



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE
SATISFACTION: THE CASE OF ETHIOPIAN TOURIST TRADING
ENTERPRISE**

**BY
SHEWANGIZAW BELAYHUN**

**JUNE 2024
ADDIS ABABA, ETHIOPIA**

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DECLARATION

Declaring that this thesis is my original work, I, Shewangizaw Belayhun, have prepared it with the guidance of Mohammed M. (Ass. Prof.). Every source of information used to create the thesis has been properly credited. I further certify that no other higher education institution has received the thesis, in whole or in part, with the intention of awarding a degree.

NAME: SHEWANGIZAW BELAYHUN

JUNE 2024

ENDORSEMENT

This thesis, titled “The Effect of Performance Appraisal on Employee Satisfaction.” Has been submitted to St. Mary’s University, School of Graduate Studies, for Examination with my approval as the university advisor.

ADVISOR: MOHAMMED M (ASS. PROF)

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TABLE OF CONTENT

TABLE OF CONTENT	i
ENDORSEMENT	v
ACKNOWLEDGMENTS	vi
LIST OF TABLES	ixv
LIST OF FIGURES	ix
ACRONYMS AND ABBREVIATION	x
ABSTRACT	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study	1
1.2. Statement of the Problem	3
1.3. Research Questions	4
1.4. Research Objective	4
1.5.1 General Objective	4
1.5.2. Specific Objectives	4
1.6. Significance of the Study	5
1.7. Scope of the Study	5
1.8. Definition of Terms	5
1.8.1. Performance Appraisal	6
1.8.2. Job Satisfaction	6
CHAPTER TWO	7
REVIEW OF RELATED LITERATURES	7
2.1. Definition of Terms	7
2.2. Performance Appraisal Variable Conceptual Review	8
2.2.1. Performance Appraisal Process	9
2.2.2. Methods of Performance Appraisal	11
2.2.3. Principles of Effective Performance Appraisal	13
2.3. Performance Appraisal and Employee Job Satisfaction	14
2.3.1. Theories of Employee Job Satisfaction	14
2.5. Conceptual Framework	21
2.5.1. The model discussion	21
CHAPTER THREE	23
RESEARCH DESIGN & METHODOLOGY	23

3.1. Research Design.....	23
3.2. Research Approach	23
3.3. Population, Sample Size and Sampling Technique	23
3.3.1. Target Population.....	23
3.3.2. Sample Size.....	24
3.3.3. Sampling Technique	24
3.4. Data Source and Data Collection Method	25
3.5. Method of Data Analysis	25
3.6. Ethical Consideration.....	25
3.7. Validity and Reliability.....	25
CHAPTER FOUR.....	27
DATA ANALYSIS AND DISCUSSION	27
4.1. Demographic Characteristics	27
A. Descriptive Statistics of Variables	29
B. Inferential Analysis.....	30
I. Correlation Analysis	30
II. Regression Analysis.....	33
1. Assumption Tests for Multiple Regressions	33
A. Multi- Collinearity	33
B. Linearity	34
C. Homoscedasticity	35
D. Normality	35
2. Regression Result.....	37
b. Discussion of the Findings.....	41
CHAPTER FIVE	44
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	44
5.1. Summary of the Findings.....	44
5.2. Conclusion	45
5.3. Recommendation	46
Reference	48

LIST OF TABLES

Table 1 Summary of Reliability Analysis.....	26
Table 2 Gender, Age, Education and Work Experience	27
Table 3 Performance Appraisal Process Indicators & Employee Job satisfaction	29
Table 4 Correlation between Independent and Dependent variables.....	30
Table 5 Multicollinearity Problem Test.....	33
Table 6 Skewness and Kurtosis	35
Table 7 Model Summary	37
Table 8 Regression Analysis.....	38
Table 9 ANOVA	41

LIST OF FIGURES

Figure 1 Conceptual Framework	21
Figure 2 Linearity Scatter Plot of Regression Standardized Residual	34
Figure 3 Homoscedasticity Plot of Regression Standardize Residual	35
Figure 4 Normality plot of Regression Standardized Residual	36

ACRONYMS AND ABBREVIATION

ANOVA: Analysis of Variance

ETTE: Ethiopia Tourist Trading Enterprise

HRM: Human Resource Management

NGO: Non-governmental organization

SPSS: Statistical Package for Social Science

VIF: Variance Inflation Factor

ABSTRACT

This study investigates the impact of performance appraisals on employee job satisfaction within the Ethiopian Tourist Trading Enterprise (ETTE). By using an explanatory research design and a quantitative research approach, the research explores how various factors of performance appraisals affect job satisfaction. These aspects include feedback, fairness, and clarity, communication between supervisors and employees, and trust in supervisors. Primary data was gathered through questionnaires, and the data analysis was performed using the Statistical Package for the Social Sciences (SPSS). The results reveal that communication significantly influences employee job satisfaction, followed by clarity and fairness in the appraisal process. While trust in the performance appraisal process and feedback also positively affect job satisfaction, they are not as influential as communication, clarity, and fairness. In conclusion, effective communication, clarity, and fairness in the performance appraisal process are key to enhancing employee job satisfaction. Therefore, ETTE should focus on improving communication, ensuring fair appraisal processes, and fostering a culture of transparency. This approach will strengthen the relationship between employees' perceptions and their job satisfaction, thereby supporting the organization's objectives.

Keywords: *performance Appraisal, Job Satisfaction, Employee job Satisfaction.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The management of other resources, including financial, material, technological, and other monetary or non-monetary resources, falls within the purview of human resources, which are among the various resources present in various companies. Any organization's human resources can be viewed as its skeleton, helping to directly or indirectly coordinate and oversee all of its operations in order to achieve its goals (Robert & Jackson, 2008). The most widely used human resource practice in this regard is performance appraisal. If done improperly, it can negatively impact employees' job satisfaction levels.

Employee performance appraisal is a key activity in practically every business with the goal of improving employee performance and achieving organizational success (Karimi, Malik, & Hussain, 2011). Hussain, Yusoff, Banoori, Khan, and Khan (2016) state that workers are the most valuable assets that contribute significantly to the success of any company, whether it be in the public or private spheres. A crucial factor in an organization's improved success is having a contented staff. According to Selden, Ingraham, and Jacobson (2001), one of the most crucial factors in achieving corporate goals and objectives is employee satisfaction.

Previous research has extensively examined the link between performance appraisal and job satisfaction in various organizational settings. For instance, a study conducted by Chen and Lin (2020) investigated the impact of performance appraisal on job satisfaction in Taiwanese firms, emphasizing the significance of fairness, trust, clarity, communication, and feedback within the appraisal process. Their findings underscored the importance of these variables in shaping employee perceptions and attitudes towards performance appraisal and job satisfaction. Similarly, Smith et al. (2018) explored the role of feedback frequency and quality in performance appraisal systems and their influence on employee job satisfaction in the hospitality industry. Their research highlighted the critical importance of timely and constructive feedback in fostering employee engagement and satisfaction. Furthermore, a study by Abate and Asfaw (2019) examined the relationship between performance appraisal and job satisfaction among employees in Ethiopian manufacturing firms. Their findings revealed that perceived fairness and transparency in the appraisal process significantly contributed to higher levels of job satisfaction among employees. Moreover, the study

found that effective communication and feedback mechanisms were essential for enhancing employee morale and motivation. In addition, Gebre et al. (2021) conducted a study focusing on performance appraisal practices in Ethiopian service industries, including the tourism sector. Their research identified a positive correlation between the clarity of performance expectations and employee job satisfaction. Moreover, the study highlighted the role of trust in the appraisal process, with employees expressing higher satisfaction levels when they perceived evaluators as credible and impartial.

According to Locke (1969&1976) states that job satisfaction is a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. This implies that, satisfied employees have positive attitude towards the job which leads to high performance level whereas dissatisfied employees have negative attitude towards their work which yields low performance result. Vroom (1964) defines job satisfaction as affective orientation on the part of individuals toward work roles they presently occupy. The way workers feel about their jobs and various aspects of their jobs can be interpreted as their level of job satisfaction (Specter, 1997).

Despite the existing body of research on performance appraisal and job satisfaction, there is a noticeable gap concerning its application and effects within Ethiopian Tourist Trading Enterprises, particularly in the tourism sector. While previous studies have examined performance appraisal practices in Ethiopian manufacturing and service industries, research specific to the tourism sector remains scarce. Given the unique challenges and dynamics inherent in the tourism industry, such as seasonality, customer interactions, and cultural diversity, there is a need for targeted investigations into the impact of performance appraisal on employee job satisfaction within tourism Sector.

By focusing on the Ethiopia Tourist Trading Enterprise, this research aims to provide valuable insights into the relationship between performance appraisal and employee job satisfaction within the unique cultural and organizational context of Ethiopia's tourism sector. By examining the role of fairness, trust, clarity, communication, and feedback in performance appraisal processes, this study intends to offer practical recommendations for enhancing employee satisfaction and organizational performance.

1.2. Statement of the Problem

The Ethiopian Tourist Trading Enterprise (ETTE) has recently undertaken a restructuring program aimed at enhancing performance by consolidating positions across top, mid, and low-level management tiers. This initiative highlights the importance of investigating the relationship between performance appraisal (PA) and employee job satisfaction within the organization. While PA systems are widely used across various industries, there is a notable lack of research examining their impact on employee satisfaction specifically within ETTE.

Existing literature identifies several challenges associated with PA processes, such as defining appropriate performance evaluation criteria, ensuring timely feedback, and fostering trust between managers and employees, these factors are crucial for understanding employee satisfaction but have not been studied in the context of ETTE. The urgency of this investigation is heightened by ETTE's recent restructuring efforts, which necessitate a clear understanding of how performance appraisal practices influence employee morale and performance during organizational change. This study aims to fill the research gap by examining the effectiveness of performance appraisal system in driving job satisfaction at ETTE, thereby providing insights for strategic decisions related to workforce management and organizational development.

However, the absence of research specifically addressing these dynamics within ETTE or similar organizations in Ethiopia is notable. Despite evidence from studies by Balaraman et al. (2018), Getnet et al. (2014), Samuel & Berhanu (2019), Guliti (2018), and Habtamu (2021) suggesting a positive relationship between PA and job satisfaction in various organizational contexts, the lack of research focused on ETTE leaves a critical gap in understanding how these dynamics play out within its unique operating environment.

The urgency of investigating this relationship is heightened by ETTE's recent restructuring efforts, which necessitate a thorough understanding of how PA practices influence employee morale and performance in the context of organizational change. By addressing this research gap, the study seeks to shed light on the effectiveness of PA systems in driving job satisfaction and performance within ETTE, thereby informing strategic decisions related to workforce management and organizational development.

1.3. Research Questions

Based on the research's background and problem statement, the researcher will developed the following research question in order to fulfill the study's objectives.

1. To what extent does fairness in the performance appraisal process affect employee satisfaction in Ethiopian Tourist Trading Enterprise?
2. How does clarity about performance appraisal process affect employee satisfaction in Ethiopia Tourist Trading Enterprise?
3. How does the level of communication between supervisor and employee affect satisfaction in Ethiopia Tourist Trading Enterprise?
4. To what extent does trust in supervisors affect employee satisfaction in Ethiopian Tourist Trading Enterprise?
5. How does performance appraisal feedback affect employee satisfaction in Ethiopia Tourist Trading Enterprise?

1.4. Research Objective

1.5.1 General Objective

The research's general objectives is to explore the effect of performance appraisal on employee satisfaction.

1.5.2. Specific Objectives

1. To determine the effect of fairness in the performance appraisal process on training and development on employee satisfaction in Ethiopian Tourist Trading Enterprise.
2. To identify the effect of clarity about performance appraisal process on employee satisfaction in Ethiopian Tourist Trading Enterprise.
3. To analyze the effect of level of communication between supervisor on employee satisfaction in Ethiopian Tourist Trading Enterprise
4. To examine the effect of trust in supervisors on employee satisfaction in Ethiopian Tourist Trading Enterprise.
5. To examine the effect of performance appraisal feedback on employee satisfaction in Ethiopian Tourist Trading Enterprise.

