Abstract - There is little research exists that examine the practice and problems of performance management and evaluation of employees in developing countries, especially in Ethiopia public sector. Therefore, this research was aimed to assess the practice and challenges of performance management and evaluation in public sector in the case of finance and economic development department of Gamo Gofa zone. The study was conducted by using descriptive survey type in which all data relevant to the case was gathered and analyzed. In this study, both qualitative and quantitative data type were used. For that matter, the researchers used both primary and secondary data as a source of information. The study used systematic sampling technique in order select sample employees and purposive sampling technique to select representative officials and experts. In line with this, 40 sample size was selected from 68 total population.

Keywords: performance, performance appraisal/evaluation, rater bias, performance management.

GJMBR-B Classification: JEL Code: B29
The Practices and Challenges of Employee’s Performance Management and Evaluation in Gamo Gofa Zone Finance and Economic Development Department

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Abstract- There is little research exists that examine the practice and problems of performance management and evaluation of employees in developing countries, especially in Ethiopia public sector. Therefore, this research was aimed to assess the practice and challenges of performance management and evaluation in public sector in the case of finance and economic development department of Gamo Gofa zone. The study was conducted by using descriptive survey type in which all data relevant to the case was gathered and analyzed. In this study, both qualitative and quantitative data type were used. For that matter, the researchers used both primary and secondary data as a source of information. The study used systematic sampling technique in order select sample employees and purposive sampling technique to select representative officials and experts. In line with this, 40 sample size was selected from 68 total population. For the purpose of this study the researchers employed questionnaire, interview and secondary data as a method of data collection. Both quantitative and qualitative data analysis method were used. The findings of the study revealed the practices of performance evaluation in their organization were high. They respond as performance evaluation was conducted by top management where self evaluation and subordinate evaluation was not commonly practiced in the study area. The study shows check list and goal settings are the commonly used methods of performance evaluation. Skills and quality were the most commonly used criteria of evaluation in the study area. Finally, the study shows as rater bias, similarity error, and low evaluator motivation were the factors that affect performance management and evaluation in Gamo Gofa zone, finance and economic development department. Therefore, the researchers recommend the organization to initiate BSC (self-evaluation, peer evaluation) which encourages the participation of employees in the evaluation process. Additionally, the organization and government should set a common standard for performance appraisal in order to reduce biasness as much as possible.

Keywords: performance, performance appraisal/evaluation, rater bias, performance management.

I. Introduction

a) Background of the study

Performance is a topic that is a popular catch-cry and performance management has become a new organizational ideology. Under the global economic crisis, almost every public and private organization is struggling with a performance challenge, one way or another. Many researchers and experts assert that sets of guidelines for design of performance management systems would lead to high performance (Kaplan and Norton, 1996, 2006). In fact, the term “performance management” was not utilized until the 1970s (Armstrong and Baron, 2005). Since then, the language of performance has become an almost everyday feature of work in many public sector organizations and has been associated with the establishment of standards or indicators to be achieved, and the audit of organizational systems to ensure conformance (Boland and Fowler, 2000).

Performance management is the strategic and integrated approach to delivering sustained success to organizations by improving the performance of the individual contributors (Armstrong and Barron, 2002). Employee’s performance evaluation is a subject of great interest in any organization. In line with that, an employee is perceived as an important or valuable asset to an organization and is the key or prerequisite factor to make sure the operation of the organization runs as planned (Muhd Rais and Abdul Karim, 1999). This is aligned with the purpose of performance evaluation in the contemporary approach which emphasizes on employee who has full potentials that can be explored and expanded.

Employee’s performance appraisal is one of the most important activities of every organization. Because the success & failure of any organization is exceedingly depend up on various resources, among which human resource is the most vital one. The usefulness of performance evaluation as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance and hence rating accuracy is a
critical aspect of the appraisal process (Adeba Hundera, 2014).

b) Statement of the problem

Performance evaluation system is one of the relevant and considerable reform programs that are effective and efficient in responding and satisfying the public needs. In designing a performance appraisal system attention must be given to a number of aspects that impact on how effectively the system actually measures employee contributions in a work setting (Buford and Lindner, 2002). However, from the existing condition in the ground the researchers also believe that the efficiency of the public sector organization in giving citizen centered quality service is highly affected by weak administrative system which is mainly characterized by the problems of performance management and evaluation system of employees in Gamo Gofa Zone, Finance and Economic Development Department.

