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SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF PERFORMANCE MANAGEMENT
PRACTICE, AT NYALA INSURANCE
SHARECOMPANY

BY
YONAS ARGAW

JUNE, 2015
ADDIS BABA, ETHIOPIA

**ASSESSMENT OF PERFORMANCE MANGMENT
PRACTICE, AT NYALA INSURANCE SHRE
COMANY**

**BY
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IDNO.SGS/0269/06**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERISTY, SCHOOL OF
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**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Worku Mekonnen. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate studies for examination with my approval as a university advisor.

Advisor

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June, 2015

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List of Acronyms

PM	Performance Management
PA	Performance Appraisal
NISCO	Nyala Insurance Share Company
S.C	Share Company
Std. Dv.	Standard Deviation
SPSS	Statistical Software for Social Science

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ABSTRACT

Performance management system is part of human resource management which is a continuous process for improving organizational performance by developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. Performance management helps to empowering, motivating and rewarding employees to do their best. The objective of the study is to assess the performance management practice of NISCO. To undertake the study descriptive method is used to carry out the research and both secondary and primary data were used to analyze the data. To achieve the goals of this study, 133 employees of the organization were participated. Responses were received from 130 employees that gave a response rate of 98%. Data was collected using a set of questioners which consists five sections including demographic information of respondents, 5 yes or no questions, 22 Likert's scale perception items, and open-ended questions. Data analysis was done using descriptive statistics with the help of SPSS, tables, percentages, and mean rating were used to present the perception of the respondents. The organization's major problems identified from the data collected are absence of clear alignment of individual goals with organizational goals, lack of setting standard and awareness of employees of performance review, absence of good counseling practice, review format has not contain relative weight and training needs are not well identified. Based on the results it was recommended that the organization should develop a wider set of performance management system and the management works for its proper implementation in the desired way for the desired purposes.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

It is important to remember that people do the work and create ideas that show the original service. Thus, it is agreed that resources remain unutilized unless the human element is involved. An organization's success or failure is highly determined by effective and efficient utilization of resources at its disposal, such as human, material, financial, and information resources. Among these four resources, the human resource is the most important part and crucial of a resource for the survival of an organization or business firms.

The objectives of human resource in the organization are to enhance their capacity towards the organizational success and to increase organizational effectiveness and capability. Ulrich & Lake (1990) remarked that "Human resource management systems can be the source of original capabilities that allow firms to learn and capitalize on new opportunities". But human resource management has an ethical dimension which means that it must also be concerned with the rights and social responsibilities (Armstrong. M.,2009).

Human resources are among the fundamental resources available to any organization. Successful managers recognize that human resources deserve attention because they are a significant factor in top management strategic decisions that guide the organization's future operations. Three crucial elements are needed for firms to be effective: mission and strategy, organization structure and human resource management. However, people are the basic resources who do the work and create the ideas that allow the organization to survive (Ivancevich. & Glueck 1989).

In light of this, human resource management is undergoing a massive transformation that will change career paths in as yet uncertain ways. Employers are placing greater emphasis on business acumen and are automating and outsourcing many administrative functions, which will force human resource professionals to demonstrate new skills and compete for new, sometimes unfamiliar roles.

Business organizations having motivated and talented employees providing service to customers are likely to pull ahead of the competition, even if the products offered are similar to those offered by the competitors.

Customers want to get quick response at the right time and they want to receive their products or services promptly and accurately. Only people can make these things happen. Only people can produce a sustainable competitive advantage. And, performance management systems are the key tools to transform people's talent and motivation into a strategic business advantage. In many organizations, performance management means that managers must comply with their HR department's request and fill out tedious, and often useless, evaluation forms (Aguinis, 2007).

A performance management system that attempts to achieve too many objectives is likely to die of its own lack of focus and Wight. There is no one type of system or set objectives that is best suited for all organization. The purpose for a given performance management should be determined by considering business needs, organizational culture and the systems integration with other HRM systems. In line with this, the conceptual foundation of performance rules on a view that performance is more than ability and motivation. It is argued that clarity of goals is key in addition goals themselves are seen to provide motivation (Locket & Latham 1990).

Performance management requires willingness and a commitment to focus on improving performance at the level of the individual or team every day. To practice sound performance management managers must do the same thing provide timely feedback about performance. At a general level, the broad process of performance management requires that you do three things well. Define performance (through goals, measures and assessments), facilitate performance (by identifying obstacles to good performance and providing resources to accomplish objectives) and encourage performance (by providing timely rewards that people care about in a sufficient amount and fairly).

On the other hand, performance appraisal is necessary, but not sufficient, part of the performance management process. It serves two major purposes in organization; (1) to improve the job performance of employees and (2) to provide information to employees and managers for use in making decisions. In Practice, many performance appraisal systems fail because they do not satisfy one or more of the following requirements: relevance, sensitivity, reliability, accountability, and practicality (Wayne F.Cascio 2004).

While many appraisal systems are still in existence and continue to be updated, performance management systems are increasingly seen as the way to manage employee performance, and have incorporated the appraisal /review process into this.

Managing individual performance in an organization has traditionally centered on assigning performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation (Derek .T, Laura. H & Stephen.T, 2008).

According to the fundamental purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed frame work of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increase the probability that it will be achieved in the short and long term Armstrong .M (2007).

Aligning all types of reviews (recognition and feed back) to specific organizational goals or values, giving employees a better understanding of the value they can deliver. An ongoing performance management solution that accurately measures employees year round performance not only drives engagement, it uncovers the true leaders and influencers across the organization. This type of approach, driven by a strategic recognition program, provides employees with the feedback, appreciation and direction they need to approach their peak performance level.

One important caveat to consider is that while performance management for purposes of decision-making and employee development are certainly related, these two objectives are rarely supported equally well by a single system. When a performance system is used for decision-making, the appraisal information is used as a basis for pay increases, reductions in force or other administrative human resource actions. When a performance management system is used to integrate organizational goals with individual goals to guide the training, job experiences, mentoring and other developmental activities that employees will engage in to development their capabilities. Although it is theoretically possible to have a performance management system that serves both decision-making and development purposes well, this can be difficult to achieve in practice. In addition, research has shown that the purpose of the rating (decision-making versus development) affects the ratings that are observed.

Ratings for developmental purposes tend to be more variable, reflecting both employee strengths and development needs Elaine D .Pulakos, (2004). Performance management should be something that is done for people and in partnership with them.

In addition, performance management focuses on future performance planning and improvement and personnel development rather than on retrospective performance appraisal Armstrong (2006). This is therefore, the study will evaluate the existing performance management practice at Nyala Insurance (NISCO) and provide possible recommendation for implementation towards the system is worth to consider.

Historical Background of Nyala Insurance S.C

Nyala Insurance S.C (NISCO) is one of the privately owned insurance companies in the country incorporated under the commercial code of 1960. It was established in July 1995 with a paid up capital of ETB seven million. The company had 7 share holders, 12 branches and 21 employees at its inception. Recently the number of share holders has grown to 17 and the total paid up capital reached ETB 35 million. Through time the company branched out to open 26 branches and 12 Contact offices. The company has succeeded to raise its number of branches (service centers, as they are called) from time to time. It is gathered that 12 of the total branches are located in Addis and the rest are located in the major cities and towns of the nation. It has also managed to secure a total work force of 260 by the end of June 2014(Annual report). This total workforce can be broadly classified as managerial and non managerial in terms of job positions available in the company. The company undertakes its business with the following vision and mission statements.

Vision

- To be the preferred provider of all insurance solutions in all markets we serve.

Mission

- To help our customers manage their risks, recover from the unexpected, and achieve peace of mind.

1.2 Statement of the Problem

The core of any organization is its staff. How effectively an organization maintains a quality team of employees is linked to its ability to manage its staff and recognize the contributions of each performer. Performance management system is an essential element of human resource activities in an organization.

In line with this, effective performance management systems enable an organization objectively and systematically rate employee performance, while providing the tools necessary to take that performance level and equate it to compensation actions.

It is a means of getting better results from the organization teams and individuals by understanding and managing performance within an agreed frame work of planned goals and standards. In the absence of a good performance management system, it is not clear that organizations will use their training resources in the most efficient way. Implementing a successful performance management system is a requirement for the successful implementation of other human resource functions including training, workforce planning, recruitment & selection & compensation Aguinis, (2007). Employees have always expressed the desire for open feedback regarding their performance. More and more companies are embracing the pay for performance concept and its tie to compensation. A well-executed performance management plan enables an organization to achieve critical goals.

Nyala Insurance sc (NISCO) is a private insurance company, which is under implementation of strategic plan to be the preferred insurance service provider in the market. In order to achieve this plan effectively NISCO uses performance assessment, review and a performance planning and a development activity as it is part of performance management process. However, the organization used the above elements as performance appraisal system which is filled in quarterly bases but compiled at once a year and employees feel that the process has experiencing challenges in meeting its intended purpose due to the fact that, there is no proper performance development plan and appropriate performance measurement. During appraisal period there is a conflict and the harmonious working relationship between the supervisor and the supervisee disrupt. Moreover, there is no well-built linkage of the organizational goals with employee's roles. The planning, execution and the assessment of the performance system at NISCO are not properly managed. Thus, the entire performance practice needs to be re-assessed and the study tries to answer the following basic research questions.