1.6. Significance of the Study

Performance appraisals are recognized for promoting teamwork, employee loyalty, a beneficial influence on other HR tasks, and a positive involvement in employee motivation. Many firms invest in performance appraisals because of the significance of these aspects in achieving organizational goals (Agyare et al., 2016). The research will aim to investigate the effect of performance appraisals on workers' job satisfaction.

The study conducted for Ethiopia Tourist Trading Enterprise aims to identify current challenges and recommend solutions for positive outcomes. Its findings and suggestions are vital for the company's human resources department, which oversees performance appraisal and aims to achieve organizational goals, address performance issues, and enhance job satisfaction. Furthermore, the research serves as a valuable resource for other researchers interested in similar topics, offering guidance and references for future studies. Additionally, this study contributes to the researcher's MBA program requirements.

1.7. Scope of the Study

The scope of this study is confined to the Ethiopian Tourist Trading Enterprise (ETTE) in Addis Ababa. The research specifically examines the impact of performance appraisals on employee satisfaction within organization. Conceptually, the study focuses on several critical aspects of performance appraisals: feedback, fairness, clarity, communication between supervisors and employees, and trust in supervisors.

The research period spans from 2015 E.C. to the present, allowing for an analysis of recent trends and practices in performance appraisals at ETTE. The study targets a diverse group of employees across various departments within ETTE to provide a comprehensive understanding of how performance appraisal processes affect different segments of the workforce. This includes employees from duty-free merchandise, duty-paid merchandise, and the handicraft and fine arts products sectors.

1.8. Definition of Terms

Employee satisfaction and performance appraisals have been covered extensively in chapter one. Here are some definitions from several authors to dispel any misunderstandings and promote a shared understanding of the ideas and language used in the two

1.8.1. Performance Appraisal

In the context of this research performance appraisal refers to the systematic evaluation of employee's job performance and productivity. It involves assessing how well employees are meeting their job responsibilities and objectives. Providing feedback, and identifying areas for improvement to enhance their overall performance within the company.

1.8.2. Job Satisfaction

Job satisfaction, in this study, refers to the level of contentment employees feel regarding their job roles, Work environment, and overall employment conditions. It encompasses factors such as job security, Work life balance, relationships with colleagues and supervisors, and the alignment of job roles with employees' skills and interests.

1.9. Organization of the Study

The study is divided in to five chapters. Chapter one includes background of the study, background of the organization, problem statement, research questions, objectives, significance, scope of the study and Definitions of terms. Chapter two presents a review of the relevant literature. Chapter three covers the research methodology, including the sample size and sampling techniques used. Chapter four outlines the analysis of the research findings. Finally chapter five summaries the findings and offers conclusions and recommendations based on the results.

CHAPTER TWO

REVIEW OF RELATED LITERATURES.

2.1. Definition of Terms

Numerous academics have defined performance appraisal in various ways. For example, Armstrong (2014) defined performance evaluation as the process by which managers formally evaluate and rank each employee during, typically, an annual review meeting. Goyal (2002) defines performance appraisal as assessing each employee's abilities in relation to predefined benchmarks, typically found in the job description. Similarly, Aswathappa shares the aforementioned ideas and adds that the purpose of a performance appraisal is to measure and assess an employee's job-related behaviors and outcomes in order to determine how and why the employee is currently performing on the job as well as how the employee can perform more effectively going forward in order to benefit the organization, society, and SC employees (Aswathappa, 2002).

This indicates that the appraiser and the appraisee must work together to complete the assessment, that the employee is aware of the standards set forth for the assessment, that there is no secret, and that the evaluation is based only on the employee's abilities. They also focus on the positive aspects and identify strategies for resolving any drawbacks.

Performance appraisal was also defined by Gupta et al. (1988) as the methodical assessment of an employee's work by their supervisors. It is a tool for identifying, evaluating, and categorizing worker variations with respect to job requirements. It alludes to the official appraisal process that compares and rates an individual based on how they perform in relation to others. Usually, the manager or supervisor will conduct an appraisal once or twice a year. Their analysis states that performance reviews are thought to be one of the most important tools for any issue. The primary goal of performance reviews is to increase an organization's effectiveness by

Henderson (2006) further contended that performance appraisal is a formal process that is typically carried out by filling out an instrument that identifies and records an employee's contributions and behaviors at work. Motivating staff to give their all so the company can fulfill its objectives is one of the main purposes of performance reviews. Organizations identify and appreciate effort and contributions through the evaluation process.

Desseler (2013) defines performance appraisal as the process of comparing an employee's previous or present performance to the performance criteria. Setting work standards, evaluating an

employee's performance in relation to these standards, and offering assistance to address shortcomings or maintain above-average performance are all part of the appraisal process. Similar to this, Flippo (1984) further defined performance appraisal as an objective, methodical, and, to the extent humanly feasible, systematic evaluation of an employee's excellence in areas related to his prospects for advancement in his position. According to the definitions given above, it is clear that a performance evaluation is a methodical and structured procedure used to assess an employee's performance in relation to the demands of their position.

Employee development, including identifying training needs and providing performance feedback, personnel research, and administrative decisions like employee promotion, transfer, and financial reward allocation are all frequently based on performance appraisals (Barrett, 1967). According to Nankervis and Compton (2006), the assessment of employee performance and the management of its combined contributions to organizational effectiveness are seen as a combination of informal and formal techniques that can be used to evaluate the effectiveness of all human resource management (HRM) functions, motivate individual employees and their work groups, and give organizations a strategic advantage in their continued pursuit of competitive goals and imperatives.

2.2. Performance Appraisal Variable Conceptual Review

Fairness in performance appraisal is a critical variable influencing employee satisfaction and organizational commitment. Greenberg (1986) emphasized that fairness perceptions, often termed as organizational justice, and are divided into distributive justice (fairness of outcomes) and procedural justice (fairness of the processes leading to outcomes). Fair performance appraisals, according to McCarthy and Garavan (2001), ensure that employees perceive the appraisal process as unbiased and equitable, which in turn fosters a positive organizational environment and enhances employee motivation.

Clarity in the performance appraisal process is essential for ensuring that employees understand the criteria and procedures used to evaluate their performance. According to Ilgen, Barnes-Farrell, and McKellin (1993), clarity helps reduce uncertainty and anxiety among employees, leading to better acceptance of appraisal outcomes. The study by Keeping and Levy (2000) further supports this by highlighting that when employees have a clear understanding of the appraisal process, they are more likely to view the system as fair and credible.

Effective communication between supervisors and employees is fundamental to the performance appraisal process. Boswell and Boudreau (2000) argue that regular and open communication can help clarify expectations, provide ongoing feedback, and address performance issues promptly. Research by Levy and Williams (2004) suggests that high levels of communication lead to improved performance outcomes and stronger supervisor-employee relationships, which are crucial for the overall effectiveness of performance management systems.

Trust in supervisors plays a pivotal role in how employees perceive and react to performance appraisals. According to Mayer, Davis, and Schoorman (1995), trust involves the willingness of employees to be vulnerable to their supervisors based on the belief that their supervisors are competent, honest, and concerned about their welfare. Konovsky and Pugh (1994) found that trust in supervisors is strongly associated with positive attitudes towards the performance appraisal process and higher levels of organizational citizenship behavior.

The effectiveness of performance appraisal feedback significantly affects employee development and performance improvement. According to Kluger and DeNisi (1996), feedback interventions are most effective when they provide specific, actionable information that employees can use to enhance their performance. Furthermore, Smither, London, and Reilly (2005) argue that constructive feedback helps employees understand their strengths and areas for improvement, thereby facilitating continuous personal and professional growth.

2.2.1. Performance Appraisal Process

Verifying that staff are doing their tasks well is the main goal of performance reviews. Organizations should carefully construct assessment systems and adhere to a series of processes, as demonstrated by DeCenzo (2010),

According to Werther & Davis (1996), the first step in the assessment process is setting performance standards that align with the strategic goals of the organization. These performance criteria must to be sufficiently precise and objective to be quantified and comprehended. All too frequently, expectations are stated in vague terms that don't really tell us anything, like "a full day's work" or "a good job." What constitutes a decent job or a full day's work? A supervisor needs to have a clear understanding of what is expected of them at work so that, in the future, they can tell their staff members of these expectations, come to an agreement on particular job performance metrics, and

evaluate their work in relation to these set benchmarks. The job descriptions serve as the basis for establishing employee work performance requirements.

After performance criteria are set, it's important to let staff know what's expected of them; they shouldn't have to rely on rumors. Performance requirements for far too many occupations are vague, and the issue is exacerbated when these requirements are established independently without employee input. In order for the appraisal system to function as intended, staff members need to be aware of the standards by which their performance is evaluated. Werther and Davis (1996) added that in order to hold workers accountable, the standards must be in writing and employees must be informed of them prior to the review. Giving workers the chance to comprehend the performance requirements will improve their motivation and dedication to their work.

We need information about it in order to ascertain what actual performance is. Both the things and the methods by which we measure ought to concern us. Managers and supervisors usually employ four basic sources of information when discussing how to measure actual performance: written reports, statistical reports, oral reports, and personal observation. Each has advantages and disadvantages of its own. Nevertheless, combining them raises the quantity of input sources and the likelihood of obtaining accurate information. It is perhaps more important for the evaluation process to consider what we measure than how we measure it. As jointly agreed upon in the previous two stages of the assessment process, the criteria we use to measure performance must reflect that (Werther and Davis, 1996).

To determine whether there is a variation or not, job performance measurements and evaluations must be compared to the established standard. A comparison of performance against the standard indicates whether the performance meets the standard or not. A list and description of the performance standards ought to be included in the performance appraisal form. A description of the various performance levels and their level of acceptability in relation to the performance standard should also be included. As the manager proceeds to the following stage, which involves discussing the appraisal, this offers a useful feedback tool (Werther and Davis, 1996).

Giving the employee a correct assessment is one of the hardest things an appraiser has to do. Evaluating someone else's contribution and skill might be one of the most emotionally charged tasks when it comes to performance appraisal. Employee self-esteem and, crucially, their performance in the future are significantly impacted by their perception of their assessment. It goes without saying that breaking positive news is far simpler for both the employee and the appraiser than breaking bad

news. The assessment conversation in this situation may have both beneficial and harmful motivational effects (Werther and Davis, 1996).

Employees have to be actively involved in creating performance criteria in order for the appraisal system to work. Participation will increase staff dedication to their work, motivation, and support for the assessment feedback. Put differently, workers need to comprehend it, believe it to be equitable, and be sufficiently focused on their work to be concerned about the outcome. Employees should generally be fully aware that the ultimate goal of the performance appraisal system is to improve employee performance, as this will increase both the achievement of organizational goals and employee satisfaction (Glueck, 1978).

Taking corrective action is the last step in the performance review process. In addition, Chatterjee (1995) clarified that the management has multiple options following performance evaluation and the identification of reasons for standards-related deviations from performance. Doing nothing at all is one choice. 2, correct the deviation; or 3, exceed the specifications. If problems are determined to be minimal, it can make sense for management to do nothing. If there are significant problems, however, the management must identify and investigate the reasons behind the standard-breaking behavior. This would assist in figuring out what remedial action has to be done. Lastly, updating the performance criteria is also crucial (Chatterjee, 1995).

2.2.2. Methods of Performance Appraisal

Despite much debate among academics over the categorization of performance appraisal techniques (see, for example, Decenzo & Robbins, 2010; Cascio, 1991): and Fisher et al., 2003), Turgut & Mert (2014) identified the following as the preferred classification of performance appraisal approaches:

Using this method, the rater assigns a ranking based on the performance of their subordinates at work. Employee performance is compared at work before being ranked from best to worst. A subordinate's relative position in relation to their numerical rank is determined by placing them in a rank order. Another variation of this technique is the paired comparison of subordinates, which compares each subordinate's performance at work with all other subordinates (Turgut & Mert, 2014). This form of evaluation necessitates classifying the subordinates into a finite number of groups. This approach invariably results in employees' (subordinates') evaluations following the normal distribution. As an illustration, 10% of workers are at the very top of the scale, 20% are at the top of the scale, 40% are in the center of the scale, 20% are at the bottom of the scale, and 10%

are at the very bottom of the scale (Turgut & Mert, 2014). Managers assess employees based on predetermined criteria, such as the qualities listed on an assessment form. Form has qualities and performance levels. Every attribute on the form has a number or scale (very good, good, or weak). One is selected by the manager. The evaluator simply ticks off the subordinate's working performance on the visual rating scales, which are the oldest and most used way (Turgut & Mert, 2014).

