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**SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION**

**ASSESSMENT OF PROSPECTS AND CHALLENGES OF EMPLOYEES'
PERFORMANCE MANAGEMENT SYSTEM: THE CASE OF
COMMERCIAL BANK OF ETHIOPIA**

BY:

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ADDIS ABABA, ETHIOPIA

JUNE, 2017

**Assessment of Prospects and Challenges of Employee Performance
Management System: A case of Commercial Bank of Ethiopia**

**A research thesis submitted to St.Mary's Universty, School of Graduate Studies
in Partial Fulfillment of the Requirements for the Degree of Masters of Business
Administration**

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Assessment of Prospects and Challenges of Employee Performance Management System: A case of Commercial Bank of Ethiopia (Addis Ababa area)

BY:

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ENDORSEMENT

This is to certify that **Dawit Tibebu** has carried out his research work on the topic entitled Assessment of Prospects and Challenges of Employee Performance Management System: A case of Commercial Bank of Ethiopia is my original work that all sources of material used for the work have been duly acknowledge and suitable for the submission for the reward of Masters Degree in Business Administration.

Advisor: Terefe Feyera (PhD) _____

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ABBREVIATIONS

CBE-	Commercial Bank of Ethiopia
EPMS-	Employee Performance Management System
HRM –	Human Resources Management
PMS-	Performance Management System

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Abstract

The purpose of this study was to assess the challenges and prospects of employee performance management system being implemented in Commercial Bank of Ethiopia. A mixed research approach was followed in the study and descriptive method of study with cross sectional survey was used. A stratified random sampling and simple random sampling techniques were used jointly to select respondents to the survey the questionnaire and purposive sampling was used to select participants for the interviewees. The research objectives were to assess the prospects and challenges of employee performance management system, to identify benefits gained from and challenges faced in implementing the system, to assess employees' perception towards employee performance management system and to evaluate performance management processes in the bank. Primary and secondary data were used. The analysis was done by the help of SPSS and presented using descriptive statistics; frequency tables, percentages, bar and pie charts. The scope of the study was delimited to branches and head office within Addis Ababa area. The findings of the research indicated that employee performance management system has numerous benefits. Among them; it has created role clarity among employees, enables to differentiate good and poor performers, created a constructive competition among staffs. The system has also helped to motivate employees and encourage development through creating communications between the employees and their supervisor or managers. It improves both individual and the Bank's overall performance. However, it has been found out that there were challenges in some respects, such as: a tendency to be unfair on job rotation among employees; Lack of clear with regard to the mechanism used at the bank to address the issue of underperformance; the use of wrong techniques (e.g. a tendency of giving 1 and 5 only for non financial targets). Furthermore, the result of evaluation did not attach with reward and recognition schemes. On the basis of the findings, the researcher recommended, prevailing fair job rotation, attaching performance evaluation results with reward and recognition programs so that the issue of underperformance will be solved. The bank has to also work with training of supervisors on assessment to make rating standard/uniform across assessors and branches/process

Key words: Employee Performance Management system, commercial bank of Ethiopia, challenges and prospects.

CHAPTER ONE

1. INTRODUCTION

This section of the study, addresses back ground of the study, background of the company, statement of the problem, basic research questions, objective of the study, operational definition of terms, study significance and organization of the study.

1.1 Background of the Study

Organizations with motivated and talented employees offering outstanding 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 the right answer at the right time and they want to receive their products and services promptly and accurately. Only people can make these things happen and produce a sustainable competitive advantage (Aguinis, 2009). Human resource management is fundamental to all management activity in that it is a series of activities which: first, enables working people and the business which uses their skills to agree about the nature and objectives of their working relationship; and, second, ensures that the agreement is fulfilled. Performance management as one of the aspects of human resource management is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way (Armstrong, 2009).

Performance management systems are key tools that can be used to transform people's talent and motivation into a strategic business advantage (Aguinis, 2009). It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong, 2009). In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework

of planned goals, standards and competency 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 which increases the probability that it will be achieved in the short and longer term. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions (Smither and London, 2009). As a management tool, BSC has designed to improve corporate performance firstly by, it helping to ensure consistency and alignment between the non-financial and the financial measures, (this helps to facilitate the alignment of the measures and strategy); secondly by helping to identify and measure the specific value drivers that underpin performance. This allows managers to test their hypotheses on what is driving organizational outcomes (CIMA, 2005).

1.2 Statement of the Problem

There is general consensus among performance appraisal researchers and practitioners that assessment of appraisal reactions is important (Keeping and Levy, 2000). For instance, it is frequently argued that in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions. If not, any appraisal system will be doomed to failure (Cardy and Dobbins, 1994; Murphy and Cleveland, 1995). If employees are not being adequately appraised, there will be a negative result with respect to their contribution to the organization. As suggested by Stanleigh (2006), it can contribute not only to poor performance on behalf of the individual, but the failure of a project as a whole. It must be difficult to ensure that an employee understands his/her value within the organization if the person who is reviewing their performance is not the person whom they actually work for on a day to day basis, especially, if the evaluation is at all negative. It would be difficult to accept criticism from someone who is not present while performing their daily functions.

Edwards and Sproull (1988) argued that employees who receive a less than favorable evaluation may attribute it to the supervisor's "poor judgment, lack of knowledge, or personal bias". Long, Cendana, Setangg (2013), argued that, an effective performance appraisal system can make an organization to make the right decision towards further success and growth on the same note, an

ineffective performance appraisal system can jeopardize the efforts of an organization by creating dissatisfaction and confusion which then leads to organization failure. Performance management ensures that the employees' performance is aligned with organizational business goals.

Starting from November 2010, CBE has initiated the institutionalization of the balanced scorecard as a strategic management tool that would enable it to formulate and implement its strategy and track its performance accordingly. Since then, it has successfully implemented it in terms of achieving objectively measuring the contribution of processes, districts and branches towards the realization of the annual goals and targets proposed at the respective levels. This has created a fertile ground to link employees' performance with organizational objectives and goals. This in effect has brought about the creation of a mechanism that helps to visualize explicitly their contributions at corporate level as well.

However, the integration of corporate performance indicators and measuring the outcomes at the individual level was missing. Following this, the implementation of balanced scorecard based-employee performance management system was begun with the main aim of aligning the strategic objectives of the bank to that of individual level so that each individual employee performance will be tracked in relation to the targets or goals given to the respective place of assignment. It is also implemented to provide a context in which the development need of the job holders can be addressed and allows the bank to manage its resources within a strategic framework and achieve better performance so that the bank can realize its vision to become a world class bank by the year 2025. Cognizant to this, the main aim of the research is to assess the prospects and challenges of BSC-based performance management system in the Bank.

The CBE has commenced employee performance management system after balanced scorecard has been adopted. However, as shown in the performance management system follow-up report of the bank (2014), the implementation has been encountered different types of challenges like; unbalanced goals and targets were assigned for employees assigned at different positions, unalignment of performance management system with benefit packages and two extreme appraisal score (1 and 5) for internal business process target have been given. Informal interview with

some employees also revealed that there is a tendency of evaluating individual performance on the target not actually given for them. Through a well developed and motivated staff, achieving its vision and mission means a lot for the bank. As a result commercial bank of Ethiopia needs a well designed and implemented performance management system to enhance the performance of its employees who are responsible in serving variety of customers.

1.3 Research Questions

Since the main aim of the study was to examine the prospects and main challenges of BSC-based performance management system in Commercial Bank of Ethiopia, the following research questions were raised to address the aim:

1. What is the effectiveness level of BSC-based performance management system in CBE?
2. What are the major constraints to the implementation of performance management system and process in CBE?
3. How do employees perceive the performance evaluation system after balanced scorecard implementation in bank?
4. Does the processes of performance management being conducted in an objective manner?

1.4 Objective of the study

The overall objective of this study is to assess the prospects and Challenges of BSC-based Performance Management System in Commercial Bank of Ethiopia and to forward possible solution for the actual problems. Specifically, the following specific objectives were raised;

1. To identify effectiveness level of employee performance management system in CBE?
2. To explore constraints in the implementation of the performance management process in the Bank.
3. To find out employees perception toward performance management system of the bank.
4. To assess whether the processes of performance management practiced objectively or not.

1.5 Operational Definition of Terms

Balanced scorecard - an integrated system for describing and translating strategy the use of

linked performance objectives measures, targets and strategic initiatives in four balanced scorecard perspectives –customer ,internal process financial and learning and growth. It is acts as a measurement system, strategic management system and communication tool.

Performance: is the level of output or result accomplished against a given targets and the way how it accomplished.

Employee performance management system: a mechanism designed to aligning the strategic objectives of the organization to that of individual level so that each individual employee performance will be tracked in relation to the targets or goals given to the respective place of assignment.

Challenges: refers to limitations, drawbacks or shortcomings that restrict smooth implementation of employee performance management system in the organization

Prospects: refers to achievements or success obtained as a result of employee performance management system implementation.

1.6 Significance of the Study

The study has assessed the prospects and challenges of employee performance management system practiced in commercial bank of Ethiopia. Furthermore, the study will enable;

- It provides important information about the existing problem which trigger balanced scorecard implementation and provides possible suggestions
- It will serve as a benchmark to those institutions that did not fully implement balanced scorecard.
- It helps the researcher to acquire knowledge and practical experience about balanced scorecard and also for the partial fulfillment of the requirements for master’s degree in business administration.
- Moreover, the researcher also believes that this study can potentially serve as a stepping stone for the future research in this area.

1.7 Scope of the Study

The researcher believes that it would be appropriate to conduct the study in the large scale however; Commercial Bank of Ethiopia is one of the largest banks in Ethiopia having more than

1151 branches stretched across the country. Therefore, conducting the study in large scale would be unmanageable in terms of time, finance and research manageability. Hence, the scope of the study is delimited to assess the prospects and challenges of BSC-based employee performance management system geographically delimited to only Addis Ababa area branches.