c) Objective of the Study

i. General objective

The main purpose of the study is to assess practices and challenges of Employee’s performance Evaluation in Gamo Gofa Zone Finance and Economic Development Department.

ii. Specific Objectives

• To assess the techniques used to evaluate the performance of employees in Gamo Gofa Zone Finance and Economic Development Department.
• To assess the criteria used to evaluate employee’s performance in Gamo Gofa Zone Finance and Economic Development Department.
• To find out the factors that affect performance management and evaluation of employees in Gamo Gofa Zone Finance and Economic Development

d) Research Questions

1. What techniques are used to evaluate employee’s performance in Gamo Gofa Zone Finance and Economic Development Department?
2. What are the criteria used to conduct performance evaluation of the employees in Gamo Gofa Zone Finance and Economic Development Department?
3. What are the factors affect employee’s performance evaluation in Gamo Gofa Zone Finance and Economic Development Department?

II. Literature Review

Performance evaluation is the human resource management activity that is used to determine the extent to which an employee is performing the job effectively (John Ivancivich, 1998:261). Performance evaluation is the process of determining how he/she is performing on the job and ideally establishing a plan of improvement (Byars Rue, 1997:284).

Many researchers and experts assert that sets of guidelines for design of performance management systems would lead to high performance (Kaplan and Norton, 1996, 2006). A long time ago, the traditional performance measurement was developed from cost and management accounting and such purely financial perspective of performance measures was perceived to be inappropriate so that multi-dimensional performance management was developed in the 1970s (Radnor and McGuire, 2004).

In many countries, the performance evaluation system is also known as a performance management system. The reason for this is that it aims to improve the performance of all individuals and, as a result, improve the overall personal and organizational performance. While approaches to evaluation may vary, there are common features of performance management systems. Generally, these are a clear link between the goals of the organization and the work of the individuals; and work plans or objectives that are decided, with deadlines, at the start or during the year and that link directly to organizational need. This includes a clear understanding by the individual of what they have to achieve and how it will be measured clear directions about the kinds of behaviors people must have to perform their duties to the levels that are acceptable by the organization and which can be measured.

As cited by Pan Suk Kim, 2011 in an increasingly competitive world, performance improvement is not optional; it is essential for enhancing government’s effectiveness and competitiveness. In the era of globalization and the borderless economy, competency and performance of government employees need substantial improvement. In that regard, having performance management and performance appraisal including PRP programs seems to be a good idea. However, the well-articulated system design based on in-depth understanding of complex human nature and effective management of such programs is a key to success. Having a good idea is not enough. So the good idea must be followed up by system improvements and sound practices. If performance measurement is simply viewed as a data collection and reporting exercise, it will serve little purpose to a policy community (Hernandez, 2002). Accordingly, performance appraisal and performance measures must be improved or adjusted to be successful in aligning with overall organizational and
social environments. There needs to be understanding of the relationship between strategy, people, organizational design and performance systems in order for performance management to be achieved in the public sector (Radnor and McGuire, 2004).

Although there are substantial variations among the countries, it might be fair to say that the performance evaluation system has been widely introduced and government employees’ awareness on performance has been gradually improved since the 1980s. However, a number of limitations are also salient for the time being. Recently, performance appraisal and performance measures faced criticism from government employees for various reasons. First, people dislike to evaluate as well as to be evaluated in general. Second, the seniority-based system might be still prevalent in many organizations so that it is hard to change perception and behavior in the short term. Third, it is difficult to develop performance objectives and measurable performance indicators because the nature of public affairs is often hard to quantify. Fourth, these systems appear to require more paperwork and increase both performance pressure and stress. Fifth, many officials may lack in-depth understanding about the nature of these systems and the difficulties setting performance objectives to fulfill for the year (Pan Suk Kim, 2011).

Despite of its controversy on performance management and performance appraisal, it will be growing but varies in form and force among different countries and different tasks (Pollitt, 2005). Accordingly, the performance appraisal scheme should be well designed and practiced in a way that places its legitimacy beyond any doubt. This has many meanings. Among others, it signifies that the performance appraisal scheme should imply a fair and balanced system of allocation of individual responsibilities within the organization, a transparent mechanism for setting organizational objectives and to make them known by the incumbents, an individual evaluation procedure pre-established in legal instruments or in clear internal guidelines, a possibility of internal and external review and oversight over the procedure and results of the appraisal, and finally individuals need to be reassured that the results of their evaluation will be used correctly.