This method uses a checklist for each work position, presenting descriptive statements relating to the work. The manager selects the "Yes" or "No" choice based on the rater's knowledge of these work-related descriptive statements to indicate whether the conduct is effective or ineffective on the job (Turgut & Mert, 2014). The manager is provided with a set of pre-established statements to assess the worker's performance for every item. Which items best capture an employee's characteristics are highlighted by managers. The manager is unaware of the phrases' score equivalent (Turgut & Mert, 2014). The manager merely composes an account detailing the worker's performance. This composition aims to define the worker and identify their successful, failed, weak, and powerful aspects. This non-quantitative approach presents a comprehensive picture by emphasizing commonly seen work behaviors of an employee rather than concentrating on the person's daily performance (Turgut & Mert, 2014).

The manager records both the extreme positive and negative performances. These performances are classified as important occurrences or moments. These crucial occurrences ought to have an immediate impact on an employee's success or failure. With this approach, written records of highly and highly ineffective work behaviors must be maintained. Each employee's log is kept up to date by the manager, who uses it to document key incidents and assess each worker's performance at the conclusion of the rating period (Turgut & Mert, 2014). This approach gathers data from external sources as well as from all angles and organizational levels. Workers evaluate themselves as well as their superiors, inferiors, coworkers, and clients. In addition, this approach helps an employee become more self-aware of how they perform at work (Turgut & Mert, 2014). This is an approach that demands that the predetermined goals be met. Using this approach, management and staff decide together what goals each group wants to achieve over a given time frame. Reaching a goal is more significant than "how it was attained." Next, an assessment of the employees is conducted to see how well they met their predetermined objectives (Turgut & Mert, 2014).

The center's experts or Human Resources (HR) professionals carry out the evaluation process impartially. Workers are monitored and their jobs are mimicked in this center. In addition, certain exercises, social gatherings, and unofficial events serve as assessment tools. Some organizations choose this approach because of the challenges they confront throughout the appraisal process, and they often use an assessment center in addition to their appraisal system (Turgut & Mert, 2014). Since teamwork is valued more in today's workplace than individual achievement, it is preferable to assess an individual's performance in the context of the team. Subsequently, team assessments are conducted rather than solo assessments (Turgut & Mert, 2014).

Turgut & Mert (2014) added that while there are numerous performance appraisal strategies and methods with various features and evaluation procedures as previously mentioned, a sector organization cannot utilize a single way of performance appraisal. Thus, they came to the conclusion that even though some firms operate in the same industry, employ an equivalent number of people, have comparable organizational structures, and have missions and visions that are similar, these organizations may choose to utilize various appraisal methodologies based on their preferences rather than their characteristics. At this stage, selecting the best appraisal technique becomes a challenge for HR practitioners (Turgut & Mert, 2014).

2.2.3. Principles of Effective Performance Appraisal

Since every performance appraisal technique has drawbacks and limits of its own, there is no such thing as a perfect performance appraisal system (Turgut & Mert, 2014). Regardless of the method employed, knowing what an appraisal is expected to accomplish is crucial, according to Ramasamy (1998) and Brown et al. (2010). They fervently contend that comprehension of the evaluation's goals and the ability to get real value from it by managers and staff matters more than the type of form or method employed in performance appraisals. Therefore, Brown et al. (2010) and (Flippo, 1984) state the following performance appraisal principles in order to reduce the drawbacks and adverse effects of the methods of performance appraisal that are applied.

Before the appraisal period, managers ought to provide workers with a clear explanation of the performance expectations. Employees are able to direct their focus and efforts on meeting the required performance level as a result. Employees should receive ongoing feedback on their performance levels from an efficient appraisal system. It is important that the evaluators receive adequate training, instructions, and knowledge of the rating system so they may offer suggestions for assessing, conducting interviews, appraisals, and recorded methods. The same assessment tools,

methodologies, protocols, and work objectives should be used to evaluate employees in the same job category who report to the same supervisor and coordinator. It is imperative to establish a systematic framework for the appraisal process and to minimize employee complaints and grievances, ensuring that they are tied to the job performance.

2.3. Performance Appraisal and Employee Job Satisfaction

As per Kim et al. (2005), an employee's job satisfaction typically corresponds with their feelings towards their employment. It encompasses an employee's perceptions of his working environment, which in turn shapes his attitudes toward his job. It also has to do with rewards because they have the potential to affect how employees feel about their company. Another definition of job satisfaction is the joyful emotional state that arises from considering one's work as fulfilling or enabling one's work values. Conversely, job dissatisfaction is the unwanted emotional state that a person experiences when they discover that their employment keeps them from living up to their ideals (Schwepker, 2001).

According to Tirmizi et al. (2008), job satisfaction is also defined as the extent to which people have favorable feelings about their jobs. A person's attitude or emotional reaction to their tasks, as well as the physical and social conditions of the workplace, determines their level of job satisfaction. For instance, according to Herzberg's two-factor theory, job contents such as achievement, responsibility, and recognition serve as motivators that foster positive employment relationships and high job satisfaction.

According to Wegge et al. (2007), job satisfaction aids in the identification of work behaviors such as absenteeism and organizational citizenship by organizations. Furthermore, it was proposed by Saari & Judge (2004) that companies might correlate staff turnover with job satisfaction and job performance (Chen et al., 2006). Therefore, an organization's efforts to improve job satisfaction among its staff might lessen unfavorable work attitudes like absenteeism (Cohen & Golan, 2007).

2.3.1. Theories of Employee Job Satisfaction

Any organization that wants to survive must have an effective performance appraisal system. Ineffective systems cause organizational collapse, employee dissatisfaction, and confusion, while effective systems increase overall job satisfaction and have a positive correlation with job satisfaction. Blau (1999) Ellickson and Pettijohn (2002) Kuvaas (2006); Pettijohn, Taylor, & Keillor, 2001; Pettijohn, Pettijohn, & d'Amico, 2001.

According to Skarlicki and Folger (1997), employees may become extremely dissatisfied with the appraisal process if they believe the system is prejudiced, political, or irrelevant. Employees therefore respond by altering their attitudes at work when they believe they are not being treated fairly. Vigoda (year 2000). According to Levey and William (1998), perceived knowledge can be used to forecast how an appraisal would turn out in terms of organizational commitment and work satisfaction. The studies' conclusion was reached as follows: Employees who think they comprehend the organization's appraisal processes are more likely to prefer significant organizational variables down the road and to exhibit the traits listed below.

- They are generally in favor of the appraisal system and its feedback and are more tolerant of it.
- They are happier in their jobs.
- They have a strong sense of commitment to the company.
- Most likely, they will consider the PA to be fair.

Although assessments offer advantages and are highly effective as a management tool in the workplace (Walsh, 2003), there are issues that skew their utility. The issues with appraisals make them less useful in the workplace and can have a detrimental effect on employees' attitudes, reactions, behaviors, and productivity. According to Jeanmarie (2008) and Alwadaei (2010), job satisfaction is essentially an employee's feelings regarding his present job experience in comparison to his prior job experience as well as his current expectations or opportunities inside the firm.

Therefore, rather than increasing an employee's positive attitudes and performance, performance reviews may have the opposite effect if they are thought to be unfair. Warroka et al. (2012) quoted Thomas & Bretz (1994). In particular, an employee's impressions of procedural unfairness can have a negative impact on their performance, job satisfaction, organizational commitment, trust in management, stress at work, organizational citizenship behavior, theft, and propensity to file a lawsuit against their employer. A company's assessment process may get into serious trouble if it is conducted without following any regulations, being transparent, or considering all of the possible outcomes. This could harm the work environment and reduce productivity. Legal and ethical issues may also arise from it.

Employees believe that manipulation of their performance rating, primarily because of the supervisor's personal hidden goal, is the primary cause of their discontent and rising turnover rate. One of the key components in forecasting the degree of employee satisfaction is procedural fairness

in the appraisal system, thus the evaluator grading process should be equitable and adhere to the right criteria. Furthermore, distributive, informational, and interpersonal fairness have a strong positive relationship with overall employee satisfaction and satisfaction with managers' supervision, while distributive, informational, and interpersonal fairness are directly related to satisfaction with the appraisal rating and appraisal system. Choi, Tan, Wan, and Siti (2013); Sudin (2011). Employees may initially alter their behavior at work and eventually resign if they believe that personal bias, favoritism, or corruption is present in the rating process.

In summary, this chapter addressed the theoretical, conceptual, and empirical findings of a prior related study regarding the perception of fairness among employees in performance appraisals and the impact this has on job satisfaction. Indeed, a substantial and positive association between employees' perceptions of their performance reviews and job satisfaction has been found in the majority of conceptual and empirical literature reviews.

The following theories are important in understanding how satisfied workers are with their jobs.

a) Herzberg's Two-Factor Theory

According to this idea, two factors—job-satisfiers, or motivators, and job dissatisfies, or hygiene factors—could make employees happy or unhappy in their ability to perform their duties. Aspects of the work that contribute to an employee's job satisfaction are known as job-satisfiers, and they include the work itself, advancement, responsibility, achievement, and acknowledgment. However, job discontent and hygiene elements are considered contextual factors, meaning that while they may not be necessary motivators, their absence at work results in unhappiness (Herzberg, 1976). Herzberg's theory has been criticized heavily for its motivational and hygiene features, which ignore individual differences and assume that all employees would react to changes in the same way, despite being the most useful model to research job satisfaction (Kim, 2016).

b) Equity Theory

According to this idea, the sense of equitable or unjust resource distributions within interpersonal interactions determines relational happiness. The theory's creator, John Stacey Adams, claimed that workers want justice when it comes to their contributions to a company and what they receive in return, especially when it comes to what they perceive to be the contributions of other workers and what the company offers those workers. Employee contributions are referred to as inputs, and the organization's contributions are referred to as outcomes. Equity theory thus addresses an input-to-

outcome ratio. If a worker feels that he is being overcompensated, he will try to make up for it by either increasing or decreasing his contributions. Equity.

Robbins (2005) provided more support for Adams' idea, which states that when individuals recognize their ratio is equal to that of their peers inside the organization, equality is said to exist. Likewise, if the ratio does not correspond, there is unfairness. Employee contentment is a result of equity, whereas employee dissatisfaction is a result of unfairness.

c) Expectancy Theory

The desired benefits an employee anticipates receiving in the event that he undertakes or completes specific tasks are the subject of expectation theory. It was about how driven a worker is to complete a task because he believes that doing so will result in a certain consequence. It also considers whether or not the worker is happy with the result. Expectancy theory is based on the probability that a specific activity will result in a desired outcome (Vroom, 1964). Therefore, based on this hypothesis, it can be inferred that workers tend to consider the likelihood of achieving a desired reward from a variety of jobs, and they ultimately choose to do the task they believe to be most successful. Employee motivation and satisfaction are so high enough to place.

Further discussion of the three parts of the theory—Valence, Expectancy, and Instrumentality—is provided by Vroom (1964) and Robbins (2005). Expectancy, which is mostly based on the employee's prior experiences, is the conviction that his efforts will be enough to enable him to meet his intended performance goals. Conversely, an employee's sense of value for the benefit they stand to receive in the event that they meet performance targets is known as valence. An employee is more likely to carry out the action to obtain the reward if he values it highly. The notion that an employee will be rewarded with a promotion or pay increase provided he satisfies performance standards is known as instrumentality.

In layman's terms, Newstrom (2007) explained that satisfaction stems from three factors: the degree of reward desired (Valence), the expectation that one's effort will result in a successful performance (expectancy), and the likelihood that one's performance will be rewarded (instrumentality).