1.8 Organization of the Study

This thesis was organized in to five chapters. The first chapter dealt with the introductory part of the study. Which includes back ground of the study, significance of the study, statement of the problem, objectives of the study, scope and limitation of the project and organization of the paper are incorporated. The second chapter would be a brief literature review regarding the research topic. The research methodology and design were discussed in the third chapter. Chapter four dealt with research analysis and interpretation of the finding and finally summery of the major findings, conclusion and recommendation were discussed under in chapter five. The survey questionnaire and the interview that was used for data collection is attached to this document as an appendix.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature Review

In this chapter, the researcher has reviewed related literatures. It is organized into different sub topics: definition of performance and performance management, processes, principles, purposes and its importance and definition of balanced scorecard, the four perspectives of balanced scorecard, Steps of balanced scorecard implementation, challenges of balanced scorecard implementation, performance evaluation system and finally empirical literature on BSC implementation are briefly discussed.

2.1.1 Definition of Performance

In a simple way performance can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong 2009). Performance can also be defined as “the act or process of performing a task or an action that involve a lot of effort” (Oxford Advanced Learner“ Dictionary 2006, p 1080). It is the accomplishment or outputs/outcomes of a task undertaken but also states that performance is about doing the work effectively so as to achieve the desired goals. Performance can also be perceived as a non-job specific behavior such as cooperation, dedication, enthusiasm and persistence that develop the effectiveness of the organization to enhance the working culture and climate of the organization.

2.1.2 Performance Management

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual’s performance and objectives to the organization’s overall mission and goals (Aguinis, 2009). Therefore performance management is a tool which enables to improve organizational performance by clearly aligning the general objectives and mission of the organizations with each individual/team goals. In most cases performance management system and performance appraisal are interlinked with each other. However, performance management is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management in which we use it for

evaluating the competence of employee's (Robert and John, 2013). Performance management is a process of improving the performance of an organization by helping individuals and team to develop their capacity to reach the intended destination (Armstrong, 2006). James, Smither and London (2009) also define performance management as it 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".

Performance management is an integrated and systematic process of sustaining the success of organization by improving the performance of the people who work in them and also it is developing the capacity of individuals and team who contribute to the organization. It is also a strategic process in a sense that it deals with the broader issue of the organization efficiency to meet the market demands and long term goal (Armstrong, 2000). When we say performance management is an integrated process, first it is linking of the organization objective with the teams and individual core competences as well as integration of different aspects of human resource management including, organizational development, human resource development, reward and recognition to ensure excellence in the management and development of people. Performance management is based on the agreement of objectives, knowledge, skill and capability (competence) requirements, performance improvement, and personal development plans.

It involves the joint and continuing review of performance against these objectives, requirements and plans and the agreement and implementation of improvement and further development plans. Many factors will impact the effectiveness of an organization's performance management system, but three are most important. First, the system needs to be aligned with and support the organization's direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user friendly and well received by organizational members. Third, and most important, is that both managers and employees must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results (Pulakos, 2004).

2.1.3 Processes of Performance Management

Most authors have agreed on the meaning of performance management that, it is a continuous process that engages both the manager and an employee to set out how they can best work together to achieve the required results. As a result performance management system has its own process in order to execute the system effectively. Even though there are different processes of performance management system indicated by different authors, the most common and concrete one is a process which encompasses four phases which are performance planning, performance execution, performance assessment and performance review stages. Each phase will be discussed briefly as follows.

1. Performance Planning

According to Smither and London (2009), the performance planning cycle of performance management system is the first stages where employees will be able to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. By results we mean the outcomes that an employee must perform quality products and services with time in accordance to personal accountabilities. On the other hand, behavior is an important measure of results on how employees do their job by discussing on competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved. The third component of a planning phase is development plan. It is identifying areas of improvement and setting goals to be achieved in each area. It usually includes both results and behaviors. Such plans highlight an employee's strengths and the areas in need of development, and they provide an action plan to improve in areas of weaknesses and further develop areas of strength. And it helps employees to identify how continually learn and grow, to see the possibility of being better in the future and helps them to avoid performance problems faced in the past.

To show the difference between result and behavior (Grote, 2002) identified that, results include actual job outputs, countable products, measurable outcomes and accomplishment, and objectives achieved. It deals with what the person achieved. Whereas behaviors include competencies, skills, expertise and proficiencies, the individual's adherence to organizational values, and the person's style, manner and approach. Behaviors deal with how the person went about doing the

job.

Performance planning is a discussion between supervisor and employee with the agenda of coming to agreement on individual's key job responsibilities, developing a common understanding of the goal and objective that needs to be achieved, identifying the most important competencies and creating an appropriate individual development plan (Grote, 2002). While conducting the performance planning cycle, there are some responsibilities which will be expected both from the supervisor and the employee before the discussion and during the discussion. The responsibilities of the supervisor before the meeting is first to review the organization's mission, vision and values statement and department's goal, the second one is reading the individual's job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. The third and the fourth responsibilities of the supervisor is identifying the most important competencies and determining what consideration should be taken to the successfulness of performance in each area respectively. In addition to these during the meeting the supervisor will be responsible to discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee. On the other hand the employee has also the same responsibilities while conducting the performance planning stage in order to make the performance management system effective and successful.

2. Performance Execution

Once the performance-planning phase has been completed, it's time to get the job done to execute the plan. Performance execution is the second phase of an effective performance management process. For the individual, the critical responsibility in phase two is getting the job done achieving the objectives. Even if the line share of this phase will be taken by the employee, but the appraiser have also two major responsibilities: creating the conditions that motivate, and confronting and correcting any performance problems. In an effective performance management system, performance execution also includes a midterm review to ensure that performance is on track (Grote, 2002).

Smither and London (2009), has also mentioned the following responsibilities of supervisor in the execution stage of performance management system.

1. *Observation and documentation:* - it is an observation and documentation of employee's performance in a daily basis which helps to keep track of both good and poor performance.
2. *Updates:* - when there is a change in organizational goal, supervisors must update and revise the initial planned objectives, standards, key accountabilities and key competencies accordingly.
3. *Feedback:* - in order to improve performance, feedback should be provided regularly before the time of assessment and also supervisors should coach and mentor employees every time.
4. *Resources:* - without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly.
5. *Reinforcement:* - supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals. Also, supervisors should provide feedback regarding negative performance and how to remedy the observed problem. Observation and communication are not sufficient. Performance problems must be diagnosed early and appropriate steps must be taken as soon as the problem is discovered.

As the responsibility of supervisors was cited by Smither and London, Dick Grote states the responsibilities of employees as follows.

1. *Get the job done:* - performing the agreed objectives, competencies and development plan at the performance planning stage is solely the responsibility of the employee by carrying out them on a daily activity.
2. *Solicit performance feedback and coaching:* - even though giving feedback is the responsibility of supervisors, employees have to also ask for feedback on their performance and plead for coaching and mentoring while they face some problems in executing their day to day job.
3. *Communicate openly with appraisers on progress and problems in achieving objectives:* - at the performance execution stage, employees should feel free to communicate with their supervisors regarding their progress as well as problems while trying to achieve their objectives.
4. *Update objectives as conditions change:* - whenever there is a change in organizational objective, employees should update their objectives as well in order to comply with the new change.

5. *Complete the development plan:* - once employees put their development plan in the planning process, they have to complete it before the performance assessment stage. This is because without employees' development, performance management system is like a bird with one wing that does not able to fly.

6. *Keep track of achievements and accomplishments:* - employees should register their achievements and accomplishments while performing their job. This will help them to point out the major achievements at the time performance assessment with their supervisors.

7. *Actively participate in the midterm review meeting:* - this is the chance where employees can reach on an agreement with their supervisors about their performance in the past and the areas of improvement for the future.

3. Performance Assessment

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. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. 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. The benefit of self-appraisal is to reduce an employee's defensiveness during the assessment meeting and also in increase employee's satisfaction and trust in the performance management system. The time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Grote, 2002). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their

subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future. Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year. In the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly.

1. *Review the original list of competencies, goals, objectives, and key position responsibilities:* - since performance assessment is made based on the goals, objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.

2. *Prepare a preliminary assessment of the employee's performance over the entire year:* - it helps to have a clear picture on the performance of the employee while accomplishing their planned objective as well as achieving organizational goal.

3. *Review the individual's list of accomplishments and the self-appraisal:* - assessing the accomplishment made by the employee and referring to self-appraisal will help supervisors to remind every accomplishments and failure so as to make an accurate evaluation accordingly.

4. *Prepare final assessment of the employee's performance:* - after reviewing the data gathered through self-appraisal, peer appraisal and self-evaluation made by supervisors, the final assessment should be prepared with fair judgment.

5. *Write the official performance appraisal using the appraisal form*

6. *Review the appraisal with the manager and obtain concurrence:* - the assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.

7. *Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period:* - based on the past performance point out the areas which needs revision on the responsibilities, objectives, goals, competencies and development plans. This is highly appreciated when performance gap is identified.

8. *Prepare for the performance review meeting:* - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period.

Likewise supervisors' individuals have also the above stated responsibilities in the performance assessment phase of the process.

Rating errors which is encountered during performance evaluation process

Rating errors are faults or factors that influence supervisors to have a wrong judgment in evaluating employees' result and behavior and making a wrong decision on the quality of someone's job performance. According to Armstrong there are different types of errors while rating employee's performance. Among them; attractiveness effect, attribution bias, central tendency, first impression error, halo/horns effect, high potential error, negative and positive skew, past performance error, regency effect, similar-to-me effect and stereotyping

4. Performance Review

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 spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither and London, 2009). Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even 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 (Armstrong 2000). There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong 2000).

2.1.4 Principles of Performance Management System

Performance management is primarily concerned with performance improvement in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance and development management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's stakeholder owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong, 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

2.1.5 Purposes of Performance Management System

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency 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 which increases the probability that it will be achieved in the short and longer term. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions (Smither and London, 2009). There are a number of purposes that formal performance management systems might serve. They can provide employees with information about how they are perceived in the organization and where they stand. They can also provide developmental feedback on the strengths the employee should capitalize on and the weaknesses where improvement may be required (Drake Management Review, Volume 1, Issue 1, October 2011) Performance management as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal.

2.1.6 The importance of performance management system

There are many advantages associated with the implementation of a performance management system in the organizations. According to Aguinis, 2009, a performance management system can make the following important contributions:

1. Motivation to perform is increased: Receiving feedback about one's performance increases the motivation for future performance.