As cited by Aggarwal and Thakur, 2013 in performance appraisal two types of measures are used: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. Traditional Methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment. Traditional method involves ranking methods, graphic rating scales, critical incident method, and narrative essays. Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc. modern methods includes management by objectives, behaviorally anchored rating scale, human resource accounting, assessment centers, 360 degrees, and so on.

One of the most difficult requirements of an effective performance appraisal system is that it is as free as possible from bias. Raters as a human being cannot deny the involvement of bias in their decision making on performance of the ratees. The only thing that the raters can do is to minimize the level of unfairness as possible. Work professionalism plays an important role for the reliability of the assessment process. There are many types of bias that creep into appraisal system and the most reported are subjectivity, recency effect, halo effect, central tendency and prejudice (Ahmad and Bujang, 2013). Accordingly, biasness, subjectivity, prejudice and the like challenges the proper implementation of performance evaluation and appraisal in public sectors.

III. Methodology

a) Research Design

The study was conducted by using descriptive survey type in which all data relevant to the case was gathered and analyzed. This research design is more appropriate and relevant for this study as it enables the researcher to make an in-depth analysis of the case in question provide the opportunities to investigate many specific details.

b) Source and type of data

In this study, both qualitative and quantitative data were gathered and used. For that matter, the researchers used both primary and secondary data as a source of information. The reason of using both qualitative and quantitative data is to increase validity and reliability of the findings of the study.

c) Target Population

The target population of this study was all permanent employees of Gamo Gofa Zone Finance and Economic Development Department. According to the information from the zonal department the total number of permanent employees is 68.

d) Sample and sampling method

To conduct the study thoroughly both probabilistic and non-probabilistic sampling techniques has been used. Probability sampling technique was used for the selection of employee and non-probability sampling technique was used to choose key informants. The researchers has first selected sample employees from the list of all employees using systematic random sampling technique and selected representative officials and experts using purposive sampling technique. In systematic random sampling, the researchers have
been first established the ratio of sample size to population, then established the sampling interval and finally picked up at random a starting number on employee list and by starting from that number picked every n⁶ element for inclusion in sample until reaching the end of the list. The researchers also have purposely chosen representative officials who have closeness to the issue under study in order to obtain detailed information for the study. The sample size for the study was determined hereunder by using Yamane (1967) statistical calculation formula.

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

Where,
- \( n \) = Sample size
- \( N \) = Total population
- \( e \) = error

Therefore, \[ n = \frac{68}{1 + 68(0.1)^2} = 40 \]
\[ n = 40 \]

e) Method of Data Collection

For the purpose of conducting the study, the researchers developed a questionnaire and interview questions from assessed literatures on the related area. The reason why the researchers used questionnaire because it is more appropriate and provide adequate time for the respondents to think and answer questions. The questionnaire that developed and distributed to the respondents was closed-ended questionnaire. The interview was conducted the management of Gamo Gofa Zone Finance and Economic Development Bureau for the purpose of getting full range and depth of information which is more relevant to the subject matter.

f) Methods of Data Analysis

After a gathering data with the help of questionnaire and direct interview, the data obtained were analyzed by using both qualitative and quantitative method of analysis. After checking the data collected from the sampled employees and key informants, data matrix was prepared, coded and filled in to Excel sheet. And then the coded data were analyzed and interpreted by using graphs, tables and narrative discussions.

IV. Results and Discussion

a) The general features and practices of performance appraisal in Gamo Gofa Finance and Economic Development Department

Performance appraisal is currently implemented and practiced in public sectors in order to measure, judge and adjust performance of each employee within a certain predetermined period. The application of performance appraisal involves the procedure like planning, communicating, data gathering; observing and coaching. Performance appraisal is mainly carried with two major purposes: evaluation and development. The evaluative purpose is intended to inform people their performance rating so as reward high performance and to punish poor performance whereas, the developmental purpose is intended to identify problems in terms of employees performing assigned tasks. The collected performance data are used to provide the necessary skills training or professional development (Chen, 2011). However, the emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important for the success of organization and its employees. Regarding the current practice of performance appraisal in Gamo Gofa Zone, data collected, is presented, analyzed and discussed in the table below.