2.4. Empirical Literatures

1. Fairness in the Performance Appraisal Process

Empirical studies have consistently demonstrated the importance of fairness in the performance appraisal process. Research by Erdogan (2002) found that employees who perceive fairness in performance appraisals exhibit higher levels of job satisfaction and organizational commitment. Additionally, Folger and Konovsky (1989) showed that perceptions of procedural justice in performance appraisals positively influence employees' attitudes towards their job and supervisors. This relationship underscores the significance of maintaining fairness to ensure positive employee outcomes.

2. Clarity about Performance Appraisal Process

The empirical evidence highlights the critical role of clarity in the performance appraisal process. Jawahar (2007) conducted a study that revealed clear communication of performance criteria and expectations significantly reduces employee anxiety and increases acceptance of appraisal outcomes. Moreover, Tang and Sarsfield-Baldwin (1996) found that clarity in performance appraisals is positively correlated with employees' perceptions of appraisal fairness, suggesting that transparency and clear guidelines are essential for effective performance management.

3. Level of Communication between Supervisor and Employee

Studies have shown that the level of communication between supervisors and employees significantly impacts the effectiveness of performance appraisals. Brown, Hyatt, and Benson (2010) demonstrated that frequent and open communication leads to better understanding of performance expectations and feedback, resulting in improved employee performance. Similarly, Thomas and Bretz (1994) found that effective communication during the appraisal process enhances the credibility of the appraisal system and strengthens the supervisor-employee relationship, which is crucial for fostering a positive work environment.

4. Trust in Supervisors

Empirical research underscores the pivotal role of trust in supervisors in shaping employees' attitudes towards performance appraisals. A study by Whitener et al. (1998) showed that trust in supervisors is linked to higher levels of organizational commitment and job satisfaction. Furthermore, Podsakoff, MacKenzie, and Bommer (1996) found that trust in supervisors enhances

the acceptance of appraisal feedback and promotes positive behavioral responses, such as increased organizational citizenship behaviors. These findings highlight the importance of building and maintaining trust to ensure the effectiveness of performance appraisals.

5. Performance Appraisal Feedback

The effectiveness of performance appraisal feedback has been empirically validated in numerous studies. An investigation by Steelman and Rutkowski (2004) found that specific, constructive feedback leads to significant improvements in employee performance. Additionally, Anseel et al. (2007) demonstrated that feedback that is timely and focused on behavior rather than personal traits is more likely to be accepted and acted upon by employees. These studies suggest that the manner in which feedback is delivered plays a crucial role in its impact on employee development and performance.

The empirical review of variables influencing the performance appraisal process highlights several key findings across multiple studies. Research by Erdogan (2002) indicates that perceptions of fairness in appraisals lead to higher job satisfaction and organizational commitment, while Folger and Konovsky (1989) found that procedural justice positively affects employees' attitudes towards their jobs and supervisors. Clarity in the performance appraisal process is also critical; Jawahar (2007) demonstrated that clear communication of performance criteria reduces employee anxiety and increases acceptance of appraisal outcomes. Similarly, Tang and Sarsfield-Baldwin (1996) found that clarity is positively correlated with perceptions of appraisal fairness.

Moreover, the level of communication between supervisors and employees significantly impacts the effectiveness of performance appraisals. Brown, Hyatt, and Benson (2010) found that frequent and open communication improves understanding of performance expectations and feedback, enhancing employee performance. Thomas and Bretz (1994) indicated that effective communication strengthens the credibility of the appraisal system and improves supervisor-employee relationships. Trust in supervisors also plays a pivotal role; Whitener et al. (1998) showed that trust in supervisors is associated with higher organizational commitment and job satisfaction, while Podsakoff, MacKenzie, and Bommer (1996) found that trust enhances the acceptance of feedback and promotes positive behavioral responses, such as organizational citizenship behaviors.

Lastly, the effectiveness of performance appraisal feedback has been empirically validated. Steelman and Rutkowski (2004) found that specific and constructive feedback leads to significant

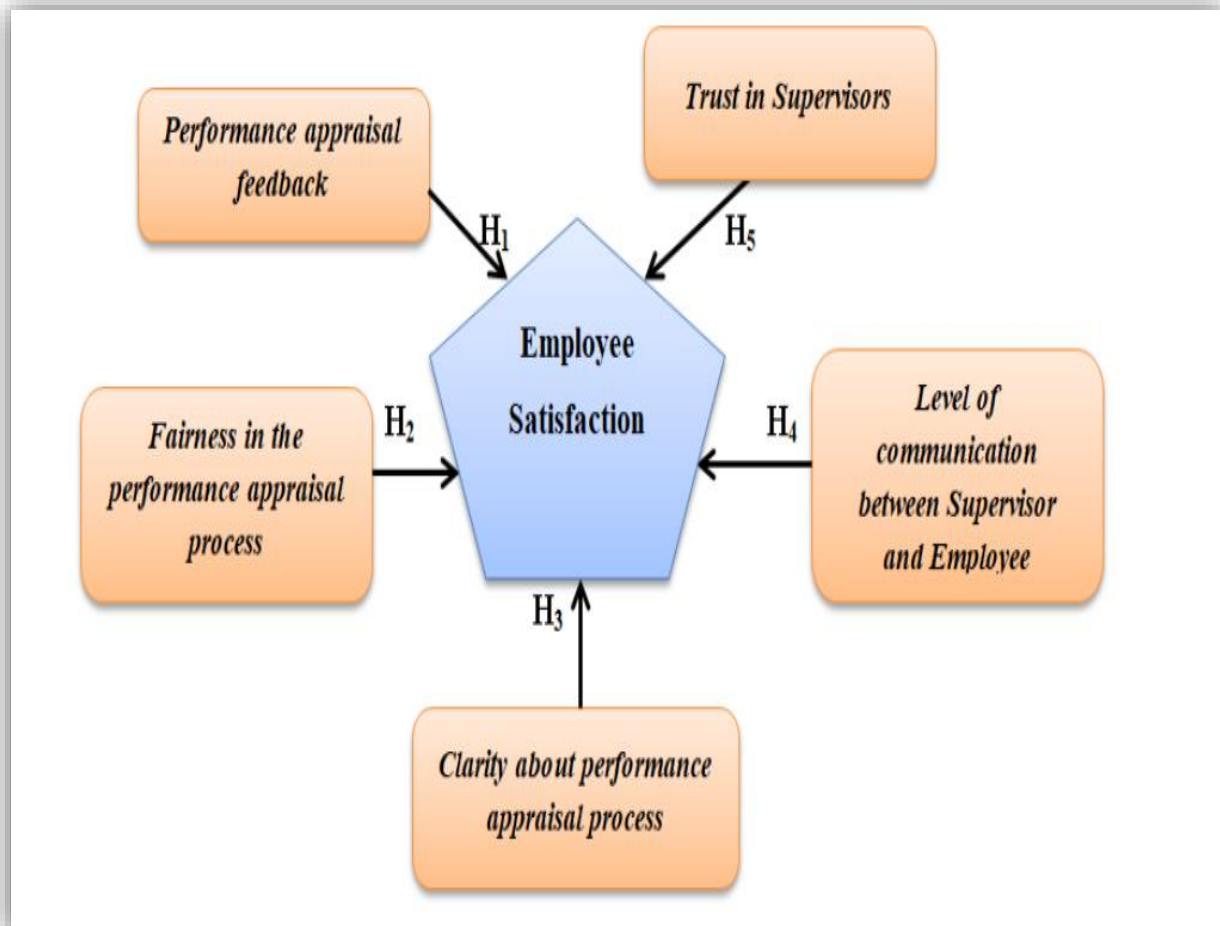
improvements in employee performance. Anseel et al. (2007) demonstrated that timely feedback focused on behavior rather than personal traits is more likely to be accepted and acted upon by employees.

In conclusion, the empirical evidence underscores the importance of fairness, clarity, communication, trust, and constructive feedback in the performance appraisal process. Fairness and clarity are crucial for fostering positive employee attitudes and ensuring the acceptance of appraisal outcomes. Effective communication enhances the credibility of the appraisal system and strengthens workplace relationships. Trust in supervisors is pivotal in shaping employees' attitudes towards appraisals and promoting positive organizational behaviors. Lastly, specific, constructive, and timely feedback significantly impacts employee performance and development. Organizations aiming to improve their performance appraisal systems should prioritize these variables to enhance employee satisfaction, commitment, and overall performance, thereby creating a more effective and equitable appraisal process that supports both individual and organizational growth.

2.5. Conceptual Framework

Based on the relevant material and concepts mentioned above, the conceptual framework that follows will create.

Figure 1 Conceptual Framework



Source: Survey Result 2024.

[Adopted from (Naji, et al., 2015), (Cowandy, 2014), (Ismail, et al., 2016), (Agyare, et al., 2016), (Brown, et al., 2010), (Bowra, and Nasir, 2014), and (Karimi, et al., 2011)].

2.5.1. The model discussion

Fairness, of procedural justices. In performance appraisals is crucial. When employees perceive the appraisal process as fair, they are more likely to be satisfied with their jobs. This perception of fairness can be linked to theories like Adams' Equity Theory, which suggests that individuals compare their input –output ratio with others, if they perceive fairness, it leads to higher job

satisfaction. Research by Gupta and Kumar (2021). Supports this by showing that perceived fairness in appraisal significant correlation with job satisfaction.

Clear and understandable performance appraisals help employees know what is expected of them and how they can meet these expectations, The goal setting Theory by Locke and Latham supports this, suggesting that clear goals improve performance and satisfaction because employees understand their targets and can plan accordingly. Latham and Pinder (2022). Confirms that clarity in performance goals enhances job satisfaction and performance.

Effective communication ensures that employees receive constructive feedback and understand the appraisal outcomes. Studies have shown that open and honest communication helps build a positive relationship between supervisors and employees, fostering a sense of value and satisfaction. A study by Men and Yue (2020) highlights the crucial role of communication in employee satisfaction, emphasizing that transparent communication leads to higher levels of job satisfaction.

Trust is foundational in any supervisor-employee relation. When employees trust their supervisors, they are more likely to accept feedback and view the appraisal process positively. According to Mayer, Davis, and Schoorman's model of organizational trust, trustworthiness involves ability, benevolences, and integrity, which contribute significantly to job satisfaction, research by Lee, Gillespie, Mann, and wearing (2020). Illustrates that trust in supervisors is a significant predictor of employee satisfaction.

Regular and constrictive feedback helps employees understand their performance levels and areas for improvement. The feedback intervention Theory by Kluger and DeNisi indicated that feedback is a crucial motivation and can significant enhance employee satisfaction when delivered effectively. Study by Steelman and Rutkowski (2020). Show that well- structured feedback mechanics are strongly linked to higher employee satisfaction and performance

CHAPTER THREE

RESEARCH DESIGN & METHODOLOGY

In this chapter, the research design, research methodology, data type to be collected, study population, sample size and sampling techniques, data collection methods, data analysis, ethical considerations, and validity and reliability of the study were covered.

3.1. Research Design

The research employed an explanatory research design to investigate the effects of performance appraisals on employee satisfaction and the relationships between the independent and dependent variables, aligning with the research goal. According to Kothari (2004), social research studies can be categorized into one of three classes based on their goals. Firstly, exploratory research is conducted to delve into a topic or acquire additional knowledge about it. This methodology is typically chosen when researchers venture into unexplored fields of study or when the subject matter is relatively new. Secondly, descriptive research involves making observations that are then summarized by the researcher. However, scientific descriptions in this context are usually more accurate and precise than casual remarks because scientific observation is methodical and deliberate. Finally, explanatory research focuses on studying the connections between specific causes and outcomes.

3.2. Research Approach

In this research, a mixed research approach, which incorporates both qualitative and quantitative research strategies, was utilized. This decision was made based on the understanding that combining qualitative and quantitative methods offers a more comprehensive understanding of a research subject than either methodology alone, as outlined by Creswell (2014). Furthermore, when employing a mixed research strategy, the qualitative technique assists in providing a clear description of the reality existing in the study region, while the quantitative approach contributes to a more thorough description of the objective notions.