1.3 Basic Research Questions

1. To what extent the organizations goal linked with employee's individual roles?
2. How do managers and employees at NISCO execute performance management system?
3. Is the performance management system of the organization meeting its intended objectives?
4. To what purpose NISCO uses performance appraisal system?

1.4 Objective of the study

General Objectives

The main objective of this study is to assess, identify and analyze the performance management practice of NISCO.

Specific Objectives

- ❖ To analyze the kind of linkage exists between individual roles of employees and the goals of the organization.
- ❖ To describe the way managers and employees execute the performance management system.
- ❖ To explore the potential sources of employee dissatisfaction during performance review time.
- ❖ To identify what roles (purpose) performance Appraisal system serves at NISCO.
- ❖ To find out and assess the elements that should be considered in performance management system.

1.5 Significance of the study

The study has the following significances:-

- It initiates the organization to reassess the existing practices and measure the organizational performance by aligning individual and organizational objectives.
- To maximize the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives.
- It initiates other interested researchers to carry out more extensive studies in the area.

1.6 Delimitation / Scope of the Study

The study was covered those employees working in the Head office and randomly selected branches located in Addis Ababa.

Due to limitation of time and resource the research was not consider the views and opinions of those working in up-country branches. In addition, the study will not incorporate the non-clerical employees, that is only managerial and clerical employees will be include in the sample.

1.7 Operational Definition of Key Terms

Performance management- is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Aguinis, 2007).

Performance Appraisal- is a formal system of periodic review and evaluation of an individual's job performance (Monday & Noe, 1990). It is practiced with a clear objective of bringing change on employees, i.e. improvement of their performance. In line with this, according to Fisher (1993) performance appraisal is conducted with a specified period of time and it is also done in comparison with already set standards of an organization.

1.8 Organization of the Research Paper

The study is organized under five chapters. The first chapter bears background information, statement of the problem, objectives, significance of the study, and limitations of the study. The second chapter reviews the theoretical and empirical literatures of performance management. The third chapter deals with the research designs as well as the methodology of the research. Chapter four presents data analysis and interpretation of the findings. Finally, summary, conclusions and recommendations of the study was forwarded in the fifth chapter. A "Bibliography of related literature referred to while writing the paper was also included after chapter five.

CHAPTER TWO: LITERATURE REIVEW

2.1 Introduction

This chapter deals with review of literature on performance management system under the study. Attempts were made to briefly begin with over view of performance management system followed by the general concepts of development of performance management. Application of the concepts of performance management such as meaning of performance, alignment, expectation, purpose, characteristics, process and empirical literature of performance management practice will be addressed.

2.2 Definition of Performance Management

Performance management is “a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” Aguinis,H. (2007).

According to Herman Aguinis let’s consider each of the above definition’s two main components.

1. **Continuous Process**– performance management is ongoing. It involves a never-ending process of setting goals and objectives, observing performances, and giving and receiving, ongoing coaching and feedback.
2. **Alignment with strategic goals**- performance management requires that managers ensure that employees’ actives and outputs are congruent with the organization’s goals and consequently, help the organization gain a competitive advantage. Performance management therefore, creates a direct link between employee performance and general goals and makes the employees’ contribution to the organization explicit.

Thus, it is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management because relationships between an individual and their line manager are the most significant factor impacting on the individual's willingness to perform Micheal Armstrong (2007). It also ensures that employee's activities and outputs match the organization's goals. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feed back to help employees meet expectations (Sandra L., Raymond A., John R. & Patrick M, 2009).

In line with this, performance management aids the employer's continuous improvement efforts. Continuous improvement refers to a "management philosophy that requires employers to continuously set and relentlessly meet ever-higher quality, cost, delivery and availability goals. It is eradicating wastes wherever they are, including the seven wastes of over production, defective product, and unnecessary down time, transportation, processing costs, motion and inventory. Central to this philosophy is the idea that each employee must continuously improve his or her own personal performance, from one appraisal period to the next". In the view of Gary Dessler performance is curial to the process, because, as notated, it consolidates goal setting, performance appraisal, and development into a single, common system, the aim of which is to ensure that the employee's performance is supporting the company's strategic aims (Gary Dessler, 2005).

2.2.1 Other Definitions

- Performance Management- is a "process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term" Armstrong (1994).
- Performance Management- is a "means of getting better results from the organization, teams and individuals within an agreed framework of planned goals, objectives and standards" (Armstrong & Murlis (1994).
- Performance management is the "development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement" Lockett (1992).

- Performance management is a “systematic approach to improving individual and team performance in order to achieve organizational goals Hendry, Bradley and Perkins (1997).
- Performance management is about directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization” Walters (1995).
- Performance management is a “process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases people the probability of achieving success” (Weiss and Hartle 1997).

These definitions frequently refer to performance management as a process of aligning or integrating organizational and individual objectives to achieve organizational effectiveness. Development is the prime purpose of performance management at view which is shared by Chris Bones (1996) who says that, “performance does not need managing. It needs encouraging, developing, supporting and sustaining”.

2.2.2 Developments in Performance Management

According to Armstrong & Baron (1998) since 1993 the CIPD 1997 has been regularly reviewing and publishing work on performance management. As one of the key practices of human resource it has featured heavily in the work on people and performance carried out in the late 1990s and early twenty first-century.

In the prior period performance management viewed as:-

- Work design and training as a key practice in performance delivery.
- A heavily bureaucratized procedure focused on objective setting or merit rating to a wider reaching and inclusive process integrated with other related practices such as career management, talent management and development.

Extensive research carried out in the UK & USA has established that new perspectives on performance management have emerged with the following characteristics:-

- An emphasis on ongoing dialogue rather than forms and rating scales.
- The recognition that are many factors contributing to performance outcomes.
- Communication of a vision to all employees
- Setting departmental and individual performance targets that are related to wider objectives.

- Conducting formal reviews of progress towards these targets.
- Using the review process to identify training, development and reward outcomes.
- Evaluating the whole process to improve effectiveness.
- Expressing performance targets in terms of measurable outputs, accountabilities and training/learning targets.
- Using formal appraisal procedures as ways of communicating performance requirements that are set on a regular basis.

2.2.3 Integrating Goals

The integration of organizational and team /individual objectives is often referred to as a process of ‘cascading objectives’. The aim is to focus people on doing the right things in order to achieve a shared understanding of performance requirements throughout the organization. Integration is achieved by ensuring that everyone is aware of corporate, functional and team goals and that the objectives they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement. The process is illustrated in Figure 2.1.

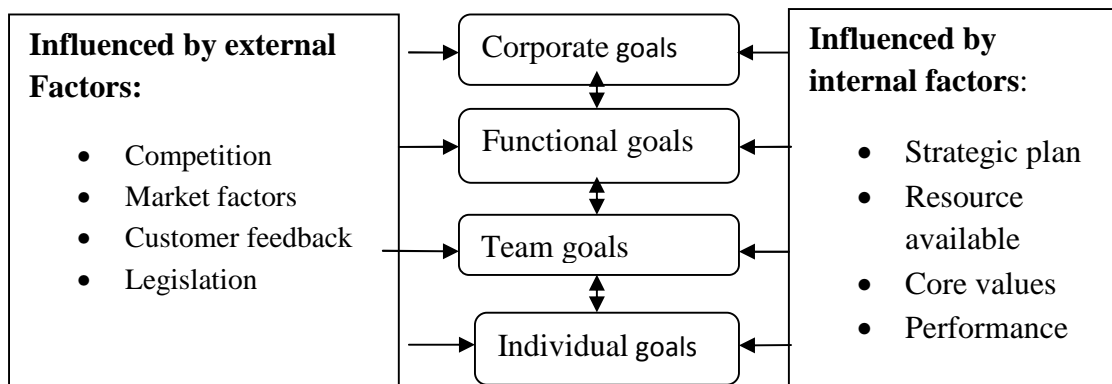


Figure 1 Integration of goals

Source: Armstrong, 2009

2.2.4 The Main Concerns of Performance Management

According to Armstrong, M, (2009) performance management is concerned with:-

- Aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values;
- Enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities, skills and behaviors.

- Providing opportunities for individuals to identify their own goals and develop their skills and competencies.

2.3 Performance Management Contribution

As per Aguinis (2007) performance management system can make the following important contributions:-

1. Motivation to perform is increased.
2. Self-esteem is increased.
3. Organizational change is facilitated.
4. The definition of job & criteria are clarified.
5. Self-insight and development are enhanced.
6. Administrative actions are more fair and appropriate.
7. Organizational goals are made clear.
8. Employees become more competent.
9. There is better protection from lawsuits.
10. Better and more timely differentiation between good and poor performers.
11. Supervisors' views of performance are communicated more clearly.
12. Organizational change is facilitated.

2.4. Aims of Performance Management

The overall aims of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business process and for their own skills and contributions within a frame work provided by effective leadership.

The followings are the aims of performance management as expressed by different organizations summarized by Armstrong, (2007):-

- Empowering, motivating and rewarding employees to do their best.
- Focusing employees' tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization.
- Proactively managing and resourcing performance against agreed accountabilities and objectives.