Knowledge about how one is doing and recognition of one's past successes provide the fuel for future accomplishments.

2. Self-esteem is increased: Receiving feedback about one's performance fulfills a basic need to be appreciated and valued at work. This, in turn, is likely to increase employees' self-esteem.

3. Managers gain insight about subordinates: Direct supervisors and other managers in charge of the appraisal gain new insights into the person being appraised. The importance of knowing your employees is highlighted by the fact that the Management Standards Centre has recognized that developing productive relationships with colleagues is a key competency for managers. Gaining new insights into a person's performance and personality will help the manager build a relationship with that person. Also, supervisors gain a better understanding of each individual's

contribution to the organization. This can be useful for direct supervisors as well as for supervisors once removed.

4. The job definition and criteria are clarified: The job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviors and results required of their specific position. Employees also gain a better understanding of what it takes to be a successful performer (i.e., which criteria define job success).

5. Self-insight and development are enhanced: The participants in the system are likely to develop a better understanding of themselves and of the kind of development activities of value to them as they progress through the organization. Participants in the system also gain a better understanding of their strengths and weaknesses, which can help them better define future career paths.

6. Personnel actions are more fair and appropriate: Performance management systems provide valid information about performance, which can be used for personnel actions such as merit increases, promotions and transfers, as well as terminations. In general, a performance management system helps ensure that rewards are distributed on a fair and credible basis. In turn, such decisions based on a sound performance management system lead to improved interpersonal relationships and enhanced supervisor–subordinate trust.

7. Organizational goals are made clear: The goals of the unit and the organization are made clear, and the employee understands the link between what he or she does and organizational success. This is a contribution to the communication of what the unit and the organization are all about and how organizational goals cascade down to the unit and the individual employee. Performance management systems can help improve employee acceptance of these wider goals (i.e., organizational and unit level).

8. Employees become more competent: An obvious contribution is that the performance of employees is improved. In addition, there is a solid foundation for developing and improving employees by establishing developmental plans.

9. There is better protection from lawsuits: Data collected through performance management systems can help document compliance with regulations (e.g., equal treatment of all employees regardless of sex or ethnic background). When performance management systems are not in place, arbitrary performance evaluations are more likely, resulting in an increased exposure to litigation.

10. There is better and timelier differentiation between good and poor performers: Performance management systems allow for a quicker identification of good and poor performers. Also, they force supervisors to face up to and address performance problems on a timely basis (i.e., before the problem is too costly and cannot be remedied).

11. Supervisors' views of performance are communicated more clearly: Performance management systems allow managers to communicate to their subordinates their judgments regarding performance. Thus there is greater accountability in how managers discuss performance expectations and provide feedback.

12. Organizational change is facilitated: Performance management systems can be a useful tool to drive organizational change. Employees are provided with training in the necessary skills, and are also rewarded for improved performance so that they have both the knowledge and the motivation to improve product quality and customer service.

2.1.7 Definition of Balanced Scorecard

BSC is as a tool used by the management to keep a record of the activities and actions of the staff and to control and monitor the results or consequences of the actions. Following the experience of implementing BSC in several organizations, Kaplan and Norton (1996) concluded that managers were not using BSC only as performance evaluation, but also as a strategic management system. So in the second stage Kaplan and Norton (1996) argue that BSC is more than an operational or tactical measurement system, BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. BSC is not a simple set of measures, but their definition must follow two fundamental principles; all measures used must be based on the definition of objectives established by the company's mission and strategy; and a cause and effect relation between the measures defined for the four perspectives must be ensured.

According to (Niven, 2006) the measurement focus of the scorecard is to accomplish the following critical management process:

1. Clarify and translate vision and strategy,
2. Communicate and link strategic objectives and measures,
3. Plan, Set targets, and align strategic initiatives
4. Enhance strategic feedback and learning.

It can be also defined as defined BSC as tool managers can employ to measure an organization's operational success through direct cause-and-effect linkages back into daily operations. (Niven,

2006) defined BSC as Balanced Scorecard is a carefully selected set of quantifiable measures derived from an organization's strategy. The measures selected for the scorecard represent a tool for leaders to use in communicating to employees and external stakeholders the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives in the eyes of financial, customer, internal process and internal growth and development perspective.

2.1.8 The four pillars of BSC

The balanced scorecard translates an organization's strategy into four perspectives (financial, customer, internal business processes and learning and growth) with a balance among the following elements: Internal and external measures; objective and subjective measures; performance results and drivers of future results; and the balanced scorecard also balances traditional financial measures with non-financial measures (Kaplan and Norton, 1992). The four Perspectives of Balanced score card introduced by Kaplan and Norton are discussed below:

2.1.8.1 The Financial perspective:

Kaplan and Norton (1992) defined the financial perspective by the following question: How do we look at shareholders? This perspective describes the tangible outcomes of the strategy in traditional financial terms. The financial objectives represent the long-term aims of the organization, and are the outcomes of other nonfinancial factors as indicated in the work of Akram and Tariq (2014). Generally, financial perspective includes profitability measures such as operating income, return on capital employed, sales growth, generation of cash flow and economic value added (Hoque and James, 2000). Financial criteria are important parts of BSC, especially in non- state organizations. The criteria of this view tell us that the successful operation of the goals that have been determined in three other views, will lead to what results and achievement at the end.

2.1.8.2 The Customer perspective:

In the customer perspectives of balanced scorecard, companies identify the customer and market segments in which they have chosen to compete. These segments represent the sources that will deliver the revenue component of the company's financial objectives. This perspective typically includes several core or generic measures of successful outcomes from a well formulated and implemented strategy. The customer perspective enables companies to align their core customer outcome measures- satisfaction, loyalty, retention, acquisition and profitability to targeted customers and market segments. It also enables them to identify and

measure explicitly the values propositions they will deliver to targeted customers and market segments (Kaplan and Norton, 1996)

2.1.8.3 The Internal Business Process perspective:

Kaplan and Norton (1992) determine this perspective by this question: What must we excel at? This perspective identifies the processes that create and deliver to the customer a value proposition. These processes should ensure that the firm's products and services are meeting customer needs, and is considered the most critical for the success of an organization. Some key performance indicators are process improvement and cooperation with suppliers (Khan and Halabi, 2009) Kaplan and Norton (1996), also the key measures of this perspective include product design, product development, post sales services, and manufacturing efficiency (Hoque and James, 2000).

2.1.8.4 The Learning and Growth perspective:

The fourth perspective of the balanced scorecard, learning and growth, It is identifies the infrastructure that the organization must build to create long term growth and improvement. The customer and internal business process perspectives identify the factors most critical for current and future successes. Businesses are unlikely to be able to meet their long term targets for customers and internal processes using today's technology and capabilities. Organizational learning and growth come from three principal sources: people, systems and organizational Procedures the financial, customer, internal business process objectives on balanced scorecard typically will reveal large gaps between the existing capabilities of people, systems and organizational procedures and what will be required it achieve breakthrough performance. To close these gaps, businesses will have to invest in re skilling employees, enhancing information technology, system and aligning organizational procedures and routines (Kaplan and Norton, 1996).

Once you identify objectives, measures and related initiatives in your customer and internal process perspectives, you can be certain of discovering some gaps between your current organizational infrastructures of employee skills (human capital), informational systems (information capital) and the environmental required maintaining successes (organizational capital). The objectives and measures you design in these perspectives will help you close the gap and ensure sustainable performance for the future (Nevin, 2006).

2.1.9 Steps of BSC implementation

In order to implement BSC successfully the firm or the organization should follow nine steps that are designed by Kaplan and Norton (1996).

1. Assessment

Does the organization need BSC implementation or not? In order to know that your organization needs BSC, there are around 20 questions that the company need to answer, and each question has five choices, and if you score 70-80%; then the organization is implementing the organization's strategy properly, however; if your performance is below 70-80% score then you should follow the following nine steps in order to implement your strategy through BSC (Niven, 2006). In order to implement BSC successfully organizations should have to undertake SWOT analysis, then identify enablers (opportunities and strength) and pains (weakness and treats) and also identify target customers and stakeholders this is done by taking in to account the organization's mission, vision and core values. This will help to provide direction to the organization successes.

2. Strategy

Strategy is a hypothesis or a best way, for the organization to achieve its vision and mission and satisfy its customers and stakeholders. In this phase the organization identifies the business strategy taking the mission, the vision and the core values of the organization in to account. But we have to bear in mind that BSC is not a tool to formulate strategy; it is a tool to implement and take action on the designed strategy, so in order to be successful in implementation of the strategy, the formulated strategy should be good. Even though we know that good strategy alone does not guarantee for proper execution.

3. Strategic objectives

Objectives refer to the actual results the organization hopes to achieve. A strategic objective is used to break strategic themes in to more actionable activities that lead to the strategic results (Rohm, 2008). According to stellar leadership strategic objectives is also used to translate strategy into measurable and actionable components that can be monitored.

4. Strategic Mapping

A balanced scorecard strategy map is generic an architecture for describing a strategy. The strategy map describes the process for transforming intangible assets in to tangible customer and outcomes. It provides executive with a framework for describing and managing strategy in a knowledge economy. A strategy map helps organizations to see their strategies in a cohesive,

integrated and systematic way (David P., 2001). The strategy specifies general directions and priorities. Translating the strategy in to action is the next step. Strategy maps provide the tools to translate general strategic statements into specific hypothesis, objectives, measures and targets.

5. Performance measure

The balanced scorecard translates an organization's mission and strategy in to a comprehensive set of performance measures that provides the framework for strategic measurement and management system. The balanced scorecard retains an emphasis on achieving financial objectives but also includes the performance drivers of these financial objectives, the scorecard measures organizational performance across four perspectives: financial customers, internal business and learning and growth (David P., 1996) Creating a balanced scorecard of performance measures requires making difficult choices among a vast number of possible metrics. Fortunately there are a number of criteria you can employ to assist you in making your decision. Scorecard measures should be linked to your strategy, qualitative, accessible easily understood, counterbalance, relevant, and based on a definition shared by all involved. Each potential measures should be evaluated in the context of all criteria to determine which will be included in your scorecard (Nevin, 2006).