3.3. Population, Sample Size and Sampling Technique

3.3.1. Target Population

The source population for the research comprised all employees of the Ethiopian Tourist Trading Enterprise (ETTE) at the time of the study. The target population specifically consisted of

permanent staff members within ETTE. According to data provided by the enterprise's human resources department, there were a total of 324 permanent workers, including six managers distributed across the six functional departments. To select a representative sample of employees, lists containing the names of every employee were utilized as a sample frame.

3.3.2. Sample Size

The Yamane formula for a finite population (as outlined by Kothari, 2004) was employed to determine the sample size for the study. Considering that the company had a finite number of permanent employees, which was reported as 324, and margin of error not more than 3% a sample size of 251 permanent employees was calculated to be representative.

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

$$n = N/1+N (e)^2 = 324/1+324(0.03)^2 = 251$$

Where N size of the population, n size of the sample

e level of precision (margin of error)

3.3.3. Sampling Technique

The research employed probability sampling technique known as simple random sampling to obtain a representative sample from the total population of employees at the Ethiopian Tourist Trading Enterprise. This method ensured that every sample unit in the target population had an equal chance of being included, as supported by Kothari (2004). From this population, the sample size was derived using the Yamane formula, ensuring accurate representation.

To examine the relationships between variables, a correlation analysis was performed to assess the relationships between the independent variable. Finally, regression analysis was conducted to determine the effect of performance appraisal on employee satisfaction. This approach ensured a comprehensive analysis of data, providing insights in to both the descriptive statistics and the internal relationships between variables.

3.4. Data Source and Data Collection Method

To complete the study and meet its set goals, primary and secondary data were gathered from a variety of sources using data gathering tools. The primary source of data was the sample respondents themselves, while secondary data sources included readily available resources such as books, previous literature reviews, and pertinent articles.

The researcher utilized a self-administered questionnaire designed to examine the impact of performance appraisal on job satisfaction among employees. This choice of data gathering tool was informed by Williman (2006), who highlighted the usefulness of questionnaires for gathering quantitative data. Questionnaires were considered practical, as they removed the researcher's personal influence, provided respondents with time to double-check their answers, and were quick and inexpensive to administer. These factors were expected to contribute to the production of more accurate data.

3.5. Method of Data Analysis

The research data were analyzed using Statistical Packages for Social Sciences (SPSS) software. Initially, the data were cleaned and checked for any inconsistencies or missing values. Descriptive statistics for quantitative data were computed, including univariate measures such as frequencies and multivariate measures such as correlations. Afterward, linear regression analysis was conducted to examine the effect of each predictor variable on the dependent variable.

3.6. Ethical Consideration

St. Mary's University School of Graduate Studies requested authorization from Ethiopian Tourist Trading Enterprise through an official letter. Furthermore, all study participants were told of the study's goal, and before answering any questions, their oral agreement was gained. Every respondent's information will be kept private and used exclusively for research purposes.

3.7. Validity and Reliability

According to Kothari (2004), the degree to which a measurement tool adequately covers the subject being studied is known as content validity. Content validity is considered good if the instrument includes a sample that is representative of the entire universe. It primarily relies on judgment and intuition. Although there is no numerical method to quantify it, content validity can be assessed by a panel of experts who evaluate how well the measuring device meets the requirements (Kothari, 2004). To ensure the validity of this study, all variables were derived from previous research, as

supported by the conceptual framework section. Additionally, the study's validity was confirmed through consultations with the advisor and specialists from the relevant organizations.

Dependability, as defined by Kothari (2004), is the degree to which a test is steady, dependable, trustworthy, and consistent in assessing the same thing repeatedly. Following data coding and entry into SPSS, the reliabilities of the scales were examined to assess the study's reliability. For each scale, Cronbach's alpha coefficients were calculated to determine the internal consistency reliability of the instruments. Malhotra and Birks (2007) state that a Cronbach's alpha value of 0.60 is within the acceptable lower bound. In this study, the overall Cronbach's alpha value was 0.835, indicating that all variables had alpha values above the 0.60 threshold, thereby confirming the reliability of the measurement instruments.

Table 1 Summary of Reliability Analysis

Reliability Statistics

	Cronbach's Alpha	N of Items
Fairness in the performance appraisal process	0.676	5
Clarity of performance appraisal process	0.825	5
Communication among supervisors & employees	0.813	4
Trust in supervisors	0.762	6
Performance appraisal feedback	0.753	5
Employee job satisfaction	0.603	5
Over all	0.835	30

Source: Survey Result 2024.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

This chapter presents the data analysis and discussion conducted to investigate the effect of performance appraisal on employee satisfaction in Ethiopia Tourist Trading Enterprise (ETTE). The gathered data underwent examination and interpretation, leading to the presentation of empirical discoveries and outcomes resulting from the application of these factors as described in the third chapter. Through this analysis, the researcher aim to shed light on the relationship between performance appraisal practices and employee satisfaction within ETTE.

4.1. Demographic Characteristics

Table 2 Gender, Age, Education and Work Experience

Factor level	Frequency	Percentage
1.Gender		
Male	121	48.21
Female	130	51.79
Total	251	100.00
2.Age		
18 -25	97	38.64
26 -35	84	33.47
36-45	40	15.94
Above 45	30	11.95
Total	251	100.0
3.Education		
Certificate	26	10.36
Diploma	108	43.03
First degree	102	40.64
Master's degree and above	15	5.97
Total	251	100.00
4.Work experience		
< 1	23	9.16
1 -5	134	53.39
6 -10	39	15.54
More than 10 years	55	21.91
Total	251	100.00

Source: Survey Result 2024.

Analyzing gender distribution helps identify if there are differences in responses or behaviors. The gender balance of the sample (121 male and 130 females) and the nearly equal percentage (48.21% males and 51.79% females) ensures that both perspectives are well represented. Understanding gender difference in responses to performance appraisal process is crucial, for instance, males and females might perceive fairness, clarity, communication, trust and feedback mechanisms differently. This can help identify if there are specific area where one gender feels more satisfied or dissatisfied, leading to targeted improvements.

Age distribution is crucial to understand as different age groups may have varying preferences, experiences, and opinions. Table 2 above demonstrates that 97 (38.64%) of the respondents were between the ages of 18 and 25, 84(33.47%) were between the ages of 26 and 35, 40(15.94%) were between the ages of 36 and 45, and the remaining 30 (11.95%) were over 45. Difference age groups might have varying expectation and perceptions of performance appraisals. Younger employees might value clear communication and feedback more as they are in the early stages of their careers. Older employees might prioritizes fairness and trust, given their extensive experience. Analyzing these differences can help tailor performance appraisal process to meet the needs of different age groups, enhancing overall satisfaction.

Education level often correlate with knowledge, skills, and attitude. Analyzing educational attainment (from certificates to master's degrees) helps identify how education influences responses. According to table 2. In terms of educational attainment, 26 (10.36%) of the respondents held a certificate, 108(43.03%) held a diploma, 102(40.64%) held a first degree, and the remaining 15(5.97%) had completed a master's degree or above. The level of education could influence how employees perceive the clarity and fairness of the appraisal process. For instance, those with higher education levels might have higher expectation for transparency and detailed feedback. Recognizing these nuances can help ensure the appraisal process meets the diverse expectations of employees with varying educational background.

Work experience is crucial in understanding professional perspectives. In table 2 the results show that 23(9.16%) of the respondents had less than a year's job experience, 134(53.39%) had one to five years' work experience, 39 (15.54%) had six to ten years' work experience, and 55 (21.91%) had more than ten years' work experience. Employees with different levels of work experience might have different expectations and needs regarding performance appraisals. Those with less than one

year of experience might require more guidance and feedback, while those with more than ten years of experience might prioritize trust and effective communication with their supervisors.

A. Descriptive Statistics of Variables

The independent and dependent variables provided descriptive statistics in the form of means and standard deviations. The information gathered from the data is examined and described using descriptive analysis. The concept of a variable's central tendency is conveyed by its mean value. Conversely, the standard deviation provides insight into how a variable's values vary from its mean. The range of mean scores is as follows: 4.51–5.00 represents excellent or very good; 3.51–4.50 represents good; 2.51–3.50 represents ordinary or moderate; 1.51–2.50 represents fair; and 1.00–1.50 represents bad.

a. Overall Performance Appraisal Process & Employee Satisfaction

Table 3 Performance Appraisal Process Indicators & Employee Job satisfaction

	Mean	Std. Deviation
Fairness of Performance appraisal process	2.9562	.59288
Clarity of Performance appraisal process	3.0100	.65643
Communication among employees & supervisors	3.2049	.52782
Trust in supervisors	3.2155	.56954
Performance appraisal Feedback	3.0667	.48631
Employee Satisfaction	2.9512	.62118

Source: Survey Result 2024.

As indicated by Table 3, the mean score values consistently fall within a moderate range, reflecting an average degree of agreement among respondents on various factors related to employee satisfaction. Specifically, the mean score for the fairness of the performance review process is 2.96, indicating moderate agreement on this factor. Similarly, the clarity of the performance appraisal process has a mean score of 3.01, showing moderate agreement among respondents. Additionally, the communication styles between supervisors and employees fall within a moderate range, with a mean value of 3.20, demonstrating a general consensus on its role in worker satisfaction. The mean score for supervisor trust is 3.22, indicating moderate agreement. Lastly, the mean score for performance feedback is 3.07. Overall, Table 3 reveals a consistent pattern of moderate agreement on these factors influencing employee satisfaction.

To sum up that all variables, including job satisfaction and fairness and clarity of the performance appraisal process, level of communication between supervisors and employees, trust in supervisors and performance appraisal feedback a mean score in a moderate range, indicate that employees were satisfied with the company's performance appraisal process.

B. Inferential Analysis

I. Correlation Analysis

Table 4 Correlation between Independent and Dependent variables

		Feedback	Fairness	Clarity	Communication	Trust	Employee Satisfaction
Feedback	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	251					
Fairness	Pearson Correlation	.251	1				
	Sig. (2-tailed)	.054					
	N	251	251				
Clarity	Pearson Correlation	.104	.362**	1			
	Sig. (2-tailed)	.197	.000				
	N	251	251	251			
Communication	Pearson Correlation	.002	.322	.202*	1		
	Sig. (2-tailed)	.980	.000	.012			
	N	251	251	251	251		
Trust	Pearson Correlation	.319**	.032	.090		1	
	Sig. (2-tailed)	.000	.697	.266			
	N	251	251	251	251	251	
Employee Satisfaction	Pearson Correlation	.124	.545**	.511**	.689**	.084	1
	Sig. (2-tailed)	.123	.000	.000	.000	.297	
	N	251	251	251	251	251	251
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Survey Result 2024

According to Kothari (2004), a positive value of "r" indicates a positive correlation, meaning that changes in both variables occur in the same direction, whereas a negative value of "r" indicates a negative correlation, meaning that changes in the two variables occur in opposite directions. The degree of relationship between two variables is expressed as a correlation coefficient. When there is

no correlation between the two variables, the value of "r" is zero. A perfect negative correlation is represented by "r" being -1, while a perfect positive correlation is represented by "r" being +1.

To determine the relationship between the dependent variables (employee job satisfaction) and the independent variables (performance appraisal feedback, fairness of the performance appraisal process, clarity of the performance appraisal process, level of communication among supervisors and employees, and trust in supervisors), the researcher used Pearson correlation. The results are shown in Table 4.

The fairness of the performance appraisal process has a positive and significant correlation with employee job satisfaction ($r = 0.545$, $\text{sig.} = 0.000$). The clarity of the performance appraisal process also shows a positive and significant correlation with employee job satisfaction ($r = 0.511$, $\text{sig.} = 0.000$). The level of communication between supervisors and employees has the strongest positive and significant correlation with employee job satisfaction ($r = 0.689$, $\text{sig.} = 0.000$). Although the associations are not statistically significant, employee satisfaction is positively correlated with supervisor trust ($r = 0.084$, $\text{sig.} = 0.297$) and performance appraisal feedback ($r = 0.124$, $\text{sig.} = 0.123$).