- Linking job performance to the achievement of the council’s medium term corporate strategy and service plans.
- The alignment of personal/individual objectives with team, department/divisional and corporate plans. The presentation of objectives with clearly defined goals/targets using measures, both soft and numeric. The monitoring of performance and tasking of continuous action as required. In light of this, Philpott & Sheppard (1992), performance management aims to improve strategic focus and organizational effectiveness through continuously securing improvements in the performance of individuals and teams.

2.5. Criteria for Effective Performance Management

Criteria that determine the effectiveness of performance measures include each measure’s fit with strategy, its validity, its reliability, the degree to which it is acceptable to the organization, and the extent to which it gives employees specific feedback. These criteria are summarized in Figure

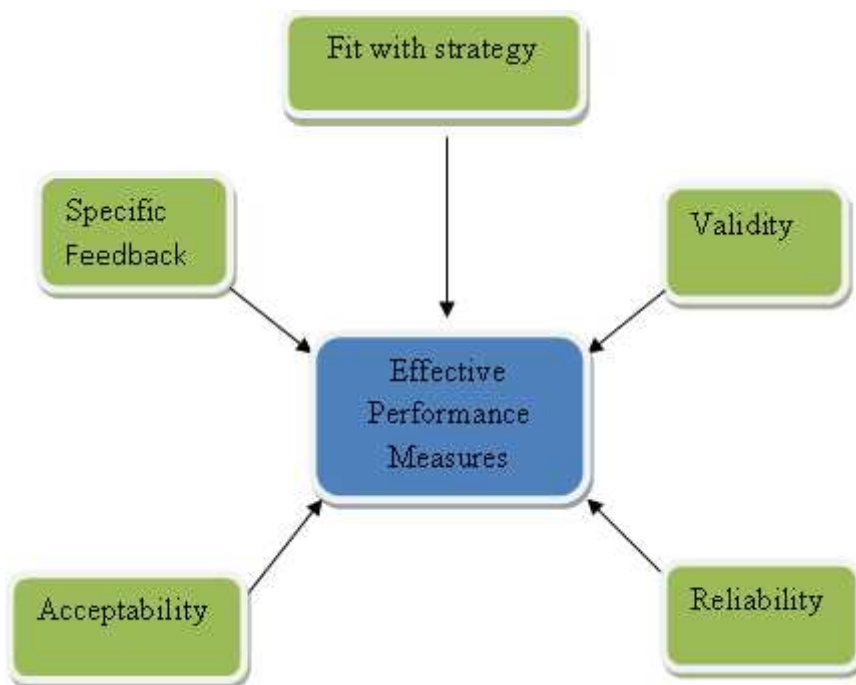


Figure 2 Criteria for Effective Performance Management (Sandra L., et al. 2009).

2.6 Characteristics of Performance Management

Aguinis (2007) reviewed the characteristics of performance management as stated below.

- **Strategic Congruence**- the system should be congruent with the unit and organization's strategy. In other words, individual goals must be aligned with unit and organizational goals.
- **Thoroughness**- the system should be thorough.
- **Practicality**- Good, systems that are easy to use.
- **Meaningfulness**-the system must be meaningful in several ways.
- **Specificity**- a good system should be specific.
- **Identification of effective and ineffective performance**- the system should allow for distinguishing between effective and ineffective behaviors and results.
- **Reliability**- it is consistent and free of error.
- **Validity**- the measures of performance should also be valid and include all relevant performance facts.
- **Acceptability and fairness**-a good system is acceptable and perceived as fair by all participants.
- **Inclusiveness**-good systems include input from multiple sources on an ongoing basis.
- **Openness**-good systems have no secrets.
- **Correct ability**- the process of assigning ratings should minimize subjective aspects.
- **Standardization**-good systems are standardized.
- **Ethicality**- good systems comply with ethical standards.

2.7 Performance Management Process

The performance management process is the process by which the company manages its performance in line with its corporate and functional strategies and objectives. The objective of this process is to provide a “pro-active closed loop system, where the corporate and functional strategies are deployed to all business process, activities, tasks and personnel and feedback is obtained through the performance measurement system to enable appropriate management decision” (Bitici, Carrie and McDevitt 1997).

According to Aguinis (2007) the components in the performance management process are summarized below.

1. **Prerequisites:** - there is a need to have good knowledge of the organization's mission and strategic goals. This knowledge, combined with knowledge regarding the mission and strategic goals of once unit, allows employees to make contributions that will have a positive impact on their units and on the organization as a whole.
2. **Performance Planning:-**includes the consideration of results and behavior, as well as a developmental plan. The development plans include a description of areas that need improving of goals to be achieved in each area.
3. **Performance Execution-** both the employees and the manager are responsible for performance execution. The burden is on the employee to communicate openly and regularly with the supervisor.
4. Also, the supervisor should observe and document performance, update the employee on any changes in the goals of the organization, and providing resources and reinforcement so the employee can succeed and continue to be motivated.
5. **Performance Assessment-** Both the employee and the supervisor must evaluate employee performance. Involvement of the employee in the process increases his or her ownership and commitment to the system.
6. **Performance Review-** when an employee and manger meet to discuss employee performance and this meeting is usually called the appraisal meeting. This meeting usually emphasizes the past: what the employee has done and how. However, an effective appraisal meeting also focuses on the present and the future.
7. **Performance renewal and reconstructing-**essentially, this component is identical to the performance planning stage. However, performance renewal and reconstructing uses information gathered during the review period to make adjustments as needed Aguinis (2007).

2.8 Performance Management as a Cycle

Performance management can be described as a continuous self-renewing cycle, as illustrated in Fig 2.3 and described below.

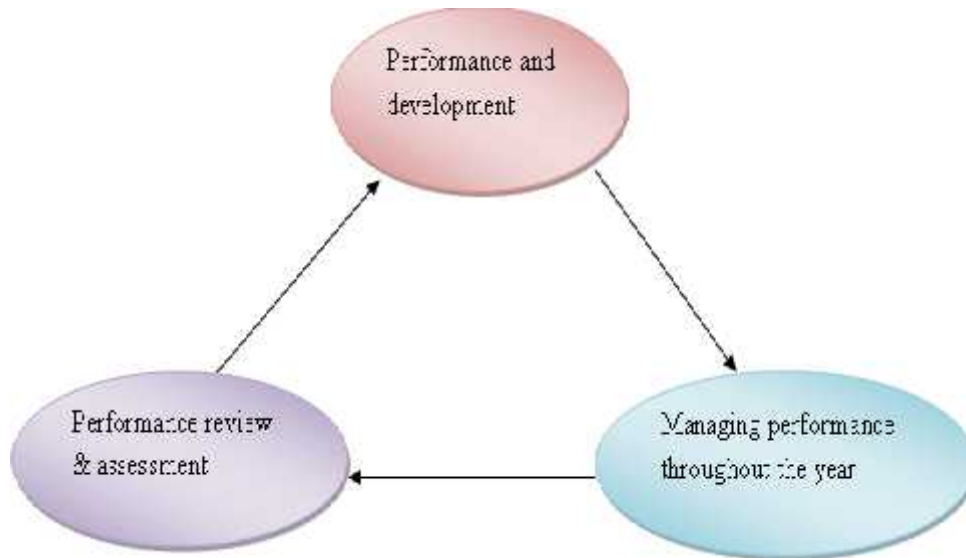


Figure 3 the Performance Management Cycle Source: Armstrong, M., (2009)

2.9 Guiding principle of Performance Management

Egan (1995) proposes the following guiding principles for performance management: most employees want direction, freedom to get their work done, and encouragement not control. The performance management system should be a control system, in two ways. First, the entire performance management process is coaching, counseling, feedback, tracking, recognition, and so interactions. Second, when managers and team members ask what they need to be able to do to do bigger and better things, they move to strategic development.

2.10 Benefits of Performance Management

The benefits to the organization, managers and individuals of well-conceived and well-run performance management process are summarized below.

For the organization:-

- Align corporate, individual and team objectives
- Improve performance

- Motivate employees
- Increases commitment
- Underpin core values
- Improve training and development process
- Provide for continuous improvement and development
- Provide the basis for career-planning
- Help to retain skilled employees

For Managers:-

- Provide the bases for clarifying performance and behavior expectations.
- Afford a framework for reviewing performance and competence levels.
- Improve team and individual performance.
- Support leadership, motivating and team building processes.
- Provide the basis for helping under performers.
- May be used to develop or coach individuals.

For Individuals:-

- Greater clarity of roles and objectives
- Encouragement and support to perform well.

2.11 Challenges of Performance Management

According to Armstrong (2009), criticisms categories:

1. It is a good idea but it doesn't work- managers often don't like doing it because they see it as an imposed bureaucratic chore that has nothing to do with their real work. They claimed that individuals either dread the appraisal meeting because potentially threatening or they perceive it as an irrelevant bore. There is said to be general dissatisfaction among managers and individuals with the rating system.
2. It is a bad idea and it doesn't work:-
 - The process is problematic because of the complexity and difficulties involved in one person attempting to sum up performance of another.
 - A problem in getting line managers to do it well.
 - There are too many poorly designed or poorly administered performance management schemes.