6. Initiatives

Initiatives refer to the programs or policies the organizational unit will employ to reach its objectives and targets; these are projects or actionable projects that help to ensure strategic successes. Initiatives translate strategy into operational terms, and provide a basis for prioritizing the budget and identifying the most important projects for the organization to undertake. According to settler leadership Initiatives and action plans are agreed as a set of programs and projects that need to be implemented to ensure the success of a strategy. After this step completed scorecard rollout will be made.

7. Automation

Using software to automate the performance data and facilitate knowledge sharing.

8. Cascade

According to Niven, (2006) cascading the scorecard means driving it down into the organization and giving all employees the opportunity to how their day-to-day activities contribute to the company's strategy. The obvious need is to achieve downward alignment to the employee base. This process frequently referred to as cascading (Kaplan and Norton, 1996).To successfully

implement any strategy it must be understood and acted on by every level of the firm. Cascading the Scorecard means driving it down into the organization and giving employees the opportunity to demonstrate how their day-to-day activities contribute to the company's strategy. All organizational levels distinguish their value creating activities by developing Scorecards that link to the high-level corporate objectives. Cascading creates a line of sight from the employee on the shop floor back to the executive boardroom (Zdaravko, Jelena et,al 2007).

9. Evaluation

The effectiveness of the balanced score card is based on its ability to translate a firm's mission and strategy into a comprehensive set of performance measures (Kaplan et al., 2001a). Besides in order to succeed, it cannot be viewed as a one-time event.

Determining your objectives in developing the Balanced Scorecard will go a long way in securing the evolution of the tool in your organization. Niven (2006) state that specifically, the BSC framework seeks to identify the critical economic activities of the company that generate current and future cash flows and to build a causal model of the process by which the company generates profits by focusing on both financial and non financial indicators of firm performance. The results of the organization becoming more strategy-focused are evaluated, and changes in strategy, measures, and initiatives reflect organization learning.

2.1.10 Advantage of BSC

According to Iqra et al. (2013) balanced scorecard has got advantages over other performance measurement tools due to;

1. Its ability to measure the performance from multiple perspectives;
2. It also helps organizations translate strategy into action;
3. It enables employees at all levels of the organization to focus on important business drivers;
4. It periodically reminds the organization what are the critical strategic issues and gives the necessary feedback on the progress toward achieving them;
5. It tells the story of the strategy through both outcome and driver indicators and is balanced between financial and non-financial operating measures (Shadbolt et.al, 2003).
6. it helps to clarify and gain consensus about strategy;
7. It improves communication of the organization's Vision and Strategy;
8. It links strategic objectives to long-term targets and annual budgets;
9. It increases focus on organizational strategy and results;

10. It improves organizational performance by measuring what matters;
11. Aligns organization strategy with the work people
12. Align departmental and personal goals to the strategy;
13. It helps to prioritize projects/initiatives; and strategy (Kaplan and Norton, 2001; 1996).

2.2 Empirical Literature Review

In this section empirical evidence supporting the performance management system and balanced scorecard management tool has been presented. However, only few studies are undertaken, of which most of them are not on the banking industry.

According to Munzhedzi (2011), performance management system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and if objective of the organization cascaded accordingly. He has tried to find out that, performance management has a great role on organizational productivity even if it was on government offices other than banks. According to Matlala (2011) is that employees at the organization have a negative perception of the fairness of their organization's performance management system. However since this study has made on in South Africa the context might differ and the researcher has to be investigate the study. According to Zhang and Longyi (2009) a study made on commercial banks found in south china states that, Balanced Scorecard is not only an indicator of appraisal system, but also a strategic management system. The use of the Balanced Scorecard breaks the traditional single-use financial indicators methods which measure performance. It adds the future drivers in the financial indicators, which is customer factors, internal business processes and employee learning and growth. In this study, the researcher has tried to forward that Performance management of commercial banks is an important aspect of banking business management. This paper makes study about how to use the Balanced Scorecard as a tool, which is applied to commercial banks performance management system, and points out that it breakthrough the defects in the traditional single application of financial indicators which measures performance. And it raises the value of performance management appraisal system based on the introduction of customer factors, internal business processes, employee learning and growth and financial factors. This paper also makes study about the commercial banks in the performance of the Balanced Scorecard Management System mechanism, the strategy of application, application limitations, and outlook on the future of commercial banking services model based on the above points. However, this study has made in developed country (South china) and this might lead to contextual difference. Therefore the researcher is interested to see

the main challenges and prospects of BSC-based performance management system in commercial bank of Ethiopia.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

In this chapter the applied research methods, data sources, sampling techniques, data collection instruments and procedures, and data analysis methods while undertaking the study will be discussed briefly as follow.

3.1 Research Design and Approach

The method of the study was descriptive type of research because of the study aimed to examine the prospects and challenges of BSC-based performance management system in Commercial Bank of Ethiopia. This type of research design helps to portray accurately the characteristics of a particular individual, Situation or a group. The descriptive survey research design is appropriate choice, because it is a cross sectional study and the study aimed at measuring the attitude of the employees towards performance management system of the bank (Creswell, 2003).

This study has applied both qualitative and quantitative approach (mixed method research). The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies (Creswell, 2012). Hence, by applying the mixed method the researcher will ensure the strength of the findings towards being more objective and generalizable to the entire population.

3.2 Types of Data Collection

The necessary data for this study was collected from both primary and secondary sources. The primary data was collected through questionnaires which contained a mixture of closed ended and open ended questions and the structured interview was prepared and conducted with concerned human resource manager related to the subject matter. The researcher decided to use these tools because; questionnaires will help in gathering basic data from large number of respondent with fewer amounts of time on the other hand interviews the gives the advantage of collecting detailed information from small number of respondents and it helps the researcher how take in to account how the target population feels and think about the problem. The questionnaire was prepared to addresses respondent's demographic profile, educational background and work experience in bank. As well as respondents opinion on BSC

implementation practice, existing performance evaluation system using balanced scorecard is presented. Respondent's level of agreement on barriers of balanced scorecard implementation and lastly major achievements balanced scorecard implementation on four perspectives of balanced scorecard. The secondary data were collected from relevant documents, organization reports, newspapers, periodic publications & magazines that were related to the study. When necessary, materials were downloaded from websites.

3.3 Method of Data Collection

The study has used questionnaires compiled from: book (Armstrong, 2009), and from MA and PhD dissertations (Dereje, 2015; Marie B, 2003) by making a modification to fit for this study. The questionnaire has included closed-ended questions that has been measured by a five-point Likert scale (from strongly Agree to strongly disagree) and some open ended questions to elicit the respondents feeling.

3.4 Reliability and validity of the instrument

3.4.1 Validity

It is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement (Adams, 2007). To raise the validity of the research, questionnaires have distributed and collected by the researcher himself in order to maintain its validity.

3.4.2 Reliability

It estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency (Adams, 2007). To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

1. The researcher has made a pilot test on 20 employees and got a result of Cronbach's Alpha .851 before questionnaire has been distributed to all sample size and after questionnaire would be distributed to all sample size got a result of Cronbach's Alpha .824
2. Some important questions have re-asked in different place in a different order.

3. The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have completed the questionnaire through making the distribution and collection time gap short an as much as possible.

3.5 Sampling Design and Sampling Techniques

3.5.1 Target population

As discussed above, this research is aimed at assessing the prospects and challenges of BSC-based performance management system practiced in the commercial bank of Ethiopia. So the total populations of the study employed of the bank found in Addis Ababa city which is 12084. Though, incorporating all employees' idea on the analysis would have been better for conclusion and generalization, economically and operationally it was very difficult to contact all employees in the research. Therefore, taking a respective sample of the population of the employees was found to be feasible.

3.5.2 Sampling Techniques

Since the target population of the study is employees of commercial bank of Ethiopia found in Addis Ababa city, the researcher used stratified random sampling method to select samples from the target population. As it is mentioned in (Kothari, 2004) stratified sampling result in more reliable and detailed information and enable to get more representative samples. The head office and four district office would be the five strata that had used to collect data. Simple random sampling technique has employed once the five different strata's are identified. This is because all the 5 divisions in a given stratum are homogenous (have same level of educational background and level of job categories) and this means all employees who are in different divisions have an equal access and information about performance management implementation of the organization. A purposive sampling technique has been used to select interviewees (four district HR and business managers and Director of Human Resource Development) in the organization. This is because of that, these five participants are the main actors of the system and they believed to be having a better knowledge on the subject.

3.5.3 Sample Size

After determining the target population the researcher has tried to calculate the sample size. Therefore, by using Yamane (1967:886) as quoted in Israel, 2013 sample size calculation formula, the researcher has determined the total sample size and for respective divisions proportionally.

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

Where n is the sample size, N is the population size, and e is the level of precision. With the level of precision e= 5% and N= 12084;

$$n = \frac{12084}{1 + 12084(0.05)^2} = 399.96$$

Therefore the total sample for this study is 400 employees.

Divisions	Sampling Frame	Sample size
Head office	2385	79
North A.A district	2650	88
South A.A district	2369	78
West A.A district	2277	75
East A.A district	2403	80
Total	12084	400

Table 3.1 sample size distribution

3.6 Methods of Data Analysis

The data analysis of the study were summarized using frequencies and percentages as well as mean and standard deviation for all variables including age, sex, working experience; years on current job/position and educational level were analyzed. The data gathered through questionnaires from the respondent will be analyzed and presented in the form of charts, diagrams and tables. The collected data from randomly selected employees were analyzed using SPSS in terms of descriptive statistics such as percentages, frequency mean& standard deviation. The result of interview questions were interpreted and analyzed accordingly. The primary data collected through interview and questionnaires tried to be discussed to get meaningful information about existing prospects and challenges of balanced scorecard implementation.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

This chapter presents the data collected from both primary and secondary sources. Secondary sources are HR manuals and reports issued by the bank and other related literature. Primary sources are data that have been collected by undertaking survey from employees of the bank. Moreover; an interview is made with the human resource development officer of the bank and human resource and business manager of four districts. The questionnaire is distributed to 400 employees and out of these employees only 352 (i.e. 88%) employees are returned the questionnaire. Therefore the analysis is made based on the 352 respondents' data only. The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The output of the data is presented using tables and graphs in order to make the topic more understandable.

