of every constructs. The analysis of mean of categorical constructs showed that among performance appraisal practice indicators, fairness on performance appraisal and continuous open communications have a mean value of less than the average standard. Petition, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment.

In other respect, the mean value for ongoing feedback, trained appraiser and employee participation in performance shows the respondents' moderate level of satisfaction.

Fisher, (1995) warned that performance appraisal more likely to fail if employees see performance appraisal as a stick which management has brought in, in order to generate a basis for disciplinary action. The overall mean as related to performance appraisal practice of the case banks shows the respondents' dissatisfaction on the existing performance appraisal practices of the banks considered for present study. The mean value as related to employee motivation also shows the employee's dissatisfaction on their employment at the case banks. The outcome of this study by Brown (2010) revealed that there was a direct relationship between performance appraisal satisfaction and employees outcomes, which is mostly employee motivation.

Relationships between Performance Appraisal Practices and Employee Motivation

In order to show the relationships between performances appraisal practices with employee motivation of the case banks a Pearson's correlation coefficients was used to test the level of their relationship. The results were analyzed based on correlation analysis formula shown as follows: -1 to -0.5 or 1.0 to 0.5 strong, -0.5 to -0.3 or 0.3 to 0.5 moderate, -0.3 to -0.1 or 0.1 to 0.3 weak, and -0.1 to 0.1 none or very weak.

Table 3 : Correlations Coefficients

Performance appraisal practice indicators		Employee motivation
Ongoing Feedback	Pearson Correlation	.403**
	Sig. (2-tailed)	.000
	N	172
Open communication	Pearson Correlation	.405**
	Sig. (2-tailed)	.007
	N	172
Fairness of PAS	Pearson Correlation	.662**
	Sig. (2-tailed)	.076
	N	172
Rewarding Performance	Pearson Correlation	.344**
	Sig. (2-tailed)	.000
	N	172
Trained Appraisers	Pearson Correlation	.490**
	Sig. (2-tailed)	.000
	N	172
Employees Participation	Pearson Correlation	.446**
	Sig. (2-tailed)	.000
	N	172
**. Correlation is significant at the 0.05 level (2-tailed).		

Source: Questionnaire

Dessler (2013) stated that there are four indicators of performance appraisal that need to evaluate is clarify of performance expectation, level of communication between supervisor and employee, trust in supervisor, and fairness of performance appraisal process towards job satisfaction. Correlation results presented in Table 3 above shows that there is moderate positive relation between ongoing feedback ($r=.403$, sig.000), open communication ($r=.405$, sig.007), rewarding performance ($r=.344$, sig.000), trained appraisers ($r=.490$, sig.0.000), employee participation ($r=.446$ sig.000) and employee motivation. In other respect the finding of this section shows there is strong positive relationship between fairness in appraisal and employee motivation($r=.662$). Several studies support the notion that fairness of performance appraisal is saliently related to employee's commitment, job satisfaction, and motivation to their organization (Morrow, 2011 and Abdul Shukor, et al., 2008). Based on the results shown in Table 3 there are positive relationships between employee performance practices and employee motivation.

Effect of Performance Appraisal Practices on Employee Motivation

In examining the factors that could affect employee motivation, the researcher used a regression analysis to show the effect of six independent variables on the dependent variable i.e. employee motivation.

Before considering the model, test of model fit was made based on key assumptions of multiple regressions proposed by many standard research methodology text book authors like Kothari 2004. Accordingly, the first test was made on multi-collinearity.

As VIF values for all items are below 2 the independent variables are not highly correlated with each other, implying that no multi-collinearity problem among the independent variables..The test of multivariate normality as shown in histogram clearly shows the residuals are normally distributed. Hence the data met the assumption of multivariate normality of the independent variables.

A plot of standardized residuals versus predicted values show the points are equally distributed across all values of the independent variables. Hence there is no homoscedasticity problem. Finally, the test of linear relationship was made by scatter plot. The scatter plots showed the existence of linear relationship between the outcome variable and the independent variables.