2.12 Performance Appraisal and Performance Management

It is sometimes assumed that performance appraisal is the same thing as performance management. But there are sufficient differences. As (Armstrong and Murlis 1998) assert, performance appraisal too often degenerated into ‘a dishonest annual ritual’. The differences between them as summed up by Armstrong and Baron (2004) are set out in table 1.

Table 1 Comparison of Performance Management and Appraisal

Performance Appraisal	Performance Management
Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values & behaviors as well as objectives
Often linked to pay	Less likely to be a direct link to pay
Bureaucratic-complex paperwork	Documentation kept to a minimum
Owned by the human resource department	Owned by line managers
Formal assessment and rating of individual by their managers at, usually, an annual review meeting	A continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers that are expected to act coaches rather than judges and focus on the future.
A top-down and largely bureaucratic system owned by the human resource department means of exercising managerial control.	
Backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs	
Little or no link between them and the needs of the business	
Performance appraisal too often degenerated into a ‘dishonest annual ritual’ Murlis(1998)	

Source: (Armstrong & Baron, 2004)

2.13 Personal Development Planning & Reviewing Performance

A personal development plan provides a learning action plan for which individuals are responsible with the support of their managers and the organization. It may include formal training but, more importantly, it will incorporate a wider set of learning and development activities such as self-managed learning, coaching, mentoring, job enlargement and job enrichment.

If multi-source assessment (360-degree feedback) is practiced in the organization this will be used to discuss development needs. Although performance management is a continuous process it is still necessary to have a formal review once or twice yearly. This provides a focal point for the consideration of key performance and development issues. This performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It is concrete, not abstract and it allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved.

2.14 Managing Performance throughout the year

Perhaps one of the most important concepts of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly.

Performance management should not be imposed on managers as something 'special' they have to do. It should instead be a natural function that all good managers carry out. This approach contrasts with that used in conventional performance appraisal systems, which were usually built around an annual event, the formal review, which tended to dwell on the past.

This was carried out at the behest of the personnel department, often perfunctorily, and then forgotten. Managers proceeded to manage without any further reference to the outcome of the review and the appraisal form was buried in personnel record system.

To ensure that a performance management culture is built and maintained, performance management has to have the active support and encouragement of top management who must make it clear that it is regarded as a vital means of achieving sustained organizational success.

They must emphasize that performance management is what managers are expected to do and that their performance as managers will be measured by reference to the extent to which they do it consciously and well.

In general, implementing performance management systems can serve the following important purposes as (Cleveland & Murghy 1989) summarized below.

- **Strategic:** it links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.
- **Administrative:** it is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions employee retention or termination, recognition of superior performance, identification of poor performers, layoffs and merit increases.
- **Communication:** It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement and to learn about the organization's and the supervisor's expectations and what aspects of work the superior believes are most important.
- **Developmental:** it includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.
- **Organizational Maintenance-** it yields information about skills, abilities promotional potential and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and calculating the effectiveness of human resource interventions.
- **Documentation:** it yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This, information can be especially useful in the case of litigation.

2.15 Empirical Literature on Performance Management Practices

The practice of performance management system is varied according to the nature and the philosophy of the organizations. In this section practical literature related to performance management practice in different organizations are presented. The organizations are insurance companies and multinational organizations that operate outside the country.

2.15.1 Over View of Performance Management System in the insurance Industry

Performance management is the key for success of organizations. When the organizations grow larger and larger, complexity increases in controlling them. Establishing a Systematic and well organized performance management systems calls for understanding and analyzing the key success factors. Achieving a success that persistent and enduring is a result of conscious planning and implementation process. Periodical review of performance is the heart of the process. Understanding the indicators of performance, evaluating and interpreting the results assists in timely action and effective management. Every insurance company that flourishes over long run implements a balanced scorecard and constantly improves the measures and results of the corporation. Assigning weights to various measures in a balanced scorecard is case sensitive in consideration with several environmental and internal factors.

2.15.2 Performance Management practice in the insurance industry at Kenya

According to, Aubrey performance management system focuses on observing, measuring and recording the employee's performance throughout the year. This information is useful for; recognizing and rewarding great performance, identifying any issues and problems and dealing with them as they arise, managing poor performance and rating the employee's performance during the formal performance review Aubrey, (2004). During the planning stage of the performance management process, the employer and employee should agree on expectations and goals for the year ahead, including performance measures and how the employer will monitor performance. Right from the start, the employee is clear about what the employer is looking for and what information is being used to measure their performance.

Most companies have an employee evaluation system wherein employees are evaluated on a regular basis (often once a year). "Regular employee evaluation helps remind workers what is expected of them in the workplace, and provides employers with information to use when making employment decisions, such as promotions, pay raises, and layoffs" Heathfield, (2014). Performance evaluations, which provide employers with an opportunity to assess their employees' contributions to the organization, are essential to developing a powerful work team. The benefits of performance evaluations outweigh these challenges, though.

When done as part of a performance evaluation system that includes a standard evaluation form, standard performance measures, guidelines for delivering feedback, and disciplinary procedures, performance evaluations can enforce the acceptable boundaries of performance, promote staff recognition and effective communication and motivate individuals to do their best for themselves and the practice (Capko, 2003). The primary goals of a performance evaluation system are to provide an equitable measurement of an employee's contribution to the workforce, produce accurate appraisal documentation to protect both the employee and employer, and obtain a high level of quality and quantity in the work produced. They create a performance evaluation system by following these five steps; develop an evaluation form, identify performance measures, set guidelines for feedback, create disciplinary and termination procedures and finally get an evaluation schedule.

Capko further explains a performance evaluation system should be a key component of the company's structure. When implemented effectively, it ensures fairness and accountability, promotes growth and development and encourages a sense of pride to employees' contributions to the practice Capko, (2003). Moreover, Hass, Burnaby, & Bierstaker, (2005) in their study on the use of performance measures as an integral part of an entity's strategic plan, found out that the attainment of corporate and departmental goals and strategy, employee evaluation and compensation, and regular monitoring of on-going operations is consistent with the expectation that performance measures help organizations manage variances in achieving stated corporate goals.

2.15.3 Performance Management System of Indian VIS-À-VIS International Companies

Performance Management System (PMS) can be a good instrument which can be comprehensively designed and executed or implemented in all sincerity. Changes can be made to improve the effectiveness of performance management system and can be more effective. Strebler, M –et al (2001) have suggested the following five issues which were thought to be very important: –

1. Feedback and counseling
2. Rating performance
3. Setting goals
4. Assessing performance against objectives

5. Identifying training and development needs but they were only carried out moderately well by the performance management system. The need to address performance management effectiveness processes in Indian companies arises for four reasons wherein first is “high performance work systems have been shown to be essential to sustain global competitiveness and these rely upon adequate performance management processes and objective (Marquardt and Engel, 1993; Cardy and Dobbins, 1994; Smither, 1998) and second, “the performance management process in Indian managerial practices is a relatively underemphasized factor” (Sparrow and Budhwar, 1997). Third is “the productivity of work cultures in Indian organizations is jeopardized by employee performance appraisal practices which appear to be ad-hoc, biased and un integrated in a globally competitive human resource management system” (Mendonca and Kanungo, 1990; Virmani and Guptan, 1991; Shenkar, 1995) and fourth is “Indian managers have been criticized for not involving employees in the performance management process” (Mendonca and Kanungo, 1990; Virmani and Guptan, 1991).

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In this section of the research work explanation of the research design and methodology used in the study are discussed along with the sampling technique, the type of data collection, the procedure of data collection and the methods of data analysis used in conducting the study.

3.2 Research Design

The research design used to carry out this research is descriptive method. Descriptive research design is a fact finding study with adequate and accurate interpretation of findings and furthermore, it allows describing both qualitatively and quantitatively approaches (Kothari, 2004). Thus, it is selected because an appropriate method to reveal the existing situation of performance management practices of NISCO.

Data were collected from the respondents through the distribution of questionnaires of both types (closed-ended and open-ended) as well as through structured interview. The data identified collected through the descriptive method were analyzed quantitatively using frequency tables along with percentages and standard deviation this was done by the use of version 20-SPSS software. On the other hand, the data collected through the structured interview were analyzed qualitatively. Accordingly, the findings were summarized, conclusions drawn and recommendations made.

3.3 Population and Sampling Techniques

The target population was all staffs who were working in Head office and all branch offices of Nyala Insurance whose numbers were 260 employees as of June, 2014 (annual report). Among these, 60 employees were working at the outlet branches as per the words of the human resource officer. Due to limitation of finance and time shortage the study was focus on those employees working at the Head office and Addis Ababa branch offices. The Head office is further organized in to different departments performing different tasks of the company. Hence, the samples are selected from different departments using four strata of employees.

These were managers, senior officers, junior officers and clerical positions so as to represent all the employees under different levels and work nature.

Judgmental sampling technique was also applied to select the twelve service centers located at Addis Ababa based on their size of staffs and operational requirement. The participants were selected using convenience sampling method that is based on willingness of the respondents to complete the questionnaire.