4.1 Demographic characteristics of the respondents

Table 4.1 the respondents general profile in the study areas

Items	Category	Frequency	Percentage	total
Gender	Male	309	87.8	
	Female	43	12.2	352(100%)
Educational Background	College Diploma	11	3.1	
	Bachelor's Degree	316	89.8	352(100%)
	Master's Degree	18	5.1	
	other	7	2.0	352(100%)
Years of experience in CBE	Less than 1 year	14	4.0	
	1 year- 5 years	277	78.7	352(100%)
	6 years-10 years	56	15.9	
	More than 10 years	5	1.4	352(100%)
Your current position (Job Grade)	Job grade 7	77	21.9	
	Job grade 9	92	26.1	352(100%)
	Job garde10	67	19.0	
	Job grade 11	66	18.8	352(100%)
	Job grade 13 and	50	14.2	
In which district office of the bank you are currently working	East Addis	75	21.3	352(100%)
	West Addis	64	18.2	
	North Addis	67	19.0	352(100%)
	South Addis	76	21.6	
	Head office	70	19.9	352(100%)

Source: own survey, 2017

Demographic characteristics of the respondents' are summarized in Table 4.1 of the total 87.8 % (N=309) and 12.2% (N=43) respondents were male and female respectively. This shows that the number of female staff is less from the number of male staff which means there is gender imbalance in the organization. Result from the Table 4.1 shows about educational background of the respondents that the majority 89.8% of the respond had first degree level. The rests 5.1%, 3.1% and 2.0% had MA degree, collage diploma and others holders respectively. This implies that the majority of employees under this study area are first degree graduates. On the subject of work experience in CBE the survey result indicated that the majority of the respondents 78.7% had between 1 and 5 years of experience 15.9% and 4.0% was between 6-10 and less than 1 years of work experience in the Bank respectively. The rest 1.4% of the sampled population had above 10 years of work experience in the Bank It is the researcher believes that these combinations of the respondents were good enough in finding the accurate information because the majority of respondents have one to five years and more than six years of experience in CBE. Of the total 26.1% current position had job grade 9, the respondents who were job grade 10 are 19.0% and around 18.8% the respondents are job grade 11 & 21.9% of the respondents are job grade 7 and 14.2% are on job grade 13. from this result one can say that this study target respondents have different work experience as well as hierarchical level in the bank. As shown in the table 1 above, respondents were participated in the study based on the population size for their respective divisions' or strata. That is 21.3%, 18.2%, 19.0%, 21.6% and 19.9% from east Addis Ababa district, west Addis Ababa district, south Addis Ababa, north Addis Ababa district and head office respectively. All respondents participated were almost based on the proportion of their sample frame.

4.2 The effectiveness level of BSC-based performance management system in bank

From the total respondents 77% agreed or strongly agreed that employee performance management system has created role clarity among the employees in the bank. However, 8.9 % of the respondents disagreed or strongly disagreed with the statement that employee performance management has created role clarity among employees in the bank. Therefore, the point we can infer from table 4.2 is that it has created clear mechanism to inform employees what is expected of them for each employees. Respondents were asked to give their opinion if CBE clearly defined the concept performance planning contributed to create similar/shared understanding about individual employee and our branch/office performance consequently

majority of the respondents 94.9% replied that PMS is contributed to create similar/shared understanding about individual employee and our branch/office performance in order to enhance the capacity of the organization whereas 2.8% of the respondents believe that the rationale behind performance planning contributed to create similar/shared understanding. Again in the table below (table 4.2), from the respondents, 71.6 % agreed or strongly agreed on employee performance management system has made a better differentiation between good and poor performers. However, 10.5% of the respondents strongly disagreed or disagreed on the importance of performance management system to differentiate good and poor performers. Here we can infer from this result that, the employee performance managements system implemented in Commercial Bank of Ethiopia enable to differentiate those best performers and poor performers so that personnel actions can be made.

The other question which was forwarded to respondents was the opinion regarding the alignment of individual goal to organizational goal As a result, 76.9% responded that their individual goals are congruent with organizational Goal, 11.1% were neutral and 11.9% of them replied that there is no clear line of sight between individual goals and organizational goal and it did not support the strategic objective of the organization. From this anyone can understand that there is no equal understanding regarding the alignment of individual goal to organizational goal and also it can be understood that CBE did not work too much in cascading its goal to individual.

On the subject of believing the objective of their work unit is realistic and attainable, even though 49.1% and 27.8% respondents agree and strongly agree also respectively on the fact that their work unit objective can be attained if they work hard, on the other hand number of respondents i.e. 11.1% have no idea whether it can be achieved or not and yet 9.1% and 2.8% are totally disagree and strongly disagree. Here also the researcher believes that even if 76.9% of the respondents are clear about the goal of their work unit but for those who do not agree on the attainable rate of their work unit objective it will be a disaster for CBE to have an employee who thinks his/her department will not have a significant contribution for the overall development of the organization.

The fifth item was as shown in table 4.2 below, 73.3% of the respondents agreed or strongly agreed that, as a result of employee performance management system of the bank personnel actions become fair and appropriate. However 11.7% of the total respondents disagreed or strongly disagreed that personnel actions are not became fair and appropriate as a result of employee performance management system. From this we can say that, Performance management systems provide valid information about performance, which can be used for personnel actions such as merit increases, promotions and transfers, as well as terminations.

As indicated in table 4.2, from the total respondents, 65.3% agreed that employee performance management system serves as a two way communications about roles and expectations. This shows that performance management system has created two way communications between employees and the management. The last question as indicated in the table below table 4.2, from the total respondents 51.4% have agreed or strongly agreed that employee performance management system is important for employees success and the bank, thus it is good to have. However 17.0% of the respondents have disagreed or strongly disagreed with the statement. Therefore, we can say that EMPS is important for employees' success; since it can create role clarity, makes them goal oriented and encourage development and for the bank too; by improving each individual performance so that The banks success will enhance.

Response found from the interviewees confirmed that, since the system requires that each and every employee knows what expected of him or her. And, improvement has been noticed in the quality of service in customer service and volume of transaction. Also managers have found a good way to track the performance of the employees under their domain. Therefore based on the result found we can say that, the employee performance management system has different benefits in the bank. The system has created role clarity among employees, helps to differentiate performance level of employees so that to take personnel actions, to make employees competent, to foster two way communication between employees and their supervisors, to motivate employees and finally to enhance employees performance so that the bank will achieve its objective.

Based on the data collected from interviewees, the employee performance management system makes employees goal oriented. It has also helps to link employees' performance with organizational objectives and goals. And, this in effect has brought for the creation of a

mechanism to see explicitly their contribution at corporate level as well. This finding is consistent with Munzhedzi (2011) that, performance management system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and performance management has a great role on organizational productivity.

Table 4.2: the effectiveness level of BSC-based performance management system in CBE

No	Statement		Level of Agreement					Total	Mean & Std. Dev	
			SA	AG	NAD	DA	SD		Mean	Std. Dev.
1	It has role clarity among the employees in our branch/office	Count	84	187	50	28	3	352	3.91	.989
		%	23.9	53.1	14.2	8.0	0.9	100		
2	Performance planning contributed to create similar/shared understanding about individual employee performance.	Count	59	275	10	6	2	352	2.28	.950
		%	16.8	78.1	2.8	1.7	0.6	100		
3	There is better and timelier differentiation between good and poor performers	Count	92	160	63	19	18	352	2.34	.904
		%	26.1	45.5	17.9	5.4	5.1	100		
4	My business process/work unit's goal is aligned with the strategic mission of the organization	Count	98	173	39	32	10	352	3.46	.914
		%	27.8	49.1	11.1	9.1	2.8	100		
5	I am informed and reach on an agreement Personnel actions are more fair and appropriate	Count	52	206	53	27	14	352	3.47	1.346
		%	14.8	58.5	15.1	7.7	4.0	100		
6	It helps to motivate employees and encourage development	Count	30	230	50	27	15	352	2.10	1.95
		%	8.5	65.3	14.2	7.7	4.3	100		
7	Performance management system is important for the success of me and the bank at large, thus it is good to have.	Count	43	138	111	60	-	352	3.92	.865
		%	12.2	39.2	31.5	17.0	-	100		

(Level of agreement: SA= strongly agree; AG= Agree; NAD= neither agree nor disagree; DA= Disagree; and SD= strongly disagree).

Source: own survey, 2017

4.3 Major constraints to the implementation of PMS and process in CBE

The study result showed that arithmetic mean and standard deviation value of the respondents' believe on their level of understanding on the responsibilities, accountability & goals in the bank achievements were 3.81 and 1.070 respectively. This implies most employees have better understanding about their responsibilities, accountability & goals in the bank. Similarly 11.9% (N=42) of the respondents said that their opinion was often accepted. However the majority of the respondents participate in meeting with managers, the employees don't discuss about progress towards the achievements of balanced scorecard in meeting with their managers.

The table result shows the mean and standard deviation of resource allocation for sustain implementation of BSC in the bank was indicated that 4.02 and 0.981 respectively. This implies the respondents were believed that than bank allocated appropriate resources for the implement of BSC. Moreover, of the total 80.7 % of the respondents were believed that allocated appropriate resources for the implement of BSC. The above table also describes the respondents' opinion on the internal business perspectives. From the study result the impact of implementing BSC in the internal business perspectives of the bank was significant difference. Hence the mean and standard deviation of internal business perspectives and internal business perspectives parameters such as service delivery and achievement of strategic goals was 3.95, and 1.035 respectively. This indicated that they were improvements in the bank.

According to Richard H. et.al (2000) the internal business results commonly lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Question three of the above table is concerning the Key performance indicators in CBE properly measures the bank's progress and performance of individual effort towards the achievements of the company strategy. Thus, a total of 70.5% of the respondents agreed on, 5.1% seems to be indifferent and 6.5% disagree with the idea. Here the majority of the respondents believe that Key performance indicators in CBE properly measure the bank's progress and performance of individual effort towards the achievements of the company strategy.