<table>
<thead>
<tr>
<th>Practices of Performance evaluation</th>
<th>Low</th>
<th>High</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>11</td>
<td>27.5</td>
<td>29</td>
<td>72.5</td>
</tr>
</tbody>
</table>

The respondents were asked to rate the current practices of performance evaluation in Gamo Gofa Zone Finance and Economic department. Accordingly, the majority, 29(72.5%) of respondents reported that there is high implementation of performance evaluation of employees whereas, the remaining 11(27.5%) of respondents reported that there is low implementation of employees performance evaluation in Gamo Gofa Zone Finance and Economic Development department. This implies that currently performance appraisal is found to be high in the institution because they are frequently communicated about the importance of implementing performance management and evaluation. The interview result from management is consistent with this result. There is a remarkable implementation and practices of performance evaluation in Gamo Gofa zone Finance and Economic development bureau.

b) Period/Time to Conduct Performance Appraisal

In any administration activity of an organization, performance appraisal also has its own time to be conducted. Everyone in the organization has its own time to conduct performance appraisal depending on their own philosophy of time period (Mullins 1996) with the majority of schemes, staff receives an annual appraisal and for many organizations this may be
sufficient. Also more frequent appraisals may be appropriate for new members of staff, those recently promoted or appointed to a new position or for those whose past performance has not been up to the required standard. Thus, the period/time to conduct performance appraisal is discussed as follows.

**Table 2:** Period/Time when performance appraisal is conducted

<table>
<thead>
<tr>
<th>Item: How often performance evaluation taken place in your institution</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>3</td>
<td>10.30</td>
</tr>
<tr>
<td>Quarterly</td>
<td>12</td>
<td>41.40</td>
</tr>
<tr>
<td>Semi-annually</td>
<td>6</td>
<td>20.70</td>
</tr>
<tr>
<td>Annually</td>
<td>7</td>
<td>27.60</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

The above table deals with the period in which performance evaluation of employees will be conducted in order to strengthen human capacity in terms of managing employee work performance. Thus, the largest share, 41.40% of respondents said that performance evaluation is carried out quarterly whereas, the remaining, 27.6%, 20%, 12%, 10% and 3% of respondents reported that performance evaluation is undertaken in Gamo Gofa Finance and Economic Development department annually, semi-annually, quarterly, and monthly respectively. This means that employees were not appraised periodically but conducted when it was deemed necessary to do so. This is consistent with the findings of Chen, 2011 which conducted in South Africa and China. He showed that there is no regular, time-specified appraisal in South African Local governments; managers initiate appraisals of employees whenever they feel like it.

c) **Personnel/parties who conduct Performance Appraisal**

Casio (1995: 38) states that the fundamental requirements for any rater are that an adequate opportunity be made available for performance to be observed over a reasonable period of time. Once the performance appraisal method has been developed, the next step is to determine who will perform the assessment function, and where to get the feedback from. Concerning this, the respondents were asked to identify the personnel/parties who evaluate the performance of employees and their response rate is presented, analyzed and discussed as hereunder.

**Table 3:** Personnel/parties who conduct performance appraisal

<table>
<thead>
<tr>
<th>Item: who is responsible to carry out performance evaluation in your institution</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>30</td>
<td>75</td>
</tr>
<tr>
<td>Supervisor/coordinator</td>
<td>9</td>
<td>22.5</td>
</tr>
<tr>
<td>Officer</td>
<td>3</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in table 3 the performance evaluation of employees are carried out by different personnel. The majority 30 respondents representing 75% indicated that employees’ performance evaluation and management is a centralized activity. This means that it is carried out by top management members. While, the remaining 9 (22.5%) and 3 (7.5%) of respondents stated that immediate supervisor/coordinator and officer are respectively responsible to evaluate performance of employees in Gamo Gofa Finance and Economic Development department. This means that only limited source of performance appraisal are used to evaluate the performance of employees/workers. In other word, parties like self-appraisal, supervisor’s appraisal, Subordinate’s appraisal, Peer appraisal and Persons outside the immediate work environment were not properly participate in performance appraisal of the employees. Especially employee, subordinate and outside appraiser involvement in performance evaluation is low and still not gain grounds in Gamo Gofa Zone Finance and Economic department.

d) **Appraisal Methods and Instruments**

The most common methods of performance appraisal currently practiced in Gamo Gofa Zone Finance and Economic development department were presented and discussed as hereunder:
The above table clearly reveals the dominance of goal setting in evaluation of employees’ performance in Gamo Gofa Zone Finance Economic Development Bureau consisting 57.5% followed by check list which accounts 42.5%. This shows that goal setting method is highly practiced in evaluating employees’ performance as it involves formal program of setting numerical or quantitative performance goals for individuals. Thus, it serves as common objectives of increasing employee motivation and performance in Gamo Gofa Zone Finance and Economic Development office.