As to the sample size determination, among different methods the required sample size by driving a simplified formula of Taro Yamane(1967), stated that in case of finite population the sample size determination formula is as follows:-

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

Where,

n=size of sample

N=Total population

e=sampling error (usually .10, .05 & .01 acceptable error, the researcher uses 0.05 sampling error & 95% confidence level).

$$n = \frac{200}{1 + 200(0.05^2)}$$

$$n = 133$$

Thus, the sampling plan of this was 133. Accordingly, questionnaires were distributed & out of which, 130 (98% response rate) were completely filled and returned.

3.4 Sources of Data and Data Collection Tool/Instruments

Basically there are two sources of data namely, primary and secondary source. In this research both primary secondary sources of data were utilized through questionnaires, interview, and literature review and document analysis. As regards the secondary data, HR manual, performance appraisal implementation guidelines were reviewed to get information about how the performance management system looks like in the organization.

On the other hand, questionnaires and interview were used to collect the required data from the primary source. The details are given below:-

Questionnaire: Closed ended questionnaire in a 5 point scale and 'Yes' 'No' questions were used to collect data the sample respondents in the organization. The questionnaire has 5 rating scales ranging from 1=strongly agree to 5- strongly disagree. Data gathered through questionnaires are simple and clear to analyze and allow for tabulation of responses and quantitatively analyze certain factors. Furthermore, it is time efficient for both the respondents and the researcher. The questionnaire was structured in such a way that it includes all relevant parts and information to clearly acquaint the respondents.

Interview: In order to obtain sufficient information, the researcher arranged personal interview session with resource manager of the organization. Some research issues were addressed through interviews which are difficult to obtain through questionnaire in as much detailed as required.

3.5 Data Collection Procedure

In gathering data, self-administered questionnaires were used to collect information from the managers and the employees. The rationale for using self-administered questionnaires was to allow the respondents to answer at their own pace without taking them away from their work place.

3.6 Methods of Data Analysis

Both qualitative and quantitative methods of data analysis were used to analyze the data collected for the study. Thus, after collecting the required data, Statistical Packaging for Social Science (SPSS) has been used for the purpose of analyzing the data obtained from questionnaire. Descriptive statistics' based on tables have been used to analyze information on all factors/variables including respondent personal information. The descriptive statistics used in the study were based on tables in percentile for the responses of discussion of the respondents. The issue of generalization or mere assumptions is minimized so as to avoid cases of arriving and false conclusions and help in answering the research question. The data obtained from interview sessions administered were analyzed qualitatively using the information obtained from the literature and the judgments of the research.

CHAPTER FOUR: DATA ANALYSIS AND INTERPERTAION

4.1 Introduction

In this chapter of the research the data collected from different sources are presented, analyzed and interpreted. Accordingly, the chapter deals with the demographic nature of the respondents and analysis and interpretation of the data collected. The analysis of data is processed in line with the basic research questions and objectives of the study. Thus, the chapter has two parts. The first part presents the characteristics of the respondents; the second part presents detailed analysis and findings of data collected through questionnaire for employees and the information obtained from the structured interview with Resource manager. The details are presented in the upcoming sections.

4.2 Demographic Characteristics of Respondents

The demographic characteristics of the respondents were assessed from the point of educational level, length of service year in the organization, and present position. The table below summarizes the data obtained.

Table 2 Summary of respondents Age and Gender of the Respondent

Age (year)	Gender				Total (%/N)
	Male		Female		
	Count (N)	%	Count (N)	%	
< 25	8	6.15	18	13.84	19.99(26)
25-34	42	32.30	46	35.39	67.69(88)
35-44	4	3.08	6	4.62	7.7(10)
45-54	3	2.31	0	0	2.31(3)
>55	3	2.31	0	0	2.31(3)
Total	60	46.15	70	53.85	100(130)

Source: Questionnaire, 2015

Table 2 indicates the gender distribution of the sample of the respondents from the organizations at which the study was conducted. The majority of the sample (n=70) or 53.85% was female, while the remaining 46.15 % or (n=60) comprised of male respondents’.

Concerning the age of the participants, the largest group n=88 (67.69%) was in the 25-34 years age group. The second largest group n=26 (19.99%) indicated their age were less than 25 years age group where as age group 35-44 accounts n=10(7.7)%. Then again three experienced individuals n=3 (2.31%) are reported in 45-54 years and above 55 years of each age category. From this it is possible to conclude that the work force composition of the respondent are young and thus may require a strong performance management system to make them productive and retain for long time in the organization.

Table 3 Summary of Respondents Service in the Organization and on the Current job

Service on the current job (years)	Service in the organization (years)					Total
	0-2	3-9	10-19	20-30	31	
0-2	31	15	4	0	0	50
3-9	9	56	4	0	0	69
10-19	0	6	0	0	0	6
20-30	0	0	3	2	0	5
>31	0	0	0	0	0	0
Total	40	77	11	2	0	130

Source: Questionnaire, 2015

The largest group of respondents n=77 (59.23%) indicated that they had been working in the organization between 3 and 9 years. n=40(30.77%) and n=11(8.46%) of the respondents stayed in the organization up to 2 years and between 10 and 19 years respectively. n=2(1.54%) respondents reported their stay in the organization between 20 and 30 years. In general, almost more than half of the respondents have been working for more than 3 years in organization, which indicates their long period of experience and that contributes to both the reliability and validity of the information they provide.

Regarding time worked in the current job, the largest group n=69 (53.08%) worked on the current job between 3 and 9 years of time whereas n=50 (38.46%) indicated that they had been in the current job up to 2 years. On the other hand, n=6(4.62%), n=5(3.85%) responded of their current job as 10-19 and 20-30 years of time respectively. The majority of the respondents worked in the current job between 3 and 9 years this implies that they know the system very well and able to provide sufficient information for the study.

Table 4 Respondents' Highest Formal Education Attended

Educational level	Frequency	%	%	Cumulative Percent
Bachelor Degree	111	84.62	84.62.	84.62
Diploma	13	10.0	10.0	94.62
Masters Degree	7	5.38	5.38	100.00
Total	130	100.00	100.00	

Source: Questionnaire, 2015

On the basis of educational qualification, the largest group of respondents n=111 (84.62%) reported a Bachelor Degree holders as their highest level of education. The next largest group n=13 (10%) indicated Diploma holders as their highest level of education. Then again, n=7, (5.38%) indicated a Masters Degree holders as their highest level of education and no respondents had High school, Technical school graduate and PHD holder. From this it is possible to infer that the workforce composition of the respondents include well qualified to explain about the practices and problems of performance management system.

4.3 Findings

The performance management practice of NISCO was evaluated through strategic congruence and performance management process in view of performance planning, performance execution, performance review, performance assessment and development planning.

4.3.1 Strategic Congruence

A vital stage and, of course, the basis for the implementation of performance management system is strategic congruence. As per the literature review the system should be congruent with the unit and organization's strategy. Which means individual goals must be aligned with unit and organizational goals.

If employees are expected to perform their duties in a successful manner, it is natural that they should be clearly communicated of their performance goals that should prove the highest degree of conformity with the goals. In the absence of clearly cascading goals, personal goals may preside over organizational goals in which case organizational productivity would be adversely affected. The following table is compiled from responses given by the respondents with respect to strategic congruence in NISCO practice.

Table 5 Frequency of Respondents on Strategic Congruence

Description	Yes	%	No	%	Total
Do you have clear understanding of the organization's vision, mission, strategic goals and values	126	96	5	4	130
Do you believe that performance management system of NISCO congruent with the unit and organization's strategy	78	60	52	40	130
Do you think that the aims and objectives of performance management are well communicated and fully understood	36	28	93	72	130
Do you have the necessary skills and competencies to achieve your goals which are linked from the corporate strategy	112	86	18	14	130
Do you think that the performance management system of NISCO works well and does not need to change	26	20	104	80	130
Do you think that the strategic goal of NISCO is linked with your role	47	36	83	64	130

Source: Questionnaire

Table 6 Average Frequency of Respondents on Strategic Congruence

	Frequency	%	%	Cumulative Percent
Yes	71	54.62	54.62	54.62
No	59	45.38	45.38	100.00
Total	130	100.00	100.00	

Source: Questionnaire

As we can see from the above table 5 the majority of the respondents' n=126 (96%) have clear understanding of the organizations' vision, mission, strategic goals and values with having the necessary skills and competencies which accounts n=112(86%). n=78(60%) of the respondents' replied that performance management system of NISCO congruent with the unit and organizational strategy.

Moreover, n=104(80%), n=93(72%), and n=83(64%) of the respondents disagree with the statement of " the current system of NISCO works well & does not need to change, aims and objectives of performance management are well communicated and fully understood and the strategic goal of NISCO is linked your role" respectively. On average (see Table 6) 54.62 % of the respondents' agreed about the existence of strategic congruence in NISCO and related issues while the remaining 45.38 % of the respondents are not agreed. Additionally, according to the structured interview the individual performance is not clearly linked with the organizational goals as a result there is a confusion regard to individual performance measurement. As the real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them, and in so doing, manage and enhance the performance of both individuals and the organization. Furthermore, one of the most fundamental purposes of performance management is to align individual and organizational objectives through cascading process. This means that everything people do at work leads to outcomes that further the achievement of organizational goals. From this it is possible to conclude that the current performance management system of the organization needs change and clear communication with clear understanding of the linkage between the strategic goal and individual roles as well as objectives of performance management system of the organization in order to meet its objective.