Feedback and Employee Satisfaction:

The correlation coefficient ($r=0.124$) indicates a weak positive relationship between feedback and employee satisfaction. Although the correlation is small, it still suggests that as feedback improves, employee satisfaction tends to increase. According to Cohen (1988), a correlation coefficient of 0.10 to 0.29 is considered small but can still be meaningful in certain contexts. Hackman and Oldham (1976) emphasize the role of feedback in job satisfaction, suggesting that even weak relationships can have practical implications in specific settings.

Trust in Supervisor and Employee Satisfaction:

The correlation coefficient ($r=0.084$) indicates an even weaker positive relationship between trust in supervisor and employee satisfaction. This implies that as trust in the supervisor increases, employee satisfaction also tends to increase, albeit very slightly. Dirks and Ferrin (2002) found that trust in leadership generally has a positive effect on job satisfaction, but the strength of this relationship can vary widely depending on other organizational factors. This supports the notion that even a weak positive correlation can be meaningful.

Insignificant Relationships

The significance levels ($p=0.123$ for feedback and $p=0.297$ for trust in supervisor) indicate that these relationships are not statistically significant at the common alpha level of 0.05. This could be due to a small sample size, which reduces the power of the statistical test. Cohen (1988) discusses the importance of sample size in detecting significant relationships, noting that small sample sizes often lead to non-significant results even when there is a true effect.

The small r values indicate that feedback and trust in supervisor explain very little of the variance in employee satisfaction. This suggests that other factors might have a stronger influence on employee satisfaction. Hackman and Oldham (1976) highlight that while feedback is important, job satisfaction is influenced by a variety of factors, and feedback alone might not account for a significant portion of the variance.

Practical vs. Statistical Significance:

It's important to distinguish between statistical and practical significance. Even though the correlations are not statistically significant, they might still have practical implications in a real-world setting. McCloskey and Ziliak (1996) argue that practical significance is crucial in applied research. A finding can be practically meaningful even if it is not statistically significant, especially when considering the broader context and real-world applications.

The weak positive correlations between feedback and employee satisfaction ($r=0.124$, $r=0.124$) and between trust in supervisor and employee satisfaction ($r=0.084$, $r=0.084$) suggest slight tendencies for employee satisfaction to increase with better feedback and higher trust in supervisors. However, these relationships are not statistically significant, likely due to a small sample size and the small effect sizes. Despite the lack of statistical significance, these findings can still offer valuable insights, as supported by the literature on the importance of practical significance and the multifaceted nature of job satisfaction.

In summary, the level of communication between supervisors and employees has the strongest positive correlation with employee job satisfaction, while trust in supervisors shows the weakest positive correlation.

Regression Analysis

1. Assumption Tests for Multiple Regressions

It is essential to verify that the data acquired accurately reflected the sample and that the researcher has produced the best results that satisfy the regression analysis's presumptions (Hair et al., 1998). Multiple regression assumes that there is a linear relationship between each Independent variable and the dependent variable, that the residual, or error, is normally distributed, and that there is no correlation between the predictors and the residual (multi-collinearity).

A. Multi- Collinearity

Table 5 Multicollinearity Problem Test

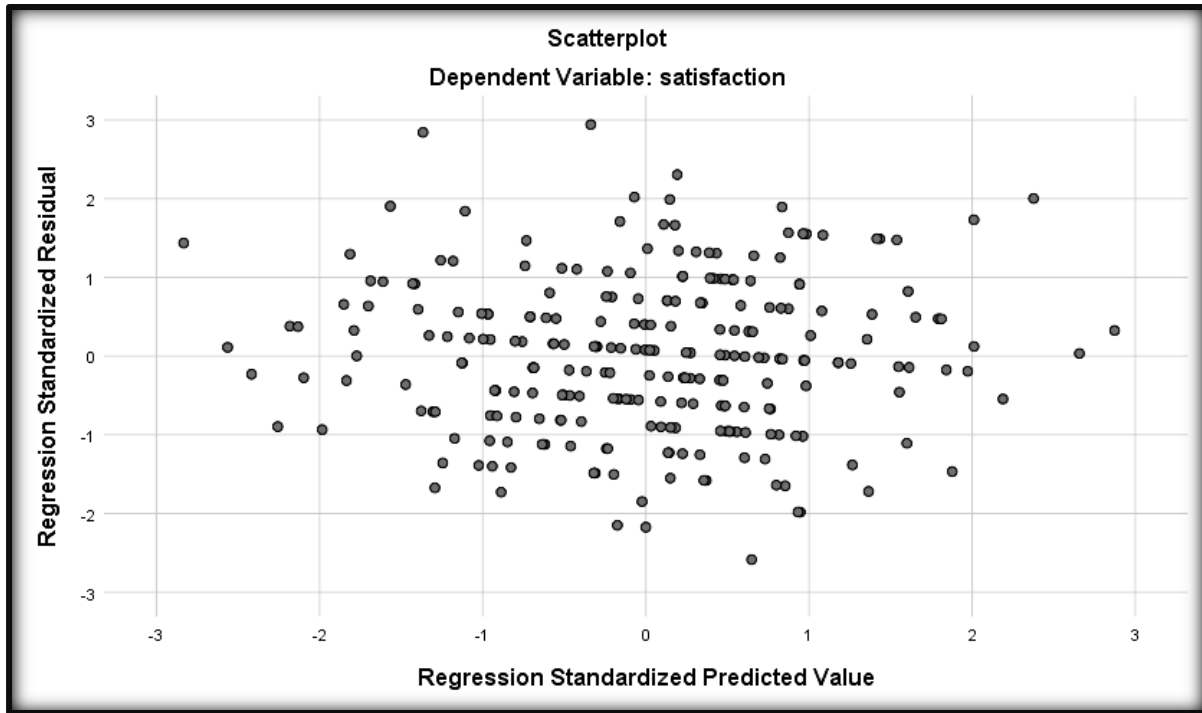
	Tolerance	VIF
Fairness of Performance appraisal process	.996	1.004
Clarity of Performance appraisal process	.990	1.010
Communication among employees &supervisors	.997	1.003
Trust in supervisors	.987	1.013
Performance appraisal Feedback	.993	1.007

Source: Survey Result 2024

found that there is no multi-collinearity between the independent variables in the regression model when the tolerance value closed to 1 and VIF value is close to 1 and does not exceed 10 (Pallant, 2011). The values of tolerance and VIF derived for each independent variable on both regression analyses, as shown in table 5 above, satisfy the previously established conditions, demonstrating the absence of multi collinearity.

B. Linearity

Figure 2 Linearity Scatter Plot of Regression Standardized Residual

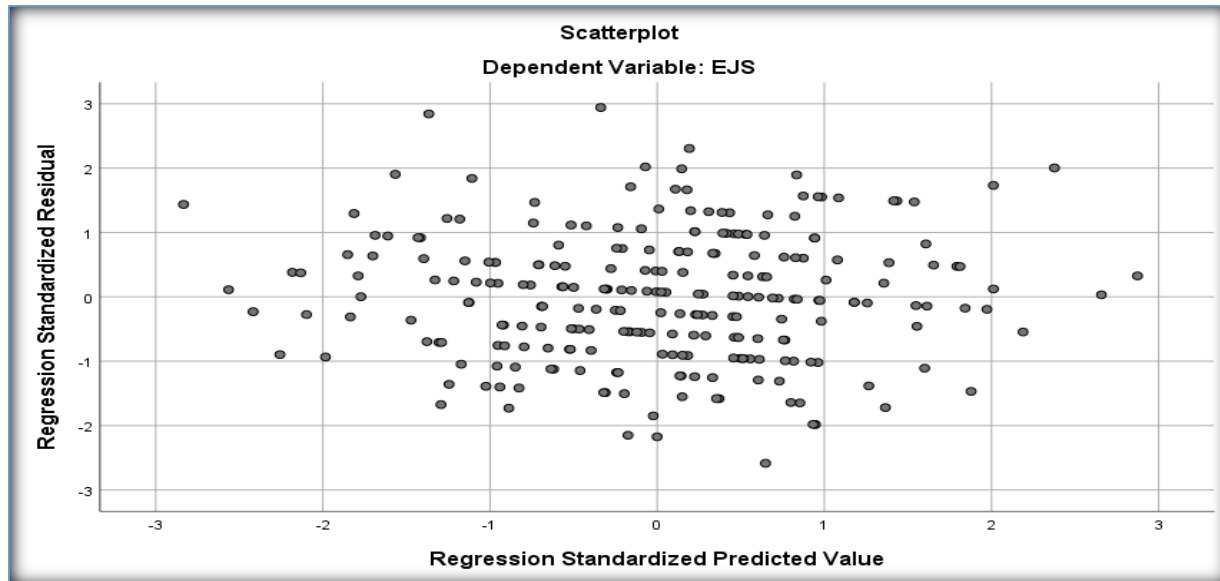


Source: Survey Result 2024

The degree to which a change in the independent variables is correlated with a change in the dependent variable is known as linearity. Residual plots make it simple to investigate linearity (Saunders, et al., 2009). Scatterplots or residual plots, which are plots of the residuals versus the anticipated values of the dependent variable or against (one of) the independent variable(s), can be used to readily verify the linearity assumption (Hoekstra et al., 2014). From the aforementioned figure 2, the scatter plots of the standardized residuals against the fitted values for the regression models were examined visually.

C. Homoscedasticity

Figure 3 Homoscedasticity Plot of Regression Standardize Residual



Source: Survey Result 2024

Homoscedasticity refers to the assumption that the variance of errors is consistent across all levels of the independent variables (Osborne & Waters, 2002). As shown in Figure 3, the scatter plot in the study indicates that the data are normally scattered, supporting this assumption.

D. Normality

Table 6 Skewness and Kurtosis

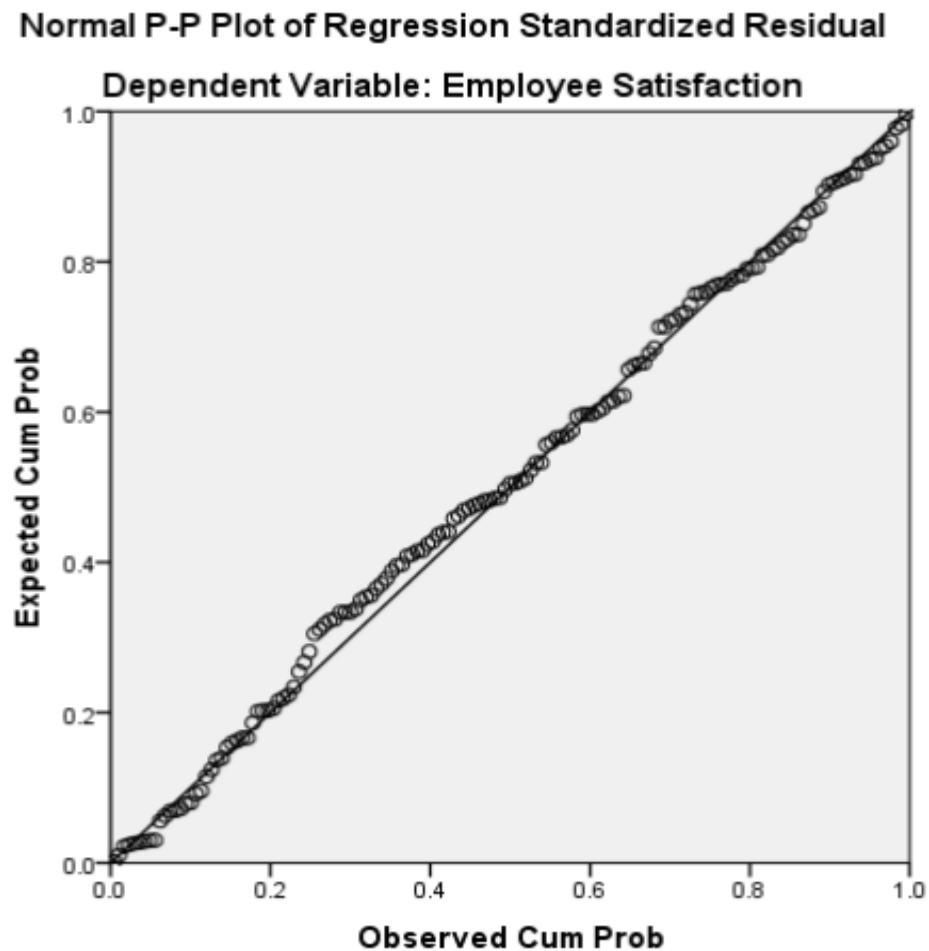
	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Fairness of Performance appraisal process	-0.393	0.195	-0.061	0.387
Clarity of Performance appraisal process	0.004	0.195	-0.982	0.387
Communication among employees & supervisors	-0.865	0.195	0.863	0.387
Trust in supervisors	-1.037	0.195	1.686	0.387
Employee Satisfaction	-0.433	0.195	-0.23	0.387
Performance appraisal Feedback	-0.225	0.195	-0.853	0.387
Valid N (list wise)				

Source: Survey Result 2024.