The 80.4% of respondents have agreed that there is no fair job rotation in the bank. The next question which was forwarded to respondents was about the implementation of balanced

scorecard improves the service delivery of the organization. As a result 77% of respondents agreed and strongly agree that implementation of balanced scorecard improves the service delivery, 12.5% remain neutral and 10.5% replied they did not know agree about the implementation of balanced scorecard improves the service delivery. From the responses a large number of respondents have positive agreement. The table also shows that, 95.2% of the respondents thought that commercial bank of appraised job roles and I signed on the contract agreement are different. 2.3% oppose the job roles and on the contract agreement are different 2.6% of the respondents were not sure about it.

Table 4.3: Summary of Responses related to Challenges of EPMS in the Bank

No	Statement		Level of Agreement					Total	Mean & Std. Dev	
			SA	AG	NAD	DA	SD		Mean	Std. Dev.
1	I have clear line of sight among my responsibilities, accountability & goals.	Count	90	127	38	52	45	352	3.81	1.07
		%	25.6	36.1	10.8	14.8	12.8	100		
2	I have frequently meeting with managers to discuss the progress towards the achievements of balanced scorecard.	Count	17	25	49	144	117	352	3.87	.853
		%	4.8	7.1	13.9	40.9	33.2	100		
3	Allocating appropriate resources for the building up and sustaining of the BSC implementation is good in CBE.	Count	76	208	35	27	6	352	4.02	.981
		%	21.6	59.1	9.9	7.7	1.7	100		
4	BSC implementation improves achievement of strategic goals for my business unit.	Count	95	157	56	26	18	352	3.95	1.035
		%	27	44.6	15.9	7.4	5.1	100		
5	Key performance indicators in CBE properly measure the bank's progress and individual effort.	Count	52	248	18	23	11	352	4.69	.635
		%	14.8	70.5	5.1	6.5	3.1	100		
6	There is no fair job rotation among employees in my branch.	Count	119	164	36	23	10	352	4.16	0.767
		%	33.8	46.6	10.2	6.5	2.8	100		
7	The implementation of	Count	114	157	44	23	14	352	2.5	1.0

	balanced scorecard improves the service delivery of the organization.	%	32.4	44.6	12.5	6.5	4.0	100		
8	What I am appraised job roles and I signed on the contract agreement are different.	Count	267	68	9	8	-	352	3.75	.907
		%	75.9	19.3	2.6	2.3	-	100		

(Level of agreement: SA= strongly agree; AG= Agree; NAD= neither agree nor disagree; DA= Disagree; and SD= strongly disagree).

Source: own survey, 2017

These are some of the reasons summarized from an open question presented to respondent's major challenges you faced as a result of the implementation of BSC-based PMS. Some of the complaints listed are based on factors some of which are already on the Appraisers had different perceptions for different employees and there was no body for resolution, appraising was based on last period's incidents (current period performance results were influenced by previous period registered result), The supervisors gave us always low grades without creating opportunities for improvement for the comments they gave and the appraisal factors are summarized points which are Some of the complaints listed are based on factors some of which are already on the system but not effectively practiced. Choosing the appropriate method for the right task is agreed to improve the rate of success in implementing employee performance appraisal (Biron, et al., 2011). Additionally, some factors like, coincidence of employee and organization goals, a method which excites the staff to better perform, ability to compare among employees, the system with its ability to make error free judgments are some suggestions put in the area (jafari, et al, 2009). It is Difficult to use to measure individuals specific talents and results. And, there difference between appraised job roles and contract agreement.

4.4 Perception of employees towards PMS of the bank

Table 4.4: Summary of Responses related to Perception of employees towards PMS of the

No	Statement		Level of Agreement					Total	Mean & Std. Dev	
			SA	AG	NAD	DA	SD		Mean	Std. Dev.
1	I am clear with my roles and responsibilities	Count	124	173	43	12	-	352	3.19	1.147
		%	35.2	49.1	12.2	3.4	-	100		
2	There is the use similar rating mechanism among the branches/departments and individuals.	Count	7	81	4	199	61	352	3.43	1.201
		%	1.99	23.01	1.14	56.53	17.33	100		
3	The feedbacks are properly communicated to our branch/office and me	Count	49	214	50	28	11	352	3.37	1.275
		%	13.9	60.8	14.2	8.0	3.1	100		
4	The performance management processes are done free of bias and objectively	Count	6	215	1	96	34	352	3.85	0.761
		%	1.7	61.1	0.3	27.3	9.7	100		
5	performance raters are competent enough to undertake their assignment	Count	69	149	7	120	7	352	3.78	0.914
		%	19.6	42.3	2.0	34.1	2.0	100		
6	I feel fairly treated in every process of performance management system.	Count	73	134	15	108	22	352	3.93	0.847
		%	20.74	38.07	4.26	30.68	6.25	100		

(Level of agreement: SA= strongly agree; AG= Agree; NAD= neither agree nor disagree; DA= Disagree; and SD= strongly disagree). Source: own survey, 2017

As depicted from the above table, 4.4 49.15% of the total respondents agreed that, they believe they are clear with their roles and responsibilities. This shows that employees of the bank know what expected from them and what intends to do. As indicated in table above, 73.86% of the total respondents disagreed or strongly disagreed with the statement says there is similar rating mechanism among branches and employees followed by 25% agreed or strongly agreed with similar rating has implemented across employees and different branches. Therefore, we can say that employees are feeling being not treated fairly and in a similar manner or uniformly across individuals and units. 74.7% of the total respondents have said feedbacks are properly communicated to our office and me. From this we can infer that, feedbacks from their supervisor and upper level units are properly communicated to the respective individuals and branches.

Among the total respondents 37% have disagreed and strongly disagree with the statement saying performance management processes are done free of biases and objectively. However, 62.8% of the total respondents agreed with the statement saying processes are done free of bias and objectively. From this we can understand that, employee performance management processes are not implemented without biases and objectively in the organization.

As indicated in the table above, among the participants 61.9% Of the total respondents have agreed or strongly agreed that Performance raters are competent enough to undertake their assignment. However, 36.1% Of the respondents have disagreed and strongly disagreed with the statements saying Performance raters are competent enough to undertake their assignment. From this we can infer that the employees' value for their rater plays a major role to come up with better results and employees should have to rely on their raters' competency. Otherwise, it is difficult to get favorable advantage from employee performance management system. As shown the above table 4.4 among the total respondents 36.93% were disagreed or strongly disagreed that they are not feel fairly treated in every process of performance management system. However, 58.81 % of the respondents have felt fairly treated. This shows that employees in commercial bank of Ethiopia feel fair in employee performance management processes.

4.5 Processes of employee performance management system at CBE

4.5.1 Performance Planning

Performance planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done. With this in mind the researcher tried to assess employee's opinion on the first phase which is performance planning and the response is analyzed and presented as follows.

Table 4.5 Summary of Responses related with Performance Planning

No	Statement		Level of Agreement					Total	Mean & Std. Dev	
			SA	AG	NA D	DA	SD		Mean	Std. Dev.
1	I know the strategic objective of the bank very well.	Count	51	225	48	28	-	352	3.85	.761
		%	14.5	63.9	13.6	8	-	100		
2	The overall corporate plan is properly cascaded to core processes, branches and/or individuals.	Count	51	234	8	56	3	352	3.78	.913
		%	14.5	66.5	2.3	15.9	.9	100		
3	I believe that individuals' plans are properly aligned to the corporate/organizational annual plan.	Count	84	188	50	30	-	352	3.93	.847
		%	23.9	53.4	14.2	8.5	-	100		
4	I am informed and reach on an agreement with my supervisor/ manager about the standards that will be used to evaluate my work.	Count	68	150	8	120	6	352	3.44	1.192
		%	19.3	42.6	2.3	34.1	1.7	100		

Source: own survey, 2017

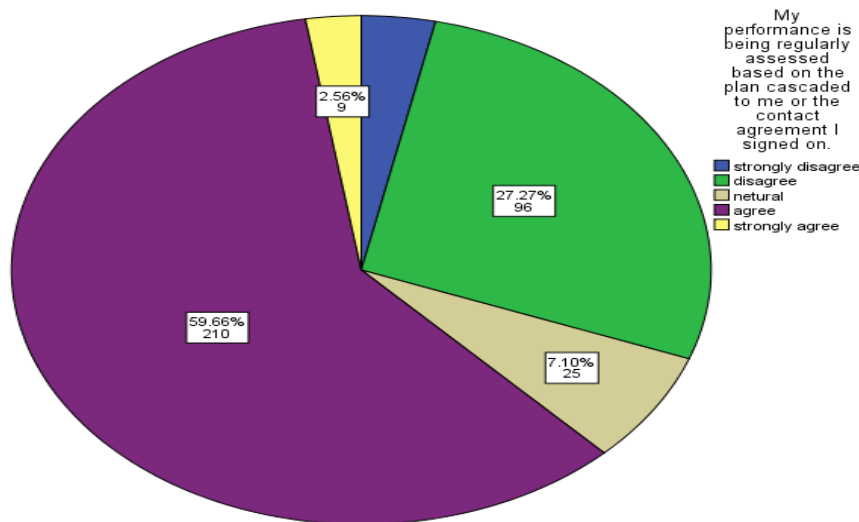
As summarized in the table 4. 7 above among the total respondents 78.4% agreed that they know the strategic objective of the bank very well. From this we can infer that, employees of the bank are aware of the strategic objective of the bank. Regarding the cascading of the corporate plan, from the total respondents 81% have agreed that the overall corporate plan is properly cascaded to units and individuals. However 16.8% of the total respondents disagreed that the overall corporate plan is properly cascaded to units and individuals. Among the respondents 77.3% have agreed that they are clear about what is expected from them and their job responsibilities. Therefore based on their response, the many of respondents in the bank are clear with what should they do and their responsibilities. The last question in the performance planning category about their level of agreement whether they reached to an agreement with their supervisor about the standards that will be used to evaluate their work. Accordingly, majority of the respondents which is 61.9% replied disagree and strongly disagree, 2.3% remain neutral and a total of 126 35.8% respondents agree and strongly agree on their agreement with their supervisor regarding the standards used to evaluate their performance. In this regard most of the literatures argued that standards should be clear to the manager as well as the employee, both of them should agree that the standards are fair, it should be specific and as measurable as possible, it should be clear

whether the standards is to be accomplished by the specific date or whether it is ongoing and because it is achievable and agreed on, it should be periodically evaluated and changed if necessary. Based on the sample participants’ response, employees of commercial bank of Ethiopia know the strategic objective of the bank very well and they believe that the overall corporate plan is properly cascaded to units and individuals. Employees are also clear with what should they do and their responsibilities and they know also the standards that used to evaluate their work.