4.3.2 Performance Planning

Here, responses were measured on five point Likert scale with 1=Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree and 5=Strongly Disagree. To make easy interpretation, the following ranges of values are assigned to each scale 1.50 or less=Strongly Agree, 1.51-2.50=Agree, 2.51-3.49=Neutral, 3.50-4.49=Disagree, and 4.50 and greater=Strongly Disagree.

Based on the literature, performance planning includes the consideration of results and behavior. To this end performance management helps people to get into action so that they achieve planned and agreed results.

It focuses on what has to be done, how it should be done and what is to be achieved. But it is equally concerned with developing people helping them to learn and providing them with the support they need to do well, now and in the future. The framework for performance management is provided by the performance agreement, which is the outcome of performance planning. Performance is carried out jointly by the manager and the individual.

In line with this, the starting point for the performance plans is provided by the role profile, which defines the results, knowledge and skills and behaviors required. This provides the basis for agreeing objectives and performance measures. Performance plans are derived from an analysis of role requirements and performance in meeting them. In order to develop a role profile it is necessary for the line manager and the individual to get together and agree key result areas, define what the role holder needs to know and be able to do and ensure that there is mutual understanding of the behavioral competencies required and the core values the role holder is expected to uphold.

Table 7 Summary of items that Measures Performance Planning

Description	Rating =1	Rating =2	Rating=3	Rating=4	Rating =5	Mean	Std. Dev.
	No/%	No/%	No/%	No/%	No/%		
NISCO has joint exploration practice of what I expected to do and know how I expected to behave to meet the requirements of my role.	2/1.5	9/7	14/10.75	27/20.75	78/60	3.82	1.038
The performance planning of NISCO establishes priorities for the key aspects of the job to which attention has been given	8/6	62/48	39/30	16/12	5/4	2.60	.920
NISCO development planning incorporates a wider set of development activities.	8/6	73/56	34/2	10/8	5/4	2.47	.873
Aggregate mean							2.96

Source: Questionnaire, 2015

As illustrated in the table above, the majority of the respondents n=73(56%) with a mean value of 2.47 replied that NISCO development planning incorporates a wider set of development activities and at the same time 26% and 8% of the respondents become indifferent and disagree with the statements respectively.

Then again, 6% and 4 % of the respondents strongly agree and strongly disagree. About n=105(80.75%) with mean value 3.82 of the respondents disagree/strongly disagree with the statement 'NISCO has joint exploration practice of what I expected to do and know how I expected to behave to meet the requirements of my role' and 10.75% of the respondents are indifferent and 8.5 % agree/strongly agree with the idea. On the other hand, 48%, 30% of the respondents agree and indifferent with the statement of performance planning of NISCO establishes priorities for key aspect of the job respectively. Then again, 12%, 6% and 4% of the respondents disagree, strongly agree and strongly disagree with the idea respectively. In line with this, 46 % of the respondents' understand the term performance management as setting of objectives and 40% of the respondents' also understands performance management as personal development plan.

The mean value of 3.82(80.75%) it is the range of disagreement which indicates respondents' dissatisfaction of the item by the factor being considered. This implies that there is a problem in this area. A proper performance management system is essentially about the management of expectations. It creates a shared understanding of what is required to improve performance and how this will be achieved by clarifying and agreeing and what people are expected to do and how they are expected to behave and uses these agreements as the basis for measurement, review and the preparation of plans for performance improvement.

4.3.3 Performance Execution

According to Aguinis (2007) both the employees and the manager are responsible for performance execution. In light of this, supervisors have responsibilities over the following issues: -

- Observation and documentation: - it is important to keep track of examples of both good and poor performance.

- Updates: - as the organization's goals may change, it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviors).
- Feedback: - on progression toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over.
- Resources: - supervisors should provide employees with resources and opportunities to participate in development activities.
- Reinforcement:- supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals performance problems must be diagnosed early, and appropriate steps must be taken as soon as the problem is discovered.

Table 8 Summary of Respondents on Performance Execution

Description	Rating =1	Rating=2	Ratin g=3	Ratin g=4	Rating=5	Mean	Std. Dv.
	No/%	No/ %	No/%	No/%	No/%		
Improvements to performance have to start from understanding of both results and competencies.	2/20	73/56	21/16	8/6	2/2	2.12	.835
The process of managing performance begins by defining expectations in terms of targets, standards and competence requirements.	42/ 32	60/46	21/16	5/4	2/2	1.96	.884
NISCO has continuous monitoring performance program and gives feedback regularly.	8/6	34/26	31/24	49/38	8/6	3.12	1.061
NISCO has good performance counseling practices which help me to improve my performance.	6/5	10/8	8/6	45/35	60/46	4.07	1.163
Aggregate mean						2.82	

Source: Questionnaire, 2015

To measure the overall rating process of performance execution, four questions were forwarded to the respondents' and their response is summarized in table 8, n=73(56%) agree for the statement of 'improvements to performance have to start from understanding of both results and competencies'. And also n=60(46%) agree that the process of managing performance begins by defining expectations in terms of targets & standards. In line with this, respondents have indifferent view on NISCO continuous monitoring program. Conversely, 81% of the respondents' disagree with the statements 'NISCO has good performance counseling practices which help me to improve my performance' respectively.

Additionally, from open-ended questions 40% of the respondents' understand pm as regular meetings with boss. Similarly, 44% of respondents agree with the statement of NISCO has operate formal performance management process and they described it as the process of performance appraisal conducted quarterly and yearly. Whereas the major problems encountered with regard to performance management practice are no proper evaluation measurement, no discussion held with the employee, more subjective and rating depends on individual relationship. Moreover, the management uses performance evaluation as one of punishment tools and the same format used for all kind of employees found at different levels of the organization (none managers and Managers) .

Although, it was not possible to find documentary record on what the intended purpose of performance management system in the company are and on the other aspects of the appraisal system, ratings, along with relevant work experience and educational qualification are used as valuable inputs in determining who should get salary increment(bonus) , promotion and training and development. The sample respondents' were asked on whether they believe NISCO performance management system is meeting its intended purpose. 60% of the respondents' do not believe that the performance management system of the company is meeting its intended purpose of determining employees compensation, promotion, demotion, transfer and identification of an employee's training needs.

The response of the participants signifies a disagreement n=105(81%) those disagree and strongly disagrees, with the highest mean of (4.07) than the other variables as depicted in the table with the statement 'NISCO has good performance counseling practices which help me to improve my performance.

As performance management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement Lockett (1992). The survey revealed that most respondents have reservation on the performance counseling practice of the organization and implies that there is a gap on this area.

4.3.4 Performance Review

Although performance management is a continuous process it is still necessary to have a formal review once or twice yearly. This provides a focal point for the consideration of key performance and development issues.

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In general, Grossman and Parkinson (2002) offer the following six recommendations for conducting effective performance reviews:

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviors.
2. Solicit feedback from your employee about these behaviors. Listen for reactions and explanations.
3. Discuss the implications of changing, or not changing, the behaviors. Positive feedback is best, but an employee must be made aware of what will happen if any poor performance continues.
4. Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
5. Agree on an action plan- encourage the employee to invest in improving his or her performance.
6. Set up a meeting to follow up and agree on the behaviors, actions, and attitudes to be evaluated.

Table 9 Summary of Respondents on Performance Review

Description	Rating =1	Rating =2	Rating= 3	Rating= 4	Rating= 5	Mean	Std. Dv
	No/%	No/%	No/%	No/%	No/%		
The objectives of performance reviews incorporate planning of performance agreement, motivation and development of employees	23/18	52/40	29/22	21/16	5/4	2.48	1.080
Performance review serves as a two-way process with both manager and employee to express their views.	31/24	52/40	26/20	21/16	0	2.35	1.032
NISCO performance management system has a provision for appeal in case there is disagreement with supervisor during performance review.	8/6	57/44	44/34	8/6	13/10	2.70	1.222
I believe that the rating of NISCO makes distinction of between good and bad performers.	16/12	44/34	52/40	18/14	0	2.55	1.377
My supervisor conducts review and gives me regular feedback	10/8	34/26	23/18	55/42	8/6	3.13	1.109
NISCO performance review format has contain different relative weight and applicable to all employees	10/7.7	18/13.8	11/8.5	37/28.5	54/41.5	3.79	1.316
Aggregate mean						2.83	

Source: Questionnaire, 2015

The above table indicates that the majority of the respondents mean=2.7(50%) agree and 34% are indifferent with the statement ‘NISCO performance management system has a provision for appeal in case there is disagreement with supervisor during performance review’ respectively and only few of the respondents disagree. The mean value 2.7 range of neutral view that means they don’t know this issue.

Moreover, about 24% and 40% of the respondents are strongly agree and disagree respectively with the statement that says 'performance review serves as a two-way process with both manager and employee to express their views'. The rest 16% and 20% of the respondents disagree and indifferent with the statements respectively. Here the mean value 2.55 ranges natural view which indicates the review has one side view rather from both sides. Similarly, the majority of respondents agree mean=2.48(40%) with the statement the objectives of performance reviews incorporate planning of performance agreement, motivation and development of employees through coaching and other learning activities', 22% show no opinion. Then again, 18% and 16% of the respondents are strongly agreed and disagree respectively with the statement. On the other hand, the majority of the respondents mean=2.55(40%) have no opinion with the statement 'I believe that the rating of NISCO makes distinction of between good and bad performers'. Then again, 34%, 12% of the respondents are agree and strongly agree respectively, the rest 16% of the respondents are disagree with the idea.