The foundation of tests is the assumption of normality, which states that the data source is thought to be regularly distributed. Kurtosis is another metric used to assess how the frequency distribution curve peaked is (Kothari, 2004). In the case of a symmetric distribution, the skewness index is 0.

Right skewness is indicated by a positive skewness value, and left skewness is shown by a negative value. The degree to which the peak of a unimodal frequency distribution deviates from the normal distribution form is measured by the kurtosis index. A normal distribution is represented by a value of zero; more pointed distributions than normal distributions are shown by positive values, and flatter distributions are represented by negative values. When skewness and kurtosis values between -2 and 2 are taken into account, as suggested by George and Mallery (2010), all of the elements in Table 6 above have a distribution that is fairly close to normal.

Figure 4 Normality plot of Regression Standardized Residual



Source: Survey Result 2024.

Based on the diagnostic data provided by all of the aforementioned tests, no data issue exists that goes against the multiple regressions' underlying presumptions.

2. Regression Result

A method of estimating or forecasting a value on certain dependent variables given the values of one or more independent variables is called linear regression, according to Marczyk et al. (2005). Statistical regression looks at the relationship or association between variables, just like correlations do. Regression's main objective is prediction, as opposed to correlations. A multiple regression is a correlation between the values of y that are seen and the values of y that multiple regression models predict. As a result, high multiple regression values indicate a high correlation between the outcomes' anticipated and observed values. The percentage of the dependent variable's variance that the independent variables account for is expressed as adjusted R^2 . The standard regression coefficient, also known as the beta weight, is derived from the multiple regression equation and is used to compare the impact of each independent variable on the overall work satisfaction of employees. The degree of correlation between the independent and dependent variables is displayed in the model summary table.

Table 7 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.892 ^a	.745	.734	.409

Source: Survey Result 2024.

When the total employee job satisfaction was regressed on all five independent variables, the independent variables contributed to a statistically significant association ($p < 0.01$) between the dependent variable, according to the model summary result in Table 7.

The determination coefficient R^2 is a metric that indicates how well we can predict the criterion variable using the predictor variables. As a result, the combined influence of the aforementioned independent factors accounts for 74.5% of the variation in the dependent variable. However, in real-world scenarios, R^2 occasionally overestimates the model's degree of success. Therefore, adjusted R^2 is preferred over R^2 in order to see the effectiveness of our model in practical applications. Consequently, 73.4% of the variation in employee work satisfaction can be explained by the regression of all the predictor factors.

Table 8 Regression Analysis

	B	Std. Error	Beta		
(Constant)	0.157	0.238		0.661	0.51
Fairness of Performance appraisal process	0.032	0.032	0.251	0.978	0.33
Clarity of Performance appraisal process	.211	.044	0.304	4.768	.000
Communication among employees& supervisors	.221	.037	0.546	6.016	.000
Trust in supervisors	.477	.043	0.012	10.994	.000
Performance appraisal Feedback	.011	.043	0.49	.247	.806
a. Dependent Variable: Employee Satisfaction					

Source: Survey Result 2024.

The purpose of this study's regression analysis is to identify an equation that might be applied to determine how independent variable affect the dependent variable. The form of the stated regression equation is as follows:

$$\beta_0 + \beta_1x_1 + \dots + \beta_nx_n$$

The following is the format of the stated regression equation for this investigation:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5$$

Predictor variables x_i in the equation above could stand in for independent variables (Bhattacherjee, 2012).

Equation: - $Y = \alpha + \beta_1 (PAF) + \beta_2 (FPA) + \beta_3 (CPA) + \beta_4 (CSE) + \beta_5 (TS)$

$$Y = \alpha + 0.049 + 0.251 + 0.304 + 0.546 + 0.012$$

Where:

Y = Employee Job Satisfaction (EJS)

PAF= Performance appraisal feedback

FPA = Fairness of performance appraisal process

CPA = Clarity of performance appraisal process

CSE = Communication among supervisors and employees

TS= Trust in Supervisors.

Table 8 illustrates that the β values provide information regarding the impact of individual predictors on work satisfaction among employees. A positive value indicates a positive effect between the predictor and the outcome, while a negative coefficient indicates a negative effect. The highest standardize beta value ($\beta=0.546$, $p=0.000$) is found for the level of communication between supervisors and employees. This is followed by the clarity ($\beta=0.304$, $p=0.000$), fairness ($\beta=0.251$, $p=0.000$), performance appraisal feedback ($\beta=0.049$, $p=0.330$), and supervisor trust ($\beta=0.012$, $p=0.806$) of the performance appraisal process.

The correlation coefficient for trust in supervisor and employee satisfaction is $r=0.084$ the significance level is $p=0.297$, indicating that the correlation is not statistically significant. The beta value (standardized coefficient) for trust in supervisor is $\beta=0.012$, the significance level is $p=0.000$ indicating that the effect is statistically significant in the regression model.

In regression analysis, the effect of trust in supervisor on employee satisfaction is considered while controlling for other variables in the model. This can reveal a significant relationship that the simple correlation does not capture. Wright and Bonett (1997) discuss how controlling for other variables in regression significant predictors that might not be evident in bivariate correlations reveal can. This is because regression analysis isolates the unique contribution of each predictor to the dependent variable.

The regression model might include other important variables that were not considered in the correlation analysis. This comprehensive approach can provide a more accurate representation of the factors influencing employee satisfaction. Cohen et al. (2003) highlight the importance of model specification in multiple regression analysis to capture the true relationships among variables. They explain that including relevant predictors in the model can help in understanding the unique contributions of each variable.

Practical vs. Statistical Significance

It's important to distinguish between statistical and practical significance. Even though the correlation is not statistically significant, the regression analysis suggests a practically meaningful relationship when other factors are controlled for. McCloskey and Ziliak (1996) argue that practical significance is crucial in applied research. A finding can be practically meaningful even if it is not statistically significant, especially when considering the broader context and real-world applications.

The correlation result ($r=0.084$, $p=0.297$) indicates a weak and non-significant relationship between trust in supervisor and employee satisfaction when considered alone. However, the regression analysis ($\beta=0.012$, $p=0.000$) reveals a significant effect of trust in supervisor on employee satisfaction when other variables are controlled for. This discrepancy can be attributed to the ability of regression analysis to isolate the unique contribution of each predictor and control for confounding variables, revealing significant relationships that simple bivariate correlations might miss.

The results show that the most significant and distinctive factor in explaining employee work satisfaction is the degree of communication between supervisors and employees. A small sample size or high variable data could lead to high beta values that are not statistically significant. This can suggest that while fairness and feedback seems influential, the evidence is not strong enough to conclude they significantly affect job satisfaction. Contextual factors or unique aspects of the study population that may influence these relationship. For instance, if employees place more importance on communication, clarity and trust.

Other theories pertaining to the degree of communication between managers and staff, the impartiality of the performance review procedure, and the lucidity of the performance were considered since the coefficient of the predictor variables was statistically at the <5% threshold of significance. Additionally, while fairness and feedback from performance reviews both positively affect employees' job satisfaction, the differences are not statistically significant (p values of 0.330 and 0.806, respectively). Consequently, other theories on fairness and feedback from performance reviews are disproved. The evaluation procedure is verified.

Table 9 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	37.493	6	7.493	63.914	.000 ^b
Residual	18.983	245	0.381		
Total	56.476	251			
a. Dependent Variable: satisfaction					
b. Predictors: (Constant), fairness, Trust in supervisors, Communication among employees & supervisors, Performance appraisal Feedback, Clarity of Performance appraisal process.					

Source: Survey Result 2024

Specifically, the F ratio (systematic variation to unsystematic variation) shows the ratio of the improvements in prediction that result from fitting the model, relative to the inaccuracy that still exists in the model. ANOVA tests whether the model is significantly better at predicting the outcome than using the mean as a best guess. An F ratio larger than one indicates that systematic variation outweighs unsystematic variation. Furthermore, the ratio indicates whether the outcome of the regression model might have happened by accident. The F ratio in this study is 63.914, and it is significant at 0.000. Consequently, it is reasonable to conclude that a substantial association existed and that the regression model used in this investigation could not have happened by accident. Stated otherwise, the results of the regression model indicate that there is a markedly superior ability to forecast using the mean value of job satisfaction among employees.

b. Discussion of the Findings

The analysis conducted on the effect of performance appraisal on employee satisfaction at Ethiopia Tourist Trading Enterprise (ETTE) yields several significant findings. Let's break down the key points from the analysis:

The gender breakdown of the 251 respondents indicates that 51.79% were female and 48.21% were male, showing a slightly higher representation of female respondents. This distribution ensures a balanced representation, allowing for interpretations reflecting both genders. Regarding age groups, 38.64% were aged 18 to 25, 33.47% were aged 26 to 35, 15.94% were aged 36 to 45, and 11.95% were over 45 years old. Concerning educational attainment, 10.36% held a certificate, 43.03% held a diploma, 40.64% held a first degree, and 5.97% had completed a master's degree or higher. Job experience varied, with 9.16% having less than a year's experience, 53.39% having one to five years'

experience, 15.54% having six to ten years' experience, and 21.91% having over ten years' experience.

Moving to the descriptive statistics of variables, mean scores consistently fell within a moderate range, suggesting average agreement among respondents on factors affecting employee satisfaction. For instance, fairness of the performance review process had a mean score of 2.96, clarity of the performance appraisal process scored 3.01, communication styles between supervisors and employees averaged at 3.20, supervisor trust at 3.22, and performance feedback at 3.07. These findings suggest that employees were generally satisfied with the company's performance appraisal process.

The correlation analysis revealed significant positive correlations between employee job satisfaction and fairness of the performance appraisal process ($r = 0.545$, $p = 0.000$), according to Colquitt et al. (2021) highlighted that perceived fairness in performance appraisals is significantly linked to higher employee satisfaction and motivation. They argue that fairness in evaluations helps build trust and organizational commitment, aligning with this study findings. Clarity of the performance appraisal process ($r = 0.511$, $p = 0.000$), according to kim and Holzer (2020) found that clarity in performance expectations and appraisal processes significantly enhances employee satisfaction. Clear communication of goals and performance criteria helps employees understand what is expected, leading to higher satisfaction and reduce ambiguity. And level of communication between supervisors and employees ($r = 0.689$, $p = 0.000$). According to Men and Yue (2019) effective communication between supervisors and employees is crucial for employee satisfaction. Their research showed that transparent and frequent communication positively influences job satisfaction and employee engagement supporting this study findings of positive correlation. Although not statistically significant, there were positive correlations with supervisor trust ($r = 0.084$, $p = 0.297$). The finding of this study showed that weaker and not statistically significant correlation, recent studies suggest that trust is crucial factor. A study by Dirks and Ferrin (2018) indicated that trust in supervisors can significantly impact employee satisfaction and organizational outcomes. And performance appraisal feedback ($r = 0.124$, $p = 0.123$). The study by Steelman and wolfeld (2018) emphasized that constrictive feedback during performance appraisals feedback positively correlates with employee satisfaction.

Discussion of the Regression analysis result with the different literature is as followed the independent variables collectively accounted for 74.5% of the variation in employee job satisfaction.