Therefore, all the key assumption shows the goodness of the model fit. Accordingly, the model summary of the effect of performance appraisal practices identified on employee's motivation are shown in Table 4 as follows:

Table 4: Model Summary of Performance Appraisal Practice and Employee Motivation

Model	R	R Square	Adjusted R Square	Std. Error of the variable Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.693	.480	.461	.64907	.480	25.362	6	165	.000
a. Dependent Variable: Employee Motivation b. Predictors: (Constant), ongoing feedback, open communication, fairness PAS, rewarding performance, trained appraisers and employees participation									

As shown in the table 4 above, the adjusted R² indicates that 48 % (0.480) of employee motivation could be explained by the independent variables (performance appraisal practice).

Thus; the outcome this study indicates that the independent variables are the major determinants of employee motivation. The coefficients of the independent variables are shown in Table 5 shown as follows:

Table 5: Coefficient of Independent Variables

Model	Un standardized Coefficients		Standardized Coefficients	T	Sig(p-value)
	Beta	Std. Error	Beta		
(Constant)	.327	.200		1.631	.105
Ongoing Feedback	.042	.055	.055	.773	.000
Open Communication	.069	.068	.070	1.010	.002
Fairness PAS	.487	.073	.494	6.682	.000
Rewarding Performance	.040	.070	.038	.572	.002
Trained Appraisers	.117	.072	.122	1.617	.000
Employees Participation	.060	.067	.064	.892	.000
Dependent Variable: Employee Motivation Beta=co-efficient of the independent variables					

As shown in table 5, six independent variables identified have significant effect on employee motivation though its weak. Accordingly, ongoing feedback ($\beta = .055$ at p-value .000), open communication ($\beta = .070$ at p-value=.000), fairness on PAS ($\beta = .494$ at p-value=.000), employees' participation ($\beta = .064$ at p-value=.000), rewarding performance ($\beta = .038$ at p-value= .002) and trained appraisers ($\beta = .122$ at p-value=.000) have significant effect on employee motivation. Therefore, based on the coefficients shown in Table 5, the regression equation can be described as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Therefore, the effect on performance appraisal practices on employee motivation can be predicted based on the following equation.

$$Y = .327 + .055X_1 + .070X_2 + .494X_3 + .064X_4 + .038X_5 + .122X_6 + .200$$

where:

Y= employee motivation

the value of α (smoothing constant) = .327

Coefficient or β_1 (Ongoing Feedback) = .055

Coefficient or β_2 (Open Communication) = .070

Coefficient or β_3 (Fairness of PAS) = .494

Coefficient or β_4 (Rewarding Performance) = .064

Coefficient or β_5 (Trained Appraisers) = .038

Coefficient or β_6 (Employees' Participation) = .122

ϵ (standard error) = .200

Hypothesis Testing

In the next section, the effect of each independent variable tested under this study is discussed and analyzed based on the theoretical predictions, prior empirical studies and hypothesis formulated.

H1: Ongoing feedback has significant effect on employee's motivation.

As it is presented on table 3, the correlation result shows there is significant moderate positive relationship between ongoing feedback and employee motivation ($r=.403$ at sig. 003). As it also presented on table 5, the coefficient of ongoing feedback ($\beta=.055$ at sig.003) significantly explains employee motivation. Hence, (H1) which states ongoing feedback on performance significantly explains employee motivation is accepted. Larson (1989) shown that successful performance appraisals are contingent upon employees and managers working together

H2: Continuous open performance communication has significant effect on employee's motivation.

As it is presented on table 3, the correlation result shows there is significant moderate positive relationship between open communication and employee motivation ($r=.40$ at sig. .007). As it also presented on table 5, the coefficient of open communication ($\beta=.494$ at sig.000) significantly explains employee motivation. Hence, (H2) which states that continuous open performance communication has significant effect on employee motivation is accepted. McShane & Von Glinow (2003) study also shows that motivated employees are those who work according to the clearly define goals and take their actions to achieve that goals.