In relation with the statement "my supervisor conducts review and gives me regular feedback" 42% of the respondents disagree, 26% agree and 18% are indifferent and the rests 8% and 6% are strongly agree and disagree respectively with the idea. It has a mean value of 3.13 this implies that respondents have indifferent view with respect to performance review and feedback process. Moreover, the majority of the respondents are strongly disagree /agree n=91 (70%), neutral, 8.5% agree 13.8% disagree and 7.7% strongly agree with the mean value 3.79 with the statement 'NISCO performance review (appraisal) format has contain different relative weight and applicable to all employees'. It has the highest mean value (3.79) of disagreement of respondents. Thus, the appraisal format to be redesigning that serves for all employees under the organization.

In light of this, from the open-ended question n=31(62%) respondents understand performance management as performance appraisal or review. In relation with the statement 'the purpose of performance evaluation is used' n= 21(42%) for salary increment, n=38 (76%) for bonus, n=27 (54%) for promotion and n=2(4%) respondents replied for demotion and suspension. According to the structured interview the source of dissatisfaction of employees during performance review is raised from different reasons most of them are from the supervisor side like inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance, first impression error, tendency of a rater to evaluate people in comparison with other individuals rather than against the standards for the job and lack of awareness with respect to the purpose performance evaluation from the employee side.

In addition to this the purpose of performance appraisal is conducted to award bonus only. But in principle it should be done to identify the skill and competency gap of the individual and fill the gap through training.

The analyses show that the majority of the respondents $n=91(70\%)$ with $\text{mean}=3.79$ has disagreement on performance review format as it is not applicable to all employees. The performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role.

The true role of performance management is to look forward to what needs to be done by people to achieve the purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, to develop their capabilities by establishing a self-managed learning agenda and to reach agreement on any areas where performance needs to be improved and how that improvement take place. This process also helps managers to improve their ability to lead, guide and develop the individuals and teams for whom they are responsible. From this category respondents were not comfortable with performance review format with the highest mean value 3.79 it is possible to say that there is a gap on this area.

4.3.5 Performance Assessment

Even though performance management is forward looking and focuses on planning for the future rather than dwelling on the past. But it necessarily includes some form of assessment of what has been achieved to provide the basis for performance agreements and development plans, forecasts of potential and career plans. In addition, a performance management process commonly, but not inevitably, incorporates a rating or other means of summing up performance to encapsulate views about the level of performance reached and, if required, inform performance- or contribution-related pay decisions. In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved.

Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment provides good information to be used in the review phase. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self evaluations.

Assessments require the ability to judge performance, and good judgment is a matter of using clear standards, considering only relevant evidence, combining probabilities in their correct weight and avoiding projection (ascribing to other people one's own faults). The problem with most managers however is that they think they are good judges. This is because managers assessing the same people will tend to assess them against different standards. Other problems include poor perception (not noticing things or events for what they are), selectivity (relying on partial data and noticing only things one wants to see) and poor interpretation (putting one's own, possibly biased, slant on information (Armstrong, 2006).

Table 10 Summary of Respondents on Performance Assessment

Description	Rating =1	Rating =2	Rating= 3	Rating =4	Rating =5	Mean	Std.D v.
	No/%	No/%	No/%	No/%	No/%		
Performance is measured against the performance expectations and objectives previously agreed upon.	11/8.5	13/10	17/13.10	67/51.54	22/16.90	3.58	1.140
NISCO has a practice to discuss with supervisors the reason not meet minimum performance standards and way for improving performance.	10/8	29/22	29/22	52/40	10/8	3.18	1.103
I believe that effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measures.	36/28	49/38	34/26	8/6	3/2	2.15	.968
Aggregate mean						2.97	

Source: Questionnaire, 2015

As far as performance assessment is concerned, table 10 indicates that mean=3.58 (68.44%) of the respondents disagree with the statement 'Performance is measured against the performance expectations and objectives previously agreed upon', 13.10% have no opinion, 8.5% strongly agree, and 10% rate it agree. Moreover, 40% of the respondents are disagree, while 16 % are agreed, 22% indifferent. Then again, 8% strongly agree and strongly disagree for each view with the statement 'NISCO has a practice to discuss with supervisors for the reason not meet minimum performance standards and way for improving performance' with mean value=3.18 it indicates that respondents have indifferent view in this regard.

Similarly,(mean=2.15) 38% agree, 28% strongly agree, 26% have no opinion and the remaining disagree with the statement 'I believe that effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measures'. Moreover, 6% and 2% of the respondents replied that disagree and strongly disagree respectively. The highest mean value of 3.58 (see table 10) is the range of neutral view which implies that respondents' satisfaction was significantly affected by the factor being considered as a whole. It is possible to say that there is a gap on this area.

4.3.6 Development Planning

For individuals, this stage includes the preparation and agreement of a personal development plan. This provides a learning action plan for which they are responsible with the support of their managers and the organization. It may include formal training but, more importantly, it will incorporate a wider set of development activities such as self-managed learning, coaching, mentoring, project work, job enlargement and job enrichment. The development plan records the actions agreed to improve performance and to develop knowledge, skills and capabilities.

It is likely to focus on development in the current job to improve the ability to perform it well and also, importantly, to enable individuals to take on wider responsibilities, extending their capacity to undertake a broader role. This plan therefore contributes to the achievement of a policy of continuous development, which is predicated on the belief that everyone is capable of learning more and doing better in their jobs. But the plan will also contribute to enhancing the potential of individuals to carry out higher-level jobs.

Table 11 Summary of Respondents on Development Plan

Description	Rating =1	Rating= 2	Rating= 3	Rating= 4	Rating= 5	Mean	Std.D v.
	No/%	No/%	No/%	No/%	No/%		
At NISCO the benefit package associated with good performance achievements and creates job satisfaction.	3/2.30	18/13.85	18/13.85	60/46.15	31/23.85	3.75	1.042
NISCO does a good job of providing the training/skills building/ and I need to improve my job performance.	5/4	52/40	29/22	26/20	18/14	3.01	1.223
During the process of performance review training and development needs are clearly identified and documented well	3/2.31	34/26.15	36/27.69	42/32.31	15/11.54	3.18	1.015
My supervisor advices me how I can develop my career within the organization.	5/4	31/24	41/32	42/32	11/8	3.00	1.148
In NISCO performance related information is strongly determines rewards decisions.	13/10	36/28	39/30	21/16	21/16	3.05	.931
Aggregate mean						3.2	

Source: Questionnaire, 2015

As the above table illustrate, the majority of the respondents 44% are indifferent, 26% agree, 20% disagree with the statement ‘At NISCO the benefit package associated with good performance achievements and creates job satisfaction’. The rest 2% and 4% of the respondents strongly agree and disagree with the idea respectively. In the same way, the majority of the respondents mean=3.75(70%), 13.85%, indifferent and 16.15% strongly agree/agree with the statement ‘During the process of performance review training and development needs are clearly identified and documented well’. Similarly, 32.31% disagree, 11.54% strongly disagree with the statement and only 26.15% and 2.31% are agree and strongly agree respectively. Moreover, 32% have no opinion, again 32% disagree and 8 % strongly disagree with the statement ‘my supervisor advices me how I can develop my career within the organization'. Whereas 24% of the respondents agree with the statement and only 4% of the respondents strongly agree with idea.

This item has a mean value of 3.00 indicates respondents have no opinion. In relation to the statements 'NISCO does a good job of providing the training/skills building/ and I need to improve my job performance', 40% agree, 4% strongly agree, 22% indifferent, 20% disagree and 14% strongly disagree with the statements respectively. Furthermore, the majority of the respondents (30%) have no opinion with the statement 'In NISCO performance related information is strongly determines rewards decisions', 28% agree and 10 % strongly agree. Then again, the rest of the respondents indicate disagree /strongly disagree with the idea with mean value 3.05. In addition to this, from 26% of the respondents understand performance management system as pay based on performance ratings and 20% of the respondents performance evaluation used in NISCO are for training and development purpose.

The response of the participants signifies disagreement with the highest mean value 3.75 shows a gap with regard to lack of identification of training and development needs during performance assessment and not documented well. Thus, managers encourage individuals to formulate for themselves for performance improvement and personal development plans. These plans are finalized and agreed jointly by the manager and the individual. As a result, individuals are empowered to the maximum degree possible to implement the plans.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with summary of findings, conclusions and, recommendations are made. The following are the major findings of the study.

5.2 Summary of Major Findings

The performance management system of the organization was assessed in to seven dimensions. These are strategic congruence, performance planning, performance execution, performance review, performance assessment and development planning.