Which aligns with studies emphasizing the importance of comprehensive appraisal systems. Communication ($\beta = 0.546$, $p = 0.000$) had the most significant impact, supported by researcher showing effective communication improves job satisfaction Ahmad & Schroeder (2022). Clarity ($\beta = 0.304$, $p = 0.000$) is crucial, as indicated by studies like Smith (2021). Which found clear performance expectation boost satisfaction Specifically, Trust ($\beta = 0.012$, $p = 0.806$) significant role, consistent with findings from Robinson & Rousseau (2019). That trust in supervisors enhances job satisfaction. Fairness ($\beta = 0.251$, $p = 0.000$) despite its high beta value, was not significant. Literature such as Greenberg (2018). Suggests fairness perceptions are context-dependent. Feedback ($\beta = 0.049$, $p = 0.330$) compering with studies like Kluger & DeNisi (1996) that suggest feedback's impact can vary greatly based on context and implementation.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the Findings

The analysis conducted on the Effect of Performance Appraisal on Employee Satisfaction at Ethiopia Tourist Trading Enterprise (ETTE) provided comprehensive insights into various dimensions of the appraisal process and their correlation with employee satisfaction. Through an intricate examination encompassing demographic analysis, descriptive statistics, correlation analysis, and regression analysis, numerous significant findings emerged.

Demographic Analysis: Delving into the demographic profile of the respondents provided a nuanced understanding of the workforce composition at ETTE. The study's inclusivity across age groups, educational backgrounds, and work experience levels enriched the dataset, allowing for a more holistic analysis.

Descriptive Statistics of Variables: The appraisal process was scrutinized from multiple angles, shedding light on its perceived fairness, clarity, communication efficacy, and supervisor trust. By examining mean scores and standard deviations, the study elucidated the nuances of employee perceptions, paving the way for deeper insights.

The analysis of the data from the Ethiopia Tourist Trading Enterprise (ETTE) reveals several significant findings regarding the effect of performance appraisal on employee satisfaction. The correlation analysis demonstrated significant positive relationships between employee job satisfaction and several key independent variables: fairness ($r = 0.545$, $p = 0.000$), clarity ($r = 0.511$, $p = 0.000$), and communication ($r = 0.689$, $p = 0.000$) of the performance appraisal process. Notably, the strongest correlation was with communication between supervisors and employees. Although positive, the correlations with supervisor trust ($r = 0.084$, $p = 0.297$) and performance appraisal feedback ($r = 0.124$, $p = 0.123$) were not statistically significant. The regression analysis reinforced these findings, indicating that these independent variables collectively explained 74.5% of the variance in employee job satisfaction. Communication between supervisors and employees had the most substantial impact on job satisfaction ($\beta = 0.546$, $p = 0.000$), followed by the clarity ($\beta = 0.304$, $p = 0.000$) and fairness ($\beta = 0.251$, $p = 0.000$) of the performance appraisal process. In contrast, supervisor trust ($\beta = 0.012$, $p = 0.806$) and performance appraisal feedback ($\beta = 0.049$, $p = 0.330$) had minimal impact, showing weaker associations. These results highlight the paramount

importance of effective communication, clear processes, and fairness in performance appraisals to enhance employee satisfaction at ETTE.

5.2. Conclusion

The findings from the analysis at Ethiopia Tourist Trading Enterprise (ETTE) lead to several important conclusions regarding the effect of performance appraisal on employee satisfaction. The correlation and regression analyses indicate that the level of communication between supervisors and employees is the most significant factor influencing job satisfaction ($r = 0.689$, $p = 0.000$; $\beta = 0.546$, $p = 0.000$). This underscores the critical role of effective communication in the appraisal process suggesting that when supervisor communicate well with their employees, it greatly enhances job satisfaction. Clarity in the appraisal process also plays a significance role, as indicated by ($r = 0.511$, $p = 0.000$; $\beta = 0.304$, $p = 0.000$) this means that when employees have a clear understanding of the appraisal criteria and process, they are more likely to be satisfied with their jobs. Similarly, Supervisor trust ($r = 0.084$, $p = 0.297$; $\beta = 0.012$, $p = 0.806$) this finding highlights the importance of having a transparent and equitable performance review process, which helps employees feel valued treated justly. On the other hand fairness and performance appraisal feedback showed weaker and less significant effect on job satisfaction. Fairness in the appraisal process ($r = 0.545$, $p = 0.000$; $\beta = 0.251$, $p = 0.000$) indicating that fairness, does not strongly influence job satisfaction in this context. Similarly, performance appraisal feedback had ($r = 0.124$, $p = 0.123$; $\beta = 0.049$, $p = 0.330$) suggesting that feedback alone is not a major determinant of employee satisfaction.

In summary, the hypothesis that elements such as, clarity, communication, trust and feedback impact employee satisfaction partially supported communication, clarity and trust show strong and significant effect while fairness and feedback weaker and insignificant effect. This indicated that to improve employee satisfaction, ETTE should focus on enhancing communication and ensuring the appraisal process is clear and fair.

5.3. Recommendation

Building upon the conclusions drawn, the following recommendations are proposed to guide ETTE in enhancing employee satisfaction through its performance appraisal practices:

Comprehensive Training Initiatives: Invest in training programs for supervisors. Develop workshops and seminars focusing on effective communication, fair evaluation practices, and constructive feedback. Partner with training experts or institutions to provide those programs. Use role playing and real life scenarios to practice these skills.

Feedback Mechanism Enhancement: Improve feedback mechanisms. Create multiple feedback channels such as anonymous surveys, regular one-on-one meetings, and suggestion boxes. Ensure supervisors receive training on giving and receiving feedback effectively. Implement regular check-ins to address any ongoing concerns.

Iterative Process Refinement: Regularly refine the appraisal process. Establish committee to review the appraisal process quarterly. Use survey and focus group to gather employee input on the appraisal process. Make incentive improvement based on this feedback and track the effectiveness of the change.

Cultural Transformation Initiatives: Foster a culture trust, transparency, and accountability. Implement values-based training sessions. Encourage open door policies where employees can discuss issues without fear of reprisal. Recognize and reward behaviors that align with these values. Promote transparency in decision-making processes and outcomes.

Recognition and Reward Frameworks: Develop robust recognition and reward system. Create a structured program for recognizing and rewarding employees, including both monetary and non-monetary rewards. Publicly acknowledge exemplary performances in meeting and company communication. Offer rewards such as bonuses, extra vacation days, and professional development opportunities.

Data-Driven Decision Making: Leverage data to inform decisions. Use analytics tools to gather and analyze data from employee satisfaction survey, performance metrics, and focus group. Develop dashboards that track key performance indicators related to employee satisfaction and appraisal effectiveness. Use these insights to guide strategic initiatives and intervention.

Limitation and Future Research Direction

This study, while insightful, has certain limitations that should be acknowledged. Firstly, the research was conducted within a single organization, Ethiopia Tourist Trading Enterprise (ETTE), which may limit the generalizability of the findings to other organizations or industries. The unique organizational culture and specific performance appraisal system at ETTE may not reflect broader practices. Secondly, the study relied on self-reported data, which can be subject to biases such as social desirability and respondent honesty. Additionally, the cross-sectional design of the study does not allow for conclusions about causality between performance appraisal practices and employee satisfaction.

Future research should aim to address these limitations by including a more diverse sample of organizations across different industries and cultural contexts. Longitudinal studies would also be beneficial to examine the causal relationships and changes over time. Moreover, incorporating qualitative methods, such as interviews or focus groups, could provide deeper insights into employees' perceptions and experiences with performance appraisals. Lastly, exploring additional variables such as organizational support, employee engagement, and motivation could enrich the understanding of how performance appraisals impact employee satisfaction and overall organizational performance.

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APPENDIX

QUESTIONNAIRES

Dear respondent,

My name is Shewangizaw Belayhun; I am doing my thesis for the fulfillment of a Master's degree in Business Administration (MBA). The aim of my thesis is to examine the effect of performance appraisal on employee job satisfaction in Ethiopian Tourist Trading Enterprise. The information you provided will only be used for the research purpose and it is strictly confidential. Please do not write your contact details on the questionnaire. Thanks for your cooperation.

Part I: General Information

Please put an "X" mark of your choice on the space provided.

1. Gender

- | | |
|---------|-----------|
| a) Male | b) Female |
|---------|-----------|

a) Age in Year

- | | |
|----------|----------|
| b) 18-25 | d) 36-45 |
| c) 26-35 | e) >45 |

3. Service experience in year

- | | |
|---------|----------|
| a) < 1 | d) 11-15 |
| b) 1-5 | e) 16-20 |
| c) 6-10 | f) >20 |

4. Educational Level

- a) Certificate
- b) Diploma
- c) Bachelor Degree
- d) Masters and above

Part II: Questions Related to Performance Appraisal and Employee Satisfaction

Instructions: Please indicate your degree of agreement or disagreement against each question by Encircling the appropriate number (where, 1: Strongly disagree, 2: Disagree, 3: Neutral, 4: Agree, and 5: Strongly agree).

<i>S.N.</i>	<i>Factors</i>	<i>strongly disagree</i>	<i>disagree</i>	<i>neutral</i>	<i>agree</i>	<i>strongly agree</i>
<i>Performance Appraisal Feedback</i>						
1	I receive regular and timely performance feedback beside the annual performance review.	1	2	3	4	5
2	The information provided by my supervisor during my performance feedback is accurate.	1	2	3	4	5
3	The performance feedback I received helps me to improving my job performance and to attain my goals.	1	2	3	4	5
4	The feedback I get helps me to gain insight about my weakness and strength.	1	2	3	4	5
5	I have been provided with feedbacks to help improve my performance.	1	2	3	4	5

<i>Fairness in the Performance Appraisal Process</i>						
1	My last performance result correctly represents how well I have performed in my job.	1	2	3	4	5
2	I evaluated based on the previously setted objective standards without subjectivity and bias.	1	2	3	4	5
3	My performance appraisal result provided me a fair reflection of my performance.	1	2	3	4	5
4	The performance appraisal process of my company is free from discrimination and favoritism	1	2	3	4	5
5	There is a feeling of equity and fairness among employees regarding performance appraisal process.	1	2	3	4	5
<i>Clarity about Performance Appraisal Process</i>						
1	There is clear a predetermined standard & criteria based on which employee performance is measured.	1	2	3	4	5

2	I have clear understanding about the performance measurement process.	1	2	3	4	5
3	My performance has been evaluated regularly.	1	2	3	4	5
4	I have full understanding of the performance appraisal process.	1	2	3	4	5
<i>Level of communication between Supervisor and Employee</i>						
1	I have received guidance to improve my performance.	1	2	3	4	5
2	I have asked by my supervisor for an input during the appraisal process.	1	2	3	4	5
3	I openly discuss about my performance evaluation result with my supervisor.	1	2	3	4	5
4	While my performance is evaluated, I have the opportunity to express my feelings to my supervisor.	1	2	3	4	5
5	It is easy to discuss performance measurement issues with supervisors.	1	2	3	4	5
6	The performance appraisal process communicates performance expectations to	1	2	3	4	5

	the employee before measuring their actual performance.					
<i>Trust in Supervisors</i>						
1	I feel my supervisor is competent to evaluate my performance.	1	2	3	4	5
2	My supervisor is familiar with the details and responsibilities that my performance entails.	1	2	3	4	5
3	I have confidence and trust in my immediate supervisor regarding his/her general fairness.	1	2	3	4	5
4	I trust my supervisor to accurately report my performance to his/her manager.	1	2	3	4	5
5	All the information obtained from performance appraisal is confidential.	1	2	3	4	5
<i>Employee Job Satisfaction</i>						
1	I am happy with the feedback aspect of performance appraisal system.	1	2	3	4	5

2	I am happy with the way the performance appraisal process is used to evaluate and rate my performance.	1	2	3	4	5
3	My organization has a great deal of personal meaning for me.	1	2	3	4	5
4	I feel a strong sense of belongingness to my organization.	1	2	3	4	5
5	I am happy with the appeal process of the performance appraisal system.	1	2	3	4	5