4.5.2 Performance Execution

Performance execution is getting the job done in order to get the desired objectives in an effective and efficient way. It is the second phase of performance management system which allow to observing, providing continuous assessment, follow-ups and feedbacks to performers by supervisors/managers. Therefore, in order to gather data regarding the process of performance execution respondents were asked the following questions to see their level of agreement and disagreement.

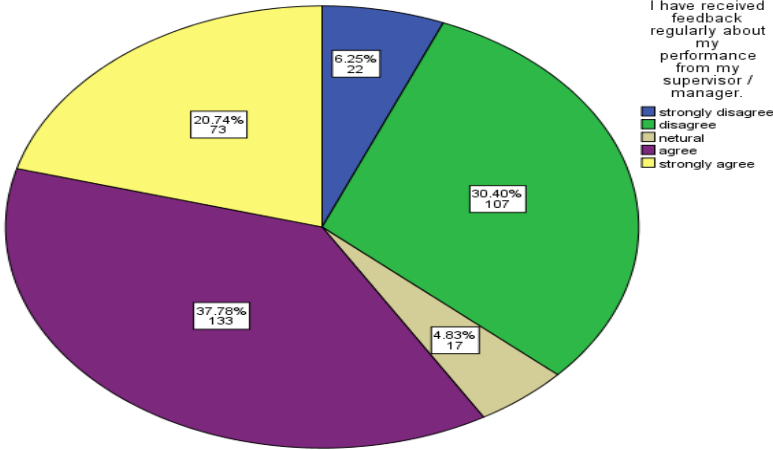
Graph 4.1: My performance is regularly assessed based on the plan cascaded to me



Source: own survey, 2017

As indicated from the above graph, 62.3% of the respondents have agreed or strongly agreed that their performance is regularly assessed based on the plan/target cascaded for them. However, 30.7% of the total respondents have disagreed or strongly disagreed that their performances have been assessed regularly based on their given plan. From this we can say that their supervisors are continuously assessing their performance even if some respondents don’t feel so.

Graph 4.2: I have received feedback regularly for my performance from my manager.



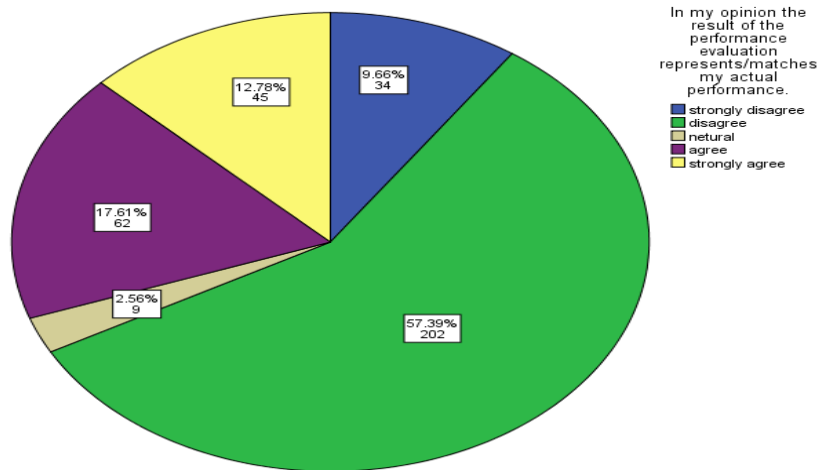
Source: own survey, 201

From the above graph we can see that, 58.5% of the total respondents agreed or strongly agreed that they received regular feedback for their performance from their supervisor or manager. However, 36.7% of the respondents disagreed that they have received regular feedback from their supervisor or manager for their performance.

4.5.3 Performance Assessment

Performance assessment is a process of evaluation the extent to which the desired behavior and results stated in the performance planning stage have been achieved during the specific period of time. Thus, in the following section the data gathered from the questionnaire will be presented whether CBE is conducting the assessment stage correctly or not.

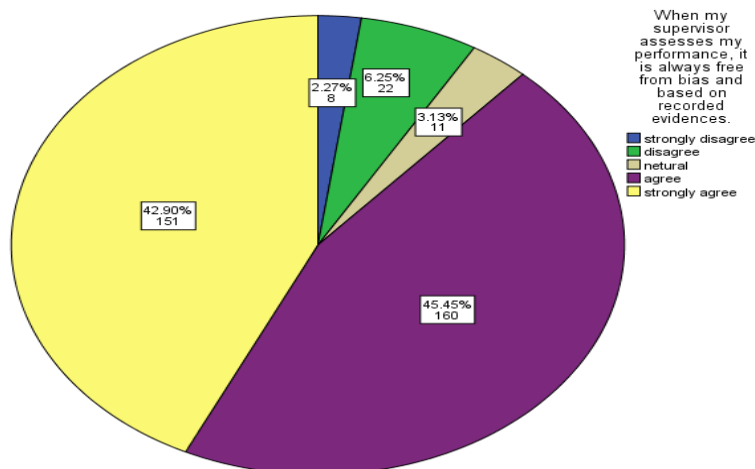
Graph 4.3: The result of the evaluation matches with my actual performance.



Source: own survey, 2017

As indicated in graph 4.6 above; 67.1% of respondents have disagreed or strongly disagreed that the result of their performance evaluation does not matches with their actual performance. This shows that employees in the bank believe that they are not appraised based on their actual effort while this question was also forwarded for the staff who attended the interview and their response are individual employees are not clear with their performance targets.

Graph 4.4: My supervisor evaluates my work based on recorded evidence only.



Source: own survey, 2017

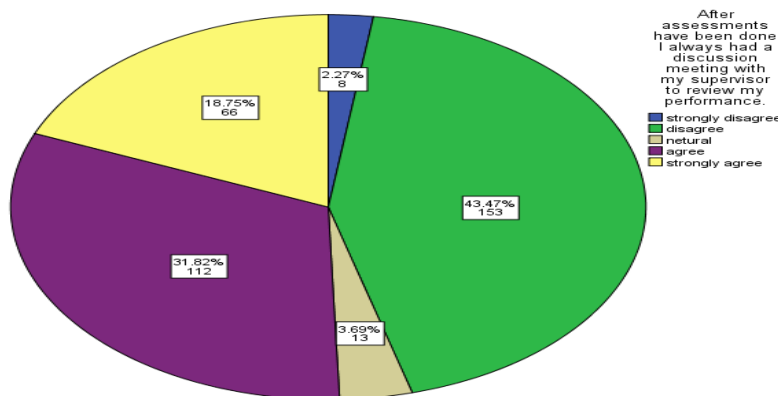
According to graph 4.7, among the total respondents 45.5% have agreed that their supervisor evaluates their work based on recorded evidence. However, 6.3 % of the total respondents agreed that their supervisor evaluates their work not based on recorded evidence only. From this we can

infer that, employees are evaluated their work based on recorded evidence only in the bank. The General Managers and human resource managers were interviewed in this regard to verify whether there is a link between specific job performed by an individual with the strategic objective that is the movement in performance appraisal results follow the increment or equal to the growth in the banks' efficiency and profitability. Some of them agreed to such proposition specific job performed by an individual link with the strategic objective.

4.5.4 Performance Review

On the other hand performance review is the meeting between the supervisor and the employee to review their assessment and to be on the same page about the employee's performance. 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. Hence, the researcher tried to forward the following question regarding performance review and found out the result which is presented below.

Graph 4.5: There is a meeting with my supervisor after evaluation is made to review results



Source: own survey, 2017

As indicated in graph 4.5 above among the total respondents 31.8% agreed that there is a meeting with their supervisor after evaluation made to review results. Of the respondents 43.5 % have responded that there is no a meeting with their supervisor after evaluation is made. From this we can infer that there is no meeting between managers and employees to review their results after they made performance evaluation. In order to verify the validity of the response,

the study tried to look whether there are comments put by the employees and supervisors on the formats from secondary sources or copied forms from the personnel files The results of the study on the secondary sources (personnel files) indicated that also there is no a meeting with their supervisor after evaluation is made.

Table 4.6: Performance evaluation is attached with reward and recognition schemes.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	34	9.7	9.7	9.7
Disagree	163	46.3	35.2	44.9
Natural	25	7.1	7.1	52.0
Agree	124	35.7	46.3	98.3
strongly agree	6	1.7	1.7	100.0
Total	352	100.0	100.0	

Source: own survey, 2017

According to table 4.7 above, among the total respondents 46.3% have disagreed with statement; performance evaluation is attached with reward and recognition schemes. From these we can say that even if employee performance management system has been implemented in the organization still not attached with the employees’ reward and recognition programs. Data collected from interviewees have also confirmed that the employee performance management system has not still attached with reward and recognition program in the bank

Table 4.7: All performance management processes in CBE is trustworthy and right.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	33	9.4	9.4	9.4
Disagree	193	54.8	54.8	64.2
Natural	9	2.6	2.6	66.8
Agree	62	17.6	17.6	84.4
strongly agree	55	15.6	15.6	100.0
Total	352	100.0	100.0	

Source: own survey, 2017

As indicated in the table above from the total respondents 54.8% have disagreed with the statement says all performance management processes in CBE is trustworthy and right and 17.6% of the total respondents have agreed with this statement. This shows employees in the Bank believe that it is impossible to say that all performance management system processes are trustworthy and right in the bank.

Based on the data collected from interview, the awareness creation sessions conducted at the start of the system along with the practices of the performance management system employees have a good idea of what it is and its purpose. Regarding the manual or rule being used to standardize the EPMS in the bank, they have a guideline to support the cascading of goals and targets that was disseminated to line managers and also they have a monitoring and evaluation checklist to see if all branches and processes are acting by complying with this guideline. There is EPM team which goes through each and every contract and appraisal document in order to see the extent of performance of each and every branch.