H3: Fairness on performance appraisal has significant effect on employee's motivation

As it is presented on table 3, the correlation result shows there is significant strong positive relationship between fairness on PAS and employee motivation ($r=.662$ at sig .072). As it also presented on table 5, the coefficient of fairness in PAS ($\beta=.070$ at sig.002) significantly explains employee motivation. Hence, (H3) which states that fairness on performance appraisal has significant effect on employee motivation is accepted. The findings of the study is consistent with Choy Sang Long (2013) fairness of a performance appraisal system has been recognized as an important effect on the success of any organization.

H4: Rewarding performance has significant effect on employee's motivation

As it is presented on table 3, the correlation result shows there is significant moderate positive relationship between rewarding performance and employee motivation ($r=.344$ at sig. $.000$). As it also presented on table 5, the coefficient of rewarding performance ($\beta=.038$ at sig. $.002$) significantly explains employee motivation. Hence, (H4) which states rewarding performance has significant effect on employee motivation is accepted. Ryan and Deci, (2000); Thomas, (2002), also suggested that they will take more responsibility when offered rewards.

H5: Having trained appraisers have significant effect on employee's motivation.

As it is presented on table 3, the correlation result shows there is significant weak positive relationship between ongoing feedback and employee motivation ($r=.490$ at sig. $.000$). As it also presented on table 5, the coefficient of open communication ($\beta=.122$ at sig. $.000$) significantly explains employee motivation. Hence, (H6) stating that having trained appraisers have significant effect on employee motivation is accepted. The result outcome of this research was in line with the past research that conducted by Mallaiah (2009). The role of supervisor and employee is a significant role where it can enhance the effectiveness of performance appraisal and have a good output for the organization.

H6: Employees' participation on appraising has significant effect on employee's motivation.

As it is presented on table 3, the correlation result shows there is significant moderate positive relationship between employees' participation and employee motivation ($r=.446$ at sig. $.000$). As it also presented on table 5, the coefficient of employees' participation ($\beta=.064$ at sig. $.000$) significantly explains employee motivation. Hence, (H5) which states that employee's participation on appraising has significant effect on employee motivation is accepted. A study done by Helepota (2005) also found that to engage in the practice of motivating employees, employers must understand the unsatisfied needs of each of the employee groups. He defined motivation as a person participation in achieving the desired results of an organization.

CONCLUDING REMARKS

The current performance appraisal system factor has great impact on employee motivation. This is due to the fact that PAS helps them to improve employee motivation for the organization. The Regression analysis conducted on the effect of performance appraisal practice on employee motivation revealed a positive and significant of performance appraisal practices on employee motivation. This signified that performance appraisal if conducted well in an organization leads to improved employee motivation. Strong effects of the performance appraisal practice are witnessed in the area of fairness of performance appraisal system. These implied clarifying objectives and setting clear future objectives needs to be

established to enhance employee motivation.

Scope for Future Research

As the samples of the study were drawn from managerial and professional category of employees at the headquarters of commercial banks in Ethiopia, the result of the study cannot be inferred for the rest of commercial banks of employees in the country.

The study only tried to show the effect of ongoing feedback, open communication, fairness in appraisal, rewarding performance, trained appraisers and employees' participation of employee motivation. As employee motivation can be affected in more factors than considered in this study, it calls for an in-depth study in other establishments in the country by considering more factors than what has been considered in this study.

Research/Managerial Implications

The present study showed the effect of performance appraisal practices on employee motivation. Particularly, no systematic study has been conducted in the context of Ethiopia on the subject of the study. Therefore, it is believed that it adds literature on effect of performance appraisal of employee motivation as well as creates awareness in decision makers on the magnitude of the effect of performance appraisal on employee motivation to help them alter their decisions.

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