e) Performance Appraisal Criteria

According to Armstrong (2009), the criteria for reviewing performance should be balanced between:

Table 5: Standards of Performance evaluation

| Item: Types of standards/criteria used to conduct employees performance appraisal |
|---------------------------------|-----------------|------------------|
| Response                        | Frequency       | Percentage (%)   |
| Knowledge                       | -               | -                |
| Skills                          | 17              | 42.5             |
| Quality                         | 20              | 50               |
| Experience                      | 3               | 7.5              |
| Accuracy                        | -               | -                |
| Completeness                    | -               | -                |
| Total                           | 40              | 100              |

Source: Own survey, 2017

Table 5 above indicated that majority 20 (50%) of the sampled respondents said that quality of workers or employees is mainly used as standard/criteria to conduct performance evaluation followed by the skill of employees which accounts 42.5%. The remaining insignificant 7.5% of the sampled respondents were replied experience of employees is used as the standard of performance evaluation next to quality and skill of employees. This implies that employee’s quality and skills are mainly used as the standards or criteria to evaluate performance of employees. This is consistent with the interview results that conducted with top management of Gamo Gofa Zone Finance and Economic Development department. It stated that managerial standards, quality of employees, knowledge, experience, job duties, and skills are incorporated in
performance appraisal criteria and used to evaluate the employee’s performance from different dimensions.

f) Factors that distort Performance Appraisal

Every organization encounters problems when they deal with employees’ performance evaluation. Each method of performance appraisal has its own drawbacks or limitations in measuring the true performance of employees. Some of those problems that frequently appear and affect the employee performance evaluation were identified and discussed as hereunder.

<table>
<thead>
<tr>
<th>Table 6: Factors that distort Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
</tr>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Rater bias</td>
</tr>
<tr>
<td>Similarity error</td>
</tr>
<tr>
<td>Problem interpretation</td>
</tr>
<tr>
<td>Low evaluator motivation</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: own survey, 2017

The above table 6 shows the errors that occur and distort performance appraisal. Thus, the majority 40% of respondents identified that rater bias is the main problem/error that occur in conducting employees’ performance evaluation followed by similarity error and low evaluator motivation which accounts 35% and 25% respectively. This implies that rater bias, similarity errors and errors that arise from evaluators mainly affect employees’ performance appraisal in Gamo Gofa Zone Finance and Economic development department. Therefore, rater bias and similarity error are found to be very serious and pose great problem in measuring performance of employees in Gamo Gofa Finance and Economic Development Department. This is similar with the findings of Mathis and Jackson (1997) which revealed that rater bias, similarity error, problems emanating from ratees and poor performance appraisal system distort the rating or evaluation of employees’ performance. Chen, in 2011 also identified unclear standards; halo effect; recency; bias on sex, age and race or nationality; generalization; leniency and strictness error, central tendency; and personal prejudice affect the proper evaluation of performance appraisal.

V. CONCLUSION AND RECOMMENDATION

a) Conclusions

Based on results and discussion the following conclusions were drawn:

- As the study revealed most of the respondents replied that mostly evaluation was made by top management, where there is little employee participation in the performance appraisal system.
- The main challenges of performance management and evaluation in economic and finance department of Gamo Gofa Zone are subjectivity, biasness, lack of coordination between managers and employees, problem of result interpretation and so on.

As the result shows, the organization used goal setting and check-list as the techniques of performance evaluation. Because, it involves formal program of setting numerical or quantitative performance goals for individuals.

The major drawbacks in performance management and evaluation is rater-bias or prejudice which may be unconsciousness or quite intentional.

As the study indicates the objectives of performance management and evaluation was not clear to employees before performance takes place.

b) Recommendations

Based up on the findings of the study the researcher forwarded the following recommendations;

- Since Self-evaluation increase the effectiveness of the appraisal system and result in a positive impact on an employee's satisfaction with the evaluation and his/her perception of justice and fairness. Therefore, it is recommendable if the organization initiate BSC system which encourages the participation of employee in the evaluation process.

The objective of appraisal should be made clear to all employees before appraisal takes place and it should be inclusive of promotion, transfer, payment and the like.

- Since employees’ evaluation was based on personal judgment, personal likes or dislikes, it is better if the government sets a common standard of performance evaluation for the employees of every organization in order to reduce biasness as much as possible.