The interviewees have also added that, resistance to change was the main problem. According to data collected from secondary sources (agreement and appraisal formats), there is a tendency of giving 1 and 5 (i.e. exceptional and Unsatisfactory marks) only for non-financial targets This is because of that the system has developed to accept only 1 or 5 grades as an input. Though, the bank is using four rating scale (5=Exceptional 4=Above Expectation, 3=Meets Expectation, 2=Below Expectation and 1=Unsatisfactory), it is not functional for non-financial targets.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study was conducted to assess the prospects and challenges of balanced scorecard implementation in CBE. In order to attain these, relevant data were gathered through questionnaire with 352 permanent employees and interviewing with head office and district officers of commercial bank of Ethiopia respectively. The data collected from target respondents through questionnaire was compiled and summarized by using SPSS statistical software. The variables were analyzed by using frequency counts, percentages, mean values, and standard deviation. Finally, information obtained through open ended questionnaire, interview and document review were thematically analyzed and interpreted.

5.1 Conclusion

Based on the results of this study, different factors were identified as responsible for the prospects and challenges after balanced scorecard implementation in the bank. The current study demonstrate that performance management system implemented in CBE brings many advantages; it has created role clarity among employees and makes them create similar/shared understanding about individual employee and our branch/office performance enables to differentiate good and poor performers. Furthermore, it has created congruent with organizational Goal and goal of their work unit. After its implementation, it has contributed to improve both individual and the bank's overall performance.

This study has also tried to reach on conclusion that, employees have better understanding about their responsibilities, accountability and goals in the Bank. However, they said there is no similar rating mechanism among branches and individuals and the employee performance management system lacks uniformity even though raters are believed to be competent enough. They are not feeling fairly treated in processes of employee performance management system.

Among employee performance management processes, performance planning has been implemented relatively in a good manner. According to the results found, the Bank allocated appropriate resources for the implementation of BSC. Key performance indicators in CBE properly measure the bank's progress and performance of individual effort towards the achievements of the company strategy. However, appraised job roles and contract agreement are

different in the performance execution stage, even though their performance is regularly assessed based on the plan/target cascaded for them and received regular feedback for their performance they are provided sufficient resources to execute their jobs. In the assessment stage, the study found that the result of their performance evaluation does not matches with their actual performance and employees are not evaluated their work based on recorded evidence only. Regarding performance review, there is a meeting between managers and employees to review their results after they made performance evaluation. However, performance evaluation is not attached with reward and recognition schemes. Therefore, it is impossible to say that all performance management system processes are trustworthy and right in the Bank.

5.2 Limitation of the Study

This study was conducted within an organization where the researcher is an employee of the case organization and a participant in the performance management system. This may imply a certain level of subjectivity based on the researcher's own perceptions for the system and his personal experience of such a system. However, care was taken to reduce such biases through the enhancement of trustworthiness and quality and following scientific research procedures. The study also focuses on commercial bank of Ethiopia (Addis Ababa area), and limited research exposure of the researcher.

5.3 Recommendations

Based on the research findings, the study has produced the following recommendations to Improve the performance management system and process in the CBE:

- CBE should work more on creating interactive two way communication system that develop smooth communication within the organization, develop employee commitment and sense of belongingness and CBE also focus on create better understanding through regular meetings to ensure that balanced scorecard brings good progress towards achieving the strategy executed in actionable way.
- The employee performance process must assist the management of the bank to handle poor performance and the process must be based on maintaining proper records of employee performance. There should be mechanisms developed which supports the appraisers to take notes and give feedback discussions. The appraisal areas should concentrate on the past achievements and future capabilities based on output, knowledge

and skills, personal qualities and employees' contribution to the general organization's business success.

- In order to have a successful performance management system and also in order to achieve the desired goal of the organization, organization goal should be cascaded to departmental and individual level of goals so as to align it properly by revising the job description of each job thoroughly.
- To attain its organizational objectives and motivate employees towards better performance, attract and retain competent employees the current compensation and benefit package of Commercial Bank of Ethiopia should be revise and improved. The focus of revision should also include the benefit packages should be way linked with individual performance that acknowledge employee contribution towards the overall organizational successes.
- In the performance assessment part, CBE should let employees to know what is to be assessed and how it is to be assessed which must be within the control of an employee and on the agreed points during planning stage. This will help to reduce employees' defensive behavior not to accept the evaluation result because the evaluation is based on what they are accountable for.

In general, it is advisable for CBE to sustain all its current strengths, and improve its limitations mentioned above to challenge future uncertainties.

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Appendix- 1: Questionnaire

ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION
A questionnaire to be filled by Employees of CBE

General Guideline:

This research is entitled “An Assessment of Prospects and Challenges of Balanced Scorecard-Based Performance Management System: A case of Commercial Bank of Ethiopia (Addis Ababa area)”, which is conducted as a partial requirement for fulfilling Masters of general MBA at St. Mary’s University. Please note that all your response will be kept confidential; and hence do not write your name on the questionnaire. In answering the close-ended questions please put a ‘√’ mark in the box of your choice; and for open-ended questions write your response in brief on the space provided.

I. Background Information

1. Gender

Male

Female

2. Educational Qualification

Diploma

Degree

Masters

High School Graduate

Technical School Graduate

3. Years of experience in CBE

Less than 1 year

1 year- 5 years

6 years-10 years

More than 10 years

4. In which district office / division of the bank you are currently working?

East Addis Ababa district

South Addis Ababa district

West Addis Ababa district

Head office

North Addis Ababa district

5. What is your current position in the Bank?

Job grade 7

Job grade 11

Job grade 9

Job grade 13

Job grade 10

more than job grade 13

II. Questions meant to address prospects and challenges of Balanced Score-card based (BSC) Performance management system

This section is classified into four themes; and each theme contains a set of (questions) items. Please reflect your level of agreement as follows: Strongly Agree (5); Agree (4); neither agree nor disagree (3); disagree (2); and strongly disagree (1).

Effectiveness level of BSC-based performance management system in CBE?						
S/N	Items	5	4	3	2	1
1	The BSC-based performance management has created role clarity among the employees in our branch/office.					
2	The BSC-based performance planning contributed to create similar/shared understanding about individual employee and our branch/office performance.					
3	There is better and timelier differentiation between good and poor performers					
4	My business process/work unit's goal is aligned with the strategic mission of the organization					
5	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
6	The discussion I had with my supervisor is focused on the contribution I made, the capability I have and on my continuous development					
7	BSC-based performance management system is important for the success of me and the bank at large, thus it is good to have.					
Challenges in carrying out BSC- based performance management system in CBE						
S/N	Items	5	4	3	2	1
1	I have clear line of sight among my responsibilities ,accountability & goals					
2	I have frequently meeting with managers to discuss the progress towards the achievements of balanced scorecard					
3	Allocating appropriate resources for the building up and sustaining of the BSC implementation is good in CBE.					
4	BSC implementation improves achievement of Strategic Goals for my business unit					
5	Key performance indictors in CBE properly measures the bank's progress and performance of individual effort towards the achievements of the company strategy					
6	There is no fair job rotation among employees in my branch.					
7	The implementation of balanced scorecard improves the service delivery of the organization.					
8	What I am appraised job roles and I signed on the contract agreement are different.					

The perceptions of employees towards the BSC-based performance management system in the bank

S/N	Items	5	4	3	2	1
1	I am clear with my roles and responsibilities.					
2	There is the use similar rating mechanism and there is no discrepancy of rating among the branches/departments and individuals.					
3	The feedbacks and results of performance review, measurement and evaluation are properly communicated to our branch/office and me.					
4	The performance planning, review, appraisal, measurement and evaluation are done free of bias and objectively					
5	Individuals who conduct performance evaluation are competent enough to undertake their assignment					
6	I feel fairly treated in every process of performance management system.					

The objectivity of the process of performance management in CBE

S/N	Items	5	4	3	2	1
1	I know the strategic objective of the bank very well.					
2	The overall corporate plan is properly cascaded to core processes, branches and/or individuals					
3	I believe that individuals' plans are properly aligned to the corporate/organizational annual plan					
4	I am informed and reach on an agreement with my supervisor/ manager about the standards that will be used to evaluate my work.					
5	My performance is being regularly assessed based on the plan cascaded to me or the contact agreement I signed on.					
6	I have received feedback regularly about my performance from my supervisor / manager.					
8	The performance appraisal and review contributed to improve my and the bank's performance at large.					
9	In my opinion the result of the performance evaluation represents/matches my actual performance.					
10	After assessments have been done I always had a discussion meeting with my supervisor to review my performance.					
11	When my supervisor assesses my performance, it is always free from bias and based on recorded evidences.					
12	Reward and recognition programs are implemented based on the results of performance evaluation.					
13	The whole performance management process in the bank is trustworthy and right.					

Open-ended questions:

1. What are the major benefits gained in implementing BSC-based PMS in CBE?_____

2. What are the major challenges you faced as a result of the implementation of BSC-based PMS?

Thank you!!!

Appendix- 2 Interview Questions

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION
DEPARTMENT OF GENERAL MBA**

QUESTIONS FOR SELECTED EMPLOYEES OF CBE

The researcher is currently conducting research for the purpose of fulfilling requirements of **Master of general MBA at St Mary's university**. You are selected because of your role and closeness to the process of employee performance management system (EPMS) in the bank. The following questions will ask about *BSC-based EPMS implemented in commercial bank of Ethiopia*. Your responses will be kept confidential and used for academic purpose only.

1. What were the major objective/expected/ outputs set by CBE from Performance Management System?
2. Do you think offices and individual employees are clear with their performance targets, i.e. do you think they know the standard against which they are evaluated?
3. What do you do to ensure the planning, execution, assessment and review processes of Performance Management System at CBE?
4. To what extent the performance assessment, review and evaluation are conducted based on the plan using the BSC and cascaded plan?
5. What steps do you take to interlink the specific job performed by an individual with the strategic objective of the organization?
6. How do you describe or evaluate the effectiveness of CBE's EPMS?

Appendix-3: Reliability tests

Reliability test or pilot test

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	20	100.0
	Excluded ^a	0	.0
	Total	20	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.851	33

Reliability test for all cases

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	352	100.0
	Excluded ^a	0	.0
	Total	352	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.824	33