- The average analysis of the items related with strategic congruence of the organization has positive response rated about 54.62%. However, about (80%) of the respondents agreed that the current pm system needs change. In line with this, 64% of the respondent replied that the strategic goal of NISCO is not linked with individual role and 72% of the respondents said that the objective of pm is not well communicated.
- Concerning to, performance planning from likert's scale revealed that the overall rating is well with aggregate mean value 2.96. However, mean= 3.82(80.75%) of the respondents believed that NISCO has no joint exploration practice to meet the requirements of the individual role.
- Regarding performance execution the aggregate mean value rating is 2.82 which have positive perception in the category. But, mean=4.07 (81%) of the respondents feel that the current performance management system has lack of good counseling practice.
- The average rating of the respondents with regard to performance review is positive with aggregate mean value 2.83. Conversely, the analysis shown that (mean=3.79) 70% of respondents replied that performance review format has not contain different relative weight and not applicable to all employees'.
- Most of the respondents replied negatively about 81% (mean=3.58) with the statement 'performance is measured against the performance expectations and objectives previously agreed upon'.

However, the overall rating is well with aggregate mean value 2.97 in the category.

- It was also observed that (mean=3.75) 70% of the respondents replied that during the process of performance review training and development needs are not clearly identified and documented well'. The overall aggregate mean rating in the category is 3.2 well above three in a scale of five.

5.3 Conclusions

The main focus of the study was to assess the existing situation of NISCO performance management practice. In order to utilize the human resource properly individual goals must be aligned with organizational goals through cascading process. From the study it is possible to conclude that on average NISCO has a good practice on strategic congruence issues except lack of clear alignment of individual goals with organizational goals and understanding of the subject matter of performance management system. The perception of respondents to performance planning aspect on average also was positive i.e. there is a performance planning process in the organization with having lack of joint exploration practice of developing performance planning practice. In relation to performance execution issues although employees replied positively NISCO has lack of experiencing formal performance counseling and guidance practice. As a result, employees are left alone to assist themselves in understanding their own performance, factors contributing to it, contribution of their own strength and weaknesses and the extent of which they can influence the performance.

Respondents were satisfied concerning to performance review aspect on average view but in the category as per the analysis we can infer that the performance review format has not applicable to all employees. Based on the analysis revealed related to performance assessment the majority of the respondents believed that performance is not measured against the performance expectations and objectives previously agreed upon. Moreover, it has been shown in the analyses with respect to development planning aspect it is possible to conclude that during performance review training and development needs are not clearly identified and documented properly. Furthermore, from open ended and structured interview data analysis we can infer that the performance management system of NISCO not meet its intended purpose and there is no clear understanding about the purpose performance appraisal as the organization uses for the purpose of bonus award.

In line with this, the major sources of employee dissatisfaction during appraisal period were related with problem of setting standard and lack of awareness by the supervisors and employees.

5.3 RECOMMENDATIONS

If employees are expected to exert their maximum efforts towards realization of organizational goals, it is essential that a sound performance management system be put in practice properly. In situations where employees are not well informed of what they are expected to perform and the consequences that their performance would bring to them, it is difficult to imagine getting their firm commitments.

Thus the need for a properly designed performance management system that is well aligned with the organization's strategic plans and objectives and has got the acceptance of all concerned is not to be compromised. If the system is required to be effective, it should be used as an instrument of motivation rather than of punishment. The following recommendations are forwarded to help to improve the weaknesses identified in the existing performance management system.

- NISCO Management should work hard to create full understanding and communicate well the formal performance management system to the employees.
- The organization should clearly align individual objectives with team, department/divisional and corporate strategies and communicate the employees evidently.
- The performance planning of NISCO should develop jointly to improve his/her skills, opportunity for the employee to take on new responsibilities during the coming period.
- Performance counseling is also very essential to support employees in improving their job performance. Furthermore, it helps to identify individual training needs.
- The management should exert maximum effort on the performance management system implementation of the organization to meet its intended objectives.

- The objective of appraisal should be made clear to all employees before appraisal takes place and employees should accept it.
- The existing performance review formats needs to be revised with better measurement criteria that applicable to all employees.
- In order to reduce dissatisfaction of employees during review period standard against which the performance of employees is going to be set and should be communicated so that employees might know what is expected of them and supervisors know what factors they need to take in to account when they rate the performance of their subordinates.
- Performance should be measured against set standards during assessment as it is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further career development, and it indicates where things are not going so well, so that corrective action can be taken.
- During performance review training needs to be clearly identified is necessary, in view of the fact that it is very important tool for incorporating individual needs for career growth and development.
- NISCO should develop a wider set of performance management system and implement properly considering the above recommendations in the desired way for the desired purposes.

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Appendices

Appendix A



**ST.MARY'S UNIVERSITY
SCHOOL OF BUSINESS AND ADMINISTRATION
MASTERS OF BUSINESS ADMINISTRATION (MBA)
PROGRAM QUESTIONNAIRE TO BE FILLED BY STAFFS**

Researcher: Yonas Argaw (Contact Address: 0922-75-11-45)

Research Topic: - Assessment of Performance Management System at Nyala Insurance (NISCO).

**Dear
Respondents,**

I would like to express my sincere appreciation for your generous time and honest and prompt responses.

Objective

This questionnaire is designed in order to assess NISCO performance management practice. The information shall be used as a primary data in my research which I am conducting as a partial requirement of my study at St. Mary's University for completing my Masters of Business Administration (MBA) program. Therefore, this research is to be evaluated in terms of its contribution to our understanding of the practices of performance management systems and its contribution to improvements in these regard.

General Instruction

- There is no need of writing your name.
- In all cases where answer options are available please tick () in the appropriate box.
- For questions that demands your opinion, please try to honestly describe as per the questions on the space provided.

Confidentiality

I want to assure you that this research is only for academic purpose authorized by St. University.

Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the research.

Section I: Personal Profile

1. Sex: Male Female
2. Which of the following age categories describes you?
 Under 25 25-34 35-44 45-54 55 and above
3. Number of years you have worked for the organization.
 0-2 3-9 10-19 20-30 31 years or more
4. How long have you worked on your current job? (In years)
 0-2 3-9 10-19 20-30 31years or more
5. Educational Qualification:
 High school graduate Technical school graduate
 College Diploma BA/BSC Degree
 Masters Degree PHD
 Other (please state _____)
6. Current position (job) in the organization _____
7. In which department are you currently working? _____

Section II:

To what extent do you agree that the following statements reflect the integration of individual objectives with corporate strategy (strategic congruence) of NISCO?

No.	Questions	Yes	No
1	Do you have clear understanding of the organization’s vision, mission, strategic goals and values?		
2	Do you believe that performance management system of NISCO congruent with the unit and organization’s strategy?		
3	Do you think that the aims and objectives of performance management are well communicated and fully understood?		
4	Do you have the necessary skills and competencies to achieve your goals which are linked from the corporate strategy?		
5	Do you think that the current performance management system of NISCO works well and does not need to change?		

Section III

Please indicate the extent to which you agree or disagree with the following statements regarding performance management process as it applies to you as a staff of NISCO.

No	Questions	Strongly Agree	Neutral	Disagree	Disagree	Strongly Agree
1	NISCO has joint exploration practice of what I expected to do and know how I expected to behave to meet the requirements of my role.					
2	The performance planning of NISCO establishes priorities for the key aspects of the job to which attention has been given					
3	NISCO development planning incorporates a wider set of development activities.					
4	Improvements to performance have to start from understanding of both results and competencies.					
5	The process of managing performance begins by defining expectations in terms of targets, standards and competence requirements.					
6	NISCO has continuous monitoring performance program and gives feedback regularly.					
7	Performance is measured against the performance expectations and objectives previously agreed upon.					
8	NISCO has a practice to discuss with supervisors the reason not meet minimum performance standards and way for improving performance.					
9	I believe that effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measures.					
10	The objectives of performance reviews incorporate planning of performance agreement, motivation and development of employees through coaching and other learning activities.					
11	Performance review serves as a two-way process with both manager and employee to express their views.					

Appendix B

SCHOOL OF BUSINESS AND ADMINISTRATION MASTERS OF BUSINESS ADMINISTRATION (MBA) PROGRAM STRUCTURED INTERVIEW QUESTIONS

To be answered by Resource Manager

This interview questions are designed to collect information with respect to performance management system used in NISCO. The information shall +be used as a primary data in my thesis research which I am conducting as a partial fulfillment of my study at St. Mary's University for completing my MBA program. Your input is required for academic purpose and will be kept confidentially.

Therefore, your genuine, honest and prompt response is a valuable input for the quality and successful completion of the study. Thank you, for your kind cooperation, in advance!!!

List of interview questions:

1. Is there a formal performance management system in NISCO?
2. How would you describe the existing performance management system?
3. Do you think that performance management system of NISCO incorporates strategic congruence and formal performance management process such as performance planning, continuous performance review, assessment, performance excitation...?
4. To what extent strategic goal of NISCO is linked with individual performance?
5. To what extent is performance management system of NISCO is meeting its intended purpose?
6. What employee performance related problems have you come across so far like in terms of customer complaints, turnover, absenteeism, lack of motivation following unfavorable performance ratings etc?
7. What are the major problems that your department is facing with respect to performance management practice?
8. How would you describe the sources of employee dissatisfaction during performance review period?
9. In your opinion, what are the main purposes of using performance appraisal at NISCO?
10. Any additional Comment?

Thanks again for your kind cooperation. Good job